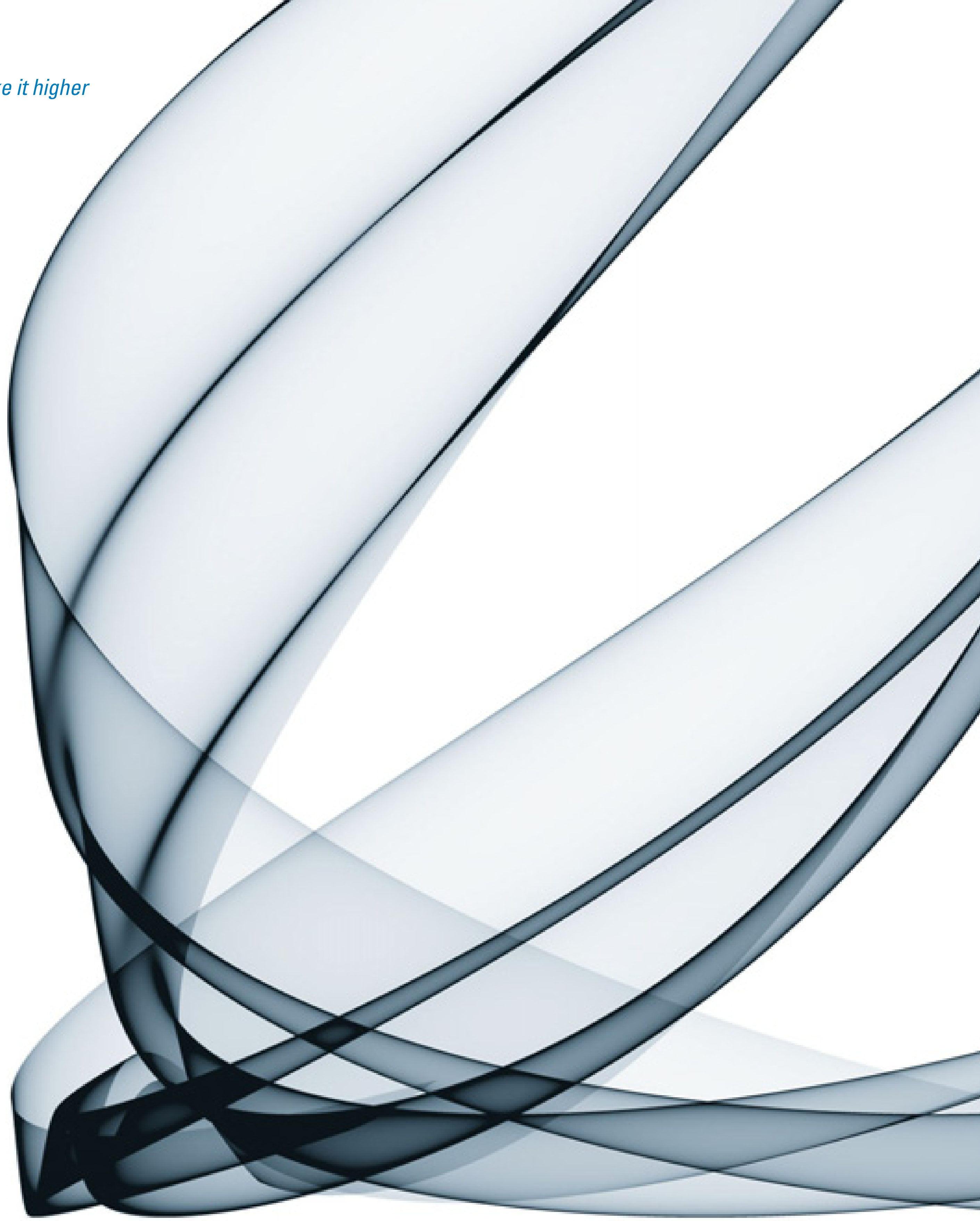
