06

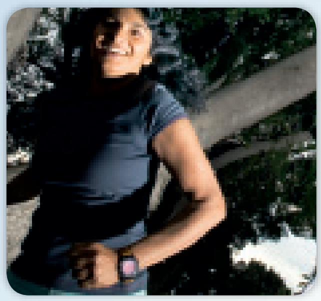
Annual Report 2006

OKMETIC

OKMETIC Annual Report 2006

Contents:

The official Financial Statements will also be published in electronic form in the Investor Information section of the Company's website, www.okmetic.com



9 Silicon-based sensors are being used in consumer applications more and more. Runners use heart rate monitors to get a real-time report of how their excercise is affecting their level of fitness. (picture: Suunto)

11 Games and toys now offer many new possibilities for silicon-based sensors. Built-in accelerometers in controllers have taken games consoles into a completely new age. (picture: Nintendo)

Translation from Finnish to English
Contents: Okmetic Corporate Communications
Design and Layout: Miltton Oy
Pictures: Okmetic, Nintendo, Suunto
Print: Erweko Painotuote Oy

8 Silicon-based sensors help to make cars safer and more economic to drive.

10 New heart rate technology enables coaches to monitor dozens of athletes' heart rates from a distance of up to 100 meters/330 feet at the same time. Team POD is an excellent tool for e.g. gym group training sessions and health-enhancing and rehabilitation physical activities. (picture: Suunto)

10 Sailing boat compasses feature silicon-based sensors that measure changes in wind direction, for example.

Okmetic in Brief:

- successful technology enterprise
- manufacturers and carries out further processing of silicon wafers for the sensor and semiconductor industries
- offers its customers value-added products and services
- customer orientation the foremost principle behind successful operations
- solutions for the technological needs of chosen customer groups
- market leader in terms of sensor wafers

Year in Brief:

- year of positive development
- new business segment from technology sales
- Espoo plant sale came through
- Okmetic K.K. was founded

Annual summary of stock exchange releases and announcements published in 2006 is available in the Investor Information section of Okmetic's website. All releases are also available on the website in their entirety www.okmetic.com

Mission

Okmetic 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.

Vision

Okmetic is a highly successful technology enterprise. We offer our clients value-added solutions, which will improve their productivity and competitiveness. The high quality of Okmetic products is based on innovative product development, an extremely efficient production process and a strong contact network. Okmetic personnel are multitalented and motivated professionals. Our research and development expertise is of the highest quality by industry standards.

Values

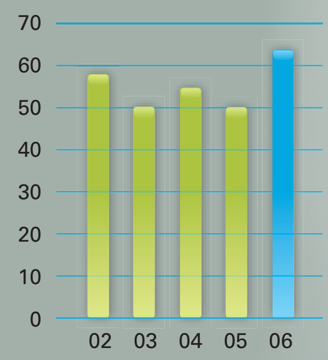
Customer orientation is the foremost principle behind the successful operations of Okmetic. We are the best partner for our clients. Profitability is a prerequisite for the growth and development of our operations. Our multidisciplinary and first-rate expertise together with our comprehensive contact network enable the continuing improvement of Okmetic products and operations.

profitability
customer orientation
know-how
co-operation
continuous improvement

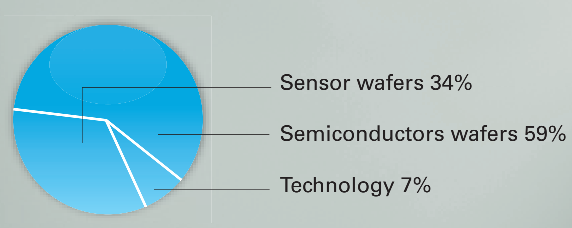
Strategy

The core of Okmetic's strategy is to produce solutions for the technological needs of its chosen sensor and semiconductor customers. The Company concentrates on its core expertise, crystal growth and sensor wafer technology. Some other wafers are produced through subcontracting. In its activities, Okmetic emphasises customer satisfaction and the high quality of products and services. Its product and process development is based on an understanding of the customer's processes and a close partnership-type co-operation. Profitable growth is the basis for the Company's operations.

Net sales, million euro



Sales per customer group



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 Thursday 29 March 2007 at 10.00 a.m. in the JFK Auditorium of the Presto Building in Airport Plaza Business Park, Äyritie 12 B, Vantaa (Veromies). The official notice of the Annual General Meeting was published in the daily newspaper Helsingin Sanomat on 7 March 2007. Registration of participants and circulation of voting tickets will begin at 9.00 a.m.

The Annual General Meeting will address the issues that according to section 3 of chapter 5 of the Finnish Companies Act and section 13 of Okmetic's Articles of Association fall under the jurisdiction of the Annual General Meeting. In addition, the meeting shall be asked to decide on the following matters proposed by the Board of Directors:

The Board of Directors proposes that no dividends shall be paid for the year 2006.

The Board of Directors proposes that the Board be granted the authority to decide on new issues and other share entitlements so that the aggregate number of shares issued on the basis of the authorisation may not exceed 3,377,500 shares. The authorisation relates to the issuance of new shares.

The Board of Directors proposes that the Annual General Meeting decide to amend the Articles of Association of the Company. The proposed amendments are mainly due to the new Finnish Companies Act, and are mainly of a technical nature.

Okmetic Oyj's large shareholders Outokumpu Oyj and Oras Invest Oy who together hold 19.2 percent of the votes in the Company, have informed the Company that they will propose to the Annual General Meeting of Shareholders that the Board of Directors should have 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 as the principal auditor.

All shareholders, who have by no later than 19 March 2007 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 22 March 2007 (address Piitie 2, Vantaa, room 5.1.31) during office hours from Monday to Friday between 8.00 a.m. and 4.00 p.m. Registration is also possible via email at osakkaat@okmetic.com, by telephone on +358 9 5028 0406 or by post to Okmetic Oyj, Share Register, P.O.Box 44, FI-01301 Vantaa, Finland. Registration by post requires that the letter arrive before the end of the registration period.

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

Shares

The Company has issued a total of 16,887,500 shares. Okmetic Oyj's shares have been quoted in the Helsinki Stock Exchange since 3 July 2000 under the trading code OKM1V. Detailed information on Okmetic's shares is given on pages 44 - 47.

Financial information

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

The most essential investor information is gathered under the section 'Investor Information' on Okmetic's 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, and an information service, where you can register to subscribe to Okmetic's electronic bulletins. The bulletins are sent via email as soon as they are issued.

Okmetic's financial reviews 2007

Thursday 1 March	Financial Statements for 2006
Week 10	Financial Statements for 2006 (Annual Report)

The printed version of the Company's Annual Report for 2006 will be posted to all registered shareholders on week 12. Annual Report will also be published on the internet.

Thursday 3 May	Interim Report January - March
Tuesday 7 August	Interim Report April - June
Tuesday 30 October	Interim Report July - September

The fabrication of silicon wafers begins with crystal growth. Polycrystalline silicon is melted in a vacuum furnace together with dopants that help to achieve the desired electrical conductivity for the wafer. Once the melt has reached an even temperature of over 1,400 degrees, the seed crystal is pulled slowly until a separate cylindrical rod is formed. A two-metre crystal takes around 48 hours to grow.

President's Review

Year 2006 was good for Okmetic and we made a comfortable profit. The positive trend that began last year has continued, and we actually exceeded our earlier estimates thanks to many things falling into place at the same time. The structural change and the associated improvements, our focus on selected customers, extra capacity gained through contract manufacturing, increased demand for wafers, and the favourable market situation all contributed to our increased profitability. Even the decrease in sale prices, which has plagued the industry for years, came to a halt. Another factor that helped the Group to achieve a good overall result was the North American subsidiary, which is now running well.

The strong 15 percent operating profit and the 18 million euro cash flow from operating activities enabled us to improve our financial situation considerably. Our equity ratio strengthened and we were able to pay back a significant portion of our debts. The change also showed in the share price and the Company's stock market value doubled. Our ownership structure was another thing to undergo changes when our biggest shareholder, Outokumpu, halved its holding to around 16 percent and the Finnish National Fund for Research and Development, Sitra, gave up its holding of around 6%. The liquidity of our shares improved considerably.

Okmetic's sales increased by 28 percent. Growth was at its strongest in North America, where we increased our market share within the customer segments that are important to us. In Asia, we progressed according to our strategic objectives and landed several new customers in Japan in particular.

We turned over a completely new leaf in Okmetic's business and signed an agreement on transferring our crystal growth technology to a Norwegian solar energy enterprise, NorSun AS. Okmetic has been growing crystals for over 20 years and will now use its expertise to help NorSun to set up a factory in Norway. This project is very important to Okmetic and it will help to boost the Company's profitability in the years to come as well as counteracting some of the effects of negative economic trends in the semiconductor industry.

Okmetic's product development is based on understanding the customer's needs and processes. In addition to cooperating more

We are looking to find growth in sensor wafers in particular, as this is a sector where Okmetic is the global market leader.

extensively with our customers, we continued to work closely with various development clusters, developing new product ideas and technologies. Our partners also include research institutes and universities in Finland and abroad. Our internal product development has focused on sensor wafers: on one hand, we have been working to develop our existing SOI products further and on the other, to devise completely new product qualities. We also strengthened our sales resources by employing local experts in both Japan and North America.

Okmetic's strategy was revised in 2006. We have left behind the phase where we aimed to increase efficiency and have now adopted a strategy based on sustainable growth. We are looking to find growth in sensor wafers in particular, as this is a sector where Okmetic is the global market leader. The sensor market is expected to keep growing at an annual rate of 10-20 percent. At the moment, the biggest market for silicon-based sensors is in the automotive industry but the use of sensor applications is expected to increase in the next few years in the pharmaceutical industry and in consumer goods as well.

Okmetic is already cooperating with several important suppliers of silicon-based sensors. Our goal is to gain an in-depth understanding of our customers' business and development needs and to intensify our collaboration with the product development departments of our most important customers.

The positive atmosphere and dynamic pace of 2006 seem to be continuing in 2007 as well. Demand for sensor wafers keeps growing and we have set ambitious goals for our sensor wafer sales and development. We believe that our sales will gain momentum as our customers' new products mature and reach volume production. This will be helped along by our intense partnerships which continue throughout the life cycle of our customers' products.

Demand for semiconductor wafers is expected to stay at more moderate levels during the first months of 2007. Thanks to our improved market situation, the demand of Okmetic's products in spring 2007 should nevertheless reach the level of last year.

Okmetic operates in an extremely demanding business chain right at the beginning of the electronics and car manufacture processes. Knowing this to be true keeps us humble. Success in the midst of fierce global competition requires a well-thought-out strategy and having our finger on the pulse at all times. Consequently, we are working to make our operations more reliable, so that we can get things right the first time around. We have already made great progress in this respect, but as the level of requirements keeps rising, we are in constant need of new ideas and continuous improvement.

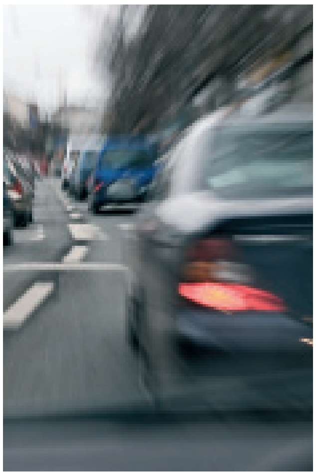
I think that the special challenge in 2007 will be the availability of raw material, in other words polycrystalline silicon. Demand for polysilicon is currently exceeding supply, and its price has increased drastically over the last couple of years. Nevertheless, we have been able to secure access to raw material. Our strong order book, investment in sensor business, the major technology sale and our skilled personnel will help us to make 2007 another comfortably profitable year.

I would like to thank all our interest groups for their fruitful, encouraging cooperation. I would like to extend especially warm thanks to Okmetic's skilled and motivated personnel for their productive work for Okmetic.

Vantaa, 5 March 2007

Antti Rasilo
President and CEO

Market Review



Silicon-based sensors help to make cars safer and more economic to drive.

Okmetic supplies solutions for the technological needs of its sensor and semiconductor customers. Our product development work is based on close, mutually trustworthy cooperation with our customers. We keep a keen eye on future needs and the material solutions of our customer industries and develop new technologies to meet them.

Okmetic's global sales and marketing organisation and its network of independent agents serve customers in North America, Europe and Asia. Exports and foreign activities account for around 96 percent of our net sales. Half of our sales are attributable to North America, a third to the European market and the rest to Asia.

Uses range from the automotive industry to consumer applications

The sensor types that are the most important to Okmetic are pressure sensors and accelerometers. On the sensor market we focus on products and services the demand for which is expected to grow at a considerably faster rate than the demand for other products and services in general.

Our sensor wafers are used in the automotive, aeronautical and pharmaceutical industries, for example, as well as in consumer applications in the sports and leisure sector. In the development of new sensor generations we have invested heavily in the manufacture of SOI (Silicon On Insulator) wafers and increased our lead over our competitors thanks to our own product development.

The most typical uses of our semiconductor wafers include consumer electronics, information technology, telecommunications and the automotive industry. In this segment our strength lies in our ability to optimise wafer properties to best suit each circuit manufacturing process. We have been supplying silicon wafers for integrated circuit manufacturers for over 20 years.

2006 – a year of better than average growth

Shipments of micromechanical sensors and semiconductor components increased by almost 20 percent in comparison with the previous year. The volumes of silicon wafer shipments also increased in terms of all product segments and all market areas. Growth was clearly at its strongest in relation to large wafers of 200 mm and 300 mm in diameter, but demand for the smaller wafers of 100-150 mm in diameter also took a clear turn for the better. Measured in surface area, the global growth in the delivery volumes of all silicon wafers amounted to around 20 percent in comparison with the previous year.

Okmetic managed to increase its sales by 28 percent – considerably more than the market growth for 100-150 mm wafers in general. The reduction in prices which has plagued the industry for years finally came to a halt and the price level began to creep upwards during the second half of the year.

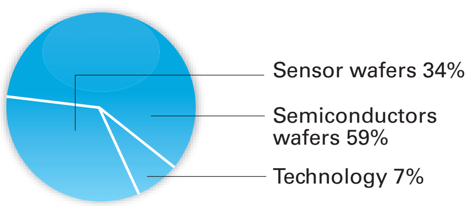
Thanks to the positive trend that currently prevails on the semiconductor markets, Okmetic's semiconductor sales grew at a faster rate than its sensor sales. The Company expanded its business into a new business segment in line with its revised strategy and began selling its technological expertise. Technology sales comprise the sales of both manufacturing technology and crystals.

Market projections for silicon wafers in 2007

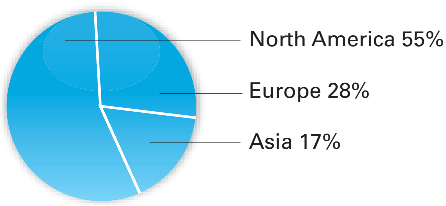
In 2006, our strategy was revised especially in terms of sensor wafers, and clear goals were set for our sensor business development over the next few years. Our goal is to strengthen our position as the global market leader in sensor wafers.

The growth projections for wafers designed for sensor applications are looking positive. The number of sensors used in the automotive industry will continue to grow in line with changes to legislation and the increasing number of safety and comfort features in cars. Currently, a standard car

Sales per customer group



Sales per market area



has between 50 and 100 sensors with a third of these being based on MEMS technology and therefore compatible with Okmetic's products. The automotive industry is also investing in improving the safety of drivers, passengers and pedestrians. These applications often involve sensors as well.

The number of sensors used in consumer applications is on the rise too. Examples of current mass-market products include optical image stabilisation systems for cameras, hard-drive protection for PCs, silicon-based microphones and various kinds of navigation applications. Growing trends in consumer goods are different kinds of devices that measure fitness and performance, and smartphones.

The sensor market is expected to grow by around 13 percent in 2007. The annual growth of the semiconductor industry is estimated at about ten percent. The average decrease in the sale price of semiconductors is expected to be considerably less dramatic in 2007 than it was in 2006. The semiconductor industry is expected to peak next in 2008.

Demand for silicon wafers will grow in step with the delivery volumes of the customer industries. The total volume of wafer shipments is expected to grow by around ten percent in 2007. Demand for sensor wafers is expected to grow at a slightly faster pace. Demand for Okmetic's silicon wafers has remained strong during the first months of 2007. The sale prices of wafers are expected to grow at a modest pace despite the increase in the price of the raw material.

Quality and environmental issues under strict scrutiny

Okmetic abides by the strict quality system devised by the automotive industry in the United States. Environmental issues are also inherent in the very construction of Okmetic's plants and they play a role in the Company's daily activities. Okmetic monitors the use of silicon material, the consumption of water and electricity, and the volumes of waste intensively. The volumes of emissions and waste are not significant, and environmental costs do not impinge on Okmetic's business. Thanks to development projects carried out during 2006, Okmetic has managed to make its use of silicon material more efficient, and the so-far-successful sustainable development will be carried forward to projects scheduled for 2007 as well. Okmetic's environmental audits revealed no serious issues in 2006.

Silicon is required for measuring pressure

Silicon-based wafers are being used in consumer applications more and more. Runners use heart rate monitors to get a real-time report of how their excercise is affecting their level of fitness.

Research and Development

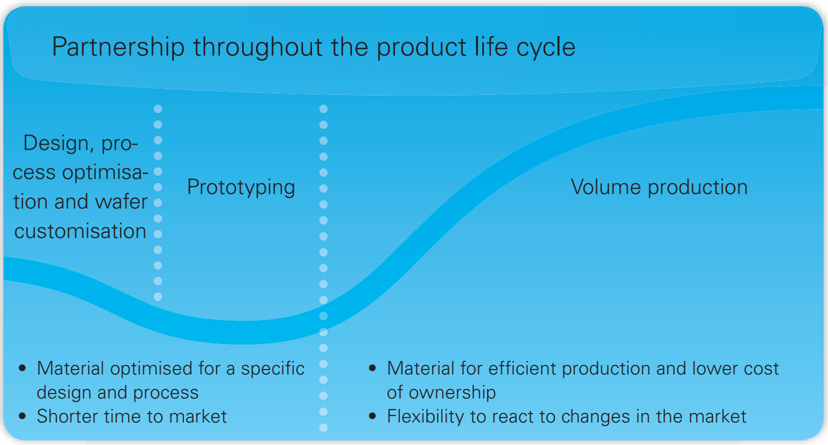
Last year Okmetic spent 1.7 million euro, or 2.7 percent of its net sales, on long-term strategic research and product development. Several strategic research projects were carried out in collaboration with customers, various different research institutes and other partners. We took part in national technology projects funded by the National Technology Agency of Finland as well as international EU-funded projects in partnership with the Technical Research Centre of Finland, the Helsinki University of Technology and the Finnish IT Centre for Science.

