Annual Report 2005

OKMETIC

Take it higher

Information for Shareholders

Annual General Meeting

The shareholders of Okmetic Oyj are invited to the Annual General Meeting of Shareholders, which is to be held on Tuesday 11 April 2006 at 2.00 p.m. in the auditorium of the Finnish Aviation Museum at Helsinki-Vantaa International Airport, Tietotie 3, Vantaa. Registration of participants and the circulation of voting tickets will begin at 1.00 p.m.

The Annual General Meeting will discuss the matters prescribed in article 13 of the Articles of Association.

The Board of Directors proposes that the Board be granted the authority to decide on the increasing of capital stock by no more than a total of 3,377,500 new shares. 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 16,145,238.65 euro of losses accumulated by the company by the end of the fiscal year, be covered by the premium fund.

Okmetic Oyj's largest shareholders Outokumpu Oyj, Finnish National Fund for Research and Development Sitra and Oraset Oy who together hold 46.7 percent of the votes in the company, have informed the company that they will propose to the Annual General Meeting that the Board of Directors should have five members, and that the existing members of the Board of Directors be re-elected.

Authorised Public Accountants PricewaterhouseCoopers Oy is proposed to be elected as auditor for the company until the close of the following Annual General Meeting, with Markku Marjomaa, APA, as the principal auditor.

All shareholders, who have by no later than 31 March 2006 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 4 April 2006 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 shareholders@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.

Payment of dividends

The Board of Directors has decided to propose tho the Annual General Meeting that no dividends shall be paid for the year 2005.

The official notice of the Annual General Meeting will be published on Wednesday 22 March 2006 in the daily newspaper Helsingin Sanomat.

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. Detailed information on Okmetic's shares is given on pages 43 - 46.

Financial data

Okmetic's financial reviews are published in Finnish and in English. They can be ordered from Okmetic Oyj, Communications, P.O.Box 44, FI-01301 Vantaa, Finland, by telephone +358 9 502 800 or fax +358 9 5028 0500, or via email at communications@okmetic.com.

Okmetic's financial reviews 2006:

Tuesday 7 March
Financial Statements for 2005

Week 12
Financial Statements for 2005
(Annual Report)

Okmetic will also publish its Annual Report on the internet. The printed version of the company's Annual Report for 2005 will be posted to all registered shareholders on week 13.

Thursday 4 May
Interim Report January - March

Wednesday 9 August
Interim Report April - June

Thursday 2 November
Interim Report July - September

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THE MOST ESSENTIAL INVESTOR INFORMATION IS GATHERED UNDER THE SECTION 'INVESTOR INFORMATION' ON THE OKMETIC WEBSITE (WWW.OKMETIC.COM). 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 in Brief

Okmetic – take it higher
Okmetic is a technology company which manufactures and processes high-quality silicon wafers for the sensor and semiconductor industries worldwide. Okmetic's products are based on innovative product development, an extremely efficient production process and a strong partnership network. The company is quoted in the Helsinki Stock Exchange under the code OKM1V.

Our mission
Okmetic's silicon wafers are part of a further processing chain, which produces end products that improve human interaction and quality of life. The applications in which our silicon wafers are used include welfare and environmental technology, safety, transportation and communications. We produce solutions that enhance our customers' competitiveness and profitability.

Our vision
Okmetic is a highly successful technological enterprise. Okmetic's personnel are multitalented and motivated professionals. Our expertise in research and development is of the highest quality by industry standards. We offer our customers value-added products and services.

Our values
Customer orientation is the foremost principle behind the successful operations of Okmetic. We are the best partner for our clients. Our multidisciplinary top-level expertise and our extensive partnership network allow us to continuously improve our products and operations. Profitability is a prerequisite for the growth and development of our operations.

Our strategy
The core of Okmetic's strategy is to produce solutions for the technological needs of its chosen customer segments. The company focuses on manufacturing the products in which it has the most expertise – silicon wafers of 100-200 mm in diameter.

The Group targets its silicon wafer sales at selected sensor and semiconductor customers. Okmetic is the leading manufacturer of sensor wafers. Crystal growth, which forms a part of the company's core expertise, is concentrated at the Vantaa plant, and the EPI processing of the wafers takes place at the Allen plant in the United States. Some of the wafers are produced through subcontracting in the Far East.

	2005	2004	2003
Net sales, million euro	49.8	55.4	50.1
Average number of personnel	359	446	477
Net sales/person, 1,000 euro	139	122	105

Year in Brief

Stock Exchange Releases 2005

February

Okmetic's silicon carbide technology enters industrialisation. In addition to previous investments, a total of over 20 million euro more will be allocated for the new Swedish limited company Norstel, founded for the industrialisation. Okmetic's share of Norstel AB amounts to just under 20 percent.

The project involves the MBO of the subsidiary. The key personnel of Okmetic AB will move to the new company as existing employees. *(Stock Exchange Release 15 February 2005)*

The year 2004 was a year of successful structural change. Net sales increased by 10.5 percent in comparison with the previous year and amounted to 55.4 million euro. The Group's operating loss amounted to -31.4 million euro. The operating loss was affected by write-offs and other costs resulting from the implementation of the structural change, a total of 29,2 million euro. The financing situation of the Group was stable and liquidity remained good. *(Stock Exchange Release 15 February 2005)*

Invitation to the Annual General Meeting of Shareholders of Okmetic in 24 March 2005, and proposal for the composition of Board of Directors. *(Stock Exchange Release 15 February 2005)*

March

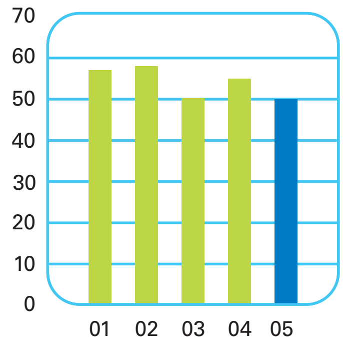
Okmetic's printed Annual Report for 2004 has been published and mailed to the company's registered shareholders.
(Stock Exchange Announcement 11 March 2005)

In his review given at the Annual General Meeting of Shareholders, President Antti Rasilo estimated that net sales for the first quarter will fall short of the last quarter of the previous year by approximately 10 percent due to an economic low of the silicon wafer market. As a result of the structural change, the operating result of the company will improve significantly. The focus of operations is on customers and sales.

The core areas of Okmetic's strategy comprise the specialisation in the chosen customer technologies, the development of new further processed products, production based on own areas of core expertise and subcontracting, the extension of the partnership network and the development of the operating model.

The following persons were re-elected as members of the Board of Directors until the end of the next Annual General Meeting: Mikko

NET SALES, MILLION EURO



J. Aro, Heikki Huomo, Director, Corporate Strategy Organisation of Nokia, Esa Lager, Chief Financial Officer, Outokumpu Oyj, Pekka Paasikivi, Chairman of the Board of Directors of Oras Oy, Pekka Salmi, Sector Director of Sitra, the Finnish National Fund for Research and Development. Karri Kaitue, Deputy CEO of Outokumpu Oyj was elected as a new member to the Board of Directors.

PricewaterhouseCoopers Oy, Authorised Public Accountants, were the appointed auditors with Markku Marjomaa, Authorised Public Accountant, as the principal auditor.
(Stock Exchange Releases 24 March 2005)

May

As of 1 January 2005, Okmetic Oyj has applied IFRS standards (International Financial Reporting Standards) in its Group reporting. *(Stock Exchange Release 3 May 2005)*

Net sales in the first quarter amounted to 12.4 million euro. The order book of the Group remains at the normal level. The result has developed positively and according to plan.
(Interim Report 10 May 2005)

August

Net sales in the first half of the year amounted to 24.3 million euro. The positive development of the result slowed down. The operating loss amounted to -1.6 million euro.

The company will initiate personnel negotiations regarding short-term layoffs in order to adjust the workforce to the market situation. *(Interim Report 9 August 2005)*

Okmetic decided to implement partial layoffs amongst its employees for a period of two weeks in September and possibly for a period of one week around Christmas and New Year.

The number of people employed by Okmetic in Finland was 340 at the end of July. The present layoffs affect 230 people. The number of personnel in the entire Group was 386 at the end of July.
(Stock Exchange Release 16 August 2005)

September

Okmetic's order book has strengthened during the first half of September. The company cancels the one-week shutdown that was planned to take place in the Finnish plant between Christmas and New Year. *(Stock Exchange Release 23 September 2005)*

November

Okmetic's net sales amounted to 35.8 million euro. The operating result developed positively.

Heikki Huomo resigns from the Board of Directors as of 9 November due to his change of employment. There are as yet no plans to complement the Board with a new member.

A new subsidiary being founded in Japan will begin operation at the turn of the year.
(Interim Report 8 November 2005)

December

Okmetic's financial information in 2006.
(Stock Exchange Announcement 16 December 2005)

01/05 **JANUARY >>**
Okmetic adopts the international financial reporting standards as of 1 January 2005.

02/05 **FEBRUARY >>**
Silicon carbide technology enters industrialisation.

03/05 **MARCH >>**
Senior Vice President, Research Markku Tilli is the first Okmetician in the history of the company to reach 20 years of employment.
>> Annual General Meeting of Shareholders in the Finnish Aviation Museum 24 March 2005.

04/05 **APRIL >>**
Semicon Europe Exhibition 12 - 14 April 2005.

05/05 **MAY >>**
Okmetic's 20th anniversary.

08/05 **AUGUST >>**
Personnel negotiations and a decision of partial layoffs in September 2005.
>> Lauch of a red phosphorus-doped product.

09/05 **SEPTEMBER >>**
One-week shutdown planned to take place between Christmas and New Year cancelled.

10/05 **OCTOBER >>**
'MEMS now and in the near future' seminar in cooperation with the University of Nagoya in Nagoya 5 October 2005.

11/05 **NOVEMBER >>**
Heikki Huomo resigns from the Board of Directors of Okmetic. The Board is not complemented with a new member.
>> Announcement of the founding of a new subsidiary starting operation in Japan at the turn of the year.
>> 12 Okmeticians rewarded for 15 years of service.
>> 22 Okmeticians rewarded for 10 years of service.
>> ELMO Results Promotion 8 November 2005.
>> Micromachine Exhibition in Tokyo 9 - 11 November 2005.

01/06 **2006 >>**
Launch of a product for shielding and encapsulating micromechanical sensors.

From the President

Okmetic finds a positive note

Okmetic performed well under the challenging conditions of the year. Despite improving the efficiency of our operations, our financial performance is still not up to scratch. Our objective is to make Okmetic a profitable enterprise. This means that we have to continue to meet targets.

Despite the exceptional depression that prevailed in the sensor market, we managed to increase our sales to sensor customers in accordance with our long-term targets.

The poor economic situation lowered the demand for small semiconductor wafers and resulted in a decrease of around ten percent in the company's net sales. Nevertheless, we managed to clearly increase our operating profit from last year. During the last quarter of the year, the demand for wafers recovered and helped us to reach an important waypoint – a profitable quarterly result.

Okmetic's objective is to strengthen its position as the leading supplier of sensor wafers

Research and development cooperation with customers

Systematic development efforts have enabled us to engage in even closer co-operation with our long-term customers during the year. We also gained major new customers.

We launched two new products in 2005: red phosphorus wafer and arsenic crystal. Both new products are already in industrial production. We are also currently working on designs for multiple new sensor wafers in cooperation with our customers. The further development of SOI technology, which factors in sensor wafers, is one of our key projects.

We developed the production process at the Vantaa plant, which led to increased yields and better capital turnover. Our subsidiary in Texas, which is responsible for the further processing of silicon wafers, also modernised its operations and improved its financial performance during the year. The subsidiary is now close to meeting the expectations that were set for it.

Sensor wafers to gain a stronger position in the future

Okmetic's objective is to strengthen its position as the leading supplier of sensor wafers. The sensor wafer market will grow significantly in the future and the use of sensor applications will become increasingly common not only in the automotive industry but also in the pharmaceutical industry and portable devices. The use of sensors in consumer electronics will also multiply in the next few years. In addition to new products,

Our recently launched products helped to accelerate the sale of semiconductor wafers towards the end of the year we will also be developing completely new service concepts for customers in this field.

Semiconductor wafers represent Okmetic's other important business segment. Our recently launched products helped to accelerate the sale of semiconductor wafers towards the end of the year. We aim to serve our key customers even better than before. Increasing the average size of shipments is one of our goals. These measures will help us to control the rapidly changing global cycles characteristic of the semiconductor industry.

The increase in demand, which began during the last quarter of the year under review, will continue at least for the first half of 2006. Our net sales will increase significantly. Thanks to better internal efficiency, our profitability is also improving. Although the increased demand for our principal raw material, polycrystalline silicon, raises prices and costs, we at Okmetic believe that our financial performance in 2006 will be significantly better than in the previous year.

Our achievements in 2005 and projections into the future set a positive note for the operations of the entire company. The conditions for Okmetic's success are almost in place, and all our personnel continue to strive towards good financial performance.

I would like to thank Okmetic's customers for their eagerness to continue our broad cooperation. I would also like to thank our shareholders for their faith in the development efforts of the company. Finally, I would like to extend a special thank you to Okmetic personnel for their exemplary dedication to producing results.

Vantaa, 7 March 2006

Antti Rasilo
President

Market Review

Wafer supplier for the sensor and semiconductor industries

Okmetic produces silicon wafers for the needs of the sensor and semiconductor industries and it is the leading sensor silicon manufacturer in the world. Product segments were revised at the beginning of the year 2005. Export and foreign operations' share of net sales amounted to 96 percent.

Sensors in new generation products

The applications of the sensor industry are almost innumerable, ranging from car handling systems to the control systems of various kinds of moving machinery, from sports and leisure equipment to pharmaceutical measuring instruments, from patient monitoring to intelligent textiles.

Okmetic has been supplying silicon material to MEMS sensor manufacturers for two decades already. In the development of new sensor generations we have invested heavily in the manufacture of SOI (Silicon On Insulator) wafers. We have managed to race ahead of other sensor wafer suppliers thanks to our internal product development. Okmetic has, for example, developed an optimised wafer for casing and protecting sensor structures.

The growth projections of wafers designed for sensor applications are good and Okmetic's goal is to strengthen its position as a market leader in sensor silicon supply.

Good market projections for semiconductors

Crystal growth, which is one of Okmetic's core areas of expertise, has helped the company to achieve its current significant position as a supplier of wafers for the manufacture of power semiconductors and other discrete components. These product segments use demanding special wafers with good conductivity properties.

The wafers traditionally used in the manufacture of discrete components are arsenic and antimony doped. In 2005, Okmetic launched a new contender, a product doped with red phosphorus, which will become increasingly prominent in the market over the next few years.

The market projections for advanced special products designed for the power regulation of electronic equipment are

SALES PER MARKET AREA 2005, %

- NORTH AMERICA 46%
- EUROPE 37%
- ASIA 17%

SALES PER CUSTOMER GROUP 2005, %

- SENSOR CUSTOMERS 41%
- SEMICONDUCTOR CUSTOMERS 59%

promising and the segment is expected to grow significantly in the next few years.

Okmetic has supplied silicon wafers for the manufacture of integrated circuits since the company was founded. Our strength in this segment is the ability to optimise the properties of the wafers to fit whatever circuit manufacturing process is involved. This necessitates close cooperation with our customers. Our customers include enterprises manufacturing linear circuits and logic circuits, among others. Market projections for the near future are stable for these products.

End products promote wellbeing and safety

Semiconductors and sensors made with Okmetic's products are used in many applications. Components for power regulation and energy savings, for example, as well as integrated circuits, are found in almost all electronic systems. The most rapidly growing applications are portable electronic devices, computers and consumer electronics. In terms of consumer electronics, growing applications comprise cameras in particular, but also digital televisions and other modern domestic appliances.

Accelerometers and angular rate sensors are used in the automotive industry to deploy air bags and to regulate driving stability, for example. Pressure sensors are also used in many applications. One of the most rapidly growing applications of pressure sensors is tyre pressure monitoring. Our wafers are also used in the most advanced medical applications such as pace makers, dosing systems and extremely thin measuring heads in electron microscopy.

Markets only recovered in late autumn 2005

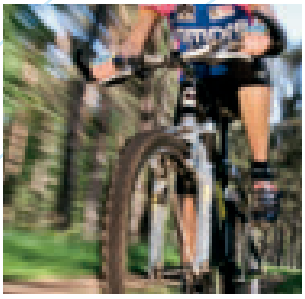
The year 2005 was marked by slow growth in the electronics industry. The increase of sales was burdened by the balancing of stocks of semiconductor products which began at the end of the previous year. The market situation only improved noticeably in the autumn and sales volumes for the year fell short of the levels of the previous year both in terms of the sensor industry and the discrete semiconductor industry. The demand for wafers usually follows developments in customer industries. In 2005, the market situation was especially challenging during the second and third quarters.

Accelerometers and angular rate sensors are used in the automotive industry to deploy air bags and to regulate driving stability, for example

The applications of the sensor industry are almost innumerable, ranging from car handling systems to the control systems of various kinds of moving machinery, from sports and leisure equipment to pharmaceutical measuring instruments, from patient monitoring to intelligent textiles

Year 2006 expected to be better than the previous

The growth of sensor component shipments is expected to return closer to the long-term average of 10 - 20 percent. Portable devices and consumer electronics are believed to accelerate the demand for semiconductors. The increase in the demand for wafers is expected to divide more evenly between all wafer sizes than it did in the previous year. The balance between demand and supply will improve the demand for Okmetic's wafer sizes.



FROM SAND TO ELECTRONIC COMPONENTS

Besides oxygen, silicon is the most common element in the earth's crust and a very multi-purpose material. Throughout its history, man has used silicon e.g. in the manufacture of tools and as flint for lighting a fire. Today silicon makes nearly all of the world's electronics go round, and there are no noteworthy alternatives in sight to challenge its dominance as the most important starting material of the semiconductor industry.

Crystal growth creates the base for wafer properties

The starting point of a silicon wafer is quartz sand, which is extracted from rock and refined from alien elements. In crystal growth, this very pure polycrystalline silicon is melted in a furnace together with possible dopants. Then a cylindrical single crystal is grown by dipping a seed crystal into the melt and then lifting it upwards slowly.

Crystal growth is one of the most critical stages in the manufacture of silicon wafers and a very complex process, because it determines many of the completed wafer's central properties from diameter to resistivity. When finished, the crystal rod is approximately two meters long. The growth process takes 1 - 2 days.

Crystal is cut and sliced into wafers

After the crystal is grown and cooled, its top and tail are cut off. Physical and chemical properties vary between different parts of the crystal rod, so only the part corresponding to analysed customer specifications is chosen for further processing.

The chosen part is cut and ground to sought-after diameter. Then the rod is sliced into thin wafers according to the precise customer-specified properties. Typically the wafers are 0.5 - 1.0 millimetres thick at this stage.

Wafer is rounded and lapped ...

After sawing the wafer is treated in various mechanical and chemical processes to increase its mechanical strength and to ensure its uniform thickness and a flawless surface. The surface of a silicon wafer must be extremely even and flawless so that the customer can make sensors and semiconductors on the wafer. The thickness of a wafer can vary by no more than 0.001 millimetres on average.

At first the edge of a sawed wafer is rounded and shaped in the edge-rounding process to meet the needs of each customer. The edge profile always depends on the intended use. After edge-rounding the wafer is lapped, which means that it is ground in a chemical-mechanical process to arrive at as uniform thickness and even surface as possible.

...etched and polished ...

Wafers are etched in acidic or caustic solutions in order to remove possible damage or surface faults produced during mechanical processing. Then the wafer is polished to arrive at a mirror-like, flat surface. Depending on the intended use, the wafer is polished on either one or both sides. Polishing is carried out mechanically by using different kinds of cloths and chemicals.

...and after finishing dispatched to the customer

Before dispatching to the customer, the wafers are measured, cleaned and inspected. Since purity is the most important feature of a silicon wafer, all the finishing takes place in clean room facilities. The air in the clean room is a million times cleaner than the air in offices or living areas. Protective clothing, which is washed daily, is used when working in the facilities.

After cleaning, sorting and inspection, the wafers are packed in cassettes filled with shielding gas and sent either directly to the customer or to further processing. In epitaxial further processing, for example, a thin layer of silicon of different electrical properties is grown on the surface of the substrate wafer.

Research and Development

Research and development bring permanent added value to customers

Research and development help us to ensure the continious development, technical performance and cost-effectiveness of Okmetic's products. The objective is to provide our customers with solutions that improve their competitiveness and profitability. We continuously develop and introduce new products to the market, without forgetting the competitiveness of current products and manufacturing processes. In 2005, we invested 2.9 percent of our net sales in the product development of silicon wafers.

We offer our customers the materials and products that are best suited to their technologies

We offer our customers the materials and products that are best suited to their technologies. The solutions that our research and development produce help our customers to develop new products with high levels of performance and cost-effectiveness. A growing proportion of our development activities involves close cooperation with the customer.

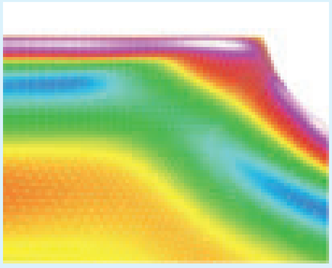
In 2005, Okmetic participated in applied research projects organised by the Technical Research Centre of Finland and the University of Technology, supported by the National Technology Agency of Finland. The projects focused on the development of sensor technology relating to SOI wafers, among others. The crystal growth modelling project that we carried out in cooperation with the Finnish IT Centre for Science (CSC) concentrated on increased accuracy in calculating interfacial phenomena. The Mephisto project supported by the European Union successfully allowed us to improve the properties of SOI wafers significantly.

During the year, we developed new products in the spheres of both sensors and special semiconductors. In relation to sensors, we developed a new product for shielding and casing microsensors. For special semiconductors we brought out a new heavily doped and increasingly conductive phosphorus-doped product.