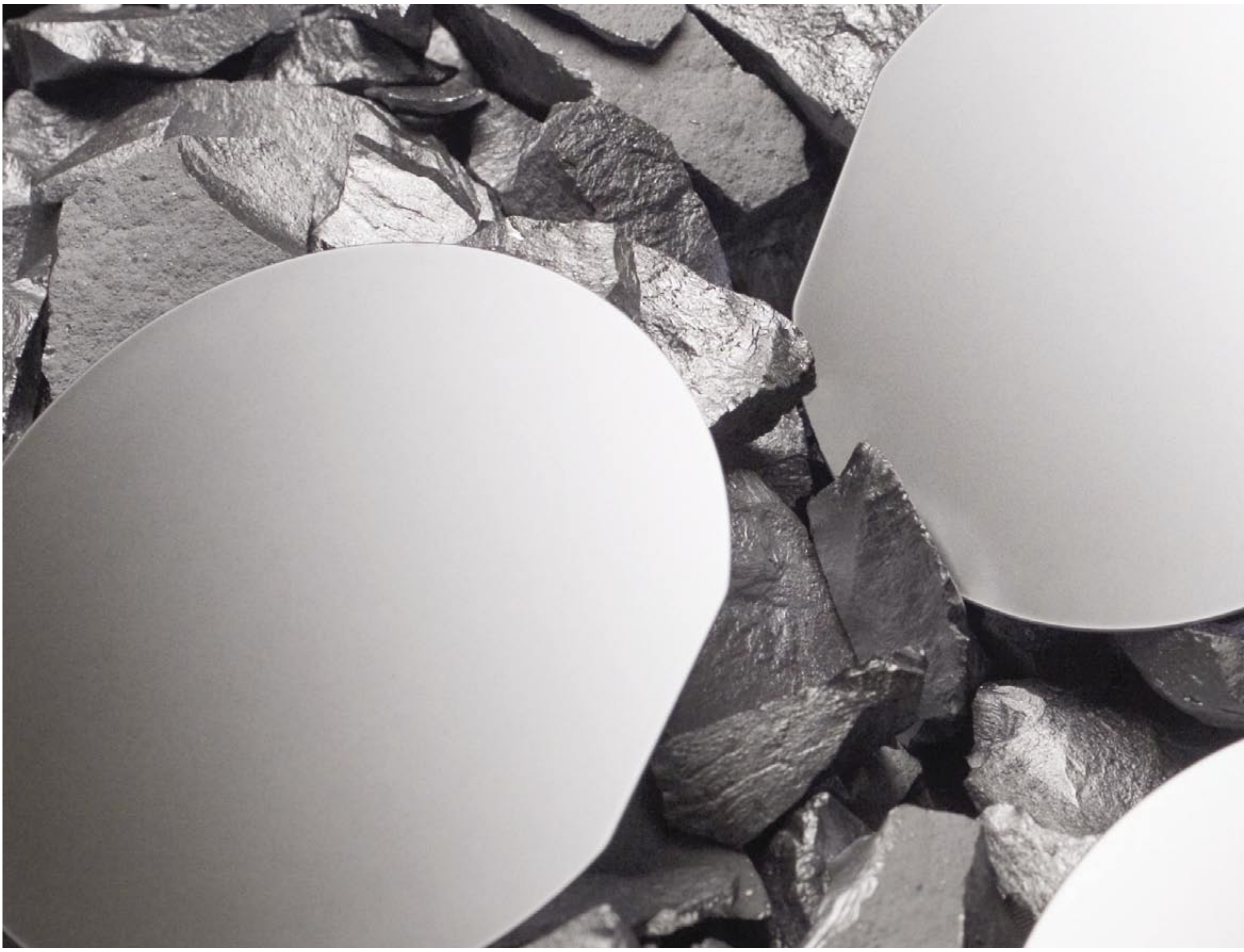
Take it higher