The objective of our process and product development projects is to improve the performance and cost-effectiveness of our production processes. Last year, we carried out these projects in-house. We managed to introduce improvements to our existing products and also developed new products to meet the needs of customers and the market.

Research and development is our way of ensuring that our products stay contemporary and that their technical performance and cost-effectiveness remain competitive. During the year, we developed several new products and new versions of existing products. In terms of sensor wafers, we continued to develop new versions of SOI wafers and to adapt our production in line with the customer industries' adoption of 200 mm wafers.

Continuous improvement in technological competence, development of new products and improvements to existing products boosted Okmetic's position on the fiercely competitive market. As long as we engage the customer in a dialogue on the different material options at the very beginning of the product development project, we can ensure that our customers end up with solutions that are just right for their needs. As a result of this kind of partnership, our customers are able to develop our silicon wafers into increasingly well-performing and cost-effective products. By translating our competence promptly into business, we can improve both our own and our customers' competitiveness.

Generating added value is not something that happens automatically or by accident. Successful product development at Okmetic is based on over 20 years of experience and long-term relationships with customers and partners. We strive to develop this system further.



In addition to manufacturing silicon wafers, Okmetic also offers a host of services and technological expertise. Our customers can benefit from our know-how in silicon materials from the early stages of developing an idea and producing a prototype – and in fact throughout the entire product life cycle. Silicon wafers that have been meticulously customised for a certain product and its production process are a way of ensuring that the product works without fail when introduced into the customer's production process. We boost our customers' productivity by optimising the behaviour of silicon material in volume production. We commit ourselves to providing products and services that keep adding value to the customer's business throughout the product's life cycle. And both parties benefit.

Games console manufacturers are churning out more and more completely new kinds of products based on cost-effectively fabricated accelerometers. The new sensor-based games consoles that were launched last year are a good example of how sensors are increasingly being used in consumer products.

Personnel

Sending a team to the world's biggest rowing event organised in Sulkava, Finland has become a tradition at Okmetic.

Resourceful, motivated personnel are critical to the success of Okmetic's strategy and long-term success. Systematic personnel development is inherent to Okmetic's strategy.

Okmetic operates on three different continents. Silicon wafer production takes place in Finland, at a plant located in Vantaa. The wafers are processed further in Texas, US, and US sales are also coordinated from the Texas subsidiary. The Asian market is served by a sales office located in Tokyo, Japan.

At the end of 2006, Okmetic employed 365 people. A total of 318 of the Group's employees were located in Finland, 46 in the US and one in Japan. More employees were recruited for production as sales increased. Clerical workers accounted for 34 percent of the personnel, and manual workers for 66 percent. The average age of the personnel was 40 years and the average length of employment was eight years.

Thirty-two percent of the personnel were women and sixty-eight percent were men. According to a survey conducted in the previous year, equality issues are in good order at Okmetic. The equality policy is reviewed on a yearly basis and any changes made will be communicated to all personnel groups.

Systematic personnel development

Okmetic develops the skills of all its personnel groups as well as their operating procedures and occupational welfare in line with its strategy. On average, each employee spent 2.5 days in training in 2006. Training courses focused on quality assurance, occupational welfare and health and safety.

Okmetic tackled the challenges of management and leadership by launching a training programme for the management, which will continue in 2007. The first modules of the programme dealt with strategic planning and finance and accounting.

Okmetic reviews its personnel's performance on a regular basis. Performance reviews aim at improving cooperation and making the workplace more efficient and the atmosphere at work more pleasant. A new concept was adopted for performance reviews in 2006. The goal was to assess how well set targets have been met, to agree on new targets for the next period, to identify areas where the employee needs to improve and to produce a personal development plan. Almost 90 percent of the reviews scheduled for 2006 were conducted.

Performance-related incentive schemes

The remuneration of Okmetic's employees is based on the level of difficulty of the tasks of each personnel group. Collective labour agreements determine the job-specific remuneration payable for manual workers and some clerical workers as well. The Group's Parent Company complies with the collective labour agreements of the Technology Industries of Finland.

All employee groups at Okmetic are eligible for an incentive scheme. Manual workers aim to meet targets relating to yields, productivity, delivery reliability and lead times, for example. Bonuses awarded on the basis of productivity targets are paid monthly.

Clerical workers are entitled to performance-related commission, which is based on annual targets relating to profitability, finance and development of the Company's operations. Operative targets are set individually from managerial level upwards.

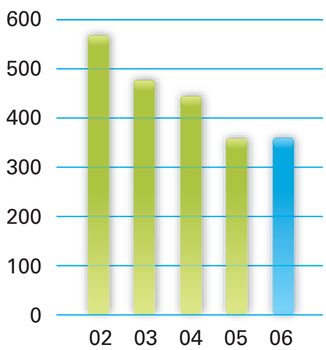
Occupational welfare and health and safety

Okmetic measures personnel satisfaction based on surveys, reports produced in connection with check-ups with occupational healthcare workers, turnaround of permanent employees, sick days and the number of employees' initiatives. In 2006, all of these indicators demonstrated that occupational welfare had improved since the previous year.

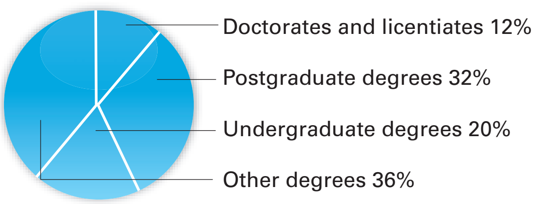
Okmetic also promotes its personnel's recreational activities in many ways. The personnel in Finland were offered a chance to do a two-kilometre walking test designed to measure respiratory and cardiovascular performance. A total of 199 employees took part in the test. The participants were given personal feedback on their performance. The event was linked to a seminar on the importance of exercise in terms of occupational welfare.

The number of accidents at Okmetic decreased in 2006. The number of accidents that resulted in at least one day of sick leave was 11 over a million working hours (2005: 22 accidents / one million working hours).

Number of personnel (average)



Educational background of clerical workers



Crystal growth and sensor wafer manufacturing technology are Okmetic's core areas of expertise. Crystal growth is the most critical stage of wafer manufacture and an extremely complicated process. We are a pioneer and a market leader in sensor wafer manufacturing. Our core expertise is based on long-term development and the competence of our innovative staff.

Board of Directors' Report and Financial Statements for Okmetic Oyj in 2006

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 - 2006 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.

Board of Directors' Report

Markets

The electronics industry enjoyed better than average growth in 2006. The sensor market grew by almost 20 percent. The volume of semiconductor shipments also increased around 20 percent over the year. The prices of semiconductors, however, fell as a result of fierce competition, and dollar-denominated semiconductor sales only grew by nine percent.

The volume of silicon wafer shipments increased significantly in all product segments and in all market areas in 2006. In terms of surface area, global growth in shipment volumes amounted to 20 percent in comparison with the previous year.

Strategy and segment reporting

The core of Okmetic's strategy is to produce solutions for the technological needs of its chosen customers in the sensor and semiconductor industries. The Group's primary segment reporting format is based on a single business segment, since the risks and profitability associated with the Company's strategic product segments do not differ considerably from each other.

The Company's sales are assessed both on the basis of geographical market areas and the three chosen customer segments: sensor customers, semiconductor customers and technology customers. These are dealt with as individual sectors in Okmetic's strategy, which is based on specialisation.

In 2006, the Company detailed its strategy especially in terms of sensors, and set clear targets for sensor wafer activities for the next few years. Okmetic is the world's leading supplier of sensor wafers and aims to strengthen this position.

Sales

Okmetic's 28-percent increase in net sales exceeded the overall growth pace of the market, and the Company increased its contribution to its customers' wafer supply. Demand for polycrystalline silicon, the principal raw material of silicon wafers, exceeded supply and its price increased. Major wafer manufacturers focused more and more on the large 200 mm and 300 mm wafers, which also contributed to Okmetic's ability to increase its net sales in the 100 - 150 mm size range, although the wafers' sale prices remained at the previous year's level. The Group's net sales grew by 27.9 percent compared to the previous year (decrease of 8.6%) and amounted to 63.7 million euro (49.8 million euro).

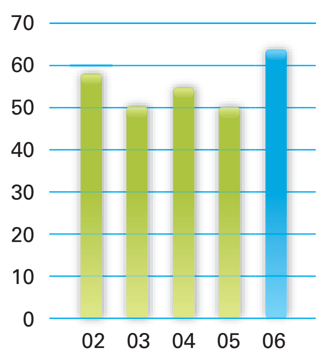
Sales per customer segment

	2006	(2005)
Sensors	34%	(36%)
Semiconductors	59%	(54%)
Technology	7%	(10%)

Okmetic's performance in the sensor market developed according to objectives. Sensor wafers are used in the automotive, aeronautical and pharmaceutical industries, for example, as well as in consumer applications.

Thanks to the positive economic trend in the semiconductor market, semiconductor sales grew faster than sensor sales. The most typical uses of semiconductor wafers include consumer electronics, information technology, telecommunications and the automotive industry.

Net sales, million euro



Key financial figures

1,000 euro	1.10.-31.12.06	1.10.-31.12.05	1.1.-31.12.06	1.1.-31.12.05	1.1.-31.12.04
Net sales	16,007	13,994	63,694	49,822	54,524
Operating profit/loss	3,339	810	9,877	580	-5,735
% of net sales	20.9	5.8	15.5	1.2	-10.5
Earnings per share from continuing operations, euro	0.12	0.00	0.41	-0.10	-0.50
Net cash from operating activities	4,863	3,430	17,945	3,125	3,655
Return on equity, %			18.6	-5.1	-22.2
Gearing, %			31.3	99.5	116.9
Equity ratio, %			51.1	41.1	36.9
Average number of personnel during the period			360	359	446

In 2006, Okmetic expanded its business into a new business segment in accordance with the Company's revised strategy. Technology sales comprise the sales of both manufacturing technology and crystals.

Net sales per market area

	2006	(2005)
North America	55%	(46%)
Europe	28%	(37%)
Asia	17%	(17%)

Profitability

In 2006, Okmetic Group recorded a profit of 6.9 million euro (60,000 euro). Profit from the Group's continuing operations amounted to 6.9 million euro (-1.7 million euro). Earnings per share from continuing operations were 0.41 euro (-0.10 euro).

The structural change that Okmetic underwent in 2004 and 2005 in order to ensure long-term profitability combined with the associated development measures contributed significantly to the Company's good profitability in 2006. The 0.4 million dollar compensation payment awarded to a client towards the end of the year hurt the profits.

Okmetic Oyj's loan to Okmetic Inc, which has previously been recorded as a net investment, has resulted in a 2.5 million euro loss due to exchange differences. This loss has been recorded in the translation differences under equity in the Consolidated Financial Statements, and the loan is now recorded as a normal liability. As a result, 1.1 million euro of the exchange loss, which corresponds to the loan repayment, has been recorded under financial expenses in the Consolidated Income Statement for 2006. The remaining 1.4 million euro of the exchange loss will be expensed according to the same principle in the future, proportioned to the loan repayments.

Financing

The Group's financial situation is good. The net cash flow from operations amounted to 17.9 million euro (3.1 million euro). The cash flow was particularly boosted by good profitability and the level of trade payables that has normalised since the end of the previous year, as well as by the increase in prepayments received.

Due to the decline in the availability of polycrystalline silicon, stocks fell and around 2.0 million euro was freed as a result. Half of the amount was used to repay a loan that was taken out to finance the polysilicon stocks. The previous 2.0 million euro loan, which matured at the end of 2006, was paid off and a new 1.0 million euro loan was taken out at the beginning of 2007.

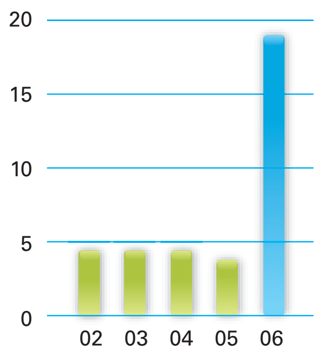
In December, Okmetic sold its decommissioned production facility in Espoo and some of the plant's old machinery. The sale price was 4.8 million euro and the sales profit of just over one million was entered into the books for 2006.

In summer 2006, Okmetic sold its crystal growth technology to NorSun, a Norwegian solar energy enterprise. The deal is worth around 15 million euro over a period of three years.

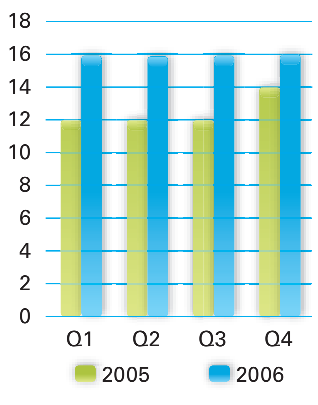
According to the agreement with NorSun AS, Okmetic will increase its crystal growth capacity at the Vantaa plant. NorSun will fund the additional production machinery, and Okmetic will pay for the building work required for extending the plant. Okmetic will then begin to grow crystals on behalf of NorSun.

The total investment in the Vantaa plant extension will amount to around 10 million euro, and Okmetic's share of the investments will be worth around 2.7 million euro. The project will require the input of around 20 Okmetic employees. Construction work relating to the project began in Vantaa in July. In 2006, investments associated with the project amounted to 0.3 million euro. The companies aim to conclude negotia-

Net cash flow generated from operating activities, million euro



Quarterly net sales, million euro



tions on the details of the agreement during March.

The remaining 1.4 million euro of the Group's gross investments of 1.7 million euro in 2006 related to normal replacement investments.

The Group revised its syndicated bank facility in November. According to the loan agreement, Okmetic's credit facility was divided into a long-term 10.0 million euro loan and a 6.0 million euro credit facility. According to the terms and conditions of the new syndicated loan, repayments of subordinated loans can resume once the new loan has been reduced to four million euro.

During the year, Okmetic paid back a total of 12.4 million euro worth of loans. Of this, normal loan repayments accounted for 4.9 million euro (2005: 5.2 million euro). In addition, the Company paid off the aforementioned 2.0 million euro loan on polysilicon stocks and reduced the credit facility by 5.5 million euro.

The Company plans to pay the 3.1 million euro worth of interest on subordinated loans, which is recorded under liabilities, during spring 2007. The Company's goal is to get to a situation where repayments can be made on subordinated loans as well.

At the end of the year, cash and cash equivalents amounted to 13.2 million euro (4.5 million euro). Return on equity amounted to 18.6 percent (-5.1%). The Group's equity ratio strengthened and amounted to 51.1 percent (41.1%). Shareholders' equity per share was 2.37 euro (2.01 euro).

Product development

Product development accounted for 2.7 percent of Okmetic's net sales (2.9%). Okmetic engaged in several strategic research projects with clients, research institutes and other partners. Several new products and new versions of existing products were introduced during the year.

The development of new SOI versions continued in sensor wafers, and preparations for the customer industries' adoption of 200 mm wafers got underway. Yields were improved and the consumption of raw materials curbed through developing production machinery and internal processes.

Personnel

The level of expertise demonstrated by Okmetic's personnel is globally competitive. Competent, multi-talented employees are a prerequisite for achieving Okmetic's strategic goals and ensuring long-term success. Systematic development of the personnel's competencies is an inherent part of Okmetic's strategy. The Company's personnel policy also supports the pursuit of Okmetic's strategic objectives.

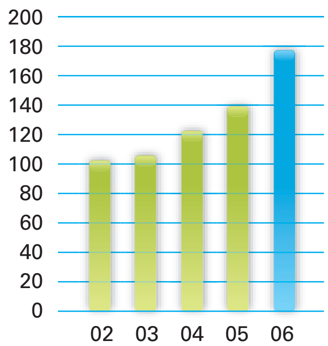
In 2006, the average number of personnel at Okmetic was 360 (2005: 359 and 2004: 446). The number of employees in production was increased to meet the increase in sales volumes.

At the end of the year, 318 employees worked in Finland, 46 in the US and one in Japan.

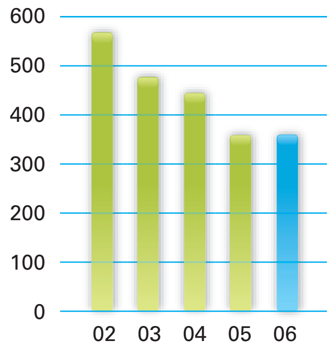
Thirty-two percent of the personnel were women and sixty-eight percent were men. Clerical workers accounted for 34 percent of the personnel and manual workers for 66 percent. The average age of the personnel was 40 and the average length of employment was eight years.

Okmetic systematically develops the skills of all its personnel groups as well as their operating procedures and occupational welfare. On average, each employee spent 2.5 days in training. In 2006, the Company launched a training programme for the management, which will continue in 2007.

Net sales per person,
1,000 euro



Average number of personnel



The first modules of the programme dealt with strategic planning and finance.

Performance reviews are a regular exercise at Okmetic. A new concept was adopted in 2006. Eighty-seven percent of the planned performance reviews were conducted.

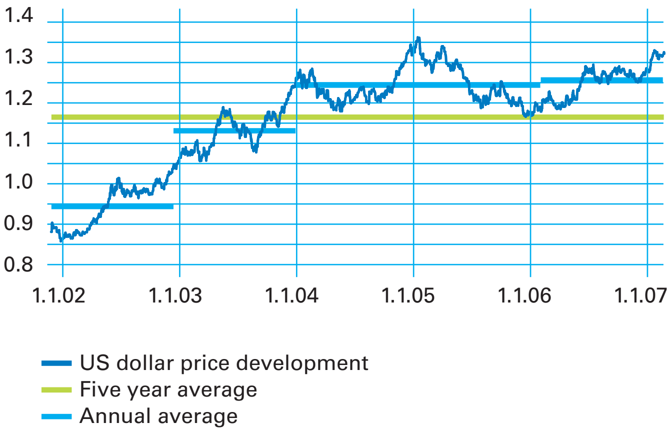
The remuneration of Okmetic's employees is based on the level of difficulty of the tasks of each personnel group. Wages and salaries amounted to 17.6 million euro (2005: 15.7 million euro and 2004: 19.9 million euro). In some cases, a collective labour agreement determines the remuneration payable for specific positions. The Group's Parent Company complies with the collective labour agreements of the Technology Industries of Finland.

All employee groups at Okmetic are eligible for an incentive scheme. Monthly targets are set for the manual workers' productivity, and the resulting bonuses are awarded once a month. Clerical workers are subject to a profit-sharing scheme, which is based on annual targets relating to profitability, finance and development of the Company's operations. Operative targets are set individually from managerial level upwards. The Group achieved all of its profitability and finance-related targets in 2006. Operative targets were also met successfully.