FROM SAND TO ELECTRONIC COMPONENTS

Okmetic has been involved in crystal growth modelling since 1985 when a close partnership was launched with the Finnish IT Centre for Science. During the year under review, we focused on studying interfacial phenomena.

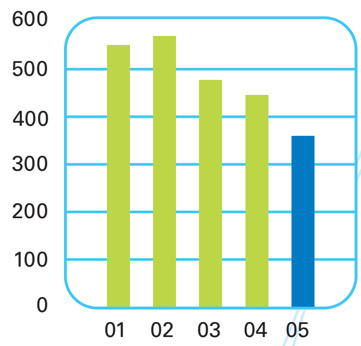
Computer modelling helps to reduce expensive testing activities. Modelling of melted silicon in particular generates valuable information on the process. As calculations have become increasingly accurate we can now model the behaviour of melted silicon on a microscopic scale. By controlling the flow of melted silicon we can develop the properties of the crystals to better meet the needs of customers.



Computer modelling provides valuable information on the microscopic and macroscopic phenomena that take place in connection with crystal growth. The image shows details of the flow field that is created underneath the crystal and near the edges of the crystal.

Personnel and Expertise

AVERAGE NUMBER OF PERSONNEL



Skilled and motivated personnel as a strength

Okmetic operates on three continents. Silicon wafers are manufactured at the Vantaa plant in Finland. The further processing and US sales of the wafers are coordinated by a subsidiary located in Texas, United States. In addition, a subsidiary was founded in Tokyo, Japan at the beginning of 2006 to act as a sales office serving the Asian market.

At the end of 2005 the Okmetic Group employed 338 people of whom 294 worked in Finland and 44 in the United States. The number of personnel was reduced by 80 in comparison with the previous year. The reasons behind the reduction were the major structural change that was implemented in 2004, the amalgamation of the Finnish plants and the transfer of the personnel of Okmetic AB to Norstel AB.

The first ever Okmetic employee was rewarded for 20 years of loyal service, 12 employees were rewarded for 15 years of service and 22 people were rewarded for 10 years of loyal service at Okmetic.

The average age of personnel is 41 years and the average length of service is eight years. Thirty-one percent of personnel are women and 69 percent are men. All personnel groups are covered by an incentive scheme and all salaries are based on the level of difficulty of the role.

Expertise and occupational welfare subject to systematic development

Okmetic's objective is to generate added value for its customers through the top-level expertise of its personnel. We systematically develop the expertise of all personnel as well as operating procedures and occupational wellbeing. The needs for personnel training are monitored in development discussions. The demand for silicon wafers fluctuated strongly during the year, and in early autumn the company adjusted the number of personnel to correspond to the demand through implementing temporary lay-offs and flexible working hour arrangements. The study on the working atmosphere, which was carried out to-

QUALIFICATIONS OF GROUP CLERICAL WORKERS 2005, %

	2001	2002	2003	2004	2005
Okmetic Group	538	553	434	418	338
Okmetic Oyj	498	514	395	377	294
Okmetic Inc.	40	39	39	41	44

Number of personnel employed in Finland and the United States at the end of the year.

wards the end of the year, indicated that the working atmosphere has remained at the level of the previous year.

Occupational wellbeing at Okmetic is monitored in cooperation with professionals from the occupational health-care sector. The effects of the development on occupational health and safety have been measured through participation in a working environment challenge organised by the Technology Industries of Finland since 2002. Since then, the health and safety index of the Vantaa plant has increased from 84 percent to 97 percent.

We systematically develop the expertise of all personnel as well as operating procedures and occupational wellbeing

Equality issues in good shape

An equality plan was produced for Okmetic in 2005. According to the equality study that was conducted as one component of the plan, remuneration between men and women is very equal. Training provided by the company is also equally available to both sexes.

OKMETIC EVENTS

Senior Vice President, Research Markku Tilli celebrated his 20th anniversary at Okmetic in 2005. Tilli has been a central force in Okmetic's development from a R&D project into a public limited company.

Planner Päivi Pusa received a medal of Central Chamber of Commerce as a thanks for her 10 year long service.

Okmetic promotes the recreational exercise interests of its personnel. Okmetic's team was 18th with a time of 4:45:13 at the Sulkava rowing event held in summer 2005.

OKMETIC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR OKMETIC OYJ IN 2005

Contents

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

The graphs and tables present figures from the financial years of 2004-2005 in accordance with IFRS and the figures from previous years are given in accordance with FAS.

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

The Board of Directors' Report 2005

Okmetic's vision is to be a successful technology company whose products and services bring added value to customers and improve their competitiveness. The micromechanical sensors and special semiconductors made on Okmetic's silicon wafers are used in information technology, telecommunications, automotive electronics, medical electronics and domestic electrical appliances.

Okmetic specialises in the manufacture of wafers with a diameter of 100 - 200 mm. Typical components built on Okmetic's wafers are automotive accelerometers and pressure sensors as well as power semiconductors and integrated analogue and MOS logic circuits. There are also larger wafers of 300 mm in diameter on the market, which are used in the memory and processor circuits of portable devices and computers, for example. The growth in the market has recently focused on these larger wafer sizes. In addition to silicon wafers, Okmetic has also sold silicon crystals grown by the company.

Okmetic's share of the global silicon wafer market is just over one percent. In terms of net sales, the Group is amongst the ten largest silicon wafer suppliers. Okmetic is the market leader in supplying sensor wafers.

Markets recovered towards the end of the year

The demand for sensors has traditionally grown at a steady pace of 10 - 20 percent per year. In 2005, however, demand declined. Within Okmetic's customer industries, the decline was particularly evident in relation to inertia sensors that are used in airbags and electronic stability programmes in cars.

Sales development in the semiconductor industry was slowed down at the beginning of the year by the balancing of stocks that began at the end of the previous year. As a result, the increase in semiconductor sales only materialised in the autumn. Sales for the entire year grew by seven percent in comparison with the previous year. Within Okmetic's customer industries, modest growth could be seen in relation to digital logic products whereas the markets for analogue circuits and discrete components declined on an annual level (WSTS, SIA, IC Insights).

Demand for wafers increased in the autumn

Shipments in the silicon wafer industry increased by six percent during the year (SEMI). In 2005, growth was exceptionally prominent in relation to the largest wafer sizes. Demand for the wafer sizes that are important to Okmetic fell short of last year's levels during the first three quarters. During the last quarter, demand for all wafer sizes recovered. Prices, nevertheless, remained low throughout the year (WSTS, SIA).

Adoption of the IFRS standards

Okmetic Oyj adopted the use of the International Financial Reporting Standards (IFRS) in its Group reporting as of the beginning of 2005. Previously, the financial statements of the Okmetic Group were prepared in accordance with the Finnish Accounting Standards (FAS).

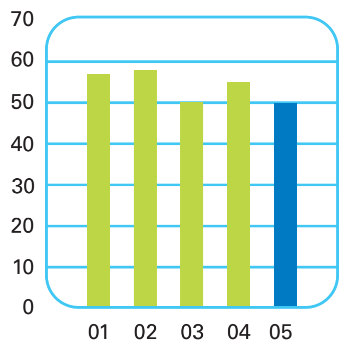
The consolidated financial statements of Okmetic have been prepared in accordance with International Financial Reporting Standards (IFRS). The information in this report has been prepared in accordance with IFRS standards in force at the time of drafting. The transitional standard IFRS 1 has been applied to the transition. Of the exemptions permitted by the transitional standard, the exemptions applicable to business combinations and accumulated translation differences have been applied.

The transition to IFRS has had an impact on the previously reported financial statement figures as well as on accounting policies. The main changes in the figures of the Okmetic Group are due to impairment testing, as required by IFRS, the accounting for lease agreements as finance leases, measuring inventories and accounting for derivatives at fair value.

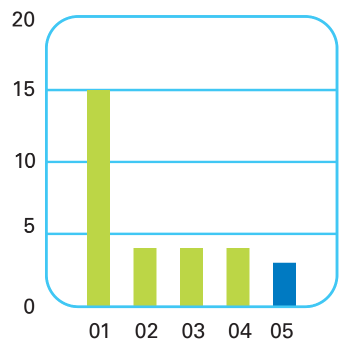
Profitability is on the up

In 2004, the Group implemented a structural change to achieve long-term profitability. The reorganisation was complete at the beginning of 2005. The measures led to significant improvements in productivity and cost savings.

NET SALES, MILLION EURO



NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES, MILLION EURO



According to the prevailing view within the industry, demand for the 100 - 200 mm wafers decreased in 2005 in comparison with the previous year. Due to low demand in the semiconductor sector, the net sales of the Okmetic Group fell by 8.6 percent from the level of the previous year (2004: 10.5% growth) and amounted to 49.8 million euro (2004: 54.5 million euro).

Sales per customer segment

	2005	(2004)
Sensors	41%	(34%)
Semiconductors	59%	(66%)

Despite the exceptional decline of the sensor wafer market during the first half of the year, sales to sensor customers increased according to plan. In addition to wafer sales, advantage was taken of excess crystal growth capacity and silicon crystals were grown for sale. The share of crystal sales amounted to around nine percent of all net sales (2004: 4%).

Net sales per market area

	2005	(2004)
North America	46%	(46%)
Europe	37%	(43%)
Far East	17%	(11%)

The Far East share of net sales increased. The share of European sales decreased.

Profit for the Okmetic Group in the financial year was 0.1 million euro (2004: -9.3 million euro). The Group's continuing operations generated a loss of -1.7 million euro (2004: -8.4 million euro). Earnings per share from continuing operations were negative by 0.10 euro (2004: -0.50 euro).

The Group's financial situation is stable. The net cash flow from operations amounted to 3.1 million euro (2004: 3.7 million euro). The cash flow was burdened by the costs of the structural change that were recorded as liabilities at the end of 2004 and paid during the first quarter and the exceptionally large payments of accrued expenses and prepaid income. Substantial purchases of the principal raw material of silicon wafers in the autumn also weakened the net cash flow from operations.

At the end of the year, cash and cash equivalents amounted to 4.5 million euro (2004: 5.5 million euro). The Group's equity ratio strengthened and amounted to 41.1 percent (2004: 36.9%). Shareholders' equity per share was 2.01 euro (2004: 1.94 euro).

The 3.0 million euro gross investments of the Group include a 2.3 million euro investment in Norstel AB. Other investments are conventional replacement investments. The Group has sold decommissioned machinery and equipment from the Espoo plant in particular. As a result, sales revenue worth 1.3 million euro was recognised in August. The company is looking to use the premises of the Espoo plant, which was closed down in connection with the structural change, for an alternative purpose. In the balance sheet, the parent company of the Group has valued the shares of its American subsidiary Okmetic Inc. at capital value at the end of the year. A write down of 14.2 million euro has been recorded for the parent company as a result.

Sales and production improved in efficiency

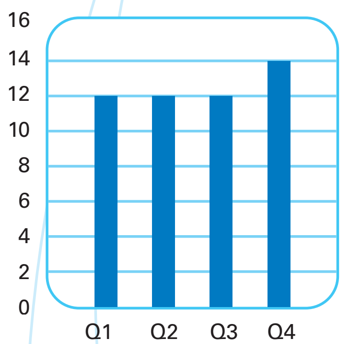
Okmetic's actual operating activities progressed as planned. The company invested in developing its customer service, and made new contacts especially amongst sensor customers and in the Japanese market. Production was developed heavily. The management systems of the Vantaa and Texas plants were revised and quality assurance was strengthened. The contract manufacturing of wafers in the Far East established itself as a part of the company's operations.

Product development brings added value to customers

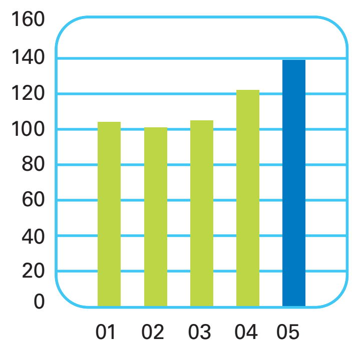
Product development accounted for 2.9 percent of Okmetic's net sales (2004: comparable 2.5%). Several new products and product versions were developed during the year. Of these, arsenic crystals and phosphorus-doped wafers were launched, and the first shipments to customers have already taken place. The development of new SOI versions continued in relation to sensor wafers. Yields were also improved through developing production machinery.

Previously, the Group allocated a significant portion of its product development efforts to silicon carbide technology. As this project has now been completed following the industrialisation of silicon carbide at the beginning of 2005, the overall expenses resulting from the product development activities of the Group have decreased significantly. A decision was made to industrialise the years of silicon carbide research carried out by Okmetic and the technology developed in the Swedish subsidiary of the Group through extensive investment efforts in February 2005. The new financiers and partners initially invested over 20 million euro in the project. Okmetic's share of the new Norstel AB amounts to just under 20 percent. The technology, which was developed at Okmetic AB operating in connection with the Uni-

QUARTERLY NET SALES 2005, MILLION EURO



NET SALES PER PERSON, 1,000 EURO



versity of Linköping, is unique and offers significant benefits in comparison with competing technologies. The rights of ownership and use of Okmetic's patented production technology were transferred to the new company. The City of Norrköping has committed to building an industrial facility in Sweden to house Norstel AB. The project also involved the MBO of the subsidiary. The key personnel of Okmetic AB were transferred to the new company as existing employees.

Skilled personnel as a strength

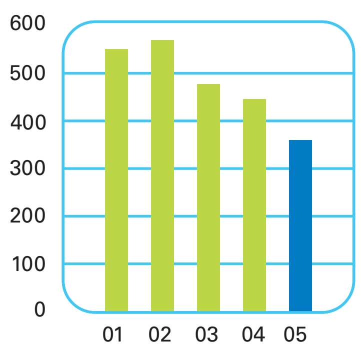
Okmetic's personnel are highly skilled and internationally competitive professionals. The spectrum of the skills that the personnel represent, the good internal negotiation culture of the company and modern recruitment procedures create more room for flexibility to allow for the rapidly changing demand.

At the end of the year, Okmetic employed 338 people (2004: 418). The reduction in the number of personnel was chiefly the result of the redundancies that were made during 2004 for 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. Another factor that greatly contributed to the reduction in the number of personnel was the movement of Okmetic AB personnel to outside the Group at the end of 2004.

Demand for silicon wafers varied significantly during the year. The number of employees was adjusted to the level of demand by taking advantage of the range of skill represented by Okmetic's personnel and by flexibly rearranging working hours. In addition to these measures, wafer manufature at the Vantaa plant was discontinued for a period of two weeks in September. The majority of personnel were temporarily laid off for the duration of the shutdown. The temporary lay-off did not affect the sales personnel, staff involved in some of the most important development projects of the Group and the personnel involved in crystal growth. The shutdowns did not affect the way in which customer orders were dealt with or delivered. Corresponding measures were also implemented at the Allen plant in Texas. Okmetic's employment situation improved rapidly towards the end of the year and the company resorted to recruiting temporary staff for the Vantaa plant. A study was conducted on working atmosphere in December 2005. The results indicate that the working atmosphere has remained at the level of the study conducted a year previously.

At the end of the year, 294 of the Group's employees worked in Finland and 44 in the United States. Thirty-one percent of the personnel were women and 69 were men. The proportion of clerical workers was 35 percent and 65 percent of personnel were manual workers. The average age of the personnel was 41 years and the average length of employment was eight years.

AVERAGE NUMBER OF PERSONNEL



Okmetic systematically develops the expertise of its entire personnel as well as operating procedures and occupational well-being. On average, each employee received four days of training. During the first half of the year, all personnel participated in a training course dealing with a profit-oriented approach and productivity. Clerical workers also received training on information security and the revised performance appraisal interview model, for example. The pull system was introduced in production and extensive training was given on the matter.

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. The collective labour agreements of the Technology Industries of Finland are applied in the Group's parent company. The collective labour agreement does not apply to the company management.

The development of health and safety at work has been measured through participation in a working environment challenge organised by the Technology Industries of Finland since 2002. According to the health and safety inspections carried out in connection with the competition, the health and safety index of the Vantaa plant has increased from 84 percent in 2002 to 97 percent in 2005.

An equality plan was produced for Okmetic in 2005. According to the equality study that was conducted as one component of the plan, remuneration between men and women is very equal. Training provided by the company is also equally available to both sexes.

Environmental sustainability is important

Environmental issues are taken into consideration at Okmetic's plants as early as the construction stage. DNV has awarded the company with the ISO9001:2000, TS16949 and ISO14001 quality and environmental certificates. In accordance with the environmental policy, the environmental effects of Okmetic's operations are studied, harmful effects are combated through continuous improvement, personnel are given training on how to implement the environmental policy and meet environmental objectives, and a transparent approach is adopted by discussing environmental issues with customers, authorities, shareholders, staff and other interested parties.

The environmental effects of Okmetic's operations originate from the manufacturing process of silicon crystals and wafers. The effects mainly relate to electricity and water consumption and waste. Concentrating all Finnish operations to the Vantaa plant in 2005 helped to reduce the consumption of electricity and water, and the plant has now applied for a new environmental permit. The application is being processed in the usual manner at the Uusimaa Regional Environment Centre.

Okmetic has assessed the WEEE and RoHS conformity of its operations, and found operations to be in conformance. The company is also aware of the need to fulfil the requirements put forward in the EU's REACH directive.

Business risks

The group's silicon wafer sales are targeted at the sensor and semiconductor industries. The demand for semiconductor wafers is sensitive to economic fluctuations and changes in the market situation can be fast and considerable. The demand for sensor wafers is more stable.

Okmetic is the market leader in terms of sensor wafers but its share of all wafer markets is small. Market prices, therefore, have a significant effect on the price development of Okmetic's products. The majority of sales are conducted in euro. The US dollar has great significance as a trading currency. Despite hedging activities, the company is vulnerable to exchange rate fluctuations.

According to the company's perception, the demand for polycrystalline silicon, the raw material of silicon wafers, will grow strongly in 2006. This will reduce its availability and increase its price. The company has increased its stock of polycrystalline silicon and aimed to secure access to the raw material through long-term purchase agreements.

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

Towards the end of the year under review, a significant American customer of Okmetic was forced to enter debt restructuring. The Group has prepared itself for entering a credit loss for the receivables of 0.4 million euro that are subject to the debt restructuring process in its financial statements. Business with the customer continues as agreed.

The Group's total liabilities amounted to 38.3 million euro at the end of the year (2004: 43.8 million euro). Unpaid subordinated loans amounted to 6.6 million euro at the end of the year. Capital and interest repayments of subordinated loans could not be made in the absence of distributable funds in the financial statements for 2004. Loans from financial institutions amounted to 31.4 million euro at the end of the year (2004: 36.3 million euro). Loan repayments made in accordance with the terms of the loans amounted to 5.2 million euro in 2005.

In 2006, the company will negotiate a renewal for a loan of around 20 million euro with its financiers as provided for in the terms of the loan. Interest rate fluctuations have an impact on the company's financial performance due to the significant extent of debt.

Share price development and trading

The trading of shares between 1 January and 31 December 2005 amounted to 5.9 million shares, which is 34.7 percent of the total amount of shares of 16.9 million. The lowest quotation of the year under review amounted to 1.65 euro and the highest amounted to 3.14 euro per share with the average being 2.09 euro. The closing share price for the year was 1.78 euro. The market value of the entire capital stock amounted to 30.1 million euro at the end of the year.

On 1 July 2005, Helsinki Stock Exchange adopted the Global Industry Classification Standard (GICS). Okmetic Oyj is now listed under the Information Technology sector.

Own shares

The company has not repurchased its own shares and the Board of Directors has not been authorised to repurchase or convey the company's own shares.

Authorisation of the Board of Directors regarding the increasing of capital stock

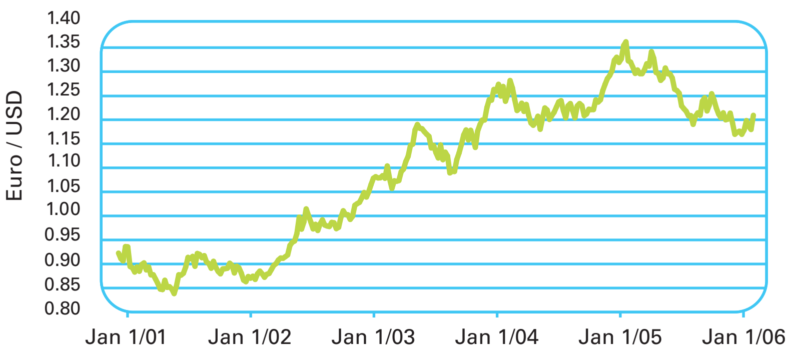
On 7 March 2006 the Board of Directors decided to propose at the Annual General Meeting to be held on 11 April 2006 that the Board of Directors be granted the authority from 11 April 2006 until the following Annual General Meeting, although for no longer than one year from the Annual General Meeting, to decide on the increasing of capital stock by new issue, granting rights of options or taking out convertible debenture loans in one or more tranches 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 provided that a viable economic reason for this exists.

The Annual General Meetings of 25 March 2004 and 24 March 2005 have given the Board of Directors a similar authorisation. To 7 March 2006, the Board of Directors has not used the authorisation.

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

US DOLLAR PRICE DEVELOPMENT



Share Register on 28 June 1999 so that the shareholders are entitled to subscribe for one bond valued at FIM 8,605.85 for every 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 was 1:8.60585 whereupon a maximum of 2,096 shares could 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 had not been 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 shares to 9,135,750 shares 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 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 and 8 April 2006 - 30 June 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.

Proposal of the Board of Directors for measures concerning the retained earnings

According to the financial statements of 31 December 2005 neither the parent company nor the Group have any distributable funds.