Annual Report

2008

OKMETIC



Technology company Okmetic supplies silicon wafers for sensor and semiconductor industries and sells its technological expertise. Our wafers are part of a further processing chain that produces end products that improve human interaction and the quality of life.

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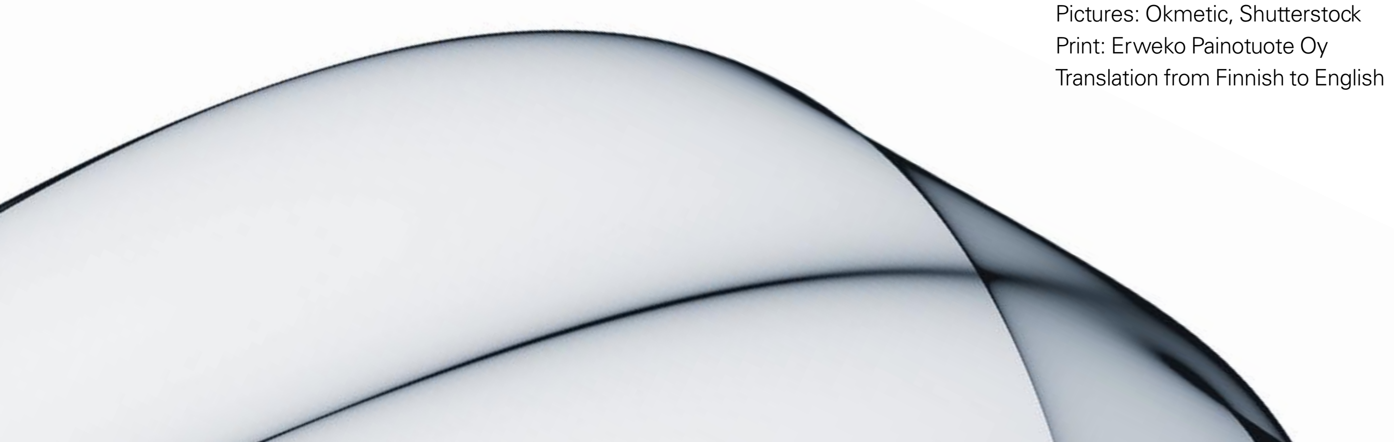


Contents

02 Okmetic in brief
03 Mission, vision, values and strategic choices
04 Information for shareholders
06 President's review
08 A demanding year on the market
10 Research and development promote competence and competitiveness
12 Competent personnel – key to success

14 Financial statements 2008
15 Board of directors' report
30 Consolidated financial statements
54 Financial statements for the parent company
63 Board of directors' proposal regarding measures concerning distributable earnings
64 Auditor's report
65 Corporate governance
70 Board of directors and executive management group
72 Glossary
73 Analysts and contact information

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

Okmetic in brief

- world's leading sensor wafer manufacturer and technological forerunner
- three customer areas: sensors, semiconductors and technology
- innovative product development boosts customers' competitiveness
- efficient in-house production process and solid contract manufacturing
- the best partner
- attractive high-tech employer
- increases shareholder value

2008 in brief

- organisation was reshaped to support the attainment of strategic objectives
- decision made to invest in the sensor wafer business
- personnel's competence and work-related well-being invested in
- new sensor wafer products developed
- epi process patented in the United States
- Okmetic G-SOI shortlisted to win a EuroAsia IC Industry Award
- financially solid year

Okmetic's financial objectives

- organic yearly growth of net sales at least 6 percent
- operating profit to account for more than 10 percent of net sales
- equity ratio 50 percent
- consistent annual dividends

Key figures

	2008	2007
Net sales, 1,000 euro	67,867	64,652
Operating profit, 1,000 euro	8,476	7,121
% of net sales	12.5	11,0
Earnings per share, euro	0.34	0.31
Net cash flow from operating activities, 1,000 euro	13,177	8,305
Return on equity, %	12.1	12.4
Net gearing ratio, %	-1.2	19.6
Equity ratio, %	62.8	55.3
Average number of personnel during the period	364	362

Mission, vision and values

Okmetic's mission is to supply innovative silicon-based solutions that generate added value to its customers.

Our vision is to be a global market leader and technological pioneer in silicon-based solutions in our chosen customer segments. For our customers, we represent the best partner and a generator of added value. The solutions that we produce enhance their competitiveness and profitability. For our personnel, we offer an inspiring and challenging high-tech workplace. We grow profitably and add to our shareholder value.

Our values – customer orientation, profitability, know-how, co-operation and continuous improvement – direct our day-to-day operations.

Strategic choices

Okmetic focuses on supplying products, services and technology that generate added value to its customers. In particular, these products comprise sensor and power-semiconductor wafers. The company sells its technological expertise to develop its customers' production processes.

The core elements of our strategy are customer orientation, commitment to quality and the development of partnerships. The company's core areas of expertise are crystal growth, sensor wafer production and in-depth understanding of the markets' needs. The cornerstones of Okmetic's success are the personnel's know-how, the worldwide sales network, strong product development, efficient in-house production and dependable contract manufacturers.