The working atmosphere at Okmetic has remained at the level of the previous year. A personnel survey showed that Okmetic's employees are competent and motivated by their work, that they strive to ensure Okmetic's good performance and that they work well together as a team. The steering effect of the strategy and teamwork were also in line with the goals. In 2005, Okmetic invested heavily in developing its employees' competencies, which showed in the 2006 survey as an improvement in working atmosphere. Seventy-two percent of Okmetic's employees took part in the survey.

Additional information on personnel is available on page 21.

US dollar price development, euro/USD



Environmental issues

At Okmetic, environmental issues are inherent in the very construction of the plants. The Company has been awarded the ISO9001:2000, TS16949 and ISO14001 quality and environmental certificates. The most notable subcontractors and suppliers also have ISO14001 certification.

Okmetic has identified the use of silicon material and the consumption of electricity and water as significant environmental issues. The volumes of emissions and waste are not significant, and environmental costs do not impinge on Okmetic's business. Thanks to development projects carried out during 2006, Okmetic has managed to make its use of silicon material more efficient, which has now created conditions for continuing the so-far-successful sustainable development in projects scheduled for 2007 as well.

Concentrating all of Okmetic's activities in Finland to Vantaa in 2005 helped to reduce the consumption of electricity and water in Finland, and the plant consequently applied for a new environmental permit. The permit was renewed in 2006.

Okmetic has identified the environmental risks relating to its business and taken measures to control them. The Company continuously follows the evolution of environmental laws and requirements and adjusts its business accordingly. Okmetic also abides by the new EU chemicals legislation (REACH). No serious environmental issues occurred at Okmetic's plants in 2006.

Acceptable emission limit values were exceeded on five occasions in relation to waste water treatment. The excess values were only slightly over the acceptable limits and corrective measures were implemented expediently. Okmetic's plants are not subject to emission trading.

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

The key figures on environmental protection at the Vantaa plant in 2006 are as follows:

- Energy consumption (GWh): electricity 25.2, district heating 3.2
- Water consumption (tm^3): water 480, waste water 450
- Waste volumes (t): hazardous waste 220, landfill waste 65, recycled waste 140.

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 sudden and dramatic. The demand for sensor wafers is more stable.

Okmetic is the market leader in sensor wafers and they account for a significant proportion of the Company's sales. Maintaining the market leader position and continuing to develop sensor wafers in collaboration with clients require larger than average investment from Okmetic.

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

Demand for polycrystalline silicon, the raw material of silicon wafers, exceeded supply in 2006, reducing its availability and increasing its price. Okmetic expects availability to remain low and the price to continue to rise. Moreover, the suppliers of polysilicon are expected to start demanding prepayments more and more often. Okmetic has secured access to the raw material through long-term purchase agreements. The availability of polysilicon may become an issue if the market situation changes, and it may be that the Company will have to tie up even more resources to secure its availability.

Great volumes of electricity are used in Okmetic's production. Despite hedging, the Company is also vulnerable to fluctuations in the price of electricity. The production process also consumes a lot of water, but its availability and price are not expected to cause a problem to business.

At the end of the year, the Group's interest-bearing liabilities amounted to 25.7 million euro (38.3 million euro). Unpaid subordinated loans amounted to 6.6 million euro at the end of the year. The Company has been unable to make the capital and interest repayments of subordinated loans in the absence of distributable funds. Loans from financial institutions amounted to 19.1 million euro at the end of the year (31.4 million euro). Loan repayments amounted to a total of 12.4 million euro in 2006 (5.2 million euro). Although the amount of debt has gone down significantly, interest rate fluctuations still have an impact on the Company's financial performance.

Okmetic's production activities are capital-intensive, and also largely labour-intensive. Some of the processes are highly technical and the raw materials are subject to special permits. Any downtime in production represents a significant risk to profitability. Okmetic aims to protect itself against these risks by regularly inspecting its production plants together with the relevant officials and its insurance provider and by organising emergency drills to prepare for accidents. The Company has extensive, regularly revised accident insurance cover.

Share price development and trading

A total of 16.5 million shares (5.9 million shares) were traded between 1 January and 31 December 2006, representing 97.7 percent (34.7%) of the share total of 16.9 million. The lowest quotation of the year was 1.80 euro (1.65 euro) and the highest 3.75 euro per share (3.14 euro per share), with the average being 3.11 euro (2.09 euro). The closing quotation for the year was 3.69 euro (1.78 euro). At the end of the year, the market value of the entire share capital amounted to 62.3 million euro (30.1 million euro).

The high trading volume is largely due to the share dealings of major shareholders who sold their holdings to several different buyers simultaneously in spring 2006.

Okmetic is listed on the Nordic Small Cap list of the Helsinki Stock Exchange under the trading code OKM1V. According to the Global Industry Classification Standard (GICS), which the Helsinki Stock Exchange uses, Okmetic Oyj is 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 to increase share capital

On 28 February 2007 the Board of Directors decided to propose at the Annual General Meeting to be held on Thursday, 29 March 2007 that the Board of Directors be granted the authority to decide on new issues and other share entitlements according to the first paragraph of section 10 of the Finnish Companies Act as follows:

The aggregate number of shares issued on the basis of the authorisation may not exceed 3,377,500 shares, which represents approximately 20 percent of all the shares of the Company.

The Board of Directors is authorised to decide on all the terms and conditions concerning the issue of shares and other share entitlements. The authorisation relates to the issuance of new shares. Issuance of shares and other share entitlements can be carried out as a directed issue.

The authorisation is effective until the following Annual General Meeting of Shareholders, however no later than until 29 March 2008.

The Board of Directors was granted similar authorisations at the Annual General Meetings held on 24 March 2005 and 11 April 2006. The Board had not taken advantage of its powers by 28 February 2007.

Convertible bonds

Okmetic has no convertible subordinated loans at the moment.

At an Extraordinary General Meeting held on 28 June 1999, the shareholders 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 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. Due to changes resulting from the increase in the total number of shares and the adoption of the euro between 2000 and 2006 the Company's share capital has been allowed to increase by no more than 366,800 euro as a result of all bonds issued at the same time being converted, which corresponds to about 3.28 percent of the Company's total share capital and votes. The number of shares would have been able to increase by no more than 524,000 if all the bonds were converted.

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.

The right of conversion expired on 30 June 2006.

Projections for the near future

The sensor industry is growing at a faster rate than the semiconductor industry. Over the last five years, the global sales of sensors have increased at a rate of one and a half times that of micro circuits on average. This trend is expected to continue in 2007. While the growth in the semiconductor industry is expected to come close to ten percent in 2007, SIA's estimates foresee growth of around 13 percent in the sensor market. The majority of sensors that are fabricated on silicon wafers are built using MEMS technology. The sensor types that are most significant to Okmetic are pressure sensors and accelerometers.

Okmetic's goal on the sensor market is to focus on products and services the demand for which is expected to grow at a considerably faster rate than the demand for other products and services in general.

For the semiconductor industry, 2007 is expected to represent the kind of phase in the economic cycle where growth figures hover in the region of long-term averages. The decline in the average sale price of semiconductors is expected to be considerably less dramatic in 2007 than it was in 2006. In fact, the decline is even forecasted to stop altogether, and consequently shipment volumes of components are expected to increase at approximately the same rate as invoicing in 2007, in other words, around ten percent. (SIA, WSTS, Gartner, IC Insights).

Demand for silicon wafers will grow in a similar way to the shipment volumes of the customer industries. According to prevailing forecasts, the total volume of wafer shipments will increase by about ten percent in 2007. Demand for sensor wafers is expected to increase slightly faster.

Overall, demand for Okmetic's products remained high throughout 2006. Moreover, demand has stayed strong in the first months of 2007. Only a moderate increase is expected in the price level of wafers, despite the increase in the price of the raw material. The Company estimates that in the first six months of 2007, net sales and profitability will amount to around the same as they did in the corresponding period of the previous year.

Significant events after the end of financial year

The Board of Directors' proposals for the Annual General Meeting scheduled for Thursday, 29 March 2007 are as follows:

The Board's proposal regarding its own powers to decide on new issues and other share entitlements was presented under Authorisation of the Board of Directors to increase share capital.

The Board of Directors proposes that the Annual General Meeting decide to amend the Articles of Association of the Company. The proposed amendments are mainly due to the new Finnish Companies Act, which entered into force on 1 September 2006, and are mainly of a technical nature.

The main content of the proposed amendments is as follows:

- Section 3 concerning the maximum and minimum share capital of the Company is removed as redundant.
- The first paragraph of section 4 concerning the absence of par value of the shares is removed as redundant.
- Section 5 concerning the record date procedure of the book-entry system is removed as redundant.
- Section 8 concerning the right to sign in the name of the Company is amended to correspond to the wording of the Companies Act.
- Section 12 concerning the invitations to Annual General Meetings is amended to the effect that the invitation can be delivered no earlier than three months prior to the Annual General Meeting instead of the current two months.
- Section 13 concerning the Annual General Meeting of Shareholders is amended to correspond to the amended legislation.
- The numbering of the sections in the Articles of Association is amended to correspond to the above.

Management and auditor

In 2006, Okmetic's Board of Directors was made up of Mikko J. Aro as the chairman, Karri Kaitue as the deputy chairman and Esa Lager, Pekka Paasikivi and Pekka Salmi as members of the Board.

Antti Rasilo, M.Sc. (Tech.) has been acting as the President of Okmetic Oyj since 1 January 2003. In addition to the President, the Group's Executive Management Group comprises Timo Koljonen, Senior Vice President, Production; Jaakko Montonen, Senior Vice President, Product Development; Mikko Montonen, Senior Vice President, Sales and Marketing; Esko Sipilä, Senior Vice President, Finance, IT and Communications; Markku Tilli, Senior Vice President, Research; Markus Virtanen, Senior Vice President, Human Resources; and Anna-Riikka Vuorikari-Antikainen, Senior Vice President, Sensor Business Development.

The Company's auditors are PricewaterhouseCoopers Oy, Authorised Public Accountants, with Markku Marjomaa, Authorised Public Accountant, acting as the principal auditor.

The Board of Directors' proposal regarding measures concerning retained earnings

According to the Financial Statements dated 31 December 2006, Okmetic's distributable earnings amount to 5,734,093.35 euro. The earnings consist of profit from the financial year 2006.

The Board of Directors' proposal for the Annual General Meeting is that the distributable earnings be retained in equity.

INFORMATION ABOUT THE PERSONNEL	**2006**	2005	2004
Number of employees, annual average			
Okmetic Oyj, Finland	**315**	314	388
Okmetic Inc., United States	**44**	45	41
Okmetic K.K., Japan	**1**	0	0
Okmetic AB, Sweden	**0**	0	15
Total	**360**	359	444
Number of employees at the end of the year	**365**	338	418
Wages and salaries, million euro	**17.6**	15.7	19.9
Average length of employment, years	**7.7**	8.0	
Age structure of the personnel			
-20	**0%**	0%	
20-29	**11%**	9%	
30-39	**43%**	44%	
40-49	**30%**	30%	
50-59	**15%**	16%	
60-	**1%**	1%	
Educational background of clerical workers			
Doctorates and licentiates	**12%**	12%	
Postgraduate degrees	**32%**	33%	
Undergraduate degrees	**20%**	20%	
Other degrees	**36%**	35%	
Number of days in training per person	**2.5**	4.0	
Occupational health and safety			
Sickness absences, %	**2.9%**	3.4%	
Equality			
Men	**68%**	69%	
Women	**32%**	31%	

Consolidated Financial Statements, IFRS

CONSOLIDATED INCOME STATEMENT

1,000 euro	Note	1 Jan - 31 Dec 2006	1 Jan - 31 Dec 2005
Continuing operations			
Net sales	1	**63,694.5**	49,821.7
Cost of sales	2	**-48,165.1**	-43,906.4
Gross profit		**15,529.3**	5,915.3
Other operating income	3	**1,739.4**	1,552.3
Sales and marketing expenses	2	**-2,770.7**	-2,232.5
Administrative expenses	2	**-4,303.5**	-3,691.5
Other operating expenses	4	**-317.1**	-963.8
Operating profit	2	**9,877.3**	579.8
Financial income	9	**260.6**	168.0
Financial expenses	9	**-3,458.6**	-2,308.9
Profit/loss before tax		**6,679.4**	-1,561.1
Income tax	10	**206.2**	-142.7
Profit/loss for the period from continuing operations		**6,885.5**	-1,703.8
Profit for the period from discontinued operations	5	-	1,763.8
Profit for the period		**6,885.5**	60.0
Earnings per share for profit attributable to the equity holders of the Parent Company			
Continuing operations: Basic and diluted earnings/loss per share	11	**0.41**	-0.10
Discontinued operations: Basic and diluted earnings per share	11	**-**	0.10
All operations: Basic and diluted earnings per share		**0.41**	0.00

CONSOLIDATED BALANCE SHEET

1,000 euro	Note	31 Dec 2006	31 Dec 2005
Assets			
Non-current assets			
Property, plant and equipment	12	**47,821.2**	58,628.6
Available-for-sale financial assets	13	**1,501.9**	2,213.9
Other receivables	16	**122.9**	238.0
Total non-current assets		**49,446.0**	61,080.5
Current assets			
Inventories	15	**7,915.1**	7,945.5
Trade and other receivables	16	**9,036.0**	9,301.1
Cash and cash equivalents		**13,184.3**	4,452.0
Total current assets		**30,135.3**	21,698.7
Total assets		**79,581.3**	82,779.2

CONSOLIDATED BALANCE SHEET

1,000 euro	Note	**31 Dec 2006**	31 Dec 2005
Equity and liabilities			
Equity			
Share capital		**11,821.3**	11,821.3
Share premium		**20,255.6**	36,400.8
Translation differences		**669.2**	758.9
Fair value reserve		**-1,042.1**	-340.3
Retained earnings/losses		**1,491.0**	-14,714.2
Profit for the period		**6,885.5**	60.0
Total equity	17	**40,080.5**	33,986.5
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	18	**20,720.8**	15,564.1
Deferred tax liabilities	14	**573.6**	825.9
		21,294.4	16,390.0
Current liabilities			
Interest-bearing liabilities	18	**5,010.2**	22,715.0
Trade and other payables	20	**5,890.0**	4,281.7
Accruals and deferred income	21	**7,306.2**	5,406.0
		18,206.4	32,402.7
Total liabilities		**39,500.8**	48,792.7
Total equity and liabilities		**79,581.3**	82,779.2

CONSOLIDATED CASH FLOW STATEMENT

1,000 euro	Note	**1 Jan - 31 Dec 2006**	1 Jan - 31 Dec 2005
Cash flows from operating activities			
Profit/loss before tax		**6,679.4**	-1,561.1
Adjustments for			
Depreciation	6	**8,485.8**	8,610.4
Profit on sale of property, plant and equipment		**-1,518.6**	-1,265.8
Interest expenses	9	**1,903.9**	2,177.0
Interest and dividend income	9	**-185.1**	-67.5
Other financial items		**1,530.8**	131.8
Fair value gains/losses on derivatives at fair value through profit or loss		**42.6**	415.0
Changes in working capital			
Change in trade and other receivables		**-196.2**	233.0
Change in inventories		**-109.4**	-741.5
Change in trade and other payables		**2,957.9**	-2,816.7
Interest received		**171.2**	68.6
Dividends received		**0.9**	1.1
Interest paid		**-1,382.1**	-1,982.4
Other financial items		**-436.0**	-77.4
Net cash from operating activities		**17,945.1**	3,124.6
Cash flows from investing activities			
Purchases of property, plant and equipment	12	**-1,203.3**	-660.4
Disposal of a subsidiary less cash and cash equivalents at date of disposal	5	**-**	628.2
Proceeds from sale of property, plant and equipment		**4,751.4**	1,265.9
Proceeds from sale of available-for-sale financial assets		**25.4**	-
Net cash from investing activities		**3,573.6**	1,233.7
Cash flows from financing activities			
Proceeds from long-term borrowings		**10,000.0**	-
Payments of long-term borrowings		**-6,916.2**	-4,680.5
Payments of finance lease liabilities		**-342.8**	-321.8
Payments of short-term borrowings		**-15,500.0**	-500.0
Other financing cash flow		**-**	19.6
Net cash used in financing activities		**-12,759.0**	-5,482.6
Net increase (+), decrease (-) in cash and cash equivalents		**8,759.7**	-1,124.4
Cash and cash equivalents at the beginning of the financial year		**4,452.0**	5,515.0
Exchange gains/losses on cash and cash equivalents		**-27.4**	61.4
Cash and cash equivalents at the end of the financial year		**13,184.3**	4,452.0

Payments of short-term borrowings are reported on a net basis and they comprise the withdrawals and repayments of a credit facility.

The Group's cash and cash equivalents comprise cash in hand and bank accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1,000 euro

	Share capital	Share premium	Translation differences	Fair value reserve	Retained earnings/ losses	Total equity
Equity on 1 January 2005	**11,821.3**	**71,266.2**	**-806.3**	**7.2**	**-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
Translation differences			1,565.2			1,565.2
Losses offset from previous financial years		-34,865.4			34,865.4	0.0
Net income recognised directly in equity	-	-34,865.4	1,565.2	-347.5	34,865.4	1,217.8
Profit/loss for the period					60.0	60.0
Total recognised income and expenses	-	-34,865.4	1,565.2	-347.5	34,925.4	1,277.8
Equity on 31 December 2005	**11,821.3**	**36,400.8**	**758.9**	**-340.3**	**-14,654.5**	**33,986.5**
Available-for-sale financial assets						
Fair value gains/losses recognised directly in equity				-690.8		-690.8
Transfer to income statement				-14.8		-14.8
Taxes on fair value gains/losses recognised directly in equity				3.8		3.8
Translation differences			-594.5			-594.5
Transfer to income statement			504.8			504.8
Losses offset from previous financial years		-16,145.2			16,145.2	0.0
Net income recognised directly in equity	-	-16,145.2	-89.7	-701.8	16,145.2	-791.5
Profit/loss for the period					6,885.5	6 ,885.5
Total recognised income and expenses	-	-16,145.2	-89.7	-701.8	23,030.7	6,094.0
Equity on 31 December 2006	**11,821.3**	**20,255.6**	**669.2**	**-1,042.1**	**8,376.5**	**40,080.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

Okmetic Oyj, the Parent Company of Okmetic Group, is a Finnish public limited company. Its registered office is at Piitie 2, 01510 Vantaa, Finland. 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 at the abovementioned address.

The Board of Directors of Okmetic Oyj approved these Financial Statements for publication at its meeting held on 28 February 2007. As per the Finnish Companies Act, shareholders have the right to either approve or reject the financial statements in a general meeting held after their publication. The general meeting is also entitled to amend the financial statements.

Basis of presentation

The Consolidated Financial Statements of Okmetic Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) valid at 31 December 2006 together with SIC and IFRIC Interpretations. Under the Finnish Accounting Act and its regulations, International Financial Reporting Standards refer to the standards and their interpretations adopted in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the Consolidated Financial Statements are also in accordance with Finnish accounting and company legislation.