The Board of Directors proposes to the Annual General Meeting that no dividends are paid and that the loss of 13,651,032.88 euro for the financial year be recorded as retained losses.

Significant events after the end of the financial year

Anna-Riikka Vuorikari-Antikainen, Senior Vice President, Sensor Business Development, has been invited to become a member of the Executive Management Group on 1 March 2006.

In the future, Okmetic will aim to serve its customers and partners in the Far East more efficiently. As a result, a decision was made to found a Japanese subsidiary called Okmetic K.K., which began its operations in Tokyo in January 2006.

The Board of Directors has decided to propose to the Annual General Meeting to be held on 11 April that the losses accumulated by the end of the financial year - 16,145,238.65 euro - be covered by the premium fund.

Optimism in the market

The entire sensor industry is expected to return to a growth level of over ten percent during 2006. A significant portion of Okmetic's sensor wafers is used in the manufacture of pressure sensors and accelerometers. The markets for these types of sensors are expected to grow by just over ten percent this year as well.

Economic cycles lasting a few years are typical of the semiconductor industry. The year 2005 marked the beginning of a new market cycle. The latest growth estimates for 2006 are in the region of ten percent. The growth is expected to continue and strengthen gradually. A growth of well over ten percent is forecasted for 2007. (SIA, WSTS, Gartner, IC Insights, VLSI Research, Future Horizon, Semico Research)

The demand for silicon wafers grows along with sales in the customer industries. According to estimates within the industry, the total volume of wafer shipments will increase by around ten percent in 2006. The growth will also affect the 100 - 200 mm wafers that are important to Okmetic. The price level of wafers is expected to stabilise after the long decline. There are even indications of a slow recovery of the prices in the market, once the increase in the price of the raw material, silicon, begins to have its full impact on costs.

Okmetic's clientele began enjoying the positive economic development during the latter half of 2005. This also reflected on Okmetic in the last quarter. Okmetic's overall demand has remained strong during the first months of 2006 as well. The wafer prices are expected to stay mostly at their previous level, despite the increase in the price of the raw material. The company estimates that its net sales will increase by approximately 15 percent in the first half of the year, in comparison with the corresponding period in the previous year, and that the result for the first half will be clearly positive.

Company management

Members of the Board of Directors in 2005:

Mikko J. Aro, Chairman
Karri Kaitue, Vice Chairman since 24 March 2005
Juho Mäkinen, Vice Chairman until 24 March 2005
Heikki Huomo until 9 November 2005
Esa Lager
Pekka Paasikivi
Pekka Salmi

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

In addition to the President, the Executive Management Group of Okmetic Group comprises:

Timo Koljonen, Senior Vice President, Production
Jaakko Montonen, Senior Vice President, Development
Mikko Montonen, Senior Vice President, Sales and Marketing
Esko Sipilä, Senior Vice President, Finance
Markku Tilli, Senior Vice President, Research
Markus Virtanen, Senior Vice President, Human Resources
Anna-Riikka Vuorikari-Antikainen, Senior Vice President, Sensor Business Development since 1 March 2006

Authorised Public Accountants PricewaterhouseCoopers Oy, with Authorised Public Accountant Markku Marjomaa as the principle auditor, are responsible for auditing the company.

CONSOLIDATED INCOME STATEMENT

1,000 euro	notes	1 Jan - 31 Dec 2005	1 Jan - 31 Dec 2004
Continuing operations			
Net sales	(1)	**49,821.7**	54,524.3
Cost of sales	(6)	**-43,906.4**	-49,632.9
Gross profit		**5,915.3**	4,891.4
Other operating income	(3)	**1,552.3**	217.2
Distribution costs	(6)	**-2,232.5**	-2,557.9
Administrative expenses	(6)	**-3,691.5**	-4,368.8
Other operating expenses	(4)	**-963.8**	-3,916.9
Operating profit	(2)	**579.8**	-5,735.0
Finance costs	(9)	**-2,140.9**	-2,555.9
Profit before tax		**-1,561.1**	-8,290.9
Tax	(10)	**-142.7**	-102.7
Loss for the period from continuing operations		**-1,703.8**	-8,393.6
Profit for the period from discontinued operations	(5)	**1,763.8**	-913.4
Profit for the period		**60.0**	-9,307.0

Earnings per share attributable to the equity holders of the company

Continuing operations: Basic loss per share and diluted loss per share	(11)	**-0.10**	-0.50
Discontinued operations: Basic earnings per share and diluted earnings per share	(11)	**0.10**	-0.05
All operations: Basic earnings per share and diluted earnings per share		**0.00**	-0.55

CONSOLIDATED BALANCE SHEET

1,000 euro	notes	31 Dec 2005	31 Dec 2004
Assets			
Non-current assets			
Fixed assets	(12)	**58,628.6**	66,933.2
Available-for-sale financial assets	(13)	**2,213.9**	16.0
Other receivables	(16)	**346.9**	238.0
Total non-current assets		**61,189.4**	67,187.2
Current assets			
Inventories	(15)	**7,945.5**	7,063.8
Accounts receivable and other receivables	(16)	**9,192.3**	9,495.2
Cash and cash equivalents		**4,452.0**	5,515.0
Total current assets		**21,589.8**	22,074.0
Total assets		**82,779.2**	89,261.2

CONSOLIDATED BALANCE SHEET

1,000 euro	notes	31 Dec 2005	31 Dec 2004
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		**11,821.3**	11,821.3
Premium fund		**36,400.8**	71,266.2
Currency translation differences		**758.9**	-806.3
Revaluation reserve		**-340.3**	7.2
Retained losses		**-14,714.2**	-40,272.8
Profit/loss for the period		**60.0**	-9,307.0
Total shareholders' equity	(17)	**33,986.5**	32,708.6
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	(18)	**15,564.1**	22,699.7
Deferred taxes	(14)	**825.9**	681.9
Other liabilities	(20)	**0.0**	114.9
		16,390.0	23,496.4
Current liabilities			
Interest-bearing liabilities	(18)	**22,715.0**	21,060.3
Accounts payable and other liabilities	(20)	**4,281.7**	5,354.4
Accrued expenses and prepaid income	(21)	**5,406.0**	6,641.4
		32,402.7	33,056.1
Total liabilities		**48,792.7**	56,552.5
Total shareholders' equity and liabilities		**82,779.2**	89,261.2

CONSOLIDATED CASH FLOW STATEMENT

1,000 euro	notes	1 Jan - 31 Dec 2005	1 Jan - 31 Dec 2004
Cash flows from operating activities			
Loss before tax		**-1,561.1**	-9,204.3
Adjustments			
Depreciation and impairment	(6)	**8,610.4**	9,018.0
Proceeds from sale of fixed assets		**-1,265.8**	-71.1
Interest expense	(9)	**2,177.0**	2,152.8
Interest and dividends income	(9)	**-67.5**	-46.1
Other financial items		**131.8**	342.8
Fair value gains/losses on derivatives		**415.0**	251.8
Change in working capital			
Change in accounts receivable and other receivables		**233.0**	-488.9
Change in inventories		**-741.5**	1,622.4
Change in accounts payable and other liabilities		**-2,816.7**	2,122.1
Interest received		**68.6**	43.1
Dividends received		**1.1**	-
Interest paid		**-1,982.4**	-1,747.6
Other financial items		**-77.4**	-340.5
Net cash from operating activities		**3,124.6**	3,654.5
Cash flows from investing activities			
Investments in fixed assets	(12)	**-660.4**	-1,335.7
Sale of subsidiary after cash and cash equivalents at time of sale	(5)	**628.2**	-
Sale of fixed assets		**1,265.9**	165.2
Net cash used in investing activities		**1,233.7**	-1,170.5
Cash flows from financing activities			
Proceeds from long-term borrowings		**-**	3,000.0
Repayment of long-term liabilities		**-4,680.5**	-1,572.9
Repayment of finance leases		**-321.8**	-392.6
Repayment of short-term liabilities		**-500.0**	-3,000.0
Other financing cash flow		**19.6**	18.3
Net financing activities		**-5,482.6**	-1,947.2
Increase (+) / decrease (-) in cash and cash equivalents		**-1, 124.4**	536.8
Cash and cash equivalents at the beginning of the period		**5,515.0**	4,959.0
Effect of exchange rate fluctuations		**61.4**	19.2
Cash and cash equivalents at end of the period		**4,452.0**	5,515.0

Cash flow for the comparison year covers all operations; cash flow from discontinued operations is given in the notes to the financial statements - 5 Discontinued Operations and Disposals of Subsidiaries.

Repayment of short-term liabilities is shown at net value and comprises the withdrawal and repayment of a credit facility.

The Group's cash and cash equivalents comprise liquid assets and bank accounts.

STATEMENT OF CHANGES IN EQUITY

1,000 euro

	Share capital	Premium fund	Revaluation reserve	Currency translation differences	Retained earnings	Total shareholders equity
Shareholders' equity on 1 January 2004	**11,821.3**	**71,266.2**	**8.0**	**0.0**	**-40,272.9**	**42,822.5**
Available-for-sale financial assets						
Fair value gains/losses recognised directly in equity			1.7			1.7
Taxes on fair value gains/losses recognised directly in equity			-2.5			-2.5
Change in currency translation difference				-806.3		-806.3
Net income recognised directly in equity	0.0	0.0	-0.8	-806.3	0.0	-807.1
Profit/loss for the period					-9,307.0	-9,307.0
Retained earnings	0.0	0.0	-0.8	-806.3	-9,307.0	-10,114.1
Shareholders' equity on 31 December 2004	**11,821.3**	**71,266.2**	**7.2**	**-806.3**	**-49,579.9**	**32,708.6**
Available-for-sale financial assets						
Fair value gains/losses recognised directly in equity			-346.1			-346.1
Taxes on fair value gains/losses recognised directly in equity			-1.4			-1.4
Change in currency translation difference				1,565.2		1,565.2
Transfers from retained earnings		-34,865.4			34,865.4	0.0
Net income recognised directly in equity	0.0	-34,865.4	-347.5	1,565.2	34,865.4	1,217.8
Profit/loss for the period					60.0	60.0
Retained earnings	0.0	-34,865.4	-347.5	1,565.2	34,925.4	1,277.8
Shareholders' equity on 31 December 2005	**11,821.3**	**36,400.8**	**-340.3**	**758.9**	**-14,654.5**	**33,986.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General Information

Okmetic Oyj, the Parent Company of Okmetic Group, is a Finnish public limited company. The registered office is situated in Piitie 2, 01510 Vantaa, Finland. The company's shares have been quoted on the Helsinki Stock Exchange since 2000.

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

Copies of the Consolidated Financial Statements can be obtained via the Internet at www.okmetic.com or from the head office of the Group's Parent Company located at the address given above.

Accounting Principles of the Consolidated Financial Statements

Okmetic's Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards and with all IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2005. In Finnish accounting law and regulations issued on the basis of that law, international accounting standards shall refer to standards and their interpretations as approved for application by the European Union as per the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the financial statements are also in accordance with Finnish accounting law and business legislation.

The Group has applied IFRS to its financial statements since 1 January 2005 and the transition has been implemented in accordance with the IFRS 1 standard for first-time adoption. Okmetic's transition date to IFRS reporting was 1 January 2004. The differences resulting from the adoption of IFRS have been indicated in the reconciliations given as notes to the financial statements – 26 Adoption of IFRS Reporting. Comparative information from 2004 has been revised to be in conformance with IFRS principles.

The figures in the financial statements are given as thousand euro and they are based on the original acquisition costs with the exception of available-for-sale financial assets, financial assets or liabilities at fair value through profit or loss and derivatives.

Use of Estimates

In preparing its Consolidated Financial Statements in accordance with IFRS, the Group's management has to use estimates and assumptions that affect the figures presented in the balance sheet, and the earnings and expenditure accumulated during the financial year. Estimates have been used in determining,for example, the realisibility of assets, the useful lives of fixed assets and income taxes. Although the estimates are based on the latest available information, the eventual figures may differ from the estimates.

Accounting Principles of the Consolidated Financial Statements

Consolidation Principles

The Consolidated Financial Statements cover the Parent Company Okmetic Oyj and all companies in which Okmetic Oyj holds, directly or indirectly, over 50% of the votes associated with the shares or over which it otherwise has control. Subsidiaries acquired during the financial year will be included in the Consolidated Financial Statements from the moment the Group gains power and divested subsidiaries will be included until the moment the Group ceases to have control.

At the time of drafting the Consolidated Financial Statements, the Group comprises the following subsidiaries, which are fully owned by the Parent Company: Okmetic Inc., Okmetic Invest Oy, Kiinteistö Oy Piitalot and Okmetic AB (part of the Group until 31 December 2004).

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 inter-company receivables and liabilities are eliminated in the consolidation.

Inter-company ownership has been eliminated by means of the acquisition method. Subsidiaries acquired prior to 1 January 2004 have been consolidated in conformance with Finnish accounting norms as permitted by the exemption in IFRS 1. The elimination difference between the acquisition of the subsidiaries' shares and the shareholders' equities at the time when the subsidiary was acquired is 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 inter-company share ownership are entered under shareholders' equity.

Segment Reporting

The products and customers of the companies included in the Okmetic Group are congruent. For this reason, the primary segment reporting format of the Group is based on a single business segment: manufacturing, selling and marketing of silicon wafers to the sensor and semiconductor industries, and related research.

Secondary segment information is based on geographical areas, which are North America, Europe and the Far East. Reporting of segment sales are based on the location of the customer and reporting of segment assets on the location of the assets.

Pricing between the segments is based on a fair market price, after deduction of marketing and distribution expenses.

Items Denominated in Foreign Currency

Figures relating to the earnings and financial position of the units of the Group are measured in the currency that prevails in the principal operating area of each unit. The Consolidated Financial Statements are denominated in euro, which is the currency used by the Parent Company of the Group in its operations and reporting.

Business transactions denominated in foreign currency are valued at the rate current on the date of the transaction. At closing, the receivables and debts denominated in foreign currency are translated into euro 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 income statements of foreign subsidiaries whose functional and presentation currency is not euro are translated into euro at the average rate for the financial period and their balance sheets at the rate valid on the closing day. The rate differences that result from valuing items in the income statements at the average rate and items in the balance sheet at the closing rate are entered in the shareholders' equity of the Group. Rate differences in such loans given to foreign subsidiaries that can be equalled to equity investments are entered in the shareholders' equity of the Group similarly to the translation differences.

Translation differences accumulated prior to the IFRS transition date have been entered in retained earnings in shareholders' equity in accordance with the exemption permitted by IFRS 1 and will not be entered in the income statement at a later date should the subsidiary be sold. As of the transition date, translation differences resulting from rate changes affecting the shareholders' equity of subsidiaries are entered as individual items in the translation differences of the shareholders' equity of the Group when drafting the Consolidated Financial Statements. When a foreign subsidiary is sold, the accumulated translation difference is entered as part of the profit or loss in the income statement.

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.

Net Sales and Other Revenue Recognition

Revenue is recognised once all significant risks and benefits pertaining to the ownerships of the sold goods have been transferred to the buyer and the Group no longer has a business management role relating to the ownership or real control over the goods sold. Net sales are shown net of indirect taxes, discounts and rate differences of currency denominated sales.

Interest income is recorded at the effective interest rate and income from dividends when the right to dividends has matured.

Research and Development Costs

Research and development costs are recorded in full as expenses in the income statement for the financial year during which they have been incurred. The development costs of new products and processes have not been capitalised, as the economic benefit can only be established once the product is launched. Once the criteria put forward in the IAS 38 standard are fulfilled, the costs of the development process are recorded in the balance sheet as intangible assets.

Government Grants

Public subsidies granted for covering the costs of individual research and development projects have been offset against the costs that they were meant to cover. Subsidies granted for purchasing tangible assets are deducted from the value of the asset in question.

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, costs of business reorganisation as well as credit losses.

Taxes

The Group's taxes comprise the estimated taxes on the results of the Group companies for the financial period and adjustments of taxes for earlier periods as well as changes in deferred tax. The tax effects on items that are recorded directly as shareholder's equity are entered directly under shareholder's equity. Deferred tax income and liabilities are determined on the basis of all timing differences between the financial statements and taxation in accordance with the tax rates confirmed at the closing date of accounts. The most significant timing differences result from the depreciation difference in tangible assets, revaluation of derivatives and unused taxable losses. The balance sheet includes deferred tax liability in full and deferred tax asset as the amount of the estimated probable tax benefit. Deferred tax asset and liabilities have been netted company-specifically once the netting conditions put forward in the IFRS standard have been met.

Fixed Assets

Fixed assets are valued at the original acquisition cost less accumulated depreciation and impairment.

Should the asset comprise more than one part with different useful lives, each part is entered as a separate asset. In this case the costs of renewing a part of the asset are capitalised. Otherwise, costs incurred at a later date are only included in the carrying amount if it is likely that the economic benefit generated by the asset will flow to the Group and if the original acquisition cost of the asset can be determined reliably. Other adjustment and maintenance expenditure is entered as profit or loss once it has been incurred.

The depreciations are calculated by means of straight-line depreciations based on the estimated economic life of the assets. Depreciations are not calculated for land.
The estimated economic lives for the different assets are:
• Buildings 25 years
• Machinery and equipment 3 - 15 years

The salvage value and economic life of the assets are reviewed in connection with every financial statement and adjusted if necessary to represent the changes that have taken place in the expectations relating to financial benefit.

Depreciations of fixed assets are discontinued when the asset becomes classifiable as held for sale in accordance with the IFRS 5 standard. Profits and losses resulting from the decommissioning and divesting of assets are entered as other operating income or expenses.

Impairments

The balance sheet values of assets are monitored continuously for potential impairment. Should factors that indicate impairment be identified, the recoverable amount is determined. The recoverable amount is the net sale price or a value in use higher than the net sale price, which is calculated by discounting the cash flow that the asset can be expected to produce in the future. An impairment loss is recorded in the income statement if the carrying amount of the asset is higher than the amount of money that can be accumulated with it. The impairment loss is cancelled if conditions change and the amount of money that can be accumulated with the asset exceeds the carrying amount. The impairment loss will not be cancelled to an extent that would exceed the carrying amount of the asset without the impairment loss.

Inventories

Inventories are valued at original acquisition cost or a probable net realisable value lower than the acquisition cost. The original acquisition cost is determined on the basis of the FIFO principle. The acquisition costs of manufactured stocks include the cost of materials, direct labour expenses and other direct costs as well as a proportion of the current and fixed production overheads at a normal rate of operation. The net realisable value is the estimated sale price that could be obtained in normal business after the estimated costs of finishing the product and the estimated unavoidable costs of ensuring a sale.

Financial Instruments

Standards IAS 32 and IAS 39 on financial instruments have been applied since 1 January 2004. The Group's financial instruments are categorised in accordance with the standard into the following groups: financial assets and liabilities at fair value through profit or loss, available-for-sale financial asset, loans and receivables. The classification is based on the purpose of acquiring the financial instrument, and the instruments are classified at the time of acquisition. Items included in financial income and expenses are entered in the balance sheet if a Group company becomes a party to the contractual provisions of the instrument. Transaction costs are included in the original carrying amount of the financial instrument in case of items that are not valued at fair value as profit or loss. All purchases and sales of financial assets are recorded using settlement date accounting. Items included in financial assets are removed from the balance sheet when the Group's contractual right to the asset in question ceases. Financial liabilities are removed from the balance sheet once the obligation specified in the agreement has been fulfilled.

All derivative contracts have been drawn up for hedging purposes in accordance with the Group's policies but hedge accounting provided under IAS 39 is not applied. For this reason, the derivatives have been classified as held for trading purposes.

Derivative instruments are valued at fair value. The fair value is determined on the basis of the market prices of the contracts at closing of accounts. Gains or losses arising from changes in the fair value are recognised in the income statement for the financial year during which they arise. Changes in the fair value of derivatives are included, based on their nature, in the income statement under either other operating income and expenses or financial income and expenses.

Available-for-sale financial assets that can be sold comprise publicly listed shares and unlisted shares and they are valued at fair value. Fair values of publicly listed shares are determined on the basis of price quotations published within the market and fair values of unlisted shares are determined on the basis of equity accounting. Changes in the fair value of financial assets that can be sold are entered in the revaluation reserve under shareholders' equity and tax effects are taken into account. Changes in fair value are transferred from shareholders' equity to the income statement once the investment is sold or its value has decreased to a point where an impairment loss has to be recorded.

Loans and receivables including accounts receivable, other receivables and prepaid expenses and accrued income are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are valued at the periodised acquisition cost at the effective interest rate. If objective evidence exists that an impairment loss has occurred in connection with loans and other receivables entered in the balance sheet at the periodised acquisition cost, the amount of the loss is entered in losses.

The Group's cash and cash equivalents comprise liquid assets and bank accounts. The Group has no other items that constitute cash and cash equivalents.

Financial liabilities are entered in the balance sheet at fair value on the basis of the initial money transaction. Transaction fees are included in the original carrying amount of financial liabilities. At a later date, financial liabilities are valued at the periodised acquisition cost at the effective interest rate. Financial liabilities are included in long-term and short-term liabilities.

In the financial statements, convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds from issue of the convertible loan notes and the fair value assigned to the liability component is included in equity. The convertible bonds that are categorised as shareholders' equity are entered in the premium fund.

Lease Agreements

In accordance with IAS 17, lease agreements for tangible assets signed by the Okmetic Group as a lessee, in which substantially all the risks and rewards incidental to ownership are transferred to the Group, are classified as finance leases and recognised as fixed assets in the balance sheet. The leased assets are valued at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Lease obligations are included in interest-bearing liabilities. During the lease period, lease repayments are categorised into financial expenses and debt repayment in such a manner that the interest percentage remains the same for the remaining debt in each financial year. The asset is depreciated according to plan over the shorter of its useful life and the lease term.