Crystal growth and sensor wafer technology are Okmetic's core areas of expertise.

The tale of the silicon wafer

Silicon wafer manufacturing begins when polycrystalline silicon is melted and a seed crystal is dipped into the melt. During a growth process of 1 - 2 days, the seed crystal transforms into a two-metre cylindrical single crystal.

The crystal is cut, ground and sliced into wafers according to customer specifications. The wafer is then treated in various mechanical and chemical processes to increase its strength and to ensure its uniform thickness and a flawless surface.

As purity is the most important feature of a silicon wafer, a lot of the wafer processing takes place in a clean room. In addition to the basic process, wafer manufacturing often includes different further processing stages.

Information for shareholders

Annual general meeting

The annual general meeting of Okmetic Oyj will be held on Thursday, 2 April 2009 at 10.00 a.m. in the auditorium of the Finnish Aviation Museum. The museum is located at the grounds of the Helsinki-Vantaa International Airport, at Tietotie 3. The registration and the distribution of voting tickets will commence at 9.30 a.m.

All shareholders, who have by 23 March 2009 been recorded as shareholders in the list of owners kept by the Euroclear Finland Ltd., have the right to attend the meeting.

Shareholders who wish to attend the meeting should register their attendance by 4.00 p.m. on 25 March 2009

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

The possible proxy statements should be supplied to the company's head office within the duration of the registration period.

Proposal for profit distribution

Board of directors proposes to the annual general meeting that a dividend of 0.05 euro per share be paid for financial year 2008.

If the annual general meeting decides upon distributing the dividend, it will be payable to shareholders who are registered in the shareholders' register maintained by the Euroclear Finland Ltd. on 7 April 2009. The board proposes that the dividend payments be made on 16 April 2009.

Financial calendar 2009

Financial statements bulletin	11 February
Annual report on the company website	week 12
Annual report mailed to shareholders	week 14
Annual general meeting	2 April
Dividend record date	7 April
Dividend payment date	16 April
Interim report January - March	28 April
Interim report April - June	31 July
Interim report July - September	27 October

Investor relations

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

Okmetic's investor relations are the responsibility of President Antti Rasilo. All questions addressed to him concerning the company can be sent via email at communications@okmetic.com.

Investor relations and communications contacts

Esko Sipilä, Senior Vice President, Finance
Jenni Laine, Communications Manager
Sanna Nyström, Communications Officer

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

Silent period

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

Publication orders

Okmetic´s financial reviews and releases are published in Finnish and English. Okmetic's stock exchange releases, interim reports, annual reports and financial statements bulletin are available on the company website immediately after their publication. On the website, IR material and financial information is gathered under the Investors section.

Releases and annual reports can be ordered

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

'Thanks to solid results produced over a long period of time and repayment of loans, Okmetic is now a financially sound company.'

President's review

Okmetic continued its impressive performance in 2008. The financial results were good and the implementation of the strategy took major strides ahead.

A brisk increase in sales in the sensor wafer area as well as product redesigns and the unexpectedly strong demand for the technology area created the basis for Okmetic's success in 2008. From 11 percent in 2007, the company's operating profit rose to 12.5 percent, and net sales increased to 68 million euro. Growth and earnings were, however, hindered by the weakening of the US dollar.

Okmetic is the global leader in the supply of sensor wafers measured in both sales and in the range of product selection. In line with our strategic ambitions, our sensor wafer sales grew by 14 percent to 25 million euro, now forming almost half of Okmetic's total wafer sales. During the year, we acquired many important customers, including companies in Japan and the US.

At the end of the year we launched an investment programme to further develop sensor wafer technology and to increase our production capacity. The decision supports Okmetic's strategy of profitable growth through investments in sensor wafers and crystal growth technology. In addition to acquiring new production equipment, we also invest in product development to maintain our technological advantage. Our goal is to double the sales of sensor wafers by 2012.

The global demand for semiconductor wafers dropped significantly, particularly in the final quarter of 2008. Despite the tightened competition, Okmetic was able to increase its market share, even though the net sales of semiconductor wafers remained clearly below the level of the previous year.

Okmetic's first major technology transfer project progressed well according to plan and in collaboration with our customer, a Norwegian solar energy enterprise. The customer's reports on the excellent quality of the silicon crystals grown using the technology supplied by Okmetic and on the productivity of the growth process are the best recognition for our top level expertise we could hope for.