The Consolidated Financial Statements are presented in thousands of euros and have been prepared under the historical cost convention with the exception of available-for-sale financial assets and financial assets and liabilities at fair value through profit or loss.

New IFRS standards adopted in 2006

On 1 January 2006, the Group adopted the following new or amended standards and their interpretations, as published by the IASB in 2004 and 2005.

The adoption of new or amended standards or their new interpretations has not had any significant impact on the information presented in the Consolidated Financial Statements.

- IAS 19 (amendment): Employee Benefits
- IAS 21 (amendment): Net Investment in a Foreign Operation
- IAS 39 (amendment): The Fair Value Option
- IAS 39 (amendment) and IFRS 4 (amendment): Financial Guarantee Contracts
- IAS 39 (amendment): 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 (effective on 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 (amendment): First-time Adoption of IFRS, and IFRS 6 (amendment): Exploration for and Evaluation of Mineral Resources

Use of estimates

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts in the balance sheet and income and expenses for the reporting period. Accounting estimates have been used in determining, for example, the realisability of assets, the useful lives of tangible assets and income taxes. Although the estimates are based on the latest available information, the actual results may differ from the estimates.

Accounting policies for the Consolidated Financial Statements

Principles of consolidation

The Consolidated Financial Statements include the Parent Company Okmetic Oyj and all companies in which Okmetic Oyj owns, directly or indirectly, over 50 percent of the voting rights or otherwise has the power to govern the financial and operating policies. Subsidiaries acquired during the financial year are consolidated from the date on which control is obtained by the Group, and subsidiaries sold are de-consolidated from the date that control ceases.

At the time of preparing the Consolidated Financial Statements, the Group includes the following subsidiaries, which are fully owned by the Parent Company: Okmetic Inc., Okmetic Invest Oy, Kiinteistö Oy Piitalot and Okmetic K.K. (part of the Group from 1 January 2006).

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

Subsidiaries are consolidated using the purchase method of accounting. According to the purchase method, identifiable assets, liabilities and contingent liabilities of a subsidiary acquired are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. In accordance with the exemption permitted under IFRS 1, acquisitions prior to the date of transition to IFRS, 1 January 2004, have been consolidated in conformance with the Finnish Accounting Standards.

Segment reporting

The primary segment reporting format of the Group is based on a single business segment as the risks and rates of return of the products defined in the Group's strategy are congruent.

Secondary segment information is based on geographical areas, which are North America, Europe and Asia. Segment sales are based on the geographical location of the customer and segment assets on the location of the assets.

Inter-segment transfers are based on market prices less marketing and distribution costs.

Foreign currencies

The results and financial position of the Group entities are measured using the currency of the primary economic environment in which the entity operates. The Consolidated Financial Statements are presented in euro, which is the functional and presentation currency of the Parent Company.

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

The income statements of the Group entities that have a functional currency other than the euro are translated into the presentation currency at the average exchange rate and the balance sheets at the closing rate at the date of the balance sheet. The exchange difference arising from the translation of income statement items at the average exchange rate and balance sheet items at the closing rate is reported in equity. On consolidation, the translation differences relating to the equity of subsidiaries are recorded as a separate component in translation differences under the Group's equity. On disposal of a foreign subsidiary, the cumulative translation differences are recognised in the income statement as part of the gain or loss on sale. Cumulative translation differences that have accrued prior to the date of transition to IFRS are recorded in retained earnings in accordance with the exemption permitted under IFRS 1, and the gain or loss on a subsequent disposal of a subsidiary will exclude these translation differences. In addition, exchange differences arising from the translation of the net investments in foreign subsidiaries are taken to equity in the Consolidated Financial Statements. Translation differences arising from the repayment of the capital are recorded under exchange rate differences in the income statement on the basis of the relation of the repaid amount to the original amount of capital.

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

Net sales and other revenue recognition

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

Interest income is recognised using the effective interest method and dividend income when the right to receive a dividend is established.

Research and development costs

Research and development costs are expensed in full as incurred. The development costs of new products and processes have not been capitalised as the future economic benefits can only be established once the product is launched.

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

Government grants

Government grants for compensating the costs of specified research and development projects are recognised as income on a systematic basis over the periods necessary to match them with the related costs. Government grants relating to the purchase of property, plant and equipment are deducted from the acquisition cost of the asset.

Other operating income and expenses

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

Income taxes

The Group's income tax expense includes income taxes of the Group companies based on taxable profit for the financial period, together with tax adjustments for previous periods and the change in deferred taxes. Taxes on items recognised directly in equity are correspondingly recognised. Deferred tax liabilities and assets are recognised for all temporary differences arising between the tax bases and carrying amounts of assets and liabilities using the tax rates that have been enacted by the balance sheet date. The main temporary differences arise from the depreciation difference on property, plant and equipment, measurement of inventories, measurement at fair value of derivative financial instruments and unused tax losses carried forward. Deferred tax liabilities are recognised in full in the balance sheet and deferred tax assets to the extent of the estimated tax benefit. Deferred tax assets and liabilities are offset in the Group companies once the conditions for offsetting are met.

Property, plant and equipment

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

When the asset comprises more than one part with different useful lives, each part is entered as a separate asset. In this case, the costs of replacing the part are capitalised. Otherwise, subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Assets are depreciated on a straight-line basis over their estimated useful lives. Land is not depreciated.

The estimated useful lives for the asset classes are:

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

The assets' residual values, useful lives and depreciation methods are reviewed at each balance sheet date and adjusted, if appropriate, to reflect the changes in expected future economic benefits.

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

Impairment

Assets are reviewed for potential impairment at the Group level at each balance sheet date. If any indication of impairment exists, the recoverable amount of the asset is estimated. In addition, the recoverable amount is estimated annually for goodwill and intangible assets with indefinite useful lives as well as for intangible assets not yet available for use. There are no such items in the current Consolidated Financial Statements. The recoverable amount of an asset is the higher of its net sale price or its value in use, which is determined by discounting the future cash flows that are expected to be derived from the asset. The discount rate used is determined as a pre-tax rate that reflects the current market assessment of the time-value of money as well as the specific risks associated with the asset. An impairment loss is immediately charged to the income statement if the asset's carrying amount exceeds its recoverable amount. In case the impairment loss is recognised for a cash-generating unit, it is first allocated to reduce any goodwill allocated to the cash-generating unit, and then to the other assets of the unit pro rata. In connection with the recognition of an impairment loss, the useful lives of assets subject to depreciation or amortisation are reviewed. For assets other than goodwill, an impairment loss recognised in prior periods is reversed if there has been a change in the circumstances and the recoverable amount exceeds the carrying amount. However, the adjusted carrying amount after the reversal of an impairment loss will not exceed the carrying amount of the asset without impairment loss recognition in prior periods. For goodwill, a recognised impairment loss is not reversed under any circumstances.

The discount rate applied to the future net cash flows is based on the weighted average cost of capital. The cost of equity is calculated on the basis of the Capital Asset Pricing Model, taking into account a risk premium which is based on the Group's own perception. The required rate of return of debt is based on the risk-free interest added with the premium the Group pays for its loan or the estimated premium. The risk-free interest is based on the Finnish ten-year government bond. Before tax, the discount rate used in the calculations has been just over 10 percent.

Cash flow projections are based on the management's assessments and the strategic plan on the cash flow development for the years from 2007 to 2009 approved by the Board of Directors. Cash flow projections beyond the period covered by the forecasts are extrapolated using a growth rate of two percent.

The impairment testing carried out at the turn of the year 2006 implies that only material changes in the key assumptions of the calculations can indicate that the assets' carrying amounts exceed their recoverable amounts. Impairment testing revealed no signs of the assets having depreciated.

Inventories

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

Financial instruments

The Group classifies its financial instruments in the following categories: financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets, loans and receivables and financial liabilities. The classification is based on the purpose for which the financial instruments were acquired and they are classified at initial recognition. Financial assets and liabilities are recognised in the balance sheet when a Group company becomes a party to the contractual provisions of the instrument. Transaction costs are included in the initial carrying amount of the financial instrument in the case of a financial instrument not measured at fair value through profit or loss. All purchases and sales of financial assets are recognised and derecognised using settlement date accounting. Financial assets are derecognised when the Group's contractual right to the financial asset expires. Financial liabilities are removed from the balance sheet when the obligation specified in the contract is discharged.

The category of financial assets and liabilities at fair value through profit or loss has two sub-categories: financial assets held for trading and financial assets and liabilities designated at fair value through profit or loss at inception. All derivative contracts have been made for hedging purposes in accordance with the Group's policies but hedge accounting as defined in IAS 39 is not applied. Consequently, derivatives are classified as held for trading. Derivative contracts are disclosed within prepayments and accrued income or accruals and deferred income in the balance sheet. The Group does not have any financial assets or liabilities designated at fair value through profit or loss at inception.

Derivative financial instruments are stated at fair value. The fair values are determined on the basis of the market and contract prices of the agreements at the balance sheet date. Fair values of the contracts hedging future cash flows are based on the present value of the cash flows. Gains and losses arising from changes in the fair values are recognised in the income statement in the period in which they are incurred. Changes in the fair value of derivatives are disclosed, based on their nature, under either other operating income and expenses or financial income and expenses in the income statement.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless there is an intention to dispose of the investment within 12 months of the balance sheet date. The Group's available-for-sale financial assets consist of listed and unlisted equity shares and securities and they are carried at fair value. The fair values of shares quoted in an active market are determined on the basis of their market values; the fair values of shares not quoted in an active market are determined using the equity method. Changes in the fair value of available-for-sale financial assets are recognised, net of tax, in the fair value reserve under equity. When available-for-sale financial assets are sold, the accumulated fair value adjustments are removed from equity and recognised in the income statement. If there is objective evidence that a financial asset is impaired, the cumulative loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available for sale are not reversed through the income statement.

Loans and receivables classified as trade receivables, other receivables and prepayments and accrued income in the balance sheet are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables are measured at amortised cost using the effective interest method. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the loss is recognised in the income statement. Trade receivables are stated at their estimated fair value, which is their original invoice value less impairment. Impairment on trade receivables is recorded when justifiable proof of impairment has materialised.

Cash and cash equivalents include cash in hand and bank accounts. The Group has no other items classifiable as cash and cash equivalents.

Financial liabilities are initially recognised at fair value based on the original payment received. Transaction costs are included in the initial carrying amount. Financial liabilities are subsequently stated at amortised cost using the effective interest method. Financial liabilities are presented within non-current and current liabilities.

Convertible loan notes are regarded as compound instruments consisting of a liability component and an equity component. On initial recognition, the liability component is measured at fair value, which was determined by using a market interest rate for an equivalent non-convertible bond at the date of issue. The equity component is determined as the difference between the proceeds from the issue of the convertible loan notes and the fair value assigned to the liability component. The equity component of the convertible loan notes is recognised in share premium.

Leases

Leases of property, plant and equipment where the Group as a lessee has substantially all the risks and rewards of ownership are classified as finance leases and recognised in the balance sheet as tangible assets. Finance leases are capitalised at the commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations are included in interest-bearing liabilities. During the lease term, lease payments are allocated between the finance charge and the reduction of the outstanding liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

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

Provisions

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

Pension plans

The Group's pension schemes in different countries are arranged in accordance with the local practices. These schemes are classified as defined contribution plans. Payments under contribution-based pension plans are recorded in the income statement in the financial period that they relate to. The Finnish personnel pension is based on the Finnish TEL insurance policy.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Transaction costs, which are directly attributable to the acquisition of borrowings and clearly related to a certain borrowing are included in the original amortised cost of the borrowing and amortised to interest expense by using the effective interest method.

Non-current assets held for sale and discontinued operations

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

A discontinued operation is a component of the Group that represents a separate major business unit or geographical area of operations that either has been disposed of, or that is classified as held for sale, is part of a co-ordinated plan by the management to dispose of a separate entity or is a subsidiary acquired exclusively with a view to resale. The post-tax profit or loss of discontinued operations is disclosed as a single amount in the consolidated income statement.

Share-based payments

The Company's option arrangements are granted before 7 November 2002. Consequently, no expenses are recognised in the income statement.

Application of new or amended IFRS standards

On 1 January 2007, the Group will adopt the following new or amended standards and their interpretations published by the IASB in 2005 and 2006.

The Group is not expecting the adoption of the new or amended standards or their new interpretations to have any significant impact on the information presented in the Consolidated Financial Statements in the future, with the exception of the growing requirements regarding notes.

- IFRS 7 Financial Instruments: Disclosures (effective in financial years commencing after 1 January 2007)
- IAS 1 (amendment): Presentation of Financial Statements - Capital Dis closures (effective in financial years commencing after 1 January 2007)
- IFRIC 8: Scope of IFRS 2 (effective in financial years commencing after 1 May 2006)
- IFRIC 9: Reassessment of Embedded Derivatives (effective in financial years commencing after 1 June 2006)
- IFRIC 10: Interim Financial Reporting and Impairment (effective in financial years commencing after 1 November 2006)

On 1 January 2008, the Group will adopt the following new or amended standards and their interpretations published by the IASB in 2006:

- IFRIC 11: IFRS 2 - Group and Treasury Share Transactions (effective in financial years commencing after 1 March 2007)
- IFRIC 12: Service Concession Arrangements

On 1 January 2009, the Group will adopt the following new or amended standards and their interpretations published by the IASB in 2006:

- IFRS 8: Operating Segments. The Group has initiated actions to establish the effects that the amendment will have on the requirements regarding segment information.

1. SEGMENT INFORMATION

The risks and rates of return of the products defined in the Group's strategy 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 Asia. Segment sales are based on the geographical location of the customer and segment assets on the location of the assets. Net sales comprise the sales of goods.

Geographical segments

2006 1,000 euro	**North America**	**Europe**	**Asia**	**Inter segment**	**Unallocated**	**Group**
Net sales	**35,266.4**	**17,894.0**	**10,534.1**			**63,694.5**
Segment assets	**10,295.3**	**53,505.6**	**438.7**	**-719.8**	**16,061.6**	**79,581.3**
Capital expenditure	**119.2**	**1,552.0**	**-**			**1,671.2**

2005 1,000 euro	**North America**	**Europe**	**Asia**	**Inter segment**	**Unallocated**	**Group**
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

Cash and cash equivalents, available-for-sale financial assets, prepayments and accrued income and other receivables are not allocated to the geographical segments.

2. ANALYSIS OF EXPENSES BY FUNCTION

1,000 euro	**2006**	2005
Materials	**18,564.8**	16,225.8
Water and energy	**2,426.7**	2,470.3
Maintenanc	**3,015.7**	3,194.6
Employee benefit expenses	**17,586.9**	15,740.3
Change in inventories	**-128.7**	-685.0
Depreciation	**8,485.8**	8,610.4
Other expenses	**5,288.2**	4,274.0
Total	**55,239.4**	49,830.4

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

3. OTHER OPERATING INCOME

1,000 euro	**2006**	2005
Gains on sale of property, plant and equipment	**1,578.6**	1,266.1
Gains on derivative financial instruments	**160.8**	279.8
Other income	**-**	6.4
Total	**1,739.4**	1,552.3

4. OTHER OPERATING EXPENSES

1,000 euro	**2006**	2005
Costs of business reorganisation *)	**-**	580.8
Credit losses	**7.2**	375.2
Compensation payments	**303.7**	-
Other expenses	**6.2**	7.9
Total	**317.1**	963.9

*) The costs of business reorganisation are a result of the closing down of the Espoo plant and other arrangements relating to it.

5. DISCONTINUED OPERATIONS, DISPOSALS OF SUBSIDIARIES AND NON-CURRENT ASSETS SOLD

Discontinued operations

1,000 euro	2006	2005
Gain on the disposal of Okmetic AB		1,763.8
Taxes		-
Profit for the period from discontinued operations	**-**	1,763.8
Net cash from operating activities		-
Net cash from investing activities		628.2
Net cash from financing activities		-
Total net cash flow from discontinued operations	**-**	628.2

Disposals of subsidiaries in 2006 and 2005

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 is 19.5 percent at the end of 2006. The net assets of Okmetic AB, which were disposed of in connection with the sale, amounted to 99.7 thousand euro. In addition, Okmetic Oyj gave up its rights to the patents relating to silicon carbide. These were not recognised in the balance sheet of Okmetic Oyj.

1,000 euro	2006	2005
Property, plant and equipment		1,653.6
Receivables		77.2
Liabilities		-376.0
Net assets of the business unit disposed of	**-**	1,354.8
Received in cash		841.4
The amount of cash and cash equivalents in the subsidiary disposed of		-213.2
Cash flow from the disposal	**-**	628.2

Non-current assets sold

On September 2006, the Group classified its production facility in Espoo as held for sale. The production facility was sold on December 2006. The gain on the sale amounted to 1.3 million euro. The gain is disclosed within other operating income.

6. DEPRECIATION

1,000 euro	2006	2005
Depreciation by asset classes		
Buildings	**1,024.5**	1,037.2
Machinery and equipment	**7,461.3**	7,573.2
Total	**8,485.8**	8,610.4
Depreciation by function		
Cost of sales	**8,465.8**	8,574.0
Sales and marketing	**0.2**	0.5
Administration	**19.8**	35.9
Total	**8,485.8**	8 ,610.4

7. EMPLOYEE BENEFIT EXPENSES

1,000 euro	2006	2005
Wages and salaries	**13,847.4**	12,285.7
Pension costs, defined contribution plans	**2,033.6**	1,989.4
Other social security costs	**1,705.9**	1,465.2
Total	**17,586.9**	15,740.3

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

Number of personnel		
Clerical workers	**124**	129
Manual workers	**236**	230
Average	**360**	359
On 31 December	**365**	338

8. RESEARCH AND DEVELOPMENT EXPENSES

1,000 euro	2006	2005
Research and development expenses	**1,731.4**	1,424.0

9. FINANCIAL INCOME AND EXPENSES

1,000 euro	2006	2005
Financial income		
Interest income	**184.2**	66.4
Dividend income	**0.9**	1.1
Gain on sale of available-for-sale financial assets	**19.4**	-
Fair value gains on interest rate derivatives, net	**51.6**	100.5
Other financial income	**4.5**	-
Total	**260.6**	168.0
Financial expenses		
Interest expenses	**-1,903.9**	-2,177.0
Net exchange gains/losses *)	**-1,429.2**	-61.0
Other financial expenses	**-125.5**	-70.9
Total	**-3,458.6**	-2,308.9
Exchange rate differences recognised in the income statement		
Included in net sales	**-466.4**	411.5
Included in cost of sales	**171.1**	-163.0
Included in financial income and expenses	**-1,429.2**	-61.0
Total	**-1,724.5**	187.5

*) Okmetic Oyj's loan to Okmetic Inc, which has previously been recorded as a net investment, has resulted in a 2.5 million exchange loss recognised in the translation differences under equity. The loan is now recorded as a normal liability. As a result, 1.1 million euro of the exchange loss, which corresponds to the loan repayment, has been recorded under financial expenses. The remaining 1.4 million euro of the exchange loss will be expensed according to the same principle in the future, proportioned to the loan repayments.