Lease agreements where risks and rewards incidental to ownership remain with the lessor are accounted for as operating leases. These lease payments are expensed over the lease period.

Provisions

Provisions are entered in the balance sheet if the Group becomes legally or constructively obliged by them as a result of a previous events and if it is probable that fulfilling the obligation requires a financial transaction or will cause a financial loss, and the amount of the obligation can be determined reliably.

Pensions

The pension arrangements of the Group are in accordance with the local practices in each of the countries. These arrangements are classified as defined contribution plans. Payments under defined contribution plans are expensed in the period that they relate to. The Finnish personnel pension is based on the Finnish TEL insurance. The Finnish TEL insurance has been accounted for as a defined contribution plan.

Borrowing Costs

Borrowing costs are expensed in the period that they relate to. Transaction costs that are directly attributable to taking out loans and that clearly relate to a specific loan are included in the original acquisition cost of the loan and amortised as interest expenses at the effective interest rate.

Non-current Assets Held for Sale and Discontinued Operations

Non-current assets and items relating to discontinued operations are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, if their carrying amount will be recovered through a sale transaction rather than through continuing use.

Discontinued operations are significant individual business units or units representing a geographical area that have been disposed or classified as held for sale, or subsidiaries that have been acquired for the sole purpose of resale. Post-tax profit or loss of discontinued operations is entered in the consolidated income statement as a separate item.

The industrialisation of the silicon carbide technology of Okmetic AB has been classified as a discontinued operation in accordance with IFRS 5.

Share-based Payments

The company has no option programs that require the application of IFRS 2, as the company has not granted equity instruments after 7 November 2002.

Application of New or Amended IFRS Standards

The Group believes that the adoption of new or revised standards or their interpretations will not have a significant impact on the future financial statements of the Group with the exception of the increasing requirements pertaining to the notes.

On 1 January 2006, the Group will adopt the following standards and interpretations as released and revised by the IASB in 2004 and 2005:

- IAS 19 (revised): Employee Benefits
- IAS 21 (revised): Net Investment in a Foreign Operation
- IAS 39 (revised): Fair Value Option
- IAS 39 (revised): Financial Instruments: Recognition and Measurement and IFRS 4 (revised): Insurance Contracts – Financial Guarantee Contracts
- IAS 39 (revised): Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- IFRIC 4: Determining Whether an Arrangement Contains a Lease
- IFRIC 5: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 7: Applying the Restatement Approach under IAS 29: Financial Reporting in Hyperinflationary Economies (as of 1 March 2006)
- IFRS 6: Exploration for and Evaluation of Mineral Resources
- IFRIC 6: Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- IFRS 1 (revised): First-time Adoption of International Financial Reporting Standards and IFRS 6 (revised): Exploration for and Evaluation of Mineral Resources

On 1 January 2007, the Group will adopt the following standards and interpretations as released and revised by the IASB in 2005:

- IFRS 7 Financial Instruments: Disclosures in the Financial Statements
- IAS 1 (revised): Presentation of Financial Statements – Capital Disclosures

1. SEGMENT INFORMATION

The products and customers of the companies included in the Okmetic Group are congruent. For this reason, the primary segment reporting format of the Group is based on a single business segment: manufacturing, selling and marketing of silicon wafers to the sensor and semiconductor industries, and related research.

Secondary segment information is based on geographical areas, which are North America, Europe and the Far East. Reporting of segment sales is based on the location of the customer and reporting of segment assets on the location of the assets. Net sales represent the sales of goods.

Geographical Segments

2005 1,000 euro	**North America**	**Europe**	**Far East**	**Inter segment**	**Unallocated**	**Consolidated**
Net sales	**22,920.7**	**18,300.4**	**8,600.7**			**49,821.7**
Segment assets	**12,601.7**	**62,773.6**	**-**	**-663.8**	**8,067.6**	**82,779.2**
Capital expenditure	**397.9**	**314.6**	**-**			**712.5**

2004 1,000 euro	**North America**	**Europe**	**Far East**	**Inter segment**	**Unallocated**	**Consolidated**
Net sales	24,789.9	23,919.8	5,814.6			54,524.3
Segment assets	11,093.1	71,347.0	-	-417.6	7,238.6	89,261.2
Capital expenditure	315.5	1,020.9	-			1,336.5

2. EXPENSES BY FUNCTION

1,000 euro	**2005**	2004
Materials	**16,225.8**	15,201.1
Water and energy	**2,470.3**	2,822.5
Maintenance	**3,194.6**	3,859.4
Employee benefits	**15,740.3**	19,262.8
Change in stocks	**-685.0**	1,599.5
Depreciation and impairment	**8,610.4**	8,741.3
Other costs	**4,274.0**	5,073.0
Total	**49,830.4**	56,559.6

Expenses by function cover cost of sales, distribution costs and administrative expenses of continuing operations.

3. OTHER OPERATING INCOME

1,000 euro	**2005**	2004
Sales of fixed assets	**1,266.1**	217.2
Income from derivative contracts	**279.8**	-
Other income	**6.4**	-
Total	**1,552.3**	217.2

4. OTHER OPERATING EXPENSES

1,000 euro	**2005**	2004
Costs of business reorganisation*)	**580.8**	3,545.4
Costs of derivative contracts	**-**	145.4
Credit losses	**375.2**	76.9
Other expenses	**7.9**	149.2
Total	**963.9**	3,916.9

*) The costs of business reorganisation are a result of the closing down of the Espoo plant and other arrangements relating to it. The business reorganisation costs of the comparison year also include 302.6 thousand euro worth of personnel expenses, which are included in the costs of the operating activities.

5. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES

1,000 euro	2005	2004
Profit/loss from discontinued operations		
Income	-	164.5
Expenses	-	-1,077.9
Profit before tax	-	-913.4
Taxes	-	-
Profit after tax	-	-913.4
Profit from the sale of Okmetic AB before tax	**1,763.8**	-
Tax	-	-
Profit/loss for the period from discontinued operations	**1,763.8**	-913.4

Net cash flow from discontinued operations		
Net cash from operating activities	-	-323.5
Net cash used in investing activities	**628.2**	-50.8
Net cash used in financing activities	-	-
Total cash flow	**628.2**	-374.3

Disposals in 2005 and 2004

At the turn of the years 2004 and 2005, Okmetic Oyj industrialised the silicon carbide research project of Okmetic AB in Sweden. In connection with the business arrangements that took place in relation to the industrialisation, Okmetic Oyj gave up ownership of Okmetic AB and became a shareholder in the Swedish Norstel AB, which now continues the industrialisation of silicon carbide. Okmetic Oyj's share in the company was 19.5 percent at the end of 2005. The net assets of Okmetic AB, which were given up in connection with the sale, amounted to 99.7 thousand euro. In addition, Okmetic Oyj gave up its rights for the patents relating to silicon carbide. These are not included in the balance sheet of Okmetic Oyj.

1,000 euro	2005	2004
Net assets of the disposed business		
Fixed assets	**1,653.6**	-
Receivables	**77.2**	-
Liabilities	**-376.0**	-
Total	**1,354.8**	-
Cash received	**841.4**	-
Costs of the sale	-	-
Cash and cash equivalents of the disposed subsidiary	**-213.2**	-
Cash flow of the disposals	**628.2**	-

6. DEPRECIATION

1,000 euro	2005	2004
Depreciation by categories		
Buildings	**1,037.2**	1,035.5
Machinery and equipment	**7,573.2**	7,982.5
Total	**8,610.4**	9,018.0
Depreciation per function		
Production	**8,574.0**	8,927.4
Distribution	**0.5**	0.5
Administration	**35.9**	90.1
Total	**8,610.4**	9,018.0

7. EMPLOYEE BENEFITS

1,000 euro	2005	2004
Wages and salaries	**12,285.7**	15,958.8
Pensions, defined contribution plans	**1,989.4**	2,224.8
Other personnel-related expenses	**1,465.2**	1,747.4
Total	**15,740.3**	19,931.0

Accrual-based salaries include remuneration for hours worked as well as paid holiday, days off and sick pay, and holiday bonuses, loyalty bonuses and other similar compensation.

Breakdown of key management compensation is disclosed in note 24. Related party transactions.

Number of personnel		
Clerical workers	**129**	164
Manual workers	**230**	282
Average	**359**	446
31 December	**338**	418

8. RESEARCH AND DEVELOPMENT COSTS

The income statement for 2005 includes a total of 1,424 thousand euro of research and development costs arising from continuing operations (1,345 thousand euro in 2004). In addition, 2,413 thousand euro of research and development costs is included in the costs arising from discontinued operations in 2004.

9. FINANCIAL INCOME AND EXPENSES

1,000 euro	2005	2004
Interest expenses	**-2,177.0**	-2,152.8
Interest income	**66.4**	46.1
Dividend income	**1.1**	-
Gains/losses from exchange rate fluctuation	**-61.0**	-222.0
Change in the fair value of interest rate derivatives	**100.5**	-106.4
Other financial expenses	**-70.9**	-120.8
Total	**-2,140.9**	-2,555.9

Exchange rate differences entered in the income statement		
Included in net sales	**411.5**	-305.1
Included in cost of sales	**-163.0**	154.6
Included in financial income and expenses	**-61.0**	-222.0
Total	**187.5**	-372.6

10. TAXES

1,000 euro	2005	2004
Taxes in the income statement		
Current tax	-	-
Deferred tax	**-142.7**	-102.7
Total	**-142.7**	-102.7

Reconciliations of taxes in the income statement and taxes calculated at the tax rate applicable in the home country of the Group (26%, in 2004: 29%)

	2005	2004
Loss before tax	**-1,561.1**	-8,290.9
Tax at the domestic tax rate	**405.9**	2,404.4
Differing tax rates in foreign subsidiaries	**2.5**	53.5
Unrecorded tax benefit	**-551.1**	-2,620.3
Deferred tax resulting from the lowered domestic tax rate	**-**	59.7
Taxes in the income statement	**-142.7**	-102.7

11. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the parent company by the weighted average number of shares in issue during the financial year.

	2005	2004
Profit/loss for the period attributable to the equity holders of the company (1,000 euro), continuing operations	**-1,703.8**	-8,393.6
Profit/loss for the period attributable to the shareholders of the parent company (1,000 euro), discontinued operations	**1,763.8**	-913.4
Weighted average of number of shares in issue during the period (1,000 shares)	**16,887.5**	16,887.5
Basic earnings per share (euro/share), continued operations	**-0.10**	-0.50
Basic earnings per share (euro/share), discontinued operations	**0.10**	-0.05

Diluted earnings per share is calculated by taking into account the dilution effect of all potential shares in the weighted average number of shares. In 2004 and 2005, the company has had no potential shares with dilution effects.

The company has options and convertible bonds. These may have a dilution effect at a later date. Options and convertible bonds are disclosed in more detail in section 29 Share Price Performance and Shareholders.

12. FIXED ASSETS

1,000 euro	Land	Buildings	Machinery and equipment	Work in progress	Total
Acquisition cost on 1 January 2005	1,799.3	30,859.2	126,823.1	354.6	159,836.3
Additions	-	143.4	467.5	101.6	712.5
Disposals	-	-	-7,173.4	-158.4	-7,331.8
Transfers between items	-	-	189.7	-189.7	-
Translation differences	127.1	403.6	1,385.3	-6.5	1,909.6
Acquisition cost on 31 December 2005	**1,926.5**	**31,406.3**	**121,692.2**	**101.6**	**155,126.6**
Accumulated depreciation and impairment on 1 January 2005	-	-14,038.7	-78,864.3	-	-92,903.0
Accumulated depreciation of disposals and transfers	-	-	5,731.4	-	5,731.4
Depreciation during the period	-	-1,037.2	-7,573.2	-	-8,610.4
Translation differences	-	-87.3	-628.8	-	-716.1
Accumulated depreciation on 31 December 2005	**-**	**-15,163.2**	**-81,334.8**	**-**	**-96,498.0**
Carrying amount on 1 January 2005	1,799.3	16,820.5	47,958.8	354.6	66,933.2
Carrying amount on 31 December 2005	**1,926.5**	**16,243.1**	**40,357.4**	**101.6**	**58,628.6**

1,000 euro	Land	Buildings	Machinery and equipment	Work in progress	Total
Acquisition cost on 1 January 2004	1,863.8	31,264.5	139,803.7	615.8	173,547.8
Additions	-	7.0	1,109.0	220.5	1,336.5
Disposals	-	-208.0	-13,764.5	-79.9	-14,052.4
Transfers between items	-	-	402.6	-402.6	-
Translation differences	-64.5	-204.3	-727.7	0.9	-995.6
Acquisition cost on 31 December 2004	**1,799.3**	**30,859.2**	**126,823.1**	**354.6**	**159,836.2**
Accumulated depreciation and impairment on 1 January 2004	-	-13,253.9	-84,886.6	-79.9	-98,220.4
Accumulated depreciation of disposals and transfers	-	208.0	13,683.7	79.9	13,971.6
Depreciation during the period	-	-1,035.5	-7,982.5	-	-9,018.0
Translation differences	-	42.7	321.2	-	363.9
Accumulated depreciation on 31 December 2004	**-**	**-14,038.7**	**-78,864.3**	**-**	**-92,903.0**
Carrying amount on 1 January 2004	1,863.8	18,010.6	54,917.1	535.9	75,327.4
Carrying amount on 31 December 2004	**1,799.3**	**16,820.5**	**47,958.8**	**354.6**	**66,933.2**

The carrying amount of machinery and equipment acquired by finance leases

	Machinery and equipment	Total
2005	**428.5**	**428.5**
2004	627.5	627.5

Additions in the acquisition costs of fixed assets include assets acquired by finance leases worth 35.7 thousand euro in 2005 (87.4 thousand euro in 2004).

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

1,000 euro	**2005**	2004
Balance sheet value on 1 January	**16.0**	14.3
Additions	**2,544.0**	-
Disposals	**-**	-
Changes in fair value	**-346.1**	1.7
Balance sheet value on 31 December	**2,213.9**	16.0

Note 13 continued

1,000 euro	**2005**	2004
Listed shares	**21.1**	16.0
Unlisted shares and securities	**2,192.8**	-
Total	**2,213.9**	16.0

Investments held for sale comprise listed shares and unlisted shares and securities.

Fair value gains/losses are disclosed in the statement of changes in the equity.

14. DEFERRED TAX

1,000 euro	**2005**	2004
Deferred tax in the balance sheet		
Deferred tax assets	**318.0**	248.5
Deferred tax liabilities	**1,143.9**	930.4
Deferred tax, net	**825.9**	681.9

Movement in deferred tax assets and liabilities during the year

2005	1 Jan 2005	Charged to income statement	Charged to shareholder's equity	31 Dec 2005
Deferred tax assets				
Retained losses	167.7	147.4	0.0	315.1
Fair value gains/ losses on derivatives	45.6	-45.6	0.0	0.0
Other items	35.2	-32.3	0.0	2.9
Total	248.5	69.5	0.0	318.0
Deferred tax liabilities				
Available-for-sale financial assets	2.5	0.0	1.3	3.8
Accumulated depreciation difference	713.9	130.1	0.0	844.1
Fair value gains/ losses on derivatives	0.0	75.1	0.0	75.1
Other items	214.0	6.9	0.0	220.9
Total	930.4	212.2	1.3	1,143.9
Deferred tax liability, net	681.9	142.7	1.3	825.9

Note 14 continued

2004	1 Jan 2004	Charged to the income statement	Charged to shareholder's equity	31 Dec 2004
Deferred tax assets				
Retained losses	559.0	-391.3	0.0	167.7
Fair value gains/ losses on derivatives	0.0	45.6	0.0	45.6
Other items	36.2	-1.0	0.0	35.2
Total	595.2	-346.7	0.0	248.5
Deferred tax liabilities				
Available-for-sale financial assets	2.3	0.0	0.2	2.5
Accumulated depreciation difference	611.2	102.7	0.0	713.9
Fair value gains/ losses on derivatives	270.7	-270.7	0.0	0.0
Other items	287.7	-76.0	0.0	214.0
Total	1,171.9	-244.0	0.2	930.4
Deferred tax liability, net	576.7	102.7	0.2	681.9

Deferred tax assets of 7.2 million euro have not been recognised in the consolidated financial statements (2004: 6.6 million euro), as there is not enough certainty of the realisation of the tax benefit. The majority of deferred tax assets results from the retained losses of 26.3 million euro of the Finnish companies (2004: 7.5 million euro). The losses primarily relate to the years 2003-2004. Netting of deferred tax amounts to 0.3 million euro (2004: 0.2 million euro). Deferred tax assets have not been recorded for the retained losses of 11.4 million US dollars of the foreign subsidiaries (2004: 11.3 million US dollars).

15. INVENTORIES

1,000 euro	2005	2004
Materials	**4,694.5**	3,563.1
Work in progress	**1,238.0**	896.0
Finished products	**2,013.1**	2,604.6
Total	**7,945.5**	7,063.8

An item of 92.8 thousand euro was entered in costs for the financial year due to the revaluation of the carrying amount of stocks to represent their net realisable value (36.9 thousand euro in 2004).

The carrying amount of stocks valued at the net realisable value is 392.7 thousand euro (498.2 thousand euro in 2004).

16. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

1,000 euro	2005	2004
Long-term		
Derivative contracts held for trading	**108.9**	-
Other long-term receivables	**238.0**	238.0
Total	**346.9**	238.0

Note 16 continued

1,000 euro	2005	2004
Short-term		
Accounts receivable	**8,137.5**	8,025.6
Derivative contracts held for trading *)	**219.3**	22.9
Other prepaid expenses and prepaid income	**56.7**	89.3
VAT receivables	**361.3**	1,023.0
Advance payments	**291.7**	54.0
Other short-term receivables	**125.8**	280.5
Total	**9,192.3**	9,495.2

Other long-term receivables comprise returnable connection charges.

Other essential items included in accrued expenses and prepaid income relate to insurance accruals.

The carrying amounts of short-term receivables other than those relating to derivative contracts are considered to represent their fair values.

Balance sheet values are the best representations of the amount of money that constitutes the maximum credit risk excluding the fair value of collaterals in the case that other contractual parties are not able to fulfil the obligations they have in relation to financial instruments. The receivables represent no major credit risk clusters.

The following credit losses have been recorded in the Group for accounts receivable	**375.2**	76.9

*) Note 23

17. SHAREHOLDERS' EQUITY

Share capital

Okmetic Oyj's fully paid share capital as recorded in the trade register was 11,821,250.00 euro on 31 December 2005 (31 Dec 2004: 11,821,250.00 euro). According to the articles of association, the minimum capital of Okmetic Oyj is 6,000,000 euro and the maximum capital is 24,000,000 euro within which limits the share capital can be increased or decreased without amending the articles of association. The share capital is divided into 16,887,500 shares. The equivalent carrying amount of each share is 0.7 euro. Each share entitles its holder to one vote at the General Meeting of shareholders. According to the articles of association, the minimum number of shares is 9,000,000 and the maximum number is 36,000,000. The company has one class of shares. The ownership of the company's shares is registered in the Finnish book-entry securities system.

The number of shares has not changed during the financial years of 2005 and 2004.

Premium fund

The premium fund comprises the difference between the equivalent carrying amount of issued shares and the subscription price and the equity component of convertible loan notes.

Translation differences

Translation differences comprise the translation differences from converting financial statements of foreign subsidiaries.

Revaluation reserve

The revaluation reserve comprises the fair value gain/losses on available-for-sale financial assets.

Own shares

The company has not repurchased its own shares, nor has the Board of Directors of the company been authorised to repurchase or convey the company's own shares.

Dividends

The Board of Directors has decided to propose to the Annual General Meeting that no dividends be paid for the year 2005.

Note 17 continued

Distributable Funds, Group

1,000 euro	2005	2004
Retained earnings	**-14,714.2**	-40,272.8
Translation differences	**758.9**	-806.3
Revaluation fund	**-340.3**	7.2
Profit/loss for the period	**60.0**	-9,307.0
Accumulated depreciation difference entered in shareholders' equity	**-2,402.4**	-2,032.0
Total	**-16,638.0**	-52,410.9

The calculation of distributable shareholders' equity is based on the IFRS balance sheet and Finnish legislation.

Distributable Funds, Parent Company

euro	2005	2004
Retained earnings	**-2,494,205.77**	-4,048,289.48
Profit/loss for the period	**-13,651,032.88**	-33,311,272.73
Total	**-16,145,238.65**	-37,359,562.21

The calculation of distributable shareholders' equity is based on the FAS balance sheet and Finnish legislation.

18. INTEREST-BEARING LIABILITIES

	2005		2004	
1,000 euro	**Balance sheet values**	**Fair values**	Balance sheet values	Fair values
Long-term				
Loans from financial institutions	**8,934.5**	**8,555.4**	15,850.9	15,136.2
Convertible loan notes	**2,784.3**	**2,784.3**	2,784.3	2,784.3
Subordinated loans	**3,663.3**	**3,663.3**	3,643.7	3,643.7
Finance leases	**181.9**	**174.6**	420.8	405.4
Total	**15,564.1**	**15,177.6**	22,699.7	21,969.6
Short-term				
Loans from financial institutions	**15,500.0**	**15,543.6**	16,000.0	16,357.2
Repayments of long-term loans from financial institutions	**6,916.2**	**7,268.4**	4,495.0	5,216.3
Finance leases	**298.9**	**309.8**	381.8	412.1
Other liabilities	**-**	**-**	183.5	186.8
Total	**22,715.1**	**23,121.8**	21,060.3	22,172.5

Interest-bearing liabilities are measured at amortised cost.

Fair values of interest-bearing liabilities have been calculated by discounting cash flows relating to liabilities. The discount rate used is the closing rate of interest rate swap agreements with the company-specific risk premium 2.25%.