Our main focus, with a view to staff competence and work-related well-being, was training and working conditions. The most important projects were to continue with the 2.5-year professional competence training programme for production workers and launching a training programme on leadership and management practices. The process development measures implemented in production were geared towards increasing both quality and productivity.

The formulation of market projections for 2009 is unusually difficult, but the insecurities of the market and the general slump in demand will also inevitably impact Okmetic. In particular, the market for semiconductor wafers seems to be slowing down globally compared to 2008. In the sensor wafer area, the future seems significantly brighter for Okmetic.

Despite the turbulence in the global economy, we will continue systematic development of the company. Redesigning products, supporting customers and streamlining the company's own processes are all necessary tasks even during a recession. We know that hard work, combined with long-term goals, creates growth and profitability and ensures competitiveness in the years to come. Our customers' markets are expected to rebound to powerful growth as general demand recovers. Thanks to the efforts implemented in the meantime, Okmetic will be ready to assume a position as an even stronger and more successful player in its field.

In 2009, the focal points of Okmetic's operations lie in the further development of sensor wafers and in the area of technology transfers. In terms of crystal growth, we aim to strengthen our competence through incorporating new methods and to continue our work to attain previously unseen levels of productivity. This enables us to offer our customers the most efficient means of improving competitiveness and creates a foundation for profitable business in technology transfers.

The year will undoubtedly become challenging for the upgrading chain from silicon to electronics, as well. The depth and duration of the downturn will determine the effect that the situation will have on our customers, and consequently, on Okmetic. The selected strategy and perseverance have, however, created strong odds that Okmetic will emerge from the crisis in better form than its average competitor.

I would like to take this opportunity to thank everyone at Okmetic for their commitment and hard work in making the company stronger. I would also like to thank all our interest groups for versatile collaboration with long-term goals.

Vantaa, 11 February 2009

Antti Rasilo
President and CEO

Okmetic's business is based on an understanding of the needs of customer industries.

Three customer areas: sensors, semiconductors and technology

Okmetic is world's leading supplier of wafers for demanding silicon-based MEMS sensors. Our customer base covers almost all major sensor manufacturers. Okmetic is a pioneer in silicon-on-insulator (SOI) technology, for example, which is becoming increasingly popular.

As regards semiconductor wafers, we focus on making specialist products based on Okmetic's own crystal growth technology. Our semiconductor wafers are used in consumer electronics, computers, telecommunications and automotive applications.

Technology transfers have been a part of our product selection since 2006. We sell our expertise in crystal growth to promote the development of our customers' production processes.

A demanding year on the market

Okmetic supplies silicon wafers that offer added value to leading companies in the sensor and semiconductor field. Our products are employed in automotive, aviation and medical industries and, to a growing extent, also in various applications for consumer electronics.

Okmetic is the 8th largest silicon wafer manufacturer in the world. In 2008, our sales were distributed almost equally between North America, Europe and Asia. Our main product is silicon wafers, but we also sell our technological expertise, with particular emphasis on the solar energy industry.

Our business is based on an understanding of our customer industries and of material solutions. We follow and analyse the future needs of our customers and use this information to develop new products and technologies.

Customer markets slowed down at the end of the year

On the whole, 2008 was a year of less than average growth for our customer industries. The first three quarters were characterised by relative stability on the market, but at the end of the year the deteriorating overall economic situation caused the demand to become particularly cautious.

The demand for MEMS sensors has traditionally grown at a rate of 10 to 20 percent per annum. In 2008, the weakening of the automotive industry and the overall economic situation affected the sale of sensors, resulting in a growth rate that was below the long-term average. Yet the use of MEMS sensors in consumer applications such as mobile phones, game consoles, watches and portable electronics continued to grow.

The semiconductor industry's total invoicing amount was three percent lower in 2008 than in 2007. Shipments increased by four percent in terms of product quantities, but the seven percent decrease in average sale prices meant that overall, the dollar-denominated invoicing amount decreased. Demand for semiconductors dropped a staggering 22 percent during the last quarter in comparison with the previous year.

The weakening of demand in the customer industries also reflected on wafer shipments. The number of silicon wafers supplied in 2008 worldwide was six percent less than in 2007. The decrease in demand was evident particularly in the final quarter.