10. INCOME TAXES

1,000 euro	2006	2005
Income tax expense in the income statement		
Current tax	**-42.3**	0.0
Deferred tax	**248.4**	-142.7
Total	**206.2**	-142.7

Reconciliation of income taxes recognised in the consolidated income statement and income taxes calculated at the domestic tax rate of 26 percent (in 2005:26%)

	2006	2005
Profit/loss before tax	**6,679.4**	-1,561.1
Tax calculated at domestic tax rate	**-1,736.6**	405.9
Differing tax rates in foreign subsidiaries	**10.8**	2.5
Unrecognised tax benefit	**-**	-551.1
Utilisation of tax losses not recognised as deferred tax assets	**1,932.0**	-
Tax expense in the income statement	**206.2**	-142.7

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit/loss for the period attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period.

	2006	2005
Profit/loss attributable to equity holders of the Parent Company (1,000 euro), continuing operations	**6,885.5**	-1,703.8
Profit attributable to equity holders of the Parent Company (1,000 euro), discontinued operations	**-**	1,763.8
Weighted average number of shares outstanding during the period (1,000 shares)	**16,887.5**	16,887.5
Basic earnings per share (euro/share), continuing operations	**0.41**	-0.10
Basic earnings per share (euro/share), discontinued operations	**-**	0.10

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. In 2006 and 2005, the Company has no dilutive potential shares.

The Company has options that may have a dilutive effect at a later date. Options are disclosed in more detail in note 28 Okmetic Oyj's shares and shareholders.

12. PROPERTY, PLANT AND EQUIPMENT

1,000 euro	Land	Buildings	Machinery and equipment	Construction in progress	Total
Acquisition cost on 1 January 2006	1,926.5	31,406.3	121,692.2	101.6	155,126.6
Additions	-	33.7	927.2	710.3	1,671.2
Disposals	-977.1	-10,370.1	-15,130.5	-	-26,477.7
Transfers between items	-	-	10.2	-10.2	-
Exchange differences	-99.0	-329.2	-1,167.7	-	-1,595.9
Acquisition cost on 31 December 2006	**850.4**	**20,740.7**	**106,331.4**	**801.7**	**128,724.2**
Accumulated depreciation and impairment on 1 January 2006	-	-15,163.2	-81,334.8	-	-96,498.0
Accumulated depreciation on disposals and transfers	-	8,229.7	15,130.5	-	23,360.2
Depreciation for the period	-	-1,024.5	-7,461.3	-	-8,485.8
Exchange differences	-	82.7	637.8	-	720.5
Accumulated depreciation on 31 December 2006	**-**	**-7,875.2**	**-73,027.8**	**-**	**-80,903.0**
Carrying amount on 1 January 2006	1,926.5	16,243.1	40,357.4	101.6	58,628.6
Carrying amount on 31 December 2006	**850.4**	**12,865.5**	**33,303.6**	**801.7**	**47,821.2**

1,000 euro	Land	Buildings	Machinery and equipment	Construction 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	-
Exchange 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 on disposals and transfers	-	-	5,731.4	-	5,731.4
Depreciation for the period	-	-1,037.2	-7,573.2	-	-8,610.4
Exchange 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

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

	Machinery and equipment	Total
2006	**391.7**	**391.7**
2005	428.5	428.5

Additions of property, plant and equipment include assets acquired under finance leases for 235.7 thousand euro (2005: 35.7 thousand euro).

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

1,000 euro	**2006**	2005
Balance sheet value on 1 January	**2,213.9**	16.0
Additions	**-**	2,544.0
Disposals	**-21.1**	-
Changes in fair value	**-690.8**	-346.1
Balance sheet value on 31 December	**1,501.9**	2,213.9
Listed shares	-	21.1
Unlisted shares and securities	**1,501.9**	2,192.8
Total	**1,501.9**	2,213.9

Changes in fair value reserve are disclosed in the consolidated statement of changes in equity.

14. DEFERRED INCOME TAXES

1,000 euro	**2006**	2005
Deferred income taxes in the balance sheet		
Deferred tax assets	**416.8**	318.0
Deferred tax liabilities	**990.4**	1,143.9
Deferred tax liabilities, net	**573.6**	825.9

Changes in deferred taxes during the financial year

2006	1 Jan 2006	Entered in the income statement	Entered in equity	31 Dec 2006
Deferred tax assets				
Tax losses carried forward	315.1	92.1	0.0	407.2
Fair value gains/losses on derivatives	0.0	0.0	0.0	0.0
Other	2.9	6.6	0.0	9.6
Total	318.0	98.7	0.0	416.8
Deferred tax liabilities				
Available-for-sale financial assets	3.8	0.0	-3.8	0.0
Accumulated depreciation differences	844.1	-235.5	0.0	608.6
Fair value gains/losses on derivatives	75.1	-19.7	0.0	55.4
Other	220.9	105.5	0.0	326.4
Total	1,143.9	-149.7	-3.8	990.4
Deferred tax liabilities, net	825.9	-248.4	-3.8	573.6

Note 14 continues 2005	1 Jan 2005	Entered in the income statement	Entered in equity	31 Dec 2005
Deferred tax assets				
Tax losses carried forward	167.7	147.4	0.0	315.1
Fair value gains/losses on derivatives	45.6	-45.6	0.0	0.0
Other	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 differences	713.9	130.1	0.0	844.1
Fair value gains/losses on derivatives	0.0	75.1	0.0	75.1
Other	214.0	6.9	0.0	220.9
Total	930.4	212.2	1.3	1,143.9
Deferred tax liabilities, net	681.9	142.7	1.3	825.9

Deferred tax assets of 3.2 million euro (2005: 6.1 million euro) attributable to the Parent Company are not recognised in the Consolidated Financial Statements due to uncertainty of the utilisation of the tax benefit relating to these assets. These deferred tax assets result from the Parent Company's tax loss carry-forwards of 12.3 million euro (2005: 23.3 million euro). The losses were primarily generated in 2003 and 2004. Deferred tax assets and liabilities are offset for an amount of 0.3 million euro (2005: 0.3 million euro). Deferred tax assets have not been recognised for the retained losses of 8.4 million US dollars (2005: 11.4 million US dollars) of the foreign subsidiaries.

15. INVENTORIES

1,000 euro	**2006**	2005
Raw materials and supplies	**3,865.4**	4,694.5
Work in progress	**1,331.5**	1,238.0
Finished goods	**2,718.2**	2,013.1
Total	**7,915.1**	7,945.5

A write-down of inventories to net realisable value amounting to 43.6 thousand euro was recognised in the period (2005: 92.8 thousand euro).
The carrying amount of inventories stated at net realisable value totalled 412.2 thousand euro (2005: 392.7 thousand euro).

16. TRADE AND OTHER RECEIVABLES

1,000 euro	**2006**	2005
Non-current		
Other non-current receivables *)	**122.9**	238.0
Current		
Trade receivables	**7,783.5**	8,137.5
Derivative financial instruments held for trading **)	**197.1**	328.2
Other prepayments and accrued income	**37.9**	56.7
VAT receivables	**675.3**	361.3
Prepayments	**200.5**	291.7
Other current receivables	**141.6**	125.8
Total	**9,036.0**	9,301.1

Note 16 continues

Other non-current receivables comprise returnable connection charges. Other main items included in prepayments and accrued income relate to insurance accruals. The carrying amounts of current receivables other than those relating to derivative contracts are assumed to be a reasonable approximation of their fair values. Balance sheet values are the best representation of the amount that is the maximum credit risk exposure at the balance sheet date, without taking account of the fair value of any collateral, in the event of other parties failing to perform their obligations under financial instruments. The receivables represent no significant concentrations of credit risk.

	2006	2005
The following credit losses have been recorded for trade receivables, 1,000 euro	**7.2**	375.2

*) The disclosure of the derivative financial instruments classified as held for trading has been changed as of 1 January 2006. The Group does not apply hedge accounting as defined in IAS 39, and consequently, the derivatives are classified as current receivables.
**) Note 23

17. 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 2006 (31 Dec 2005: 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 2006 and 2005.

Share premium

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

Translation differences

Translation differences arise from the conversion of the results of foreign subsidiaries.

Fair value reserve

Fair value reserve comprises the fair value gains/losses on available-for-sale financial assets.

Own shares

The Company has not repurchased its own shares and the Board of Directors of the Company has not 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 2006.

18. INTEREST-BEARING LIABILITIES

	2006		2005	
1,000 euro	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Non-current				
Loans from financial institutions	**14,081.0**	**13,535.0**	8,934.5	8,555.4
Convertible loan notes	-	-	2,784.3	2,784.3
Suborditaned loans	**6,447.7**	**6,447.7**	3,663.3	3,663.3
Finance lease liabilities	**192.2**	**181.8**	181.9	174.6
Total	**20,720.8**	**20,164.4**	15,564.1	15,177.6
Current				
Loans from financial institutions	**-**	**-**	15,500.0	15,543.6
Current portion of loans from financial institutions	**4,828.6**	**5,583.6**	6,916.2	7,268.4
Finance lease liabilities	**181.6**	**191.2**	298.9	309.8
Total	**5,010.2**	**5,774.8**	22,715.1	23,121.8

Interest-bearing liabilities are stated at amortised cost. The fair values of interest-bearing liabilities are measured on the basis of discounted cash flows. The discount rate used is based on the closing rates of interest rate swap agreements with a company-specific risk premium of 1.0 percent (2005: 2.25%).

The repayment schedule of subordinated loans cannot be established reliably and, therefore, their balance sheet values are shown as their fair values. According to the terms of the loans, the capital may be refunded only if the restricted shareholders' equity and other non-distributable funds according to the balance sheet to be adopted for the Parent Company and for the Group for the financial year last ended are fully covered thereafter.

Note 18 continues

Subordinated loans

1,000 euro	**2006**	2005
Repayment due on 31 December 2003, interest 7.0%		
The Finnish National Fund for Research and Development Sitra	**111.8**	111.8
Repayment due on 31 December 2003, interest 7.0%		
The Finnish National Fund for Research and Development Sitra	**188.2**	188.2
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
The Finnish National Fund for Research and Development Sitra	**404.3**	404.3
Finnish Industrial 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
The 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**	6,447.7

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 not entered as expense at the balance sheet date.

*) 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 0.7 euro. 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 366,800.00 euro. On 30 June 2001, the number of shares involved in the conversion of bonds was 6,750. The right of conversion expired on 30 June 2006.

On transition to IFRS reporting, 1 January 2004, the liability and equity components have been separated from the convertible loan notes. On initial recognition, the liability component was measured at fair value, which was determined by using a market interest rate for an equivalent non-convertible bond at the date of issue. The equity component was determined as the difference between the proceeds from the issue of the convertible loan notes and the fair value assigned to the liability component. The equity component of the convertible loan notes amounting to 210.3 thousand euro is recognised in share premium.

Note 18 continues

Repayment schedule of non-current interest-bearing liabilities

2006

1,000 euro	2007 *)	2008	2009	2010	2011	Later	Total
Loans from financial institutions,							
with fixed rates	1,583.3	1,583.3	1,583.3	1,247.8	-	-	5,997.8
Loans from financial institutions,							
with floating rates	3,245.3	2,816.7	2,887.5	2,000.0	1,962.3	-	12,911.8
Finance lease liabilities	181.6	140.7	51.4	-	-	-	373.8
Subordinated loans	-	-	-	-	-	6,447.7	6,447.7
Total	5,010.2	4,540.7	4,522.2	3,247.8	1,962.3	6,447.7	25,731.0

*) Repayments in 2007 are included in current 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 lease liabilities	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 current liabilities.

The majority of non-current interest-bearing liabilities are denominated in euro.

Finance lease liabilities

1,000 euro	**2006**	2005
Minimum lease payments		
No later than one year	**195.9**	318.0
Later than one year and no later than five years	**198.7**	192.5
Total minimum lease payments	**394.5**	510.5
Present value of finance lease liabilities		
No later than one year	**190.6**	309.9
Later than one year and no later than five years	**183.2**	170.9
Total present value of finance lease liabilities	**373.8**	480.8
Future finance charges on finance leases	**20.8**	29.7
Total finance lease liabilities	**373.8**	480.8
Contingent rents	**1.3**	-1.8

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. COMMITMENTS AND CONTINGENCIES

1,000 euro	2006	2005
Own debts secured with mortgages or pledges		
Loans from financial institutions and other liabilities	**18,869.8**	31,110.6
Mortgages		
Mortgages on real property	**1,681.9**	15,641.5
Business mortgages	**28,928.3**	28,591.7
Carrying amount of pledged shares	**8,908.1**	8,908.1
Total	**39,518.3**	53,141.3

The lease rights for the site are also pledged as security for loans in the Group.
In January 2007, the financiers repaid 5,045.6 million euro worth of business mortgages which were in place as security for loans.

Future minimum lease payments under non-cancellable operating leases		
No later than one year	**129.9**	135.8
Later than one year and no later than five years	**191.9**	284.0
Total	**321.8**	419.8

The Group's operating lease agreements principally relate to 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.

Lease payments made under operating leases and charged to the income statement totalled 208.8 thousand euro in 2006 (2005: 194.1 thousand euro).

20. TRADE AND OTHER PAYABLES

1,000 euro	2006	2005
Current		
Trade payables	**4,209.3**	3,723.8
Prepayments received	**1,104.2**	162.0
Other current payables	**576.5**	396.0
Total	**5,890.0**	4,281.8

The carrying amounts of current trade and other payables approximate their fair value.

21. ACCRUALS AND DEFERRED INCOME

1,000 euro	2006	2005
Accrued employee-related expenses	**3,549.3**	2,085.1
Accrued interest expenses	**3,184.9**	2,604.6
Derivative financial instruments held for trading *)	**-**	88.4
Other	**572.0**	627.9
Total	**7,306.2**	5,406.0

*) Note 23

22. FINANCIAL RISK MANAGEMENT

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

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

Market risks

Market risks are caused by changes in foreign exchange rates and interest rates, as well as commodity and energy prices. All of the following risks presented may have a significant impact on the consolidated income statement, balance sheet and cash flow.

The Group uses derivative financial instruments to reduce the adverse effects of changes in exchange rates, interest rates and energy prices. The Group has not applied hedge accounting as provided under IAS 39 standard.

Exchange rate risk

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 the lesser-used currencies. Hedging requirements primarily arise from the US dollar. In terms of the dollar, the forecasted cash flow for the near future (1-6 months) is hedged with currency forwards and options.

The equity of the US-based subsidiary totalled 8.4 million US dollars on 31 December 2006. This translation risk is not hedged.

On 31 December 2006, the Group held currency forwards for 3.4 million euro in nominal values.

Interest rate risk

The Group's interest rate risks relate to the result and the cash flow. On 31 December 2006, 6.4 million euro of the Group's loans were subject to fixed interest rates and 19.3 million euro were tied to a short-term floating reference rate of less than one year. Interest rate swap agreements have been made in order to reduce the cash flow risk resulting from changes in the interest rates.

On 31 December 2006, the Group held no interest rate derivatives.

Commodity and energy price risk

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

The Group's production processes use a significant amount of energy, principally electricity. Electricity is purchased locally in each country. The majority of the Group's electricity consumption takes place in Finland where the electricity price risk is reduced with electricity derivatives. The electricity derivatives are, at most, over a year in duration.

On 31 December 2006, the Group held publicly traded electricity derivatives of 65.0 GWh.

Price risk of securities

The Group has not invested in listed securities.

Credit risks

The Group's trade receivables are generated by a large number of customers. The customers are dispersed in different geographical areas. Credit risk is reduced by targeting sales to customers with good credit ratings and through using well-known, solvent and well-regarded financial institutions in cash transactions, 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 2006, the credit facility available for the Group amounted to 6.0 million euro. The Group's loan agreements involve conventional covenants.

23. DERIVATIVE FINANCIAL INSTRUMENTS

1,000 euro	**2006 Fair value**	**2006 Nominal value**	2005 Fair value	2005 Nominal value
Currency derivatives				
Currency forwards	**117.3**	**3,355.2**	-0.3	2,530.1
Currency options, call	**-**	**-**	0.4	809.7
Currency options, put	**-**	**-**	-36.9	809.7
Interest rate derivatives				
Interest rate swaps	**-**	**-**	-51.6	9,344.8
Electricity derivatives	**79.9**	**2,580.1**	328.2	882.0
Total	**197.1**	**5,935.3**	239.8	14,376.2

The contract price of the derivatives has been used as the nominal value of the underlying asset. The fair values of the derivative contracts have been determined on the basis of the market quotations and contract prices prevailing at the balance sheet date. 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.

24. RELATED PARTY TRANSACTIONS

On 31 December 2006, the ownership relations of the Parent Company and subsidiaries are as follows:

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

Key management compensation

1,000 euro	2006	2005
Salaries and other short-term employee benefits	**1,201.1**	816.4
Post-employment benefits	**124.5**	105.4
Total	**1,325.6**	921.8

Key management comprises the Board of Directors and the Executive Management Group. On 31 December 2006, no receivables were due from the key management (31 Dec 2005: -).

Analysis of the salaries and remuneration of the Board of Directors and the President

1,000 euro	2006	2005
President		
Salaries and fees	**251.6**	156.2
Fringe benefits	**9.7**	10.1
Total	**261.3**	166.3
Members of the Board of Directors		
Remuneration		
Aro Mikko J.	**33.6**	30.0
Huomo Heikki	**-**	13.2
Kaitue Karri	**25.2**	16.9
Lager Esa	**16.8**	15.0
Mäkinen Juho	**-**	5.6
Paasikivi Pekka	**16.8**	15.0
Salmi Pekka	**16.8**	15.0
Total	**109.2**	110.7
Total	**370.5**	277.0

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

Shares and options held by the key management

	Shares			Options		
pcs	31 Dec 2006	31 Dec 2005	Change	31 Dec 2006	31 Dec 2005	Change
Board of Directors	2,100	2,100	0	-	-	-
President	7,800	4,800	3,000	0	30,000	-30,000
Rest of the Executive Management Group	13,812	13,512	300	40,400	66,200	-25,800
Total	23,712	20,412	3,300	40,400	96,200	-55,800

25. EVENTS AFTER THE BALANCE SHEET DATE

The Group has no events reportable in accordance with IAS 10 after the balance sheet date.