The repayment schedule of subordinated loans and convertible loan notes cannot be established reliably, which is why their balance sheet values are given as their fair values. According to the terms of the loans, capital may be refunded only if the restricted shareholders' equity and the other non-distributable funds according to the balance sheet to be adopted for the parent company and the Group for the financial year last ended are fully covered thereafter.

Note 18 continued

Repayments of Long-term Interest-bearing Liabilities

2005 1,000 euro	2006 *)	2007	2008	2009	2010	Later	Total
Loans from financial institutions, with fixed rates	1,504.6	1,583.3	1,583.3	1,583.3	1,240.5	-	7,495.1
Loans from financial institutions, with floating rates	5,411.6	1,245.3	816.7	882.1	-	-	8,355.6
Finance leases	298.9	113.4	66.5	2.0	-	-	480.8
Subordinated loans	-	-	-	-	-	6,447.7	6,447.7
Total	7,215.1	2,942.0	2,466.5	2,467.4	1,240.5	6,447.7	22,779.2

*) Repayments in 2006 are included in short-term liabilities.

2004 1,000 euro	2005 *)	2006	2007	2008	2009	Later	Total
Loans from financial institutions, with fixed rates	1,504.6	1,504.6	1,583.3	1,583.3	1,583.3	1,240.6	8,999.7
Loans from financial institutions, with floating rates	2,990.4	5,411.6	1,245.3	816.7	882.1	-	11,346.1
Finance leases	381.7	276.5	90.3	52.3	1.7	-	802.6
Subordinated loans	-	-	-	-	-	6,428.0	6,428.0
Other	183.5	-	-	-	-	-	183.5
Total	5,060.2	7,192.7	2,918.9	2,452.3	2,467.2	7,668.6	27,759.9

*) Repayments in 2005 are included in short-term liabilities.

The majority of long-term interest-bearing liabilities are denominated in euro.

Subordinated Loans

1,000 euro	**2005**	2004
Repayment due on 31 December 2003, interest 7.0%		
Finnish National Fund for Research and Development Sitra	**111.8**	104.5
Repayment due on 31 December 2003, interest 7.0%		
Finnish National Fund for Research and Development Sitra	**188.2**	175.9
Loan period 1996-2006 *)		
Conventum Oyj	**101.4**	101.4
Tapiola Mutual Pension Insurance Company	**33.3**	33.3
Tapiola Mutual Insurance Company	**33.3**	33.3
Nordea Pankki Suomi Oyj	**504.3**	504.3
Sampo Life Insurance Company	**672.4**	672.4
Oras Oy	**1,008.6**	1,008.6
Finnish National Fund for Research and Development Sitra	**404.3**	404.3
Finnish Industry Investment Ltd	**605.7**	605.7
Total	**3,363.3**	3,363.3
Loan period 1999-2009, interest 6.0% **)		
Nordea Pankki Suomi Oyj	**183.0**	183.0
Sampo Life Insurance Company	**314.9**	314.9
Oras Oy	**364.7**	364.7
Outokumpu Oyj	**1,543.6**	1,543.6
Finnish National Fund for Research and Development Sitra	**134.6**	134.6
PCA Corporate Finance Oy	**243.6**	243.6
Total	**2,784.3**	2,784.3
Total	**6,447.7**	6,428.0

Note 18 continued

Principal terms of loans:

The capital, interest and other remuneration must, upon the dissolution or 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 funds according to the balance sheet to be adopted for the company, or if the company is the 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 the 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 entered as expense at the time of 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 (1,447.40 euro) 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. Increasing the number of the company's shares from 36,543 to 9,135,750 means that the number of shares that may be subscribed under the bonds increases from 2,096 to 524,000 and the subscription price changes 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 between 30 June 2001 and 30 November 2001, 8 April 2002 and 29 November 2002, 8 April 2003 and 28 November 2003, 8 April 2004 and 30 November 2004, 8 April 2005 and 30 November 2005, 8 April 2006 and 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.

In the financial statements, convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component is included in equity. The convertible bonds that are categorised as shareholders' equity amount to EUR 210.3 thousand and are entered in the premium fund.

Repayment of Finance Leases

1,000 euro	**2005**	2004
Minimum lease payments		
Not later than one year	**318.0**	418.7
Later than one year and not later than five years	**192.5**	446.1
Later than five years	**-**	-
Total minimum lease payments	**510.5**	864.8
Present value of minimum lease payments		
Not later than one year	**309.9**	406.3
Later than one year and not later than five years	**170.9**	396.3
Later than five years	**-**	-
Total present value of minimum lease payments	**480.8**	802.6
Future finance charges	**29.7**	62.2
Total finance leases	**480.8**	802.6
Contingent rents	**-1.8**	-4.2

The group's finance lease agreements relate to production machinery, IT equipment and office furniture. The terms of the finance leases vary from 3 to 10 years. Some of the agreements involve a conventional purchase option. Contingent rent payables are based on future market rates of interest.

19. COLLATERALS, CONTINGENT LIABILITIES AND OTHER OBLIGATIONS

1,000 euro	2005	2004
Pledges on 31 December		
Own debts secured with mortgages or pledges		
Loans from financial institutions and other liabilities	**31,110.6**	36,064.0
Mortgages		
Mortgages on property	**15,641.5**	15,641.5
Mortgages on business	**28,591.7**	28,928.3
Carrying amount of pledged shares	**8,908.1**	8,908.1
Total	**53,141.3**	53,477.9

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

Future minimum lease payments under non-cancellable operating leases		
Not later than one year	**135.8**	154.2
Later than one year and not later than five years	**284.0**	356.8
Later than five years	**-**	-
Total	**419.8**	511.0

The Group's operating lease agreements principally concern production machinery, waste treatment equipment and cars. The terms of the leases vary from 3 to 10 years. Some of the agreements involve a conventional purchase option.

The income statement for 2005 includes EUR 194.1 thousand of lease payments based on other lease agreements (2004: EUR 501.7 thousand). The change is due to the termination of leases of the Swedish subsidiary.

20. ACCOUNTS PAYABLE AND OTHER LIABILITIES

1,000 euro	2005	2004
Long-term		
Derivatives held for trading *)	**0.0**	114.9
Short-term		
Accounts payable	**3,723.8**	4,243.1
Advances received	**162.0**	521.1
Other short-term liabilities	**396.0**	590.3
Total	**4,281.8**	5,354.4

The original carrying amounts of the short-term accounts payable and other liabilities are considered to represent their fair values.

*) Note 23

21. ACCRUED EXPENSES AND PREPAID INCOME

1,000 euro	2005	2004
Salaries and other personnel-related expenses	**2,085.1**	3,683.5
Accrued interest	**2,604.6**	2,406.3
Derivatives held for trading *)	**88.4**	83.2
Others	**627.9**	468.4
Total	**5,406.0**	6,641.4

*) Note 23

22. FINANCIAL RISK MANAGEMENT

The objective of Okmetic's financial risk management is to ensure liquidity and to reduce the effects that the unfavourable fluctuations and uncertainty of the financing market has on the income statement, the balance sheet and the cash flow.

Hedging activities are based on the risk management policy defined and supervised by the company's Board of Directors. The policy defines the leading principles of hedging activities. The company's operative management is responsible for the practical measures set out in the risk management policy according to the powers given. Hedging activities are coordinated by the Parent Company, which also attends to the external financing agreements of the Group.

Market Risks

Market-related risks involve exchange rate fluctuations, interest rate fluctuations and changes in the prices of commodities and energy. All of the following risks may potentially have a significant effect on the consolidated income statement, balance sheet and cash flow.

The Group uses derivative contracts to reduce the unfavourable effects of fluctuations in exchange rates, interest rates and energy prices. The Group has not implemented hedge accounting as provided under IAS 39.

Note 22 continued

Exchange rate risks

The Group uses several currencies in its sales and purchases. The majority of trading is denominated in euro and the US dollar. The Japanese Yen is the most important of other lesser-used currencies. Hedging needs primarily arise from the US dollar. In terms of the dollar, the forecast cash flow for the near future (1-6 months) is hedged with currency forwards and options.

The shareholders' equity of the American subsidiary was 5.6 million US dollars on 31 December 2005 (2004: 5.7 million US dollars). There is no hedging against this translation risk.

On 31 December 2005, the Group held the following nominal values of currency derivatives, per million euro:

Currency forwards	2.5
Currency options bought	0.8
Currency options written	0.8

Note 22 continued

Interest Rate Risks

The Group's interest rate risks relate to the income statement and the cash flow. On 31 December 2005, 8.2 million euro of the Group's financing assets were subject to a fixed interest rate and 29.2 million euro were tied to a short-term variable reference rate of less than one year. Interest rate swap agreements have been made to reduce the risks to cash flow resulting from changes in the interest rates.

On 31 December 2005, the Group had 9.3 million euro worth of interest rate derivatives.

Commodity and Energy Price Risks

The Group's principal raw material is polycrystalline silicon. Price risk arises from the timing differences between buying and using the commodity. Polycrystalline silicon is not a commodity listed at the stock exchange. Hedging against price fluctuations mainly comprises long-term purchase agreements concerning the commodity and, when possible, pricing of the end products.

A significant amount of energy, principally electricity, is consumed in connection with the Group's manufacture. Electricity is purchased locally in each country. The majority of the Group's electricity consumption takes place in Finland where the risk relating to the price of electricity is reduced through electricity derivatives. The electricity derivatives are at most over a year in duration.

On 31 December 2005, the Group had 35.0 GWh worth of listed electricity derivatives.

Note 22 continued

Price Risks of Securities

The Group has not invested in listed securities and the amount of listed securities in its possession is not material.

Credit Risks

The Group's accounts receivable involve a large range of customers. The customers are dispersed in different geographical areas. Risks relating to credit are reduced by targeting sales to customers with good credit ratings and through using well-known, solvent and well-regarded financial institutions in the payments, credit arrangements and investments of liquid assets. When necessary, risks relating to specific customers are reduced by means of payment and delivery terms.

Liquidity Risks

Short-term liquidity risks are controlled by means of efficient cash flow management. The Group has strengthened its liquidity with a binding credit commitment. On 31 December 2005, the credit limit available for the Group was 2.9 million euro. The Group's loan agreements involve conventional covenants. A total of 20.4 million euro of the Group's financing assets is subject to renegotiation during 2006 as agreed with the financiers in the terms of the loan.

23. DERIVATIVE CONTRACTS

1,000 euro	**2005** **Fair value**	**2005** **Contract value**	2004 Fair value	2004 Contract value
Currency derivatives				
Currency forwards	**-0.3**	**2,530.1**	-	-
Currency options bought	**0.4**	**809.7**	24.2	1,481.5
Currency options written	**-36.9**	**809.7**	-1.2	1,544.4
Interest rate derivatives				
Interest rate swap agreements	**-51.6**	**9,344.8**	-152.1	20,106.0
Electricity derivatives	**328.2**	**882.0**	-46.0	1 241.2
Total	**239.8**	**14,376.2**	-175.2	24,373.1

Contract prices of the derivatives have been used as the nominal values of the underlying assets.

The fair values of the derivative contracts have been calculated on the basis of the market quotations and contract prices valid on the day of closing of the accounts. Fair values of contracts hedging future cash flows are based on the present value of the future cash flows.

Derivative contracts are held for hedging purposes.

24. RELATED PARTY TRANSACTIONS

On 31 December 2005, the ownership relations of the parent company and subsidiaries of the Group are as follows:

Name of organisation	Registered office	Ownership share, %
Okmetic Oyj, parent company	Vantaa, Finland	
Okmetic Inc.	Allen, TX, United States	100
Okmetic Invest Oy	Vantaa, Finland	100
Kiinteistö Oy Piitalot	Vantaa, Finland	100

Key management compensation

1,000 euro	**2005**	2004
Salaries and other short-term benefits	**816.4**	948.0
Post-employment benefits	**105.4**	307.8
Total	**921.8**	1,255.8

Key management comprises the Board of Directors and the Executive Management Group. No receivables were due from the key management (31 December 2004: - thousand euro).

Itemisation of the wages and salaries of the Board of Directors and the President

1,000 euro	**2005**	2004
President		
Salaries and emoluments	**156.2**	156.8
Fringe benefits	**10.1**	9.8
Other remuneration-related benefits	**-**	68.2
Total	**166.3**	234.8
Members of the Board of Directors		
Wages and salaries		
Aro Mikko J.	**30.0**	30.0
Huomo Heikki	**13.2**	15.0
Kaitue Karri	**16.9**	-
Lager Esa	**15.0**	15.0
Mäkinen Juho	**5.6**	22.5
Paasikivi Pekka	**15.0**	15.0
Salmi Pekka	**15.0**	15.0
Total	**110.7**	112.5
Total	**277.0**	347.3

Members of the Board of Directors have not been paid pension-related benefits or fringe benefits. The President and operative management are not paid separate remuneration for their membership on the Board of Directors of a subsidiary or for acting as a President of a subsidiary. No specific agreement has been made concerning the retirement age of the President of Okmetic Oyj.

Shares and Options Held by the Key Management on 31 December 2005

qty	Shares	Options
Board of Directors	1,500	-
President	4,800	30,000
Rest of the Executive Management Group	13,512	66,200
Total	19,812	96,200

25. EVENTS AFTER THE BALANCE SHEET DATE

Anna-Riikka Vuorikari-Antikainen, Senior Vice President, Sensor Business Development, has been invited to become a member of the Executive Management Group on 1 March 2006.

In the future, Okmetic will aim to serve its customers and partners in the Far East more efficiently. As a result, a decision was made to found a Japanese subsidiary called Okmetic K.K., which began its operations in Tokyo in January 2006.

26. FIRST-TIME ADOPTION OF IFRS REPORTING

Okmetic Oyj adopted the use of the International Financial Reporting Standards (IFRS) in its Group reporting as of the beginning of 2005. Previously, the financial statements of the Okmetic Group were prepared in accordance with the Finnish Accounting Standards (FAS). Okmetic's transition date to IFRS reporting was 1 January 2004. The transitional standard IFRS 1 has been applied to the transition, and of the exemptions permitted, the exemptions applicable to business combinations and accumulated translation differences have been applied.

The transition to IFRS has had an impact on the previously reported financial statement figures as well as on accounting policies. The main changes in the figures of the Okmetic Group are due to impairment testing, as required by IFRS, the accounting for lease agreements as finance leases, measuring inventories and accounting for derivatives at fair value.

The effects of the transition were explained in a stock exchange release on 3 May 2005. The figures released at the time were unaudited and minor adjustments have been made. The following reconciliations of the most significant effects of the transition to IFRS reporting should be studied in connection with the aforementioned accounting principles of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT 1 JAN - 31 DEC 2004

1,000 euro	notes	FAS	Corrections*)	Effects of transition to IFRS	**IFRS**)**
Net sales	1	55,365.9	-	-841.6	**54,524.3**
Cost of sales	2,3,4	-75,889.1	-	25,342.8	**-50,546.3**
Gross profit		-20,523.2	-	24,501.2	**3,978.0**
Other operating income		217.2	-	-	**217.2**
Distribution costs		-2,557.9	-	-	**-2,557.9**
Administrative expenses		-4,368.8	-	-	**-4,368.8**
Other operating expenses	1	-4,155.4	383.9	-145.4	**-3,916.9**
Loss from operations		-31,388.1	383.9	24,355.8	**-6,648.4**
Finance costs	1,3	-2,384.5	-	-171.4	**-2,555.9**
Loss before tax		-33,772.6	383.9	24,184.4	**-9,204.3**
Tax		-68.4	-	-34.3	**-102.7**
Loss for the period		-33,841.0	383.9	24,150.1	**-9,307.0**

*) Capitalisation of a fixed asset investment erroneously entered in costs

**) IFRS income statement covers all operations.

Note 26 continued

CONSOLIDATED BALANCE SHEET 31 DEC 2004 AND 1 JAN 2004

1,000 euro	Notes	FAS 31 Dec 2004	Correc-tions*)	Effects of transition to IFRS	**IFRS 31 Dec 2004**	FAS 31 Dec 2003	Effects of transition to IFRS	**IFRS 1 Jan 2004**
Assets								
Non-current assets								
Intangible assets	4	144.6	-	-144.6	-	699.0	-699.0	-
Fixed assets	3,4	65,777.1	383.9	772.2	**66,933.2**	99,057.7	-23,730.3	**75,327.4**
Investments and receivables	1	244.3	-	9.7	**254.0**	244.3	65.0	**309.3**
Total non-current assets		66,166.0	383.9	637.3	**67,187.2**	100,001.0	-24,364.3	**75,636.7**
Current assets								
Inventories	2	6,229.8	-	834.0	**7,063.8**	7,761.4	999.9	**8,761.3**
Accounts receivable and other receivables	1	9,472.3	-	22.9	**9,495.2**	8,085.3	984.9	**9,070.2**
Cash and cash equivalents		5,515.0	-	-	**5,515.0**	4,959.0	-	**4,959.0**
Total current assets		21,217.1	-	856.9	**22,074.0**	20,805.7	1,984.8	**22,790.5**
Total assets		87,383.1	383.9	1,494.2	**89,261.2**	120,806.7	-22,379.5	**98,427.2**
Shareholders' equity and liabilities								
Share capital		11,821.3	-	-	**11,821.3**	11,821.3	-	**11,821.3**
Other shareholders' equity		26,387.0	383.9	-5,883.6	**20,887.3**	61,015.9	-30,014.7	**31,001.2**
Total shareholders' equity		38,208.3	383.9	-5,883.6	**32,708.6**	72,837.2	-30,014.7	**42,822.5**
Liabilities								
Non-current liabilities	1,3	16,583.7	-	6,912.8	**23,496.5**	14,927.8	7,184.3	**22,112.1**
Current liabilities	1,3	32,591.1	-	465.0	**33,056.1**	33,041.7	450.9	**33,492.6**
Total liabilities		49,174.8	-	7,377.8	**56,552.6**	47,969.5	7,635.2	**55,604.7**
Total shareholders' equity and liabilities		87,383.1	383.9	1,494.2	**89,261.2**	120,806.7	-22,379.5	**98,427.2**

*) Capitalisation of a fixed asset investment erroneously entered in costs

No significant differences exist between the cash flow statements of the Okmetic Group as prepared in accordance with IFRS and the Finnish Accounting Standards. Accounting for lease agreements as finance leases results in a change in classification between cash flows from operating activities and cash flows from financing activities in the IFRS cash flow statement.

Notes

1. Financial Instruments

The standards IAS 32 and IAS 39 on financial instruments have been applied since 1 January 2004.

The Group has not applied hedge accounting as provided in IAS 39, which is why changes in the fair values of derivative contracts are recorded as profit or loss. As of the adoption of IFRS, the translation differences relating to derivatives have been recorded in other operating income and expenses as opposed to net sales in the income statement.

Long-term investments include domestic publicly listed shares that according to FAS were valued at the acquisition cost of 6.3 thousand euro. As of 1 January 2004, the shares have been classified as available-for-sale financial assets and valued at fair value, which was 14.3 thousand euro. The differences between receivables are due to the valuing of derivative instruments at fair value in the balance sheet.

Convertible loan notes comprise an equity component and a liability component, of which the equity component is entered in the premium fund and the liability component in long-term interest-bearing liabilities. Subordinated loans are entered in liabilities as per IFRS.

The differences in the interests of long-term interest-bearing debts are due to finance leases, the move of subordinated loans from shareholders' equity to liabilities and the valuing of financial liabilities at amortised cost using the effective interest method.

2. Inventories

As opposed to the previous accounting practice (FAS), the acquisition cost of stocks now also includes fixed production overheads. This resulted in a change of 1.0 million euro in the value of stocks at the time of transition.

Note 26 continued

3. Lease Agreements

Since the adoption of IFRS reporting, several of the lease agreements where the company is the lessee have been reclassified as finance leases as per the principles on lease put forward in IAS 17. Assets acquired by means of finance leases have been recognised as fixed assets and are subject to depreciation according to the plan relating to fixed assets during the economic life of the asset. In the opening balance sheet, assets acquired by means of finance leases amounted to 1.0 million euro.

Obligations resulting from finance leases are correspondingly recorded in long-term and short-term interest-bearing liabilities. On 1 January 2004, long-term interest-bearing liabilities increased by 0.7 million euro and short-term interest bearing liabilities by 0.5 million euro.

4. Non-current Assets

In connection with the transition, impairment testing governed by IFRS 1 and IAS 36 was carried out for the Group's assets. The testing revealed that as a result of the prevailing market situation, the Group could not realise the planned earnings from its assets. The recently completed structural change marked the end of operations at the Espoo plant and its production was moved to the other plants of the Group. A total of 25.5 million euro worth of impairment was recorded in the opening balance sheet for the long-term assets that became vacant as a result of the arrangements.

As a result of the impairment testing, goodwill amounting to 0.1 million euro was written down in the opening balance sheet. Founding costs and administrative software were also entered as costs in the opening balance sheet.

Assets were subject to impairment as follows:

1,000 euro	
Goodwill	7.6
Goodwill on consolidation	51.6
Other long-term expenses	476.4
Buildings	4,409.9
Machinery and equipment	20,431.1
Work in progress	79.9
Total	25,456.5

Vacant machinery and equipment were not expected to accumulate earnings after the write-down and held no value in the balance sheet afterwards. After the impairment, the balance sheet value of the written-down property was, on the basis of an estimate of its sale value, the sale value realisable in another kind of conventional use.

Production machinery software has been moved from intangible assets to fixed assets.

5. Consolidation Principles

Subsidiaries acquired prior to 1 January 2004 have been consolidated in accordance with the Finnish Accounting Standards as provided under the exemption permitted by IFRS 1, and the classification of the acquisition or the accounting principles of these businesses have therefore not been amended in the opening consolidated balance sheet drafted in accordance with IFRS.

6. Employee Benefits

The Finnish TEL insurance has been accounted for as a defined contribution plan in the opening IFRS balance sheet. Classifying the disability section of the TEL insurance as a defined benefit plan would not have had a significant effect on the figures shown in the opening IFRS balance sheet.