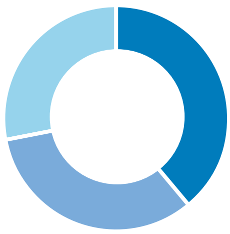
Market projections difficult

Any market projections made for 2009 are subject to major uncertainties.

Even though the MEMS sensor industry is more stable than semiconductor industry, the demand for sensors is likely to remain lower during the first half of the year compared to the first half of 2008. There remain however, a number of products on the sensor market the sales of which are expected to rise. The sales of semiconductors are expected to drop clearly in 2009.

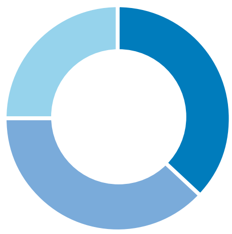
The demand for silicon wafers follows the shipment volumes of customer industries, so it too is expected to decrease particularly in the first part of the year.

Sales per market area



- North America 39%
- Europe 33%
- Asia 28%

Sales per customer area



- Sensor wafers 37%
- Semiconductor wafers 38%
- Technology 25%

We are constantly developing new products to respond to the needs of our sensor customers.

Investments in sensor wafers strengthen our leadership position

Okmetic is currently implementing a strategic development programme, with the aim of doubling the sales of sensor wafers by 2012. The programme aims to establish sensor wafers as Okmetic's biggest product category and to further consolidate our position as the technology and market leader of silicon-based sensor wafers.

Part of the investments incorporated in the programme is aimed at developing the level of existing technology and increasing our capacity for sensor products. The programme also supports the commercialisation of new technologies and silicon solutions providing added value to the customer. We will acquire novel technology to meet the future needs of our sensor customers.

Research and development promote competence and competitiveness

The core of Okmetic's research and development activities is understanding market and technology trends as well as the needs of the customer base. In line with company strategy, the investment in R&D was increased in 2008 and it accounted for 3.3 percent of net sales.

Okmetic's research and development efforts are geared towards increasing our technological expertise and competitiveness. We develop new products and enhance the performance of our existing products and processes.

Our aim is to provide added value to our customers with our high quality silicon solutions. We are constantly developing new products to respond to the needs of our sensor customers. In 2008, we extended the performance of Okmetic SOI products. We also attained good results in the development of products to be launched in 2009.

Solid expertise in crystal growth is the foundation upon which the products in all three of our customer categories are based. We continue to develop our competence through both short and long-term projects.

Strategic research strengthens Okmetic's core expertise

Okmetic carries out long-term research work on silicon materials in collaboration with various universities and research institutes. Participation in international research projects helps us to identify weak signals in the field early on and thus supports future product development.

Research collaboration helps us ensure the long-term development of our key competencies. In addition, multidisciplinary collaboration helps us time and direct our product development work with great accuracy.

Similarly to previous years, we took part in both national and EU funded technology projects. Our collaboration partners included VTT Technical Research Centre of Finland, Helsinki University of Technology, CSC IT Centre for Science and the Fraunhofer Institute in Germany. Okmetic is also a shareholder in Tivit Oy, the Finnish Strategic Centre for Science, Technology and Innovation in the Field of ICT.

Take it higher – added value for the customer

Our research and development work is based on more than 20 years of experience as well as long-term partnerships and customer relationships. We understand the needs and processes of our customers. Our customers are able to benefit from our expertise in silicon materials already at the conceptual stage where the product is taking form, years before the end product enters the market. Organic collaboration continues throughout the product's life cycle.

Increasingly streamlined production processes and lower production costs are expected from the manufacturing of sensor and semiconductor products. The behaviour of silicon as a material in volume production, when cost effective and in accordance with the principles of Lean manufacturing, contributes to the customer's productivity.

Part of our research and development work is aimed at further developing our own production process. In 2008, we invested in increasing process performance and cost efficiency. Use of the Lean Six Sigma method is a key element of our work. Process development promotes the competitiveness of both ourselves and our clients and generates better products and more satisfied customers.

We have identified strategically important competence areas and strengthen them with training.

Work-related well-being theme 2008: healthy lifestyle

Well-being at work is the sum of many different factors, such as health, mental and physical strain of work and occupational safety. In 2008, special efforts were focused on the promotion of a healthy lifestyle for Okmeticians.