26. KEY FINANCIAL FIGURES

Key financial figures showing financial performance	IFRS	IFRS	IFRS	FAS	FAS
(1,000 euro, financial year 1 January - 31 December)	2006	2005	2004	2003	2002
Net sales	63,694	49,822	54,524	50,117	57,738
Change in net sales, %	27.8	-8.6	10.5	-13.2	0.8
Export and foreign operations					
% of net sales	95.7	95.6	96.9	95.9	95.5
Operating profit/loss	9,877	580	-5,735	-7,717	-6,151
% of net sales	15.5	1.2	-10.5	-15.4	-10.7
Profit/loss before tax from continuing operations	6,679	-1,561	-8,291	-9,324	-8,121
% of net sales	10.5	-3.1	-15.2	-18.6	-14.1
Return on equity, %	18.6	-5.1	-22.2	-13.7	-7.3
Return on investment, %	14.2	0.8	-7.2	-6.1	-4.9
Non-interest bearing liabilities	13,770	10,514	12,793	9,850	10,630
Gearing, %	31.3	99.5	116.9	60.1	54.8
Equity ratio, %	51.1	41.1	36.9	54.9	57.9
Capital expenditure 1)	1,671	713	1,337	1,880	24,742
% of net sales	2.6	1.4	2.5	3.8	42.9
Depreciations	8,486	8,610	9,018	13,487	13,432
Research and development expenses 2)	1,731	1,424	1,345	3,355	4,060
% of net sales	2.7	2.9	2.5	6.7	7.0
Average number of personnel during the period	360	359	446	477	569
Personnel at the end of the period	365	338	418	456	515

Share-related key figures	IFRS	IFRS	IFRS	FAS	FAS
(Financial year 1 January - 31 December)	2006	2005	2004	2003	2002
Continuing operations:					
Basic earnings per share, euro	0.41	-0.10	-0.50		
Diluted earnings per share, euro	0.41				
All operations:					
Basic earnings per share, euro	0.41	0.00	-0.55	-0.59	-0.37
Diluted earnings per share, euro	0.41				
Equity per share, euro	2.37	2.01	1.94	3.92	4.66
Dividend per share, euro	0.00	0.00	0.00	0.00	0.00
Dividend/earnings, %	-	-	-	-	-
Price/earnings (P/E)	9.3	501.0	-4.4	-5.6	-6.1
Share price performance					
Average trading price	3.11	2.09	2.88	2.43	3.71
Lowest trading price	1.80	1.65	2.15	1.45	1.90
Highest trading price	3.75	3.14	4.50	3.77	5.99
Trading price at the end of the period	3.69	1.78	2.44	3.30	2.30
Market capitalisation at the end of the period, 1,000 euro	62,315	30,060	41,206	55,729	38,841
Trading volume					
Trading volume, transactions	16,500,162	5,851,792	5,519,895	3,630,769	4,097,207
In relation to weighted average number of shares, %	97.7	34.7	32.7	21.5	24.3
Trading volume, euro	51,312,696	12,220,981	15,898,813	8,819,587	15,202,025
The weighted average number of shares					
during the period adjusted by the share issue 3)	16,887,500	16,887,500	16,887,500	16,887,500	16,887,500
The number of shares at the end of the period					
adjusted by the share issue 3)	16,887,500	16,887,500	16,887,500	16,887,500	16,887,500

Consolidated Financial Statements, IFRS

Share-related key figures continues	IFRS	IFRS	IFRS	FAS	FAS
(Euro, financial year 1 January - 31 December)	2006	2005	2004	2003	2002
Adjusted average number of shares during the period					
including the dilution due to convertible loans and options	16,887,500	16,887,500	16,887,500	16,360,784	16,099,136
Adjusted number of shares at the end of the period					
including the dilution due to convertible loans and options	16,887,500	16,887,500	16,887,500	16,360,784	16,099,136

Information on the Parent Company's options 4)					
(Euro, financial year 1 January - 31 December)	2006	2005	2004	2003	2002
Warrants - Option A/B, pcs	554,800	554,800	554,800	554,800	554,800
Option rate performance					
Average trading price	0.06	0.09	0.32	0.59	2.08
Lowest trading price	0.02	0.04	0.20	0.55	0.65
Highest trading price	0.15	0.20	0.35	0.65	2.60
Trading price at the end of the period	0.04	0.04	0.20	0.65	0.65
Trading volume					
Trading volume, pcs	193,800	32,500	27,500	10,400	20,500
In relation to weighted average, %	34.9	5.9	5.0	1.9	3.7
Trading volume, euro	11,092	2,790	8,726	6,112	42,556

1) Capital expenditure of continuing operations.
2) Research and development costs are presented in gross figures including only long-term projects of continuing operations based on research programs.
3) Adjustments to shares have been made in accordance with the 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.
4) The option right A has been made available for public trading on the Helsinki Stock Exchange on 3 December 2001 and the option right B on 2 May 2003. The option classes have been combined.

DEFINITIONS OF KEY FINANCIAL FIGURES

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

27. QUARTERLY KEY FIGURES FROM CONTINUING OPERATIONS 1)

1,000 euro	**10-12/2006**	**7-9/2006**	**4-6/2006**	**1-3/2006**
Net sales	16,008	15,903	15,872	15,912
Compared to previous quarter, %	0.7	0.2	-0.3	13.7
Operating profit	3,339	2,690	1,142	2,706
% of net sales	20.9	16.9	7.2	17,0
Profit before tax	1,774	2,338	407	2,161
% of net sales	11.1	14.7	2.6	13.6
Net cash from operating activities	4,863	5,694	3,431	3,957
Net cash from/used in investing activities	3,996	-84	-329	-9
Net cash used in financing activities	-3,190	-2,968	-5,017	-1,584
Net increase/decrease in cash and cash equivalents	5,669	2,641	-1,915	2,364
Personnel at the end of the period	365	368	379	337

	10-12/2005	**7-9/2005**	**4-6/2005**	**1-3/2005**
Net sales	13,994	11,541	11,904	12,383
Compared to previous quarter, %	21.3	-3.1	-3.9	-9.7
Operating 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/used in operating activities	3,430	-433	88	40
Net cash from/used in investing activities	-385	359	-182	1,439
Net cash from/used in financing activities	-1,725	332	-2,945	-1,144
Net increase/decrease in cash and cash equivalents	1,320	258	-3,039	335
Personnel at the end of the period	338	338	387	356

1) Cash flows represent all operations.

28. OKMETIC OYJ'S SHARES AND SHAREHOLDERS

Increases in share capital 1996 - 2006 by date of registration	Shares, pcs	Share capital, euro
Share capital on 1 January 1996	14,884	2,503,309.10
Increase of share capital by new issue on 12 December 1996 and 11 June 1997	+ 9,479	4,097,562.45
Redenomination of share capital into euro, abolishing nominal value, increase of share capital by new issue on 20 October 1999	+12,180	6,146,091.39
Bonus issue on 5 June 2000		6,395,025.00
Increase of the number of shares, public limited company on 5 June 2000	+ 9,099,207	6,395,025.00
Increase of share capital in connection with listing on 29 June 2000	+ 6,395,000	10,871,525.00
Additional shares on 19 July 2000	+ 450,000	11,186,525.00
Directed issue to JDS Uniphase Corporation on 9 March 2001	+ 900,000	11,816,525.00
Increase of share capital by shares subscribed on the basis of subordinated convertible bonds on 27 September 2001	+ 6,750	11,821,250.00
Share capital on 31 December 2006	16,887,500	11,821,250.00

Major shareholders	31 Dec 2006		31 Dec 2005	
Shareholders	Shares, pcs	Share, %	Shares, pcs	Change, pcs
Outokumpu Oyj	2,705,000	16.0	5,410,000	-2,705,000
Etra Invest Oy	1,100,000	6.5	1,190,000	-90,000
Sampo Life Insurance Company	872,250	5.1	872,250	0
Ilmarinen Mutual Pension Insurance Company	749,300	4.4	449,300	300,000
OP-Suomi Arvo Equity Fund	720,500	4.3	0	720,500
Finnish Industrial Investment Ltd.	639,750	3.8	639,750	0
Varma Mutual Pension Insurance Company	625,000	3.7	0	625,000
FIM Fenno Equity Fund	585,000	3.5	0	585,000
Oras Invest Oy	533,250	3.2	0	533,250
SR Arvo Finland Value Equity Fund	399,600	2.4	0	399,600
Nominee accounts held by custodian banks	818,294	4.8	365,001	453,293
Other shareholders	7,139,556	42.3	7,961,199	-821,643
Total	16,887,500	100.0	16,887,500	0

Shareholders by group

Shareholder groups	31 Dec 2006 Shares, pcs	Share, %	31 Dec 2005 Shares, pcs	Share, %	Change, %
Private enterprises	6,079,649	36.0	9,302,605	55.0	-19.0
Public enterprises	152,409	0.9	78,000	0.5	0.4
Financial and insurance institutions	2,721,200	16.1	1,800,450	10.7	5.4
Public organisations	1,461,212	8.6	565,200	3.3	5.3
Non-profit organisations	994,251	5.9	1,317,000	7.8	-1.9
Households/private individuals	4,015,239	23.8	3,425,344	20.3	3.5
Foreign investors	1,463,540	8.7	398,901	2.4	6.3
Total	16,887,500	100.0	16,887,500	100.0	0.0

Distribution of shareholdings on 31 December 2006

Shares, pcs	Number of shareholders	% of shareholders	Shares, pcs	% of share capital	Change in the number of shareholders	Average shareholding, pcs
1-100	300	10.1	26,526	0.2	15	88
101-500	1,218	40.9	375,063	2.2	82	308
501-1,000	538	18.1	473,628	2.8	102	880
1,001-10,000	823	27.6	2,709,970	16.1	161	3,293
10,001-100,000	80	2.7	2,377,070	14.1	21	29,713
100,001-1,000,000	15	0.5	6,301,949	37.3	6	420,130
Over 1,000,001	2	0.1	3,805,000	22.5	-2	1,902,500
Total	2,976	100.0	16,069,206	95.2	385	5,400
Nominee accounts held by custodian banks			818,294	4.8		
Total			16,887,500	100.0		

Distribution of shareholdings on 31 December 2005

Shares, pcs	Number of shareholders	% of shareholders	Shares, pcs	% of share capital	Change in the number of shareholders	Average shareholding, pcs
1-100	285	11.0	25,163	0.2	-5	88
101-500	1,136	43.8	349,363	2.1	-151	308
501-1,000	436	16.8	387,786	2.3	-125	889
1,001-10,000	662	25.6	2,134,380	12.6	71	3,224
10,001-100,000	59	2.3	1,577,307	9.3	11	26,734
100,001-1,000,000	9	0.3	3,090,500	18.3	-3	343,389
Over 1,000,001	4	0.2	8,958,000	53.0	1	2,239,500
Total	2,591	100.0	16,522,499	97.8	-201	6,377
Nominee accounts held by custodian banks			365,001	2.2		
Total			16,887,500	100.0		

Shares and share capital

On 31 December 2006, Okmetic Oyj's paid-up share capital, as entered in the Finnish trade register, was 11,821,250.00 euro. According to the Articles of Association, Okmetic Oyj's minimum share capital is 6,000,000 euro and the maximum share capital is 24,000,000 euro, within which limits the share capital can be increased or decreased without amending the Articles of Association. The share capital is divided into 16,887,500 shares, and the equivalent book value of each share is 0.7 euro. Each share entitles its holder to one vote at General Meetings. 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 company's shares are included in the Finnish book-entry securities system.

Quotation of the shares

Okmetic Oyj's shares are quoted on the Nordic Small Cap list of the Helsinki Stock Exchange, under the Information Technology sector and under the trading code OKM1V.

Authorisation of the Board of Directors to increase share capital

The Annual General Meeting held on 24 March 2005 authorised the Board of Directors to increase the company's share capital by a new issue or by issuing stock options or convertible bonds in one or more tranches for a period commencing on 24 March 2005 and ending on the date of the next Annual General Meeting, however, not exceeding one year after the date of the Annual General Meeting so that the new issue or the convertible bonds or stock options would give the right to subscribe to a maximum of 3,377,500 new shares. Under this authorisation, the share capital could increase by a maximum of 2,364,250 euro. The authorisation included a right to deviate from the shareholders' pre-emptive subscription rights provided that the deviation could be justified for an important financial reason. The Board did not take advantage of the authorisation.

The Annual General Meeting held on 11 April 2006 granted the Board of Directors similar powers from 11 April 2006 onwards. The Board had not taken advantage of the authorisation by 28 February 2007.

On 28 February 2007 the Board of Directors decided to propose at the Annual General Meeting to be held on Thursday, 29 March 2007 that the Board of Directors be granted the authority to decide on new issues and other share entitlements according to the first paragraph of section 10 of the Finnish Companies Act as follows:

The aggregate number of shares issued on the basis of the authorisation may not exceed 3,377,500 shares, which represents approximately 20 percent of all the shares of the company.

The Board of Directors is authorised to decide on all the terms and conditions concerning the issue of shares and other share entitlements. The authorisation relates to the issuance of new shares. Issuance of shares and other share entitlements can be carried out as a directed issue.

The authorisation is effective until the following Annual General Meeting of shareholders, however no later than until 29 March 2008.

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 clause

The Articles of Association contain no redemption clause regarding the company's shares.

Subordinated loans

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

Furthermore, the company has taken out two subordinated loans from the Finnish National Fund for Research and Development SITRA. After adding the unpaid interest from previous years, the capitals of the loans are recorded as 111,810.25 euro and 188,221.38 euro in the financial statements for 31 December 2006. Both subordinated loans matured on 31 December 2003.

Convertible subordinated loans

Okmetic has no convertible subordinated loans at the moment.

At an Extraordinary General Meeting held on 28 June 1999, the shareholders 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 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 were not subscribed for by the shareholders. According to the terms of the loan, the company's Board of Directors was entitled to make changes to the terms of the loan and the conditions for converting the bonds into shares, as required by the General Meeting, as long as these changes did not prejudice the position of the bond holders should the shareholders at a General Meeting decide to begin to denominate the company's share capital and the nominal value of the shares in euro or to abandon the nominal value of the shares and replace it with an equivalent book value. Increasing the number of shares from 36,543 to 9,135,750 meant that the number of shares that could be subscribed under the bonds increased from 2,096 shares to 524,000 shares and the subscription price changed from 1,447.40 euro (not exact) to 5.79 euro (not exact). Had all the bonds issued at the same time been converted, the company's share capital could have increased by a maximum of 366,800 euro, which corresponds to about 3.28 percent of the company's total share capital and votes. The number of shares could have increased by a maximum of 524,000 had all the bonds been converted.

The conversion of the bonds could take place during the following periods: 30.6.2001 - 30.11.2001; 8.4.2002 - 29.11.2002; 8.4.2003 - 28.11.2003; 8.4.2004 - 30.11.2004; 8.4.2005 - 30.11.2005 and 8.4.2006 - 30.6.2006.

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

The right of conversion expired on 30 June 2006 and the facility has been converted into a subordinated loan subject to normal loan terms and conditions.

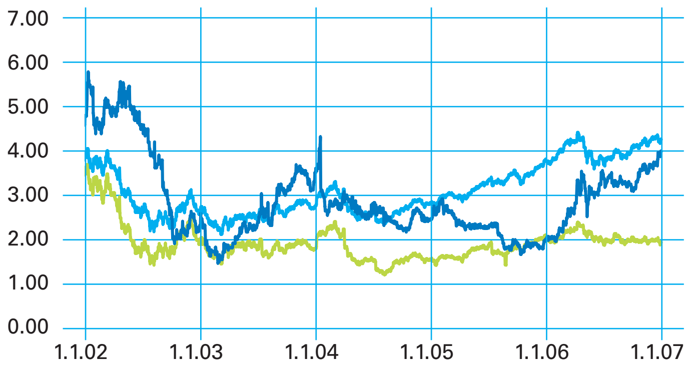
Capital and interest repayments on subordinated loans

As a result of the limitations of unrestricted equity in the financial statements, the company has been unable to make the agreed capital and interest repayments on its subordinated loans. Overdue interest payments have been recorded as expenses in the income statement and, as far as the loan from the Finnish National Fund for Research and Development SITRA is concerned, added to the loan's capital where required based on the terms of the loan.

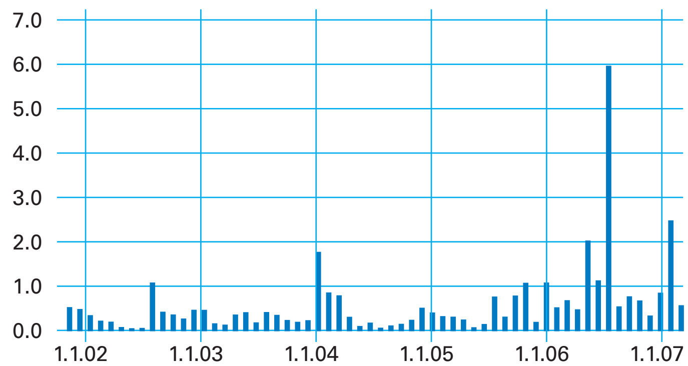
According to the terms of the 10.0 million euro syndicated bank facility that the company took out in November 2006, repayments on subordinated loans can only resume once the capital remaining of the syndicated bank facility has been reduced to 4.0 million euro.

Information on subordinated loans is given in section 18.

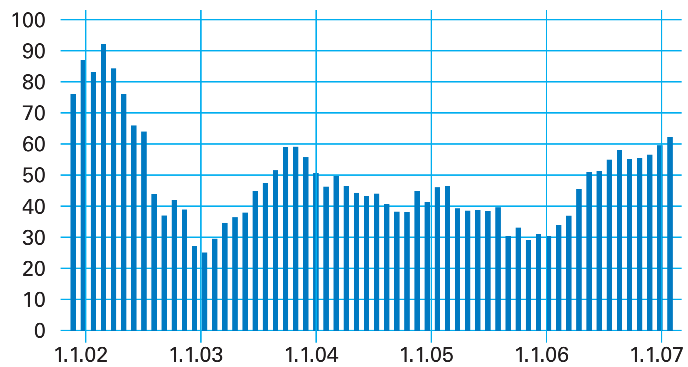
Development of share price, euro/index



Monthly 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 employees of Okmetic Oyj and its Swedish subsidiary the opportunity to subscribe for a maximum of 512,000 warrants which entitle their holders to subscribe for a maximum of 512,000 shares in Okmetic. The warrants were subscribed for in full.

Under the authorisation granted at the Extraordinary General Meeting held on 23 May 2000, the Board of Directors offered 43,200 warrants, deviating from the pre-emptive rights of shareholders, to three agents – citizens of the United States – engaged by the company's US subsidiary and to the employees of the subsidiary. A total of 42,800 warrants were subscribed for.

The subscription period for these warrants ran from 14 August to 8 September 2000. The Board of Directors of Okmetic Oyj convened on 18 September 2000 and confirmed the aforementioned subscriptions under the collective heading of "Option Programme 2000". The warrants are included in the Finnish book-entry securities system.