IFRS RECONCILIATIONS

Reconciliations of Shareholders' Equity

1,000 euro	31 Dec 2004	31 Jan 2004
Shareholders' equity according to FAS	**38,208.3**	**72,837.2**
Corrections	383.9	-
Effects of transition to IFRS		
IAS 2 Inventories	834.0	999.9
IAS 12 Income Taxes	34.6	68.8
IAS 17 Leases	-175.1	-168.0
IAS 36 Impairment of Assets	-	-25,456.5
IAS 32 and 39 Financial Instruments	-6,577.1	-5,458.9
Shareholders' equity according to IFRS	**32,708.6**	**42,822.5**

IFRS reconciliation continued

Reconciliations of Profit/Loss for the Period

1,000 euro	2004
Profit/loss for the period according to FAS	**-33,841.0**
Corrections	383.9
Effects of transition to IFRS	
IAS 2 Inventories	-165.9
IAS 12 Income Taxes	-34.3
IAS 17 Leases	-7.1
IAS 36 Impairment of Assets	25,456.5
IAS 32 and 39 Financial Instruments	-1,099.1
Profit/loss for the period according to IFRS	**-9,307.0**

27. KEY FINANCIAL FIGURES

Key figures showing financial performance [1]	**IFRS**	**IFRS**	FAS	FAS	FAS
(1,000 euro, financial year 1 Jan - 31 Dec)	2005	2004	2003	2002	2001
Net sales	49,822	54,524	50,117	57,738	57,305
Change in net sales, %	-8.6	10.5	-13.2	0.8	-16.4
Export and foreign operations, share of					
net sales, %	95.6	96.9	95.9	95.5	96.3
Profit/loss	580	-5,735	-7,717	-6,151	-784
% of net sales	1.2	-10.5	-15.4	-10.7	-1.4
Earnings before tax from continuing operations	-1,561	-8,291	-9,324	-8,121	-2,063
% of net sales	-3.1	-15.2	-18.6	-14.1	-3.6
Return on shareholders' equity, %	-5.1	-22.2	-13.7	-7.3	-1.8
Return on investment, %	0.8	-7.2	-6.1	-4.9	-3.6
Non-interest-bearing liabilities	10,514	12,793	9,850	10,630	15,638
Net debt-to-equity ratio, %	99.5	116.9	60.1	54.8	24.2
Equity ratio, %	41.1	36.9	54.9	57.9	68.3
Gross investments in long-term assets [2]	661	1,171	1,880	24,742	43,748
% of net sales	1.3	2.1	3.8	42.9	76.3
Depreciation [3]	8,610	9,018	13,487	13,432	9,758
Research and development costs [4]	1,424	1,345	3,355	4,060	3,627
% of net sales	2.9	2.5	6.7	7.0	6.3
Average number of personnel during the period	359	446	477	569	550
Number of personnel at the end of the year	338	418	456	515	510

Share related key figures	**IFRS**	**IFRS**	FAS	FAS	FAS
(euro, financial year 1 Jan - 31 Dec)	2005	2004	2003	2002	2001
Continuing operations:					
Basic earnings per share, euro	-0.10	-0.50			
Diluted earnings per share, euro	-0.10	-0.50			
All operations:					
Basic earnings per share, euro	0.00	-0.55	-0.59	-0.37	-0.10
Diluted earnings per share, euro	0.00	-0.55			

Note 27 continued

(1,000 euro, financial year 1 Jan - 31 Dec)	**IFRS** 2005	**IFRS** 2004	FAS 2003	FAS 2002	FAS 2001
Shareholders' equity per share, euro	2.01	1.94	3.92	4.66	5.20
Dividends per share, euro	0.00	0.00	0.00	0.00	0.00
Dividend/earnings, %	-	-	-	-	-
Price/earnings	501.0	-4.4	-5.6	-6.1	-49.9
Share price development					
Average quotation	2.09	2.88	2.43	3.71	5.43
Lowest quotation	1.65	2.15	1.45	1.90	2.80
Highest quotation	3.14	4.50	3.77	5.99	7.38
Closing quotation	1.78	2.44	3.30	2.30	4.80
Market capitalisation of the share capital at the end of the period, 1,000 euro	30,060	41,206	55,729	38,841	81,060
Development in trading volume					
Trading volume, qty	5,851,792	5,519,895	3,630,769	4,097,207	5,480,099
In relation to weighted average, %	34.7	32.7	21.5	24.3	32.8
Trading volume, euro	12,220,981	15,898,813	8,819,587	15,202,025	29,756,672
Adjusted weighted average number of shares during the period [5]	16,887,500	16,887,500	16,887,500	16,887,500	16,718,947
Adjusted number of shares at the end of the period [5]	16,887,500	16,887,500	16,887,500	16,887,500	16,887,500
Adjusted average number of shares during the period including dilution effects of convertible loan notes and option rights	16,887,500	16,887,500	16,360,784	16,099,136	16,741,199
Adjusted number of shares at the end of the period including dilution effects of convertible loan notes and option rights	16,887,500	16,887,500	16,360,784	16,099,136	16,909,752

Information on the Parent Company's Options [6]

(euro, financial year 1 Jan - 31 Dec)	2005	2004	2003	2002	2001
Warrants - Option A/B, qty	554,800	554,800	554,800	554,800	554,800
Option rate development					
Average quotation	0.09	0.32	0.59	2.08	1.32
Lowest quotation	0.04	0.20	0.55	0.65	1.20
Highest quotation	0.20	0.35	0.65	2.60	1.55
Closing quotation	0.04	0.20	0.65	0.65	1.55
Development in trading volume					
Trading volume, qty	32,500	27,500	10,400	20,500	2,300
In relation to weighted average, %	5.9	5.0	1.9	3.7	0.4
Trading volume, euro	2,790	8,726	6,112	42,556	3,026

1) Other financial statement information of the company and the Group are given on pages 12-56 and the transition to IFRS on pages 37-40.
2) Investments in continuing operations
3) In addition, a write down of EUR 25.0 million has been recorded for fixed assets in the financial year 1 January - 31 December 2004 (FAS). This has been taken into account in the opening IFRS balance sheet for 1 January 2004.
4) Research and development costs are given in gross amounts and only include long-term projects that involve continuing operations and that are governed by a research programme. See Note 8.
5) Adjustments to shares have been made in accordance with guidelines issued by the Finnish Accounting Board on 29 October 2002, and the number of shares has been adjusted to correspond to the present number of shares.
6) The option right A has been made available for public trading in the Helsinki Stock Exchange on 3 December 2001 and the option right B on 2 May 2003. The option classes have been combined.

The transition to IFRS has had an impact on the previously reported financial statement figures as well as on accounting principles. The main changes in the figures of the Okmetic Group are due to impairment testing, as required by IFRS, the accounting for lease agreements as finance leases, measuring inventories and accounting for derivatives at fair value.

CALCULATION OF KEY FIGURES

Return on equity, % (ROE)	=	Profit/loss for the period from continuing operations x 100 / Shareholders' equity (average for the period)
Return on investment, % (ROI)	=	(Profit/loss before tax + interests and other financial expenses) x 100 / Balance sheet total - non-interest-bearing liabilities (average for the period)
Equity ratio (%)	=	Shareholders' equity x 100 / Balance sheet total - advances received
Net debt-to-equity ratio (%)	=	(Interest-bearing liabilities - cash and cash equivalents) x 100 / Shareholders' equity
Earnings per share	=	Profit/loss for the period attributable to the shareholders of the parent company / Weighted average number of shares in issue (adjusted)
Shareholders' equity per share	=	Equity attributable to the shareholders of the parent company / Number of shares at the end of the financial year (adjusted)
Price/earnings ratio (P/E)	=	Adjusted trading price at the end of the period / Earnings per share
Average share price	=	Total trading volume in euro / Adjusted number of shares traded during the period
Market capitalisation at the end of the period	=	Number of shares at the end of the period x closing quotation
Trading volume	=	Number of shares traded during the period / Weighted average of the total number of shares

28. FINANCIAL PERFORMANCE PER QUARTER [1)]

1,000 euro	10-12/2005	7-9/2005	4-6/2005	1-3/2005
Net sales	13,994	11,541	11,904	12,383
Change (%) from previous period	21.3	-3.1	-3.9	-9.7
Profit/loss	810	1,372	-1,076	-526
% of net sales	5.8	11.9	-9.0	-4.2
Profit/loss before tax	242	769	-1,624	-950
% of net sales	1.7	6.7	-13.6	-7.7
Net cash from operating activities	3,430	-433	88	40
Net cash used in investing activities	-385	359	-182	1,439
Net cash used in financing activities	-1,725	332	-2,945	-1,144
Increase/decrease in cash and cash equivalents	1,320	258	-3,039	335
Personnel at the end of the period	338	338	387	356

	10-12/2004	7-9/2004	4-6/2004	1-3/2004
Net sales	13,706	14,267	13,514	13,036
Change (%) from previous period	-3.9	5.6	3.7	24.7
Profit/loss	-934	886	-1,656	-4,032
% of net sales	-6.8	6.2	-12.3	-30.9
Profit/loss before tax	-1,816	200	-2,022	-4,652
% of net sales	-13.3	1.4	-15.0	-35.7
Net cash from operating activities	931	879	1,415	429
Net cash used in investing activities	-750	-49	-272	-100
Net cash used in financing activities	-316	-337	-588	-705
Increase/decrease in cash and cash equivalents	-135	493	555	-376
Personnel at the end of the period	418	434	470	444

1) The cash flows represent all operations. Cash flows 2004 have been adjusted in line with the revised result and IFRS practice.

29. SHARES AND SHAREHOLDERS

Increases in Share Capital 1996-2005

by Date of Registration	Shares, qty	Share capital, euro
Share capital on 1 January 1996	14,884	2,503,309.10
Increase of share capital by new issue 12 December 1996 and 11 June 1997	+ 9,479	4,097,562.45
Redenomination of share capital into euro, abolishing nominal value, increase of share capital by new issue on 20 October 1999	+12,180	6,146,091.39
Bonus issue on 5 June 2000		6,395,025.00
Increase of the number of shares, public limited company on 5 June 2000	+ 9,099,207	6,395,025.00
Increase of share capital in connection with listing on 29 June 2000	+ 6,395,000	10,871,525.00
Additional shares on 19 July 2000	+ 450,000	11,186,525.00
Directed issue to JDS Uniphase Corporation on 9 March 2001	+ 900,000	11,816,525.00
Increase of share capital by shares subscibed on the basis of subordinated convertible bonds on 27 September 2001	+ 6,750	11,821,250.00
Share capital on 31 December 2005	16,887,500	11,821,250.00

Shareholders	**31 Dec 2005**		31 Dec 2004	
Shareholders	Shares, qty	Ownership, %	Shares, qty	Change, qty
Outokumpu Oyj	5,410,000	32.0	5,410,000	0
Finnish National Fund for Research and Development SITRA	1,291,500	7.6	1,291,500	0
Etra-Invest Oy	1,190,000	7.0	850,000	340,000
Oraset Oy	1,066,500	6.3	1,066,500	0
Sampo Life Insurance Company	872,250	5.2	872,250	0
Finnish Industrial Investment Ltd	639,750	3.8	639,750	0
Ilmarinen Mutual Pension Insurance Company	449,300	2.7	449,300	0
Pohjola Finland Value Mutual Fund	400,000	2.4	550,000	-150,000
Onninen-sijoitus Oy	196,800	1.2	202,800	-6,000
Mandatum Suomi Kasvuosake Mutual Fund	185,400	1.1	0	185,400
Nominee accounts held by custodian banks	365,001	2.2	143,797	221,204
Other shareholders in total	4,820,999	28.5	5,411,603	-590,604
Total	16,887,500	100.0	16,887,500	0

Shareholders by group

Shareholder groups	31.12.2005 Shares, qty	Ownership, %	31.12.2004 Shares, qty	Ownership, %	Change, %
Private enterprises	9,302,605	55.1	9,499,688	56.2	-1.1
Public enterprises	78,000	0.5	33,800	0.2	0.3
Finance and insurance institutions	1,800,450	10.6	2,204,576	13.1	-2.5
Public organisations	565,200	3.3	848,700	5.0	-1.7
Non-profit organisations	1,317,000	7.8	1,354,356	8.0	-0.2
Private individuals	3,425,344	20.3	2,764,803	16.4	3.9
Foreign investors	398,901	2.4	181,577	1.1	1.3
Total	16,887,500	100.0	16,887,500	100.0	0.0

Division of shareholdings on 31 December 2005

Shares qty	Number of shareholders	Percentage of shareholders	Shares, qty	% of share capital	Change in the number of shareholders
1-100	285	11.0	25,163	0.2	-5
101-500	1,136	43.8	349,363	2.1	-151
501-1,000	436	16.8	387,786	2.3	-125
1,001-10,000	662	25.6	2,134,380	12.6	71
10,001-100,000	59	2.3	1,577,307	9.3	11
100,001-1,000,000	9	0.3	3,090,500	18.3	-3
Over 1,000,001	4	0.2	8,958,000	53.0	1
Total	2,591	100.0	16,522,499	97.8	-201
Nominee accounts held by custodian banks			365,001	2.2	
Total			16,887,500	100.0	

Division of shareholdings on 31 December 2004

Shares qty	Number of shareholders	Percentage of shareholders	Shares, qty	% of share capital
1-100	290	10.4	25,761	0.2
101-500	1,287	46.1	394,956	2.3
501-1,000	561	20.1	464,333	2.6
1,001-10,000	591	21.2	1,701,003	10.1
10,001-100,000	48	1.7	1,344,100	8.0
100,001-1,000,000	12	0.4	5,045,550	29.9
Over 1,000,001	3	0.1	7,768,000	46.0
Total	2,792	100.0	16,743,703	99.1
Nominee accounts held by custodian banks			143,797	0.9
Total			16,887,500	100.0

Shares and Share Capital

Okmetic Oyj's fully paid share capital as recorded in the trade register was 11,821,250.00 euro on 31 December 2005. According to the articles of association, the minimum capital of Okmetic Oyj is 6,000,000 euro and the maximum capital is 24,000,000 euro within which limits the share capital can be increased or decreased without amending the articles of association. The share capital is divided into 16,887,500 shares. The equivalent carrying amount of each share is 0.7 euro. Each share entitles its holder to one vote at the Annual General Meeting of shareholders. According to the articles of association, the minimum number of shares is 9,000,000 and the maximum number is 36,000,000. The company has one class of shares. The ownership of the company's shares is registered in the Finnish book-entry securities system.

Share Listing

Okmetic Oyj's shares have been listed under the Information Technology sector on the main list of the Helsinki Stock Exchange since 3 July 2000 under the code OKM1V. The trading lot is 100 shares.

Authorisations of the Board of Directors with Respect to Increasing Share Capital

On 25 March 2004 the Annual General Meeting authorised the Board of Directors to decide from 25 March 2004 until the following Annual General Meeting, although for a period not exceeding one year from the Annual General Meeting, on the increasing of capital stock by new issue, granting rights of options or taking out convertible debenture loans in one or more tranches in such a way that no more than a total of 3,377,500 new shares could be subscribed for in relation to any new issues, granting of rights of options or taking out of convertible debenture loans. Capital stock could therefore be increased by no more than 2,364,250 euro by the authorisation. The proposed authorisation included a right to deviate from the shareholders' pre-emptive subscription rights provided that a viable economic reason for this existed. The authorisation was not used.

On 24 March 2005 the Annual General Meeting authorised the Board of Directors to decide from 24 March 2005 until the following Annual General Meeting, although for a period not exceeding one year from the Annual General Meeting, on the increasing of capital stock by new issue, granting rights of options or taking out convertible debenture loans in one or more tranches in such a way that no more than a total of 3,377,500 new shares could be subscribed for in relation to any new issues, granting of rights of options or taking out of convertible debenture loans. Capital stock could therefore be increased by no more than 2,364,250 euro by the authorisation. The proposed authorisation included a right to deviate from the shareholders' pre-emptive subscription rights provided that a viable economic reason for this existed. The authorisation was not used by 31 December 2005.

On 7 March 2006 the Board of Directors decided to propose to the Annual General Meeting to be held on 11 April 2006 that the Annual General Meeting authorise the Board of Directors to decide from 11 April 2006 until the following Annual General Meeting, although for a period not exceeding one year from the Annual General Meeting, on the increasing of capital stock by new issue, granting rights of options or taking out convertible debenture loans in one or more tranches in such a way that no more than a total of 3,377,500 new shares can be subscribed for in relation to any new issues, granting of rights of options or taking out of convertible debenture loans. Capital stock can therefore be increased by no more than 2,364,250 euro by the authorisation. The proposed authorisation includes a right to deviate from the shareholders' pre-emptive subscription rights provided that a viable economic reason for this exists.

Convertible Loan Notes

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 were entitled to subscribe one bond valued at FIM 8,605.85 for every 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 was 1:8.60585 whereupon a maximum of 2,096 shares could be subscribed for under the bonds. In accordance with the terms of the loan, the Board of Directors gave one outside subscriber the right to subscribe the bonds that had not been subscribed 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 shares to 9,135,750 shares means that the number of shares that may be subscribed for under the bonds shall increase from 2,096 shares to 524,000 shares and the subscription price shall change from EUR 1,447.40 (not exact) to EUR 5.79 (not exact). The share capital of the company may increase as a result of subscribing under all the loans taken simultaneously by a maximum of 366,800 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 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 and 8 April 2006 – 30 June 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 repurchased its own shares and the Board of Directors has not been authorised to repurchase or convey the company's own shares.

Redemption Obligation

No specific redemption obligation for shares has been determined in the articles of association.

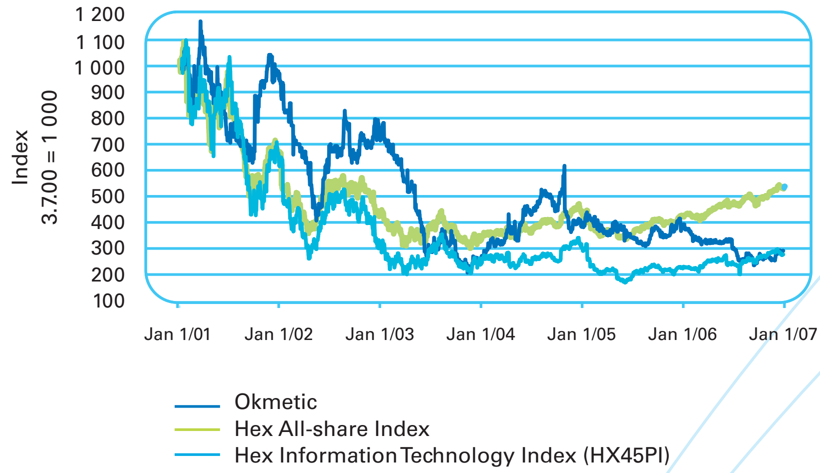
Subordinated Loans

In connection with the Extraordinary General Meeting held on 9 August 1996, the subscribers of the increase of the share capital, i.e. Oras Oy, the Finnish National Fund for Research and Development Sitra, Nova Life Insurance Company (later Sampo Life Insurance Company), Tapiola Mutual Insurance Company, Tapiola Mutual Pension Insurance Company, Arctos Capital Oy (later Conventum Oyj), Merita Capital Oy (later Nordea Capital Oy; loan transferred to Nordea Pankki Suomi Oyj) and Finnish Industry Investment Ltd, granted the company a convertible subordinated loan for a total 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, as the company failed to meet the set earnings targets.

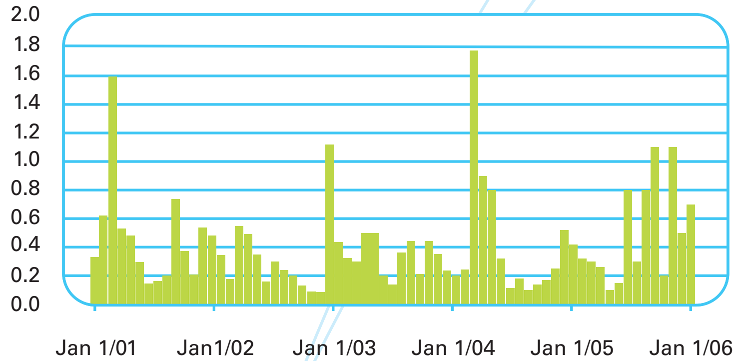
Furthermore, the company has taken out two subordinated loans from the Finnish National Fund for Research and Development Sitra, with capitals of 111,810.25 euro and 188,221.38 euro. The repayment of both subordinated loans was due on 31 December 2003. Due to the constraints of unrestricted shareholders' equity as shown in the financial statements, the company has not been able to make the repayments.

The subordinated loans are described in section 18 of the Notes to the Consolidated Financial Statements. See also the "Convertible Loan Notes" section above.

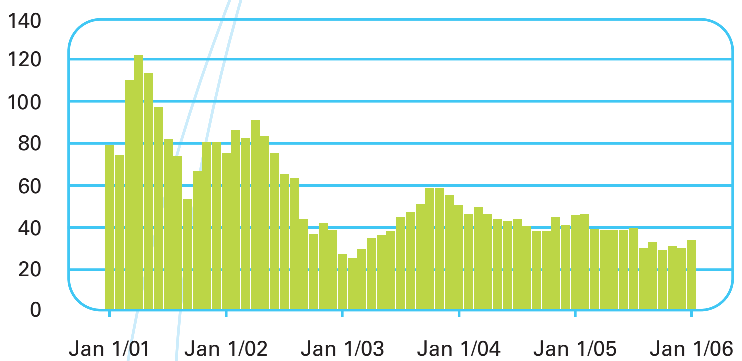
DEVELOPMENT OF SHARE PRICE



MONTHY TRADING VOLUME, MILLION TRANSACTIONS



MARKET CAPITALISATION, MILLION EURO



Option Programme for Personnel

The Extraordinary General Meeting held on 23 May 2000 decided, deviating from the pre-emptive rights of shareholders, to offer for subscription to the personnel of the company and its Swedish subsidiary a maximum of 512,000 option rights which entitle the holders to subscribe for a maximum of 512,000 shares in 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 located in the United States and to the employees of the subsidiary. A total of 42,800 option rights were subscribed for.