We took part in a national competition arranged in connection with an exercise campaign for businesses and implemented our own exercise campaign for the staff. Exercise facilities were improved by opening a gym at the Vantaa plant and offering subsidised exercise vouchers. Weight management was encouraged in a group led by occupational health services and a lecture held by a nutritional therapist. People who wished to quit smoking were also offered financial support.

Competent personnel – key to success

Okmetic's competitiveness as a company is based on competent and well-motivated personnel. It is our staff that fulfil our customer promise. Okmetic aims at being an inspiring and rewarding place to work. The competence and work-related well-being of our personnel has been selected as one of Okmetic's strategic development areas.

In recent years, Okmetic has made significant investments in improving the work-related well-being of its employees. A survey carried out in March - April 2008 indicated that work-related well-being among Okmetic employees was clearly above the average of the Finnish industrial companies comprising the reference material. In 2008, development work was continued in the areas of ergonomics, management and promotion of an active lifestyle.

All personnel groups at Okmetic are entitled to an incentive scheme. The objective of these schemes is to encourage personnel to strive to achieve set goals. Manual workers receive bonuses based on production volumes and efficiency. Rewards for office workers emphasize contributions to the company's financial performance and yearly development targets.

Skills developed in line with strategic ambitions

Personal development and training plans based on the company's strategy and action plan are produced annually for all staff members in connection with development discussions. We have also identified competence areas crucial to Okmetic and continue to strengthen them with training. In 2008, the number of training days per person was 4.8.

In May, we launched a training programme in leadership and management. A total of 37 Okmetic managers take part in the programme. The aim of the programme is to promote leadership skills and develop management practices and to ensure their conformity with Okmetic's vision, strategic choices and values.

The professional competence training programme launched in 2007 progressed according to schedule. The duration of the programme is 2.5 years – over the course of which, 150 production workers will earn a basic degree in chemical technology.

Co-operation structures and personnel representation in decision-making strengthened

The industrial co-operation structures between personnel and management were strengthened at the beginning of 2008 by remodelling the representation of staff in company management groups and by establishing a personnel forum. The personnel are represented in operative management groups, the aim of which is to ensure that the business aims listed in the company's strategy and action plan are realised.

The objective of the personnel forum is to develop co-operation between staff and management, generate more efficient communication on the situation of the company to personnel representatives and to provide a channel for open discussion. The personnel forum assembles once every quarter and its members consist of union stewards, industrial safety delegates and personnel representatives in decision-making bodies.

Educational background of clerical workers

- Doctorates and licentiates 13%
- Postgraduate degrees 33%
- Undergraduate degrees 25%
- Other degrees 29%

Board of directors' report and financial statements for Okmetic Oyj in 2008

Contents

Board of directors' report	15
Information on personnel	21
Five years in figures	22
Quarterly key figures	24
Definitions of key financial figures	25
Shares and shareholders of Okmetic Oyj	26
Consolidated financial statements, IFRS	30
Consolidated income statement	30
Consolidated balance sheet	30
Consolidated cash flow statement	31
Consolidated statement of changes in equity	32
Notes to the consolidated financial statements	33
General information	33
Accounting policies for the consolidated financial statements	33
1 Segment information	38
2 Expenses by function	39
3 Other operating income	39
4 Other operating expenses	39
5 Depreciation	39
6 Employee benefit expenses	39
7 Research and development expenses	40
8 Financial income and expenses	40
9 Income tax	40
10 Earnings per share	40
11 Property, plant and equipment	41
12 Available-for-sale financial assets	42
13 Deferred income tax	42
14 Inventories	43
15 Trade and other receivables	44
16 Cash and cash equivalents	45
17 Equity	45
18 Borrowings	45
19 Commitments and contingencies	47
20 Trade and other payables	48
21 Accruals and deferred income	48
22 Financial risk management	49
23 Derivative financial instruments	51
24 Fair values of financial assets and liabilities	52
25 Related party transactions	52
26 Events after the balance sheet date	53
Financial statements for the parent company, FAS	54
Parent company's income statement	54
Parent company's balance sheet	55
Parent company's cash flow statement	56
Notes to the parent company's financial statements	57
Board of directors' proposal regarding measures concerning distributable earnings	63
Signatures for the financial statements and board of directors' report	63
Auditor's report	64

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 Finnish Accounting Standards (FAS). The date of transition was 1 January 2004.