Each warrant entitles its holder to subscribe for one (1) share in the company. Half of the warrants were marked with the letter A and half with the letter B. Subscriptions for shares under the A warrant started on 3 December 2001 and subscriptions under the B warrant on 2 May 2003.

On 2 May 2003, the two option classes were combined into one, and renamed the 2000 A/B warrant. Each warrant 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. These shares would then account for 3.2% of the entire share capital. The warrants are freely transferable. The subscription period for shares under the warrants ends on 31 May 2007.

The subscription price for the shares is 7.00 euro each. Any cash dividends paid subsequent to the determination period and before subscription will be subtracted from the share subscription price on the dividend record date of each distribution of dividends. No dividends had been paid by 31 December 2006. Nevertheless, the subscription price is always at least the equivalent book value of the share.

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

The company's A warrant has been quoted on the Helsinki Stock Exchange since 3 December 2001 and the B warrant together with the A warrant since 2 May 2003, under the trading code OKM1VEW100.

No warrants had been converted into shares by 28 February 2007.

The management's share ownership

On 31 December 2006 the members of the Board of Directors and the President of Okmetic Oyj possessed a total of 9,900 shares, which corresponds to 0.06 percent of the company's share capital and voting rights. In addition to the President, other members of the Executive Management Group held a total of 13,812 shares on 31 December 2006. Moreover, the members of the Executive Management Group held stock options that potentially entitle them to a total of 40,400 shares. If all of the company's options were to be converted into shares, the management's share of the company's total share capital and voting rights would be 0.37 percent.

More information on the management's share ownership is given in section 24.

Insider rules

The Board of Directors of Okmetic Oyj established the insider rules that are to be observed in the Group at its meeting on 16 August 2000. The rules take into consideration legislation regulating the securities market, regulations and guidelines issued by the Helsinki Stock Exchange and the recommendations given by the Finnish Association of Securities Dealers. Okmetic's insider rules were last updated on 7 March 2006.

Share price development and trading

A total of 16.5 million shares were traded between 1 January and 31 December 2006, representing 97.7 percent of the share total of 16.9 million. The lowest quotation of the year was 1.80 euro and the highest 3.75 euro per share, with the average being 3.11 euro. The closing quotation for the year was 3.69 euro. At the end of the year, the market value of the entire share capital amounted to 62.3 million euro.

Information on the development of the prices of shares and the A/B warrant and the respective trading volumes as well as per-share key figures for the last five years is given in section 26.

Financial Statements for the Parent Company, FAS

PARENT COMPANY'S INCOME STATEMENT

euro	Note	1 Jan - 31 Dec 2006	1 Jan - 31 Dec 2005
Net sales	1	**54,113,194.22**	43,273,866.44
Cost of sales		**-41,358,884.36**	-39,586,693.08
Gross profit		**12,754,309.86**	3,687,173.36
Sales and marketing expenses		**-2,318,274.56**	-2,012,542.02
Administrative expenses		**-3,716,398.72**	-3,087,370.82
Other operating income	5	**1,611,576.62**	1,266,054.25
Other operating expenses	6	**-303,720.57**	-886,354.66
Operating profit/loss	2,3	**8,027,492.63**	-1,033,039.89
Financial income and expenses	7	**-2,293,399.28**	-14,991,658.56
Profit/loss before extraordinary items		**5,734,093.35**	-16,024,698.45
Extraordinary items	8	-	2,373,665.57
Profit/loss for the period		**5,734,093.35**	-13,651,032.88

PARENT COMPANY'S BALANCE SHEET

euro	Note	31 Dec 2006	31 Dec 2005
Assets			
Fixed assets	4		
Intangible assets			
Other capitalised expenditure		**45,840.11**	95,233.38
Tangible assets			
Land		**-**	977,081.45
Buildings		**1,254,474.47**	3,556,751.20
Machinery and equipment		**27,857,064.37**	33,154,352.07
Construction in progress		**305,183.45**	101,575.57
		29,416,722.29	37,789,760.29
Investments			
Shares in Group companies	9	**13,776,450.55**	13,704,456.31
Other shares and holdings	10	**2,500,000.00**	2,506,281.82
Other receivables		**689,164.91**	804,267.30
		16,965,615.46	17,015,005.43
Total fixed assets		**46,428,177.86**	54,899,999.10
Current assets			
Inventories			
Raw materials and supplies		**3,133,484.85**	3,913,300.70
Work in progress		**794,345.65**	693,468.20
Finished goods		**1,364,154.43**	1,133,063.97
		5,291,984.93	5,739,832.87
Receivables			
Trade receivables		**6,288,028.06**	6,517,649.19
Other receivables	11	**4,767,825.95**	7,596,727.84
Prepayments and accrued income		**-**	4,361.54
		11,055,854.01	14,118,738.57
Cash and cash equivalents		**11,915,114.08**	4,180,326.86
Total current assets		**28,262,953.02**	24,038,898.30
Total assets		**74,691,130.88**	78,938,897.40

PARENT COMPANY'S BALANCE SHEET

euro	Note	31 Dec **2006**	31 Dec 2005
Shareholders' equity and liabilities			
Shareholders' equity	12		
Share capital		**11,821,250.00**	11,821,250.00
Share premium		**20,045,254.71**	36,190,493.36
Retained earnings/losses		-	-2,494,205.77
Profit/loss for the period		**5,734,093.35**	-13,651,032.88
Total shareholders' equity		**37,600,598.06**	31,866,504.71
Liabilities			
Long-term liabilities			
Subordinated loans	16	**6,657,996.70**	6,657,996.70
Loans from financial institutions		**13,750,000.66**	8,428,585.26
		20,407,997.36	15,086,581.96
Short-term liabilities			
Loans from financial institutions		**4,678,584.59**	20,584,330.59
Advances received		**74,573.66**	162,008.84
Trade payables		**3,341,238.07**	3,461,797.41
Other liabilities	11	**1,665,743.70**	2,687,295.22
Accruals and deferred income	17	**6,922,395.44**	5,090,378.67
		16,682,535.46	31,985,810.73
Total liabilities		**37,090,532.82**	47,072,392.69
Total shareholders' equity and liabilities		**74,691,130.88**	78,938,897.40

PARENT COMPANY'S CASH FLOW STATEMENT

1,000 euro	**1 Jan - 31 Dec 2006**	1 Jan - 31 Dec 2005
Cash flows from operating activities		
Operating profit/loss	**8,027.5**	-1,033.0
Adjustments for		
Depreciation	**6,148.3**	6,217.5
Other adjustments	**-1,517.6**	-1,426.5
Change in working capital	**3,574.7**	-1,322.4
Interest received	**514.1**	430.8
Interest paid	**-1,317.1**	-1,810.5
Other financial items	**-993.5**	-132.9
Net cash from operating activities	**14,436.3**	923.0
Cash flows from investing activities		
Investments in fixed assets	**-894.0**	-264.3
Proceeds from sale of fixed assets	**4,776.8**	2,107.4
Net cash from investing activities	**3,882.8**	1,843.1
Cash flows from financing activities		
Increase (+) / decrease (-) in long-term loans	**4,915.7**	-3,001.5
Increase (+) / decrease (-) in short-term loans	**-15,500.0**	-500.0
Other financial items	-	19.6
Net cash used in financing activities	**-10,584.3**	-3,481.9
Net increase (+), decrease (-) in cash and cash equivalents	**7,734.8**	-715.8
Cash and cash equivalents at the beginning of the financial year	**4,180.3**	4,896.1
Cash and cash equivalents at the end of the financial year	**11,915.1**	4,180.3

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Accounting policies
The Financial Statements of Okmetic Oyj have been prepared in accordance with the Finnish Accounting Standards and business legislation. Okmetic Oyj is the Parent Company of Okmetic Group.

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

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

Derivative financial instruments hedging exchange rate risk are entered in the income statement so that interest accruals are recognised as interest income or interest expenses and, at maturity of the contracts, the exchange differences are offset against the hedged item and disclosed in either sales or purchases.

The interest rate difference arising from interest rate swap agreements hedging interest rate exposure is offset against interest expenses.

Fixed assets
Tangible and intangible assets are stated at historical cost less accumulated depreciation, amortisation and write-downs.

Depreciations according to plan on fixed assets are based on the historical cost and the estimated useful lives of the assets. Assets are depreciated on a straight-line basis. The estimated useful lives for the different asset classes are as follows:

• Other capitalised expenditure	3 - 10 years
• Buildings	20 - 25 years
• Machinery and equipment	3 - 15 years

Depreciations on office premises are included in the cost of sales.

Inventories
Inventories are stated at the lower of cost or market using the FIFO method.

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

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

Net sales
Sales of goods are recognised on delivery and sales of services when the services are rendered. Sales are shown net of indirect taxes and discounts.

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

Government grants
Government grants for compensating the costs of specified research and development projects have been offset against the cost of sales.

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

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

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

Effects of changes in accounting policies and corrections of prior period errors
Changes in accounting policies and restatements of prior period errors are entered in shareholders' equity (retained earnings/losses). A corresponding restatement is made to the closing balance sheet of the prior period.

Extraordinary income and expenses
Extraordinary income and expenses include exceptional significant and non-recurrent income and expenses not related to the ordinary business operations.

Income taxes
Income taxes presented in the income statement consist of accrued taxes for the financial year and tax adjustments for prior years. Deferred tax liabilities and assets are determined for all temporary differences arising between the tax bases and carrying amounts of assets and liabilities using the tax rates valid at the balance sheet date. These items are disclosed in the notes to the Financial Statements to the extent of the estimated tax benefit.

euro	2006	2005
1. NET SALES		
Market area		
North America	**29,729,716.69**	20,128,732.63
Europe	**16,231,080.27**	15,664,281.36
Asia	**8,152,397.26**	7,480,852.45
Total	**54,113,194.22**	43,273,866.44

2. PERSONNEL EXPENSES		
Wages and salaries	**12,082,438.47**	10,552,010.26
Pension costs	**2,007,528.51**	1,961,885.61
Other social security costs	**1,186,082.18**	1,009,023.50
Total	**15,276,049.16**	13,522,919.37
Remuneration for the Board of Directors	**109,200.00**	110,702.05

Wages and salaries include not only wages and salaries paid for hours worked but also compensation for annual leave, days off and sick leave as well as holiday pay and fees for years of service and other similar fees.

Analysis of the salaries and remuneration of the Board of Directors and the President		
President	**261,273.51**	166,312.18
Members of the Board of Directors		
Aro Mikko J.	**33,600.00**	30,000.00
Huomo Heikki	**-**	13,202.05
Kaitue Karri	**25,200.00**	16,875.00
Lager Esa	**16,800.00**	15,000.00
Mäkinen Juho	**-**	5,625.00
Paasikivi Pekka	**16,800.00**	15,000.00
Salmi Pekka	**16,800.00**	15,000.00
Total	**109,200.00**	110,702.05
Total	**370,473.51**	277,014.23

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

Number of personnel		
Clerical workers	**105**	109
Manual workers	**210**	205
Average	**315**	314
On 31 December	**319**	294

euro	2006	2005
3. DEPRECIATION AND AMORTISATION		
Depreciation and amortisation by asset classes		
Other capitalised expenditure	**49,393.27**	49,393.27
Buildings	**194,548.06**	197,344.08
Machinery and equipment	**5,904,357.30**	5,970,801.16
Total	**6,148,298.63**	6,217,538.51
Depreciation and amortisation by function		
Cost of sales	**6,143,332.87**	6,207,282.19
Sales and marketing	**159.44**	489.02
Administration	**4,806.32**	9,767.30
Total	**6,148,298.63**	6,217,538.51

4. FIXED ASSETS

Tangible assets

euro	Land	Buildings	Machinery and equipment	Construction in progress	Total
Acquisition cost on 1 January 2006	977,081.45	12,394,271.67	106,598,004.97	101,575.57	120,070,933.66
Additions	-	9,145.38	596,909.60	213,767.88	819,822.86
Disposals	-977,081.45	-10,370,129.43	-15,038,994.54	-	-26,386,205.42
Transfers between items	-	-	10,160.00	-10,160.00	-
Acquisition cost on 31 December 2006	**-**	**2,033,287.62**	**92,166,080.03**	**305,183.45**	**94,504,551.10**
Accumulated depreciation and write-downs on 1 January 2006	-	-8,837,520.47	-73,443,652.90	-	-82,281,173.37
Accumulated depreciation on disposals and transfers	-	8,253,255.38	15,038,994.54	-	23,292,249.92
Depreciation for the period	-	-194,548.06	-5,904,357.30	-	-6,098,905.36
Accumulated depreciation on 31 December 2006	**-**	**-778,813.15**	**-64,309,015.66**	**-**	**-65,087,828.81**
Carrying amount on 1 January 2006	977,081.45	3,556,751.20	33,154,352.07	101,575.57	37,789,760.29
Carrying amount on 31 December 2006 *)	**-**	**1,254,474.47**	**27,857,064.37**	**305,183.45**	**29,416,722.29**
*) of which production machinery and equipment			27,857,064.37		

euro	Land	Buildings	Machinery and equipment	Construction in progress	Total
Acquisition cost on 1 January 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 December 2005	977,081.45	12,394,271.67	106,598,004.97	101,575.57	120,070,933.66
Accumulated depreciation and write-downs on 1 January 2005	-	-8,640,176.39	-72,513,579.85	-	-81,153,756.24
Accumulated depreciation on disposals and transfers	-	-	5,040,728.11	-	5,040,728.11
Depreciation for the period	-	-197,344.08	-5,970,801.16	-	-6,168,145.24
Accumulated depreciation on 31 December 2005	-	-8,837,520.47	-73,443,652.90	-	-82,281,173.37
Carrying amount on 1 January 2005	977,081.45	3,754,095.28	38,769,564.47	189,704.60	43,690,445.80
Carrying amount on 31 December 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		

Note 4 continues

Intangible assets

euro	Other capitalised expenditure
Acquisition cost on 1 January 2006	497,923.45
Additions	-
Disposals	-137,738.25
Acquisition cost on 31 December 2006	**360,185.20**
Accumulated amortisation and write-downs on 1 January 2006	-402,690.07
Accumulated amortisation on disposals and transfers	137,738.25
Amortisation for the period	-49,393.27
Accumulated amortisation on 31 December 2006	**-314,345.09**
Carrying amount on 1 January 2006	95,233.38
Carrying amount on 31 December 2006	**45,840.11**

euro	Other capitalised expenditure
Acquisition cost on 1 January 2005	1,679,106.76
Additions	-
Disposals	-1,181,183.31
Acquisition cost on 31 December 2005	497,923.45
Accumulated amortisation and write-downs on 1 January 2005	-1,534,480.11
Accumulated amortisation on disposals and transfers	1,181,183.31
Amortisation for the period	-49,393.27
Accumulated amortisation on 31 December 2005	-402,690.07
Carrying amount on 1 January 2005	144,626.65
Carrying amount on 31 December 2005	95,233.38

Investments

euro	Shares in Group companies	Other shares and holdings	Other receivables	Total
Acquisition cost on 1 January 2006	13,704,456.31	2,506,281.82	804,267.30	17,015,005.43
Additions	71,994.24	-	-	71,994.24
Disposals	-	-6,281.82	-115,102.39	-121,384.21
Write-downs	-	-	-	-
Carrying amount on 31 December 2006	**13,776,450.55**	**2,500,000.00**	**689,164.91**	**16,965,615.46**

euro	Shares in Group companies	Other shares and holdings	Other receivables	Total
Acquisition cost on 1 January 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
Write-downs	-14,159,825.11	-	-	-14,159,825.11
Carrying amount on 31 December 2005	13,704,456.31	2,506,281.82	804,267.30	17,015,005.43

euro	2006	2005
5. OTHER OPERATING INCOME		
Sales of fixed assets	**1,602,119.86**	1,266,054.25
Credit losses	**9,456.76**	-
Total	**1,611,576.62**	1,266,054.25

euro	2006	2005
6. OTHER OPERATING EXPENSES		
Credit losses	**-**	306,397.47
Costs of business reorganisation	**-**	579,957.19
Compensation payments	**303,720.57**	-
Total	**303,720.57**	886,354.66

euro	2006	2005
7. FINANCIAL INCOME AND EXPENSES		
Interest income		
From Group companies	**390,736.31**	366,682.01
From others	**160,698.86**	61,872.31
Total	**551,435.17**	428,554.32
Interest expenses		
To others	**-1,871,601.55**	-2,069,033.34
Income from other fixed asset investments		
From others	**20,299.68**	-
Other financial income and expenses		
From/to Group companies	**-612,790.93**	937,082.23
To others	**-380,741.65**	-128,436.66
Total	**-993,532.58**	808,645.57
Value adjustments of investments held as fixed assets		
From Group companies	-	-14,159,825.11
Total	**-2,293,399.28**	-14,991,658.56

8. EXTRAORDINARY ITEMS

Gain on the disposal of a subsidiary	-	2,373,665.57

9. SUBSIDIARIES ON 31 DECEMBER 2006

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

euro	2006	2005
10. OTHER INVESTMENTS		
Carrying value of shares in other companies	**2 ,500,000.00**	2,506,281.82
Market value of listed shares	-	21,127.50

11. RECEIVABLES FROM AND LIABILITIES TO GROUP COMPANIES

Other receivables	**3,832,841.83**	6,818,024.48
Other liabilities	**93,310.68**	2,327,285.90

euro	2006	2005
12. SHAREHOLDERS' EQUITY		
Share capital		
On 1 January	**11,821,250.00**	11,821,250.00
On 31 December	**11,821,250.00**	11,821,250.00
Share premium		
On 1 January	**36,190,493.36**	71,055,849.80
Transfer from retained losses	**-16,145,238.65**	-34,865,356.44
On 31 December	**20,045,254.71**	36,190,493.36
Retained earnings/losses		
On 1 January	**-2,494,205.77**	-4,048,289.48
Loss from the previous period	**-13,651,032.88**	-33,311,272.73
Transfer from share premium	**16,145,238.65**	34,865,356.44
On 31 December	**0.00**	-2,494,205.77
Profit/loss for the period	**5,734,093.35**	-13,651,032.88
Total shareholders' equity on 31 December	**37,600,598.06**	31,866,504.71
Distributable funds		
Retained earnings/losses	**0.00**	-2,494,205.77
Profit/loss for the period	**5,734,093.35**	-13,651,032.88
Total	**5,734,093.35**	-16,145,238.65

13. COMMITMENTS AND CONTINGENCIES

Own debts secured with mortgages or pledges		
Loans from financial institutions and other liabilities	**18,869,785.25**	28,753,717.69
Mortgages		
Mortgages on real property	-	5,550,201.36
Business mortgages	**28,928,323.35**	28,591,947.49
Carrying amount of pledged shares	**8,908,125.47**	8,908,125.47
Total	**37,836,448.82**	43,050,274.32

14. LEASE COMMITMENTS

Payable next year	**358,192.46**	389,174.23
Payable at a later date	**470,424.19**	505,970.23
Total	**828,616.65**	895,144.46

The lease agreements involve no redemption clauses.