The subscription period for these option rights was 14 August to 8 September 2000. The Board of Directors of Okmetic Oyj accepted the aforementioned 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 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 the classes were combined into one series of the A/B warrants of 2000. Each option right entitles its 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 the 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 2005. 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 were subscribed for. 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 Stock Exchange since 3 December 2001 and the B options have been quoted together with the A options since 2 May 2003.

No options were converted into shares by 31 December 2005.

The Management's Share Ownership

On 31 December 2005, the members of the Board of Directors, the President and the Executive Management Group of Okmetic Oyj possessed a total of 20,112 shares i.e. 0.12 percent of the company's share capital and voting rights. In addition, the members of the Executive Management Group are entitled to a total of 96,200 shares under the personnel option programme. If these option rights were to be fully utilised, the members of the Executive Management Group would control 0.7 percent of the company's share capital and voting rights. The option rights correspond to 17.3 percent of the total amount of warrants issued by the company.

The management's share ownership is also addressed on page 36.

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 the legislation that regulates securities markets, the regulations and instructions of the Helsinki Stock Exchange and the recommendations given by the Finnish Association of Securities Dealers.

Share Price Development and Trading

The trading volume of the company's shares between 1 January and 31 December 2005 amounted to 5.9 million shares, which corresponds to 34.7 percent of the total number of 16.9 million shares. The lowest quotation during the period under review was 1.65 euro and the highest was 3.14 euro per share, with the average price being 2.09. The closing quotation at the end of the year was 1.78 euro. The market value of the entire share capital was 30.1 million euro at the end of the year.

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 pages 40 - 41.

PARENT COMPANY'S INCOME STATEMENT

euro	notes	1 Jan - 31 Dec 2005	1 Jan - 31 Dec 2004
Net sales	(1)	**43,273,866.44**	50,225,130.52
Costs of sales		**-39,586,693.08**	-71,155,418.50
Gross profit/loss		**3,687,173.36**	-20,930,287.98
Costs of sales and marketing		**-2,012,542.02**	-2,401,574.44
Administrative expenses		**-3,087,370.82**	-3,680,190.41
Other operating income	(5)	**1,266,054.25**	184,990.00
Other operating expenses	(6)	**-886,354.66**	-3,249,307.68
Operating loss	(2,3)	**-1,033,039.89**	-30,076,370.51
Financial income and expenses	(7)	**-14,991,658.56**	-3,234,902.22
Loss before extraordinary items		**-16,024,698.45**	-33,311,272.73
Extraordinary items	(8)	**2,373,665.57**	-
Loss for the period		**-13,651,032.88**	-33,311,272.73

PARENT COMPANY'S BALANCE SHEET

euro	notes	31 Dec 2005	31 Dec 2004
Assets			
Fixed assets	(4)		
Intangible assets			
Other long-term expenses		**95,233.38**	144,626.65
Tangible assets			
Land		**977,081.45**	977,081.45
Buildings		**3,556,751.20**	3,754,095.28
Machinery and equipment		**33,154,352.07**	38,769,564.47
Work in progress		**101,575.57**	189,704.60
		37,789,760.29	43,690,445.80
Investments			
Shares in subsidiaries	(9)	**13,704,456.31**	28,073,507.20
Other long-term equity investments	(10)	**2,506,281.82**	6,281.82
Other receivables		**804,267.30**	130,239.30
		17,015,005.43	28,210,028.32
Total fixed assets		**54,899,999.10**	72,045,100.77
Current assets			
Inventories			
Materials		**3,913,300.70**	2,894,617.02
Work in progress		**693,468.20**	660,345.58
Finished products		**1,133,063.97**	1,767,873.90
		5,739,832.87	5,322,836.50
Receivables			
Accounts receivable		**6,517,649.19**	6,837,768.65
Other receivables	(11)	**7,596,727.84**	8,895,715.00
Prepaid expenses and prepaid income	(12)	**4,361.54**	89,251.40
		14,118,738.57	15,822,735.05
Cash and cash equivalents		**4,180,326.86**	4,896,134.81
Total current assets		**24,038,898.30**	26,041,706.36
Total assets		**78,938,897.40**	98,086,807.13

PARENT COMPANY'S BALANCE SHEET

euro	Notes	31 Dec 2005	31 Dec 2004
Shareholders' equity and liabilities			
Shareholders' equity	(13)		
Share capital		**11,821,250.00**	11,821,250.00
Premium fund		**36,190,493.36**	71,055,849.80
Retained losses		**-2,494,205.77**	-4,048,289.48
Loss for the period		**-13,651,032.88**	-33,311,272.73
		31,866,504.71	45,517,537.59
Subordinated loans	(14)	**6,657,996.70**	6,638,368.46
Total shareholders' equity		**38,524,501.41**	52,155,906.05
Liabilities			
Long-term liabilities	(15)		
Loans from financial institutions		**8,428,585.26**	13,512,915.87
Short-term liabilities			
Loans from financial institutions		**20,584,330.59**	18,999,485.32
Advances received		**162,008.84**	521,057.14
Accounts payable		**3,461,797.41**	3,576,955.56
Other liabilities	(11)	**2,687,295.22**	3,015,305.00
Accrued expenses and prepaid income	(16)	**5,090,378.67**	6,305,182.19
		31,985,810.73	32,417,985.21
Total liabilities		**40,414,395.99**	45,930,901.08
Total shareholders' equity and liabilities		**78,938,897.40**	98,086,807.13

PARENT COMPANY'S CASH FLOW STATEMENT

1,000 euro	1 Jan - 31 Dec 2005	1 Jan - 31 Dec 2004
Operating activities:		
Loss for the period	**-1,033.0**	-30,076.4
Adjustments:		
Depreciation and impairment	**6,217.5**	31,415.4
Other adjustments	**-1,426.5**	23.8
Change in working capital	**-1,322.4**	3,916.5
Interest received	**430.8**	220.0
Interest paid	**-1,810.5**	-1,497.3
Other finance items	**-132.9**	-1,042.8
Net cash from operations	**923.0**	2,959.2
Investing activities:		
Investments in fixed assets	**-264.3**	-923.0
Sale of fixed assets	**2,107.4**	185.0
Net cash used in investments	**1,843.1**	-738.0
Financing activities:		
Increase (+) / decrease (-) in long-term loans	**-3,001.5**	-1,389.4
Increase (+) / decrease (-) in short-term loans	**-500.0**	-
Other finance items	**19.6**	18.3
Net cash used in financing	**-3,481.9**	-1,371.1
Increase (+) / decrease (-) of cash and cash equivalents	**-715.8**	850.1
Cash and cash equivalents at the beginning of the period	**4,896.1**	4,046.1
Cash and cash equivalents at end of the period	**4,180.3**	4,896.1

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Accounting Principles of the Financial Statements

The financial statements of Okmetic Oyj have been prepared in accordance with the Finnish accounting law and business legislation. Okmetic Oyj is the Parent Company of Okmetic Group.

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 euro 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.

Derivative contracts used for hedging against risks relating to currencies are recorded as profit or loss. The interest is periodised as interest received and paid and translation differences resulting from exchange rate fluctuations are recorded against the item they are hedging as translation differences in either sales or purchases once the contracts mature.

Changes in the interest rates of interest rate swap agreements that are used for hedging against risks relating to interest rates are offset against interest paid in the income statement.

Fixed Assets

Tangible and intangible assets are valued at the original acquisition cost less accumulated depreciation and impairment.

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

• Other long-term expenses	3 - 10 years
• Buildings	25 years
• Machinery and equipment	3 - 15 years

Depreciations on property are included in the costs of sales.

Inventories

Stocks are valued at original acquisition cost or a probable replacement or sale price lower than the acquisition cost on the basis of the FIFO principle.

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

Cash and Cash Equivalents

Cash and cash equivalents comprise liquid assets and bank accounts.

Net Sales

Revenue is recognised once the sold goods have been transferred to the buyer or once the service has been completed. Sales are shown net of indirect taxes and discounts.

Research and Development Costs

Research and development costs are recorded as annual expenses. The expenditure is included in the cost of sales in the income statement.

Public Subsidies

Public subsidies that have been granted for covering the costs of individual research and development projects have been offset against the costs of purchases and manufacture.

Other Operating Income and Expenses

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

Provisions

Costs are reserved for expenses and losses that are not likely to generate earnings to offset the costs, that are likely to materialise and the amount of which can be determined with sufficient accuracy and that are based on an obligation to a third party.

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

Effects of the Changes in the Accounting Principles and Corrections Made to Figures from Previous Periods

Changes to the accounting principles and corrections made to figures from previous periods only affect shareholders' equity (retained earnings/losses). A corresponding correction is made to the closing balance sheet of the previous period.

Previously, the translation difference of long-term loan receivables from subsidiaries was unrecorded as per subsection 2 of paragraph 3 of chapter 5 of the Finnish Accounting Act. The second subsection of the paragraph was annulled on 1 January 2005. The translation difference of long-term loan receivables from subsidiaries has been recorded as profit or loss for the financial year of 2005 and the translation difference accumulated by 31 December 2004 has been offset against shareholders' equity. The comparative data have been amended accordingly.

Extraordinary Income and Expenses

Extraordinary income and expenses include exceptional significant non-recurrent income and expenses generated through transactions different from the Group's normal activities.

Taxes

The taxes recorded in the income statement comprise taxes for the profit or loss for the period under review and tax adjustments to prior periods.

1. NET SALES

euro	2005	2004
Market area		
North America	**20,128,732.63**	25,238,390.83
Europe	**15,664,281.36**	19,739,019.29
Far East	**7,480,852.45**	5,247,720.40
Total	**43,273,866.44**	50,225,130.52

2. PERSONNEL EXPENSES

euro	2005	2004
Wages and salaries	**10,552,010.26**	13,699,050.17
Pension costs	**1,961,885.61**	2,141,069.52
Other personnel-related expenditure	**1,009,023.50**	1,158,297.25
Total	**13,522,919.37**	16,998,416.94
Remuneration of the Board of Directors	**110,702.05**	112,500.00

Accrual-based salaries include remuneration for hours worked as well as paid holiday, days off and sick pay, and holiday bonuses, loyalty bonuses and other similar compensation.

Itemisation of the wages and salaries of the Board of Directors and the President

President	**166,312.18**	234,826.67
Members of the Board of Directors		
Aro Mikko J.	**30,000.00**	30,000.00
Huomo Heikki	**13,202.05**	15,000.00
Kaitue Karri	**16,875.00**	-
Lager Esa	**15,000.00**	15,000.00
Mäkinen Juho	**5,625.00**	22,500.00
Paasikivi Pekka	**15,000.00**	15,000.00
Salmi Pekka	**15,000.00**	15,000.00
Total	**110,702.05**	112,500.00
Total	**277,014.23**	347,326.67

The President and the operative management are not paid separate remuneration for their membership on the Board of Directors of a subsidiary or for acting as a President of a subsidiary. No specific agreement has been made concerning the retirement age of the President of Okmetic Oyj.

Number of personnel		
Clerical workers	**109**	129
Manual workers	**205**	261
Average	**314**	390
On 31 Dec	**294**	365

3. DEPRECIATION AND IMPAIRMENT

euro	2005	2004
Depreciation according to plan		
Other long-term expenses	**49,393.27**	66,153.18
Buildings	**197,344.08**	226,804.67
Machinery and equipment	**5,970,801.16**	6,288,512.61
Total	**6,217,538.51**	6,581,470.46
Depreciation by functions		
Purchases and manufacture	**6,207,282.19**	6,566,913.50
Sales and marketing	**489.02**	489.03
Administration	**9,767.30**	14,067.94
Total	**6,217,538.51**	6,581,470.46
Impairment		
Other long-term expenses	-	292,328.29
Buildings	-	4,380,467.37
Machinery and equipment	-	20,161,125.20
Total	-	24,833,920.86
Impairment by functions		
Purchases and manufacture	-	24,813,837.52
Administration	-	20,083.34
Total	-	24,833,920.86

4. FIXED ASSETS

Tangible assets

euro	Land	Buildings	Machinery and equipment	Work in progress	Total
Acquisition cost on 1 Jan 2005	977,081.45	12,394,271.67	111,283,144.32	189,704.60	124,844,202.04
Additions	-	-	177,404.12	101,575.57	278,979.69
Disposals	-	-	-5,052,248.07	-	-5,052,248.07
Transfers between items	-	-	189,704.60	-189,704.60	-
Acquisition cost on 31 Dec 2005	**977,081.45**	**12,394,271.67**	**106,598,004.97**	**101,575.57**	**120,070,933.66**
Accumulated depreciation and impairment on 1 Jan 2005	-	-8,640,176.39	-72,513,579.85	-	-81,153,756.24
Accumulated depreciation of disposals and transfers	-	-	5,040,728.11	-	5,040,728.11
Disposals for the period	-	-197,344.08	-5,970,801.16	-	-6,168,145.24
Accumulated depreciation on 31 Dec 2005	**-**	**-8,837,520.47**	**-73,443,652.90**	**-**	**-82,281,173.37**
Carrying amount on 1 Jan 2005	977,081.45	3,754,095.28	38,769,564.47	189,704.60	43,690,445.80
Carrying amount on 31 Dec 2005 *	**977,081.45**	**3,556,751.20**	**33,154,352.07**	**101,575.57**	**37,789,760.29**
*) of which production machinery and equipment			33,149,386.31		

euro	Land	Buildings	Machinery and equipment	Work in progress	Total
Acquisition cost on 1 Jan 2004	977,081.45	12,602,250.13	122,738,984.36	482,513.42	136,800,829.36
Additions	-	-	705,387.52	189,704.60	895,092.12
Disposals	-	-207,978.46	-12,534,247.73	-79,900.00	-12,822,126.19
Transfers between items	-	-	373,020.17	-402,613.42	-29,593.25
Acquisition cost on 31 Dec 2004	977,081.45	12,394,271.67	111,283,144.32	189,704.60	124,844,202.04
Accumulated depreciation and impairment on 1 Jan 2004	-	-4,240,882.81	-58,678,089.77	-	-62,918,972.58
Accumulated depreciation of disposals and transfers	-	207,978.46	12,534,247.73	79,900.00	12,822,126.19
Disposals for the period	-	-226,804.67	-6,288,512.61	-	-6,515,317.28
Impairment	-	-4,380,467.37	-20,081,225.20	-79,900.00	-24,541,592.57
Accumulated depreciation on 31 Dec 2004	-	-8,640,176.39	-72,513,579.85	-	-81,153,756.24
Carrying amount on 1 Jan 2004	977,081.45	8,361,367.32	64,060,894.59	482,513.42	73,881,856.78
Carrying amount on 31 Dec 2004 *	977,081.45	3,754,095.28	38,769,564.47	189,704.60	43,690,445.80
*) of which production machinery and equipment			37,234,052.24		

Note 4 continued

Intangible assets

euro	Other long-term expenses
Acquisition cost on 1 Jan 2005	1,679,106.76
Additions	-
Disposals	-1,181,183.31
Transfers between items	-
Acquisition cost on 31 Dec 2005	**497,923.45**
Accumulated depreciation and impairment on 1 Jan 2005	-1,534,480.11
Accumulated depreciation of disposals and transfers	1,181,183.31
Depreciation for the period	-49,393.27
Impairment	-
Accumulated depreciation on 31 Dec 2005	**-402,690.07**
Carrying amount on 1 Jan 2005	144,626.65
Carrying amount on 31 Dec 2005	**95,233.38**

euro	Other long-term expenses
Acquisition cost on 1 Jan 2004	3,502,419.75
Additions	-
Disposals	-1,852,906.24
Transfers between items	29,593.25
Acquisition cost on 31 Dec 2004	1,679,106.76
Accumulated depreciation and impairment on 1 Jan 2004	-3,028,904.88
Accumulated depreciation of disposals and transfers	1,852,906.24
Depreciation for the period	-66,153.18
Impairment	-292,328.29
Accumulated depreciation on 31 Dec 2004	-1,534,480.11
Carrying amount on 1 Jan 2004	473,514.87
Carrying amount on 31 Dec 2004	144,626.65

Investments

euro	Shares in subsidiaries	Other long-term equity investments	Other receivables	Total
Acquisition cost on 1 Jan 2005	28,073,507.20	6,281.82	130,239.30	28,210,028.32
Additions	-	2,500,000.00	674,028.00	3,174,028.00
Disposals	-209,225.78	-	-	-209,225.78
Impairment	-14,159,825.11	-	-	-14,159,825.11
Carrying amount on 31 Dec 2005	**13,704,456.31**	**2,506,281.82**	**804,267.30**	**17,015,005.43**

euro	Shares in subsidiaries	Other long-term equity investments	Other receivables	Total
Acquisition cost on 1 Jan 2004	28,073,507.20	6,281.82	130,239.30	28,210,028.32
Additions	-	-	-	-
Disposals	-	-	-	-
Carrying amount on 31 Dec 2004	28,073,507.20	6,281.82	130,239.30	28,210,028.32

5. OTHER OPERATING INCOME

euro	2005	2004
Sale of fixed assets	**1,266,054.25**	184,990.00

6. OTHER OPERATING EXPENSES

euro	2005	2004
Credit losses	**-306,397.47**	-72,536.45
Structural change	**-579,957.19**	-3,176,771.23
Total	**-886,354.66**	-3,249,307.68

7. FINANCIAL INCOME AND EXPENSES

euro	2005	2004
Interest from short-term investments		
From subsidiaries	**366,682.01**	178,437.38
From others	**61,872.31**	44,501.08
Total	**428,554.32**	222,938.46
Interest expenses		
To others	**-2,069,033.34**	-1,901,464.32
Other financial income and expenses		
From subsidiaries	**937,082.23**	-1,207,349.99
To others	**-128,436.66**	-349,026.37
Total	**808,645.57**	-1,556,376.36
Impairment of investments		
From subsidiaries	**-14,159,825.11**	-
Total	**-14,991,658.56**	-3,234,902.22

8. EXTRAORDINARY ITEMS

euro	2005	2004
Profit from the disposal of a subsidiary	**2,373,665.57**	-

9. SUBSIDIARIES ON 31 DEC 2005

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

10. OTHER LONG-TERM EQUITY INVESTMENTS

The carrying value of shares held by the parent company in other organisations is EUR 2,506,281.82 (2004: EUR 6,281.82) and the market value of shares listed in the stock exchange is EUR 21,127.50 (2004: EUR 16,011.00).

11. RECEIVABLES AND LIABILITIES FROM SUBSIDIARIES

euro	2005	2004
Other receivables	**6,818,024.48**	7,626,444.88
Other liabilities	**2,327,285.90**	2,594,677.90

12. RECEIVABLES, PREPAID EXPENSES AND PREPAID INCOME

euro	2005	2004
Essential items included in prepaid expenses and prepaid income		
Pension accruals	-	95,169.24

13. SHAREHOLDERS' EQUITY

euro	2005	2004
Share capital		
1 Jan	**11,821,250.00**	11,821,250.00
31 Dec	**11,821,250.00**	11,821,250.00
Premium fund		
1 Jan	**71,055,849.80**	71,055,849.80
Transfer from retained losses	**-34,865,356.44**	-
31 Dec	**36,190,493.36**	71,055,849.80
Retained losses		
1 Jan	**-4,048,289.48**	5,117,585.24
Changes in accounting principles *)	-	-2,370,436.95
Loss from the previous period	**-33,311,272.73**	-6,795,437.77
Transfer from the premium fund	**34,865,356.44**	-
31 Dec	**-2,494,205.77**	-4,048,289.48

Note 13 continued

euro	2005	2004
Loss for the period	-13,651,032.88	-33,187,503.91
Changes in accounting principles*)		-507,712.42
Corrections to figures from a previous period**)		383,943.60
Total	-13,651,032.88	-33,311,272.73
Subordinated loans		
1 Jan	6,638,368.46	6,620,024.31
Additions	19,628.24	18,344.15
31 Dec	6,657,996.70	6,638,368.46
Total shareholders' equity on 31 Dec	**38,524,501.41**	52,155,906.05

Corrections to earnings from the financial year of 2004

*)Translation differences from long-term loan receivables from subsidiaries (see accounting principles)

**) Capitalisation of an investment erroneously entered as a cost

Distributable funds, Group

1,000 euro	2005	2004
Retained losses	-14,714.2	-40,272.8
Translation differences	758.9	-806.3
Revaluation fund	-340.3	7.2
Earnings for the period	60.0	-9,307.0
Accumulated depreciation difference entered in shareholders' equity	-2,402.4	-2,032.0
Total	**-16,638.0**	-52,410.9

The calculation of distributable shareholders' equity is based on the IFRS balance sheet and Finnish legislation.

Distributable funds, Parent company

1,000 euroa	2005	2004
Retained losses	-2,494,205.77	-4,048,289.48
Loss for the period	-13,651,032.88	-33,311,272.73
Total	**-16,145,238.65**	-37,359,562.21

The calculation of distributable shareholders' equity is based on the FAS balance sheet and Finnish legislation.

14. SUBORDINATED LOANS

euro	2005	2004
Repayment due on 31 Dec 2003, interest 7.0%		
The Finnish National Fund for Research and Development Sitra	111,810.25	104,495.56
Repayment due on 31 Dec 2003, interest 7.0%		
The Finnish National Fund for Research and Development Sitra	188,221.38	175,907.83
Loan period 1996-2006 *)		
Conventum Oyj	101,424.05	101,424.05
Tapiola Mutual Pension Insurance Company	33,334.85	33,334.85
Tapiola Mutual Insurance Company	33,334.85	33,334.85
Nordea Pankki Suomi Oyj	504,281.22	504,281.22
Sampo Life Insurance Company	672,374.96	672,374.96
Oras Oy	1,008,562.45	1,008,562.45
The Finnish National Fund for Research and Development Sitra	404,276.68	404,276.68
Finnish Industrial Investment Ltd	605,705.27	605,705.27
Total	**3,363,294.33**	3,363,294.33
Loan period 1999-2009, interest 6.0% **)		
Nordea Pankki Suomi Oyj	196,846.41	196,846.41
Sampo Life Insurance Company	338,691.61	338,691.61
Oras Oy	392,245.42	392,245.42
Outokumpu Oyj	1,660,167.88	1,660,167.88
The Finnish National Fund for Research and Development Sitra	144 740,01	144,740.01
PCA Corporate Finance Oy	261,979.41	261,979.41
Total	**2,994,670.74**	2,994,670.74
Total	**6,657,996.70**	6,638,368.46

Terms of subordinated loans, page 33.

15. LIABILITIES

euro	2005	2004
Loans payable after five years or more:		
Loans from financial institutions	-	1,250,000.00

16.SHORT-TERM LIABILITIES, ACCRUED EXPENSES AND PREPAID INCOME

euro	2005	2004
Essential items included in accrued expenses and prepaid income		
Salaries and related expenses	**1,972,678.56**	3,496,778.54
Accrued interest	**2,644,389.40**	2,385,868.64
Others	**473,310.71**	422,535.01
Total	**5,090,378.67**	6,305,182.19

17. COMMITMENTS AND CONTINGENT LIABILITIES

euro	2005	2004
Pledges		
Own debts secured with mortgages or pledges		
Loans from financial institutions and other liabilities	**28,753,717.69**	32,028,100.32
Mortgages		
Mortgages on property	**5,550,201.36**	5,550,201.36
Mortgages on business	**28,591,947.49**	28,928,323.35
Carrying amount of pledged shares	**8,908,125.47**	8,908,125.47
Total	**43,050,274.32**	43,386,650.18

18. OPERATING LEASE COMMITMENTS

euro	2005	2004
Payable next year	**389,174.23**	458,839.15
Payable at a later date	**505,970.23**	760,623.07
Total	**895,144.46**	1,219,462.22

19. DERIVATIVE CONTRACTS

euro	Fair value 2005	Contract value 2005
Currency derivatives		
Currency forwards	**-344.00**	**2,530,054.00**
Currency options bought	**438.00**	**809,717.00**
Currency options written	**-36,927.00**	**809,717.00**
Interest rate derivatives		
Interest rate swap agreements	**-51,571.00**	**9,344,785.00**
Electricity derivatives	**328,174.37**	**881,959.58**
Total	**239,770.37**	**14,376,232.58**

euro	2004	2004
Currency derivatives		
Currency forwards	-	-
Currency options bought	24,176.33	1,481,481.48
Currency options written	-1,246.97	1,544,402.47
Interest rate derivatives		
Interest rate swap agreements	-131,772.37	17,749,154.41
Electricity derivatives	-46,037.27	1,241,211.74
Total	-154,880.28	22,016,250.10

The fair values of the derivative contracts have been calculated on the basis of the market quotations valid on the day of closing of the accounts.

The nominal value of the underlying asset of interest rate swap agreements is the amount of debt capital subject to interest rate swapping.

The value of the underlying asset of electricity derivatives is based on the contract price.

Derivative contracts are held for hedging purposes.

Proposal of the Board of Directors for measures concerning the retained earnings

According to the financial statements of 31 December 2005, neither the Parent Company nor the Group has any distributable funds.

The Board of Directors proposes to the Annual General Meeting that no dividends be paid and that the loss of 13,651,032.88 euro for the financial year be recorded as retained losses.

Signatures for the Annual Report and Financial Statements

Vantaa, 7 March 2006

Mikko J. Aro
Chairman of the Board of Directors

Karri Kaitue
Vice Chairman of the Board of Directors

Esa Lager
Member of the Board of Directors

Pekka Paasikivi
Member of the Board of Directors

Pekka Salmi
Member of the Board of Directors

Antti Rasilo
President

Auditors´ Report

To the shareholders of Okmetic Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Okmetic Oyj for the period 1.1. – 31.12.2005. The Board of Directors and the President have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

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

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's 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 result for the financial period is in compliance with the Companies' Act.

Vantaa, 10 March 2006

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Marjomaa
Authorised Public Accountant

Analysts

At least the following analysts prepare investment analysis on Okmetic on their own initiative. Okmetic is not responsible for the content of any analysis or for any forecasts or recommendations that they contain.

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AN UP-TO-DATE LIST OF ANALYSTS CAN BE FOUND ON THE INVESTOR INFORMATION PAGES OF OKMETIC'S WEBSITE: WWW.OKMETIC.COM⇨INVESTOR INFORMATION⇨ANALYSTS.

Okmetic 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 recommendation issued by Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industries 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. The tasks of the meeting have been defined in the Finnish Companies Act and the Articles of Association of Okmetic.

The Annual General Meeting usually convenes once a year. The Annual General Meeting decides on confirming the financial statements, the distribution of profits, 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 of 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 shareholders in the list of shareholders maintained by the Finnish Central Securities Depository. Shareholders can use their right to participate either personally or by proxy.

Okmetic Oyj has one class of shares only. In the Annual General Meeting of Shareholders, all shares carry equal voting rights.

The President and the members of the Board of Directors 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 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 2005. 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 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 24 March 2005 are:

Mikko J. Aro, 1945, B.Sc. (Econ.)
- Okmetic Oyj; Chairman of the Board 2001 -
- Okmetic Oyj: Member of the Board 1999 -

- Key employment history:
- Metorex International Oy; President 1997–2002
- Oy Helvar; President 1982 - 1996
- Key board memberships:
- Helkama-Auto Oy; Chairman of the Board
- Evox Rifa Oyj; Board Member
- Oy Airam Electric Ab; Board Member
- Owns 1,500 shares in the Company

Karri Kaitue, 1964, LL.Lic.
- Deputy CEO of Outokumpu Oyj and Vice Chairman of the Group's Executive Committee 2005 -
- Okmetic Oyj; Member and Vice Chairman of the Board 2005 –
- Key employment history:
- Outokumpu Oyj; Executive Vice President - Strategy and Business Development, member of the Group's Executive Committee 2003 - 2004
- AvestaPolarit Oy; President - Coil Products 2003
- AvestaPolarit Oy; Executive Vice President, Strategy and Business Development 2002 - 2003
- AvestaPolarit Oy; Executive Vice President, M&A and Legal Affairs 2001–2002
- Outokumpu Oyj; Senior Vice President - Corporate General Counsel 1998 - 2001
- Key board memberships:
- Cargotec Oyj; Board Member 2005 -
- Does not own shares in the Company

Esa Lager, 1959, M.Sc. (Econ.), LL.M.
- CFO of Outokumpu Oyj and a member of the Group's Executive Committee 2005 -
- Okmetic Oyj; Member of the Board in 1996 - 2000, and 2003 -
- Key employment history:
- Outokumpu Oyj; Executive Vice President, Finance and Administration and a member of the Group's Executive Committee 2001 - 2004
- Outokumpu Oyj; Financial Director 1995–2000
- Key board memberships:
- Olvi Oyj; Board Member 2002 -
- Does not own shares in the Company

Pekka Paasikivi, 1944, B.Sc. (Eng.)
- Chairman of the Board of Directors of Oras Oy 2005 -
- Okmetic Oyj; Member of the Board 1996 -
- Key employment history:
- Oras Oy; President and CEO 1979–2001
- Key board memberships:
- Varma; Chairman of the Supervisory Board 2005 -
- Varma; Deputy Chairman of the Supervisory Board 2001–2005
- Uponor Oyj; Chairman of the Board 1999
- Technology Industries of Finland; Board Member 1996–2005
- Raute Oyj; Board Member 2002 -
- Oraset Oy; Chairman of the Board 1996 -
- Oras Invest Oy; Chairman of the Board 2005 -
- Liikesivistysrahaston kannatusyhdistys ry; Board Member 2003 -
- Hollming Oy; Vice Chairman of the Board 1993 - 2005
- Finpro ry; Supervisory Board Member 2000 - 2005
- Does not own shares in the Company

Pekka Salmi, 1961, Lic.Sc. (Tech.)
- Sector Director of The Finnish National Fund for Research and Development Sitra 1997 -
- Okmetic Oyj; Member of the Board in 1999 - 2000, and 2002 -
- Key board memberships:
- Board Member and Chairman of the Board of several small and medium-sized technology companies
- Does not own shares in the Company

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, Pekka Paasikivi and Pekka Salmi are independent of major shareholders.

In addition to the members listed above, Heikki Huomo was appointed to the Board of Directors in 24 March 2005. He resigned from the Board of Directors as of 9 November 2005 due to his change of employment.

The Board of Directors convenes when necessary. In 2005 a total of eleven meetings were held. The participation rate of the members of the Board of Directors in board meetings amounted to 95.3 percent.

When deemed necessary by its members, the Board of Directors forms committees amongst its members to prepare issues. The committees convene when necessary. 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 strategy work 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. The President is also responsible for ensuring that the decisions of the Board of Directors are implemented appropriately.

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.

Executive Management Group

Okmetic Group's Executive Management Group comprises the President, the Vice President and 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 eight members. It convenes when necessary, but at least once a month.

The Executive Management Group

Antti Rasilo, 1950, M.Sc. (Tech.), President 2003 -

- With the company since 2003
- Key employment history:
- Perlos Oyj; Director of the Connectors Division 1997 - 2002
- Nokia Oyj; managerial roles in materials management, production and quality assurance (Nokia Networks, Nokia Data and Nokia Cable Machinery) 1984 - 1997
- Kone Oyj; Quality Manager 1982 -1984
- Key board memberships:
- Technology Industries of Finland; Deputy Member of the Board 2004 -

Timo Koljonen, 1966, Lic.Sc. (Tech.), Senior Vice President 2004 -

- Area of responsibility: production
- With the company since 1994
- Key employment history:
- Okmetic Oyj; Researcher, Technology Manager, Plant manager 1994 - 2004

Jaakko Montonen, 1969, M.Sc. (Tech.), Senior Vice President 2004 -

- Area of responsibility: product development
- With the company since 1994
- Key employment history:
- Okmetic Oyj; Process and Project Engineer, Development Engineer, Manager and Vice President 1994 - 2004

Mikko Montonen, 1965, M.Sc. (Tech.), Senior Vice President 2004 -

- Area of responsibility: sales and marketing
- With the company since 1991
- Key employment history:
- Okmetic Oyj; Process Equipment Engineer, Account Manager, Vice President 1991 - 2004

Esko Sipilä, 1948, M.Sc. (Econ.), Senior Vice President 1996 -

- Areas of responsibility: finance and accounting, IT, and communications
- With the company since 1996
- Key employment history:
- Pakkasakku Oy; Director of Finance and Administration, and Tudor Holding Ltd; Executive Vice President 1991 - 1996
- Hilti (Suomi) Oy; Finance Director 1982 - 1991
- A Ahlström Osakeyhtiö, headquarters; various roles in financial administration 1973 - 1982

Markku Tilli, 1950, M.Sc. (Tech.), Senior Vice President 1996 -

- Area of responsibility: strategic research
- With the company since 1985
- Key employment history:
- Okmetic Oyj; Development Manager 1985 - 1995
- Outokumpu Semitronic AB; Production Manager 1992 - 1993
- Helsinki University of Technology; several positions 1974 - 1985

Markus Virtanen, 1962, M.Sc. (Tech.), Senior Vice President 2003 -

- Area of responsibility: human resources
- With the company since 1999
- Key employment history:
- Okmetic Oyj; Human Resource Manager, Vice President 1999 - 2003
- Finnish Association of Graduate Engineers, TEK; representative, organisation chief, head of a regional office, and negotiator for collective labour agreements for the metal industry via the Federation of Professional and Managerial Employees YTN 1989 - 1999
- Finnish Competition Authority; Deputy Researcher, energy market 1989

Anna-Riikka Vuorikari-Antikainen, 1965, M.Sc. (Tech.), Senior Vice President and a member of the Executive Management Group as of 1 March 2006

- Area of responsibility: sensor business development
- With the company since 1992
- Key employment history:
- Okmetic Oyj; Quality Engineer and Manager, Production Manager, Evaluations Manager, Planning Manager, 1992 - 2006
- Helsinki University of Technology, Laboratory of Engineering Materials 1988 - 1990

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.

Company management possesses a total of 20,112 shares in the company. In addition, the Executive Management Group is entitled to a total of 97,000 shares under the personnel option programme. If these option rights were to be fully utilised, the management's share of the company's share capital and voting rights would be 0.7 percent.

Management's share ownership and options 31 December 2005

	Shares	Options
Antti Rasilo	4,800	30,000
Timo Koljonen	512	13,300
Jaakko Montonen	1,000	6,500
Mikko Montonen	5,000	6,500
Esko Sipilä	3,400	13,300
Markku Tilli	2,500	13,300
Markus Virtanen	1,100	13,300
Anna-Riikka Vuorikari-Antikainen	300	800

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 24 March 2005, 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. Members of the Board of Directors are not paid separate remuneration for taking part in the meetings and a share-based incentive scheme is not applied to them.

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.

All personnel are within the scope of an incentive scheme. Economic objectives form the basis of the incentives for all personnel. In addition, personal operational objectives are included in the scheme from the managerial level onwards.

The annual emoluments of the President and the Executive Management Group comprise salaries and related benefits in kind as well as bonuses awarded in connection with the aforementioned incentive scheme of the Group. The bonuses are awarded on the basis of profitability and cash flow targets set by the Board of Directors as well as personal operative performance targets. In 2005, the maximum amount of bonus available was 50 percent for the President and 30 percent for the other members of the Executive Management Group. Bonuses were not awarded for 2005, as the Group did not reach all of the set financial targets.

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 annual remuneration and perks awarded to the President amounted to approximately 166,300 euro in 2005. The annual remuneration and perks awarded to the Executive Management Group amounted to a total of 755,500 euro in 2005.

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 of the Board of Directors and the Executive Management Group or their close relatives have no 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 auditing firm approved by the Central Chamber of Commerce. The term of office of the auditor terminates at the end of the Annual General Meeting following the appointment of the auditor.

The PricewaterhouseCoopers audit organisation is responsible for the global auditing of the companies included in the Group. PricewaterhouseCoopers Oy is responsible for auditing the parent company Okmetic Oyj and the principal auditor is Authorised Public Accountant 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 auditors amounted to approximately 132,000 euro in 2005, of which 66,500 euro 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 public insiders of the company include, on the basis of their positions, the members of the Board of Directors, the President, the Vice President, the members of the Executive Management Group and the principle auditor. In addition, as per a separate decision of the company, the permanent insiders include specifically named managers of Group administration and persons responsible for handling Group issues, as well as associates of the principle auditor, who on the basis of their positions constantly receive insider information.

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

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

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

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 address of the company's 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 Board of Directors

MIKKO J. ARO, 1945, B.Sc. (Econ.)

- Okmetic Oyj; Chairman of the Board 2001 -
- Okmetic Oyj: Member of the Board 1999 -
- Key employment history: Metorex International Oy, President 1997 - 2002; Oy Helvar, President 1982 - 1996
- Key board memberships: Helkama-Auto Oy, Chairman of the Board; Evox Rifa Oyj, Board Member; Oy Airam Electric Ab, Board Member
- Owns 1,500 shares in the Company

KARRI KAITUE, 1964, LL.Lic.

- Deputy CEO of Outokumpu Oyj and Vice Chairman of the Group's Executive Committee 2005 -
- Okmetic Oyj; Member and Vice Chairman of the Board 2005 -
- Key employment history: Outokumpu Oyj, Executive Vice President – Strategy and Business Development, member of the Group's Executive Committee 2003 - 2004; AvestaPolarit Oy, President – Coil Products 2003; AvestaPolarit Oy, Executive Vice President, Strategy and Business Development 2002 - 2003; AvestaPolarit Oy, Executive Vice President, M&A and Legal Affairs 2001 - 2002; Outokumpu Oyj, Senior Vice President – Corporate General Counsel 1998 - 2001
- Key board memberships: Cargotec Oyj, Board Member 2005 -
- Does not own shares in the Company

ESA LAGER, 1959, M.Sc. (Econ.), LL.M.

- CFO of Outokumpu Oyj and a member of the Group's Executive Committee 2005 -
- Okmetic Oyj; Member of the Board in 1996 - 2000, and 2003 -
- Key employment history: Outokumpu Oyj, Executive Vice President, Finance and Administration and a member of the Group's Executive Committee 2001 - 2004; Outokumpu Oyj, Financial Director 1995 - 2000
- Key board memberships: Olvi Oyj, Board Member 2002 -
- Does not own shares in the Company

PEKKA PAASIKIVI, 1944, B.Sc. (Eng.)

- Chairman of the Board of Directors of Oras Oy 2005 -
- Okmetic Oyj; Member of the Board 1996 -
- Key employment history: Oras Oy, President and CEO 1979 - 2001
- Key board memberships: Varma, Chairman of the Supervisory Board 2005 -; Varma, Deputy Chairman of the Supervisory Board 2001 - 2005; Uponor Oyj, Chairman of the Board 1999 -; Technology Industries of Finland, Board Member 1996 - 2005; Raute Oyj, Board Member 2002 -; Oraset Oy, Chairman of the Board 1996 -; Oras Invest Oy, Chairman of the Board 2005 -; Liikesivistysrahaston kannatusyhdistys ry, Board Member 2003 -; Hollming Oy, Vice Chairman of the Board 1993 - 2005; Finpro ry, Supervisory Board Member 2000 - 2005
- Does not own shares in the Company

PEKKA SALMI, 1961, Lic.Sc. (Tech.)

- Sector Director of The Finnish National Fund for Research and Development Sitra 1997 -
- Okmetic Oyj; Member of the Board in 1999 - 2000, and 2002 -
- Key board memberships: Board Member and Chairman of the Board of several small and medium-sized technology companies
- Does not own shares in the Company

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, Pekka Paasikivi and Pekka Salmi are independent of major shareholders.

Executive Management Group

ANTTI RASILO, 1950, M.Sc. (Tech.)
- President 2003 -
- With the company since 2003

ESKO SIPILÄ, 1948, M.Sc. (Econ.)
- Senior Vice President 1996 -
- Areas of responsibility: finance and accounting, IT, and communications
- With the company since 1996

TIMO KOLJONEN, 1966, Lic.Sc. (Tech.)
- Senior Vice President 2004 -
- Area of responsibility: production
- With the company since 1994

MARKKU TILLI, 1950, M.Sc. (Tech.)
- Senior Vice President 1996 -
- Area of responsibility: strategic research
- With the company since 1985

JAAKKO MONTONEN, 1969, M.Sc. (Tech.)
- Senior Vice President 2004 -
- Area of responsibility: product development
- With the company since 1994

MIKKO MONTONEN, 1965, M.Sc. (Tech.)
- Senior Vice President 2004 -
- Area of responsibility: sales and marketing
- With the company since 1991

ANNA-RIIKKA VUORIKARI-ANTIKAINEN, 1965, M.Sc. (Tech.),
- Senior Vice President and a member of the Executive Management Group as of 1 March 2006
- Area of responsibility: sensor business development
- With the company since 1992

MARKUS VIRTANEN, 1962, M.Sc. (Tech.)
- Senior Vice President 2003 -
- Area of responsibility: human resources
- With the company since 1999

Okmetic Group's Executive Management Group comprises the President and 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 in managing the Group.

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.

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

Electronic grade silicon: extremely pure silicon used for manufacturing silicon wafers.

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

FAS: the Finnish Accounting Standards that Okmetic followed prior to the adoption of IFRS.

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

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

HTCVD: a high temperature chemical vapour deposition process patented by Okmetic for growing an epitaxial layer on SiC crystals.

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: an international standard for the management of the quality system used in the company.

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.

Linear circuit: linear (analog) integrated circuit, e.g. amplifier.

Logic circuit: logic (digital) integrated circuit.

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

MBO: Management Buy-Out; the purchase of a company, or a part of a company, by its managers, often with backing from a venture capitalist.

MEMS wafer: 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 a SiC-MESFET transistor.

MOS logic circuit: One of the most important basic components of modern microcircuits.

Microcircuit: the same thing as an integrated circuit.

Optoelectronic: a semiconductor producing light.

Orientation: the orientation of the wafer's surface in relation to the crystal lattice of the silicon, i.e. the arrangement of the atoms in the silicon.

Polysilicon: the raw material for silicon wafers, polycrystalline silicon.

Power semiconductor: a semiconductor component manufactured for use in power electronics.

QS-9000: a quality standard that the automotive industry has developed for its entire subcontracting chain.

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

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

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

SARA: risk analysis for random emissions; a 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. Okmetic is a member of the organisation.

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

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.

Silicon carbide, SiC: a semiconductor material, a compound of silicon and carbon.

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

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

SIRE: an insider register system operated by the Finnish Central Securities Depository.

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.

Specified semiconductors: a name for one of Okmetic's business areas; comprises selected semiconductor products.

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 finished and approved wafers in relation to the number of sliced wafers in the manufacturing process.

WEEE: Waste Electrical and Electronic Equipment; EU directive, purpose of which is primarily to prevent the emergence of electrical and electronic equipment waste, and to promote the reuse, recycling and other forms of recovery of such waste.

Research companies monitoring the sensor and semiconductor markets

Future Horizon
Gartner Dataquest
IC Insights
Semico Research
VLSI Research:

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