15. DERIVATIVE FINANCIAL INSTRUMENTS

euro	Fair value 2006	Nominal value 2006
Currency derivatives		
Currency forwards	**117,261.00**	**3,355,198.11**
Electricity derivatives	**79,881.32**	**2,580,121.93**
Total	**197,142.32**	**5,935,320.04**

euro	2005	2005
Currency derivatives		
Currency forwards	-344.00	2,530,054.00
Currency options, call	438.00	809,717.00
Currency options, put	-36,927.00	809,717.00
Interest rate derivatives		
Interest rate swaps	-51,571.00	9,344,785.00
Electricity derivatives	328,174.37	881,959.58
Total	239,770.37	14,376,232.58

The contract price of the derivatives has been used as the nominal value of the underlying asset. The fair values of the derivative contracts have been determined on the basis of the market quotations and contract prices prevailing at the balance sheet date. 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.

euro	2006	2005
16. SUBORDINATED LOANS		
Repayment due on 31 December 2003, interest 7.0%		
The Finnish National Fund for Research and Development Sitra	**111,810.25**	111,810.25
Repayment due on 31 December 2003, interest 7.0%		
The Finnish National Fund for Research and Development Sitra	**188,221.38**	188,221.38
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**	6,657,996.70

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 not entered as expense at the balance sheet date.

*) 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 0.7 euro. 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 366,800.00 euro. On 30 June 2001, the number of shares involved in the conversion of bonds was 6,750. The right of conversion expired on 30 June 2006.

euro	2006	2005
17. SHORT-TERM LIABILITIES, ACCRUALS AND DEFERRED INCOME		
Main items included in accruals and deferred income		
Accrued employee-related expenses	**3,383,539.21**	1,972,678.56
Accrued interest expenses	**3,198,891.33**	2 ,644,389.40
Other	**339,964.90**	473,310.71
Total	**6,922,395.44**	5,090,378.67

18. DEFERRED TAX ASSETS AND LIABILITIES

The Company has tax losses carried forward in the amount of 23.3 million euro. The Company has not recognised deferred tax assets for this amount.

Financial Statements for the Parent Company, FAS

The Board of Directors' Proposal Regarding Measures Concerning Retained Earnings

According to the financial statements dated 31 December 2006, Okmetic's distributable earnings amount to 5,734,093.35 euro. The earnings consist of profit from the financial year 2006.

The Board of Directors' proposal for the Annual General Meeting is that the distributable earnings be retained in equity.

Signatures for the Financial Statements and Board of Directors' Report

Vantaa, 28 February 2007

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 financial statements, the report of the Board of Directors and the administration of Okmetic Oyj for the period 1.1. – 31.12.2006. 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 parent company's financial statements, report of the Board of Directors and 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 financial statements and the report of the Board of Directors are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements and in the report of the Board of Directors, 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, 28 February 2007

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 page of Okmetic's website: www.okmetic.com -> Investor Information -> Analysts.

Corporate Governance

Overview

Okmetic Oyj, the Parent Company of Okmetic Group, is a Finnish public limited company. Its registered office is in Vantaa, Finland.

Corporate governance at Okmetic Oyj follows the provisions of the Finnish Companies Act, other relevant legislation and the Articles of Association. The recommendation issued on 1 July 2004 by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industries on the Corporate Governance of listed companies is used as a guideline for implementing corporate governance at Okmetic.

The administrative bodies of Okmetic Oyj – the General Meeting, the Board of Directors and the President – are in charge of the governance and operations of Okmetic Group. The Executive Management Group assists the President in operative management.

General meeting

The General Meeting has the ultimate power in the Company. The tasks of the meeting are defined in the Finnish Companies Act and Okmetic's Articles of Association.

The General Meeting is usually convened once a year. In the General Meeting, the shareholders decide 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, as provided in the Finnish Companies Act.

The Board of Directors calls shareholders for the 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 an extraordinary General Meeting, if the auditor or shareholders whose combined holding in the Company amounts to at least 10 percent submit a written request to that effect in order to address a specific issue. Shareholders have the right to raise a specific issue at the General Meeting provided that a written request to that effect is lodged with the Board of Directors sufficiently early to allow it to be included in the agenda appended to the invitation to the General Meeting.

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

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

The President and the members of the Board of Directors are present at the General Meeting. Persons who are nominated to become members of the Board of Directors for the first time must participate in the General Meeting where their appointments are decided unless an extremely good 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 for the necessary business arrangements.

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

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

Five members were appointed to the Board of Directors in the Annual General Meeting of 2006. The President of Okmetic is not a member of the Board of Directors.

Essential tasks of the Board of Directors include:

- The administration of the Group and the appropriate arrangement of the operations, accounting and financial management
- Deciding on the Group's strategy and supervising its implementation
- Approving the Group's annual plans and any revisions to them
- Deciding on investments and sales of assets that have strategic significance or that are extensive in scope
- Deciding on significant financial arrangements and risk management
- Preparing the agenda for the General Meeting and ensuring that the decisions of the General Meeting are implemented
- Deciding on appointing and, if appropriate, dismissing the Company's President and Vice President and establishing the conditions of their terms of office
- Devising incentive schemes for the Group
- Ensuring that the Company's values are upheld
- Reviewing its own performance on a regular basis.

The Board of Directors produces a written agenda outlining its own responsibilities once a year, and assesses its own performance and procedures on a regular basis.

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

The Company's most powerful shareholders have announced that they are in favour of a principle whereby the members of the Board of Directors should primarily comprise independent experts.

As of 11 April 2006, the Board of Directors has been made up of the following persons:

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 2005 -; Evox Rifa Group Oyj, Board Member 2000 -; Oy Airam Electric Ab, Board Member 1997 -
- Owns 1,500 shares in the Company

Karri Kaitue, 1964, LL.Lic.

- COO and Deputy CEO of Outokumpu Oyj and Member 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, Executive Vice 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; Outokumpu Oyj, Legal Affairs 1990 - 1998
- Key board memberships: Cargotec Oyj, Board Member 2005 -; Outokumpu Technology Oyj, Vice Chairman of the Board 2006 -
- Does not own shares in the Company

Esa Lager, 1959, M.Sc. (Econ.), LL.M.
- CFO of Outokumpu Oyj and Member of the Group's Executive Committee 2005 -
- Okmetic Oyj, Member of the Board 1996 - 2000, and 2003 -
- Key employment history: Outokumpu Oyj, Executive Vice President, Finance and Administration and 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 Invest Oy 2005 -
- Okmetic Oyj, Member of the Board 1996 -
- Key employment history: Oras Oy, President and CEO 1979 - 2001, Chairman of the Board 1996 - 2006
- Key board memberships: Varma Mutual Pension Insurance Company, Chairman of the Supervisory Board 2005 -; Uponor Oyj, Chairman of the Board 1999 -; Raute Oyj, Board Member 2002 -; Erkki Paasikivi Foundation, Chairman of the Board 1997 -; Liikesivistysrahaston kannatusyhdistys ry, Board Member 2003 -; Confederation of Finnish Industries EK, Member of the General Assembly
- Does not own shares in the Company

Pekka Salmi, 1961, Lic.Sc. (Tech.)
- Investment Director of the Finnish National Fund for Research and Development Sitra 1997 -
- Okmetic Oyj, Member of the Board 1999 - 2001, and 2002 -
- Key board memberships: Space Systems Finland Oy, Chairman of the Board 2005 -; Neorem Magnets Oy, Chairman of the Board 1998 -; Panphonics Oy, Board Member 2003 -; Tieturi Vision Oy, Board Member 2006 -
- 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, Mikko J. Aro, Pekka Paasikivi and Pekka Salmi are independent of any of the Company's major shareholders.

The Board of Directors convenes when necessary. In 2006, a total of eleven meetings were held. The participation rate of the members of the Board in board meetings amounted to 94.6 percent.

The Board of Directors can decide to form committees of its members to prepare issues in advance. The committees convene when necessary. The issues are then addressed in the meetings of the Board of Directors and decisions are made by the entire Board. Previously, the Board of Directors has formed committees for appointing the President, formulating new strategies and making arrangements for the Group's financing, for example.

President and Vice President

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

The President is responsible for ensuring that the business and day-to-day running of the Group are arranged in adherence to existing laws and regulations and in accordance with the instructions and decisions of the Board of Directors. The President is also responsible for ensuring that the decisions of the Board of Directors are implemented as agreed.

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's Executive Management Group consists of the President, the Vice President and specific Senior Vice Presidents as chosen 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 plans and long-term strategies, 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 steering and supervising the Group's 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, however at least once a month.

The Executive Management Group comprises:

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, Production 2003 -
- Area of responsibility: production
- With the Company since 1994
- Key employment history: Okmetic Oyj, Researcher, Technology Manager, Plant Manager 1994 - 2003

Jaakko Montonen, 1969, M.Sc. (Tech.),

- Senior Vice President, Product Development 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, Sales and Marketing 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, Finance, IT and Communications 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, Research 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, Human Resources 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

Anna-Riikka Vuorikari Antikainen, 1965, M.Sc. (Tech.),

- Senior Vice President, Sensor Business Development 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

Separate operative management groups, which also include representatives of the staff, 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.

In total, members of the Executive Management Group hold 21,612 shares in the Company. In addition, the Executive Management Group is entitled to a total of 40,400 shares under the employees' option programme. If these option rights were to be exercised in full, the management's holding of the Company's share capital and voting rights would be 0.4 percent.

Shares and options of the Executive Management Group on 31 December 2006:

	Shares	Options
Antti Rasilo	7,800	-
Timo Koljonen	512	-
Jaakko Montonen	1,000	6,500
Mikko Montonen	5,000	6,500
Esko Sipilä	3,400	-
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 held on 11 April 2006 decided on the following annual remuneration for the members of the Board of Directors: Chairman of the Board of Directors 34,800 euro, Deputy Chairman 26,100 euro and members 17,400 euro each. Members of the Board of Directors are not paid any additional monies for taking part in the meetings and they are not eligible for any share-based incentive schemes.

Remuneration of the management follows local legislation and practice. The amount of remuneration is based on the generally accepted job descriptions used in the industry as well as on the manager's personal performance reviews.

All employee groups at Okmetic are eligible for an incentive scheme. Monthly targets are set for the manual workers' productivity, and the resulting bonuses are awarded once a month. Clerical workers are subject to a profit-sharing scheme, which is based on annual targets relating to profitability, finance and turnover. Turnover-based targets are set individually from managerial level upwards.

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 Group's incentive scheme, as outlined above. 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 2006, the maximum amount of bonus available was 50 percent for the President and 30 percent for the other members of the Executive Management Group. The bonuses awarded for targets achieved in 2006 amounted to approximately 87,400 euro for the President and 165,700 euro for the other members of the Executive Management Group.

The President and the members of the Executive Management Group are not entitled to separate remuneration 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 174,800 euro in 2006. The annual remuneration and perks awarded to the other members of the Executive

Management Group amounted to a total of around 587,800 euro in 2006.

The pension benefits of the President and the members of the Executive Management Group are determined on the basis of the Finnish Employees' Pensions Act. The Company can dismiss the President with twelve months' notice provided that there is a good reason. The President must give six months' notice for resignation.

The Company has not provided guarantees or other such commitments on behalf of the members of the Board of Directors or the Executive Management Group. Furthermore, the members of the Board of Directors and the Executive Management Group and their families 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 the reporting systems required for the efficient monitoring of business activities.

The ultimate responsibility for appropriately arranging accounting and supervision of financial management falls to 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 departments of the Group. The system includes up-to-date data and estimates for the following period up to a maximum of 12 months.

The risks to property, risks of interrupted operation and 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 operating principles of the Company.

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

In accordance with the Articles of Association the Company has one auditor. The auditor must be an individual auditor or an auditing firm approved by the Finnish Central Chamber of Commerce. The term of office of the auditor terminates at the end of the Annual General Meeting following the appointment of the auditor.

The accountancy firm PricewaterhouseCoopers is responsible for auditing the companies in the Group worldwide. PricewaterhouseCoopers Oy is responsible for auditing the Parent Company Okmetic Oy and the principal auditor is Authorised Public Accountant Markku Marjomaa. The principal auditor is responsible for providing guidance and coordination for the Group's audit. 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 Parent Company's Board of Directors on a regular basis.

The remuneration of the auditors amounted to approximately 132,000 euro in 2006, of which approximately 66,500 euro originated from services unrelated to auditing.

Insiders

Okmetic's Board of Directors has confirmed the Company's insider guidelines that are based on the recommendation of the Helsinki Stock Exchange. The guidelines were last updated on 7 March 2006.

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 principal auditor. In addition, as per a separate decision of the Company, the permanent insiders include specifically named Group-level managers and persons responsible for handling Group issues, as well as associates of the principal auditor, who on the basis of their positions constantly receive insider information.

The management can, if necessary, also assign 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.

The Senior Vice President, Finance is responsible for the Group-level 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 Group's communications is to make Okmetic better known amongst its interest groups, ensuring that all interest groups have the right, strategically steered image of the Group. Okmetic abides by the rules relating to the disclosure requirements set for communications in listed companies. All information that can materially affect the value of the Company's shares is disclosed to all interested parties equally and at the same time, without unnecessary delays.

Okmetic's website (www.okmetic.com) provides all information that has been published on the basis of the disclosure requirements set for listed companies. More information on insider management and corporate governance can be found under Investor Information on the website. The Company releases reports on its profit development, activities and objectives at least four times a year. The Financial Statements, interim reports and stock exchange releases can be accessed via the Investor Information section on Okmetic's website immediately after their publication. The information is published in both Finnish and English.

Board of Directors

Members of the Board of Directors from left to right: Esa Lager, Pekka Paasikivi, Mikko J. Aro, Karri Kaitue and Pekka Salmi

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 2005 -; Evox Rifa Group Oyj, Board Member 2000 -; Oy Airam Electric Ab, Board Member 1997 -
- Owns 1,500 shares in the Company

Karri Kaitue,

1964, LL.Lic.

- COO and 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; Outokumpu Oyj, Legal Affairs 1990 - 1998
- Key board memberships: Cargotec Oyj, Board Member 2005 -; Outokumpu Technology Oyj, Vice Chairman of the Board 2006 -
- Does not own shares in the Company

Esa Lager,

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

- CFO of Outokumpu Oyj and Member of the Group's Executive Committee 2005 -
- Okmetic Oyj, Member of the Board 1996 - 2000, and 2003 -
- Key employment history: Outokumpu Oyj, Executive Vice President, Finance and Administration and 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 Invest Oy 2005 -
- Okmetic Oyj, Member of the Board 1996 -
- Key employment history: Oras Oy, President and CEO 1979 - 2001, Chairman of the Board 1996 - 2006
- Key board memberships: Mutual Pension Insurance Company Varma, Chairman of the Supervisory Board 2005 -; Uponor Oyj, Chairman of the Board 1999 -; Raute Oyj, Board Member 2002 -; Erkki Paasikivi Foundation, Chairman of the Board 1997 -; Liikesivistysrahaston kannatusyhdistys ry, Board Member 2003 -; Confederation of Finnish Industries EK, Member of the General Assembly
- Does not own shares in the Company

Pekka Salmi,

1961, Lic.Sc. (Tech.)

- Investment Director of The Finnish National Fund for Research and Development Sitra 1997 -
- Okmetic Oyj, Member of the Board 1999 - 2001, and 2002 -
- Key board memberships: Space Systems Finland Oy, Chairman of the Board 2005 -; Neorem Magnets Oy, Chairman of the Board 1998 -; Panphonics Oy, Board Member 2003 -; Tieturi Vision Oy, Board Member 2006 -
- Does not own shares in the Company

Executive Management Group

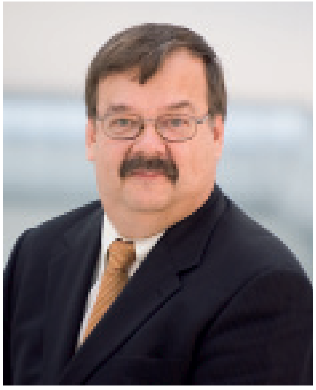

Antti Rasilo


Timo Koljonen


Jaakko Montonen


Mikko Montonen


Esko Sipilä


Markku Tilli


Markus Virtanen


Anna-Riikka Vuorikari-Antikainen

President Antti Rasilo,
1950, M.Sc. (Tech.),
- With the Company since 2003 as President

Senior Vice President Timo Koljonen,
1966, Lic.Sc. (Tech.)
- Area of responsibility: production
- With the Company since 1994, in current position since 2003

Senior Vice President Jaakko Montonen,
1969, M.Sc. (Tech.)
- Area of responsibility: product development
- With the Company since 1994, in current position since 2004

Senior Vice President Mikko Montonen,
1965, M.Sc. (Tech.)
- Area of responsibility: sales and marketing
- With the Company since 1991, in current position since 2004

Senior Vice President Esko Sipilä,
1948, M.Sc. (Econ.)
- Areas of responsibility: finance and accounting, IT, and communications
- With the Company since 1996 as Senior Vice President, Finance

Senior Vice President Markku Tilli,
1950, M.Sc. (Tech.)
- Area of responsibility: strategic research
- With the Company since 1985, in current position since 1996

Senior Vice President Markus Virtanen,
1962, M.Sc. (Tech.)
- Area of responsibility: human resources
- With the Company since 1999, in current position since 2003

Senior Vice President Anna-Riikka Vuorikari-Antikainen,
1965, M.Sc. (Tech.)
- Area of responsibility: sensor business development
- With the Company since 1992, in current position since 2006

Glossary

Actuator: a micromechanical device used in automatic medication dosage, which activates and controls the dosage.

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 in the manufacture of silicon wafers.

Epiwafer: a silicon wafer with a thin layer of silicon grown on its 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 world-wide.

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

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

IGBT circuit: Isolated Gate Bipolar Transistor; a power transistor.

Inertial sensor: a term commonly used in the industry for all motion sensors.

Integrated circuit: IC; a semiconductor component in which several electronic functions are integrated on a single silicon chip.

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

ISO 9001:2000: an international standard for the management of the quality system used in the company.

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

MEMS wafer: silicon wafer used for manufacturing silicon-based 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 silicon's crystal lattice, i.e. the arrangement of atoms in the silicon.

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

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

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

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 to it.

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

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

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

Silicon wafer: 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.

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

Transistor: a basic component in the semiconductor industry on which the operation of most electronic equipment is presently based.

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

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

Wafer yield: indicates the number of 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 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
WSTS

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