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

Board of directors' report

Strategy and segment reporting

Technology company Okmetic's strategy relies on specialisation. Its core strategic intent is to supply customised silicon wafers for the sensor and semiconductor industries and to sell its technological expertise. Okmetic holds a leading position in the global market and global technology for silicon-based sensor wafers. The major sensor manufacturers in North America, Europe and Asia are all Okmetic's customers. The company provides its customers with solutions that boost their competitiveness and profitability.

The group's long-term objectives include an annual organic growth of net sales of at least 6 percent per annum, operating profit to account for more than 10 percent of net sales, equity ratio at 50 percent, and distributing a steady dividend every year.

Okmetic´s silicon wafers are part of a further processing chain that produces end products that improve human interaction and quality of life. Okmetic´s products are based on high-tech expertise that generates added value for customers, innovative product development and an extremely efficient production process. Okmetic supplies silicon wafers with a diameter of 100 - 200 mm.

Okmetic has a global customer base and sales network, production plants in Finland and the US and contract manufacturers in Japan and China.

The primary segment reporting format of the group is based on a single business segment. As the company strategy dictates, the products are largely manufactured on the same machines and resources, and sold by uniform sales methods to the same or similar customers sharing a common risk profile. The in-house division of wafer types into two customer areas is mainly used to bring clarity to the company's strategic basis. This division is not applied to regular profitability reporting. Technology sales comprise a single significant project, in addition to which they comprise the sales of silicon crystals produced by the company and the occasional proceeds from silicon recycling.

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.

The pricing between geographical segments within the group takes place at fair market value.

Markets

The year 2008 was marked by below-average growth in Okmetic's customer industry, electronics. The market became particularly cautious towards the end of the last quarter of the year. The clearly weakened financial trend affected customers' business activities.

In 2008, the increase in the sales of silicon-based sensors remained below the long-term average of 10 - 20 percent (SIA, IC Insights, Yole). Growth was concentrated on accelerometers, in particular, which are used in cars and mobile telephones as well as other consumer applications.

Semiconductor shipment volumes increased during the year under review, although net sales within the semiconductor industry did not increase due to dropping sale prices (WSTS/SIA, IC Insights).

Demand for silicon wafers follows the shipment volumes of the customer industries, and the trend of companies lowering their stock levels during the last quarter of the year clearly reflected on wafer shipment volumes as well. The total volume of silicon wafers shipped during 2008 was similar to the previous year's figure.

The global shipment volumes of the wafer sizes that Okmetic produces were slightly lower in 2008 than in 2007.

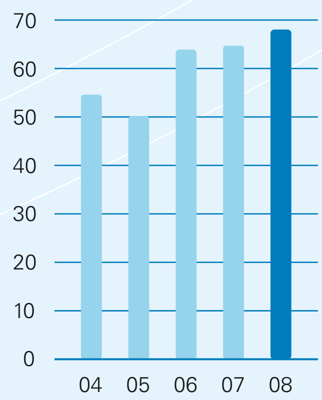
Sales

Okmetic's net sales grew by 5.0 percent (1.5%) from the previous year, amounting to 67.9 million euro (64.7 million euro). The company therefore did not quite meet its long-term growth objective of six percent. The modest growth in net sales was partially due to the overall weakening of the market situation towards the end of the year. In addition, the majority of the company's net sales are made in the US dollar, the main trading currency in the industry, the average rate of which dropped by 7.3 percent compared to the euro during the year. The company's share of its customers' wafer sourcing continued to increase.

Key figures

1,000 euro	1.1. - 31.12.2008	1.1. - 31.12.2007	1.1. - 31.12.2006
Net sales	**67,867**	64,652	63,694
Operating profit	**8,476**	7,121	9,877
% of net sales	**12.5**	11.0	15.5
Earnings per share, euro	**0.34**	0.31	0.41
Net cash flow from operating activities	**13,177**	8,305	17,945
Return on equity, %	**12.1**	12.4	18.6
Net gearing ratio, %	**-1.2**	19.6	31.3
Equity ratio, %	**62.8**	55.3	51.1
Average number of personnel during the period	**364**	362	360

Net sales
million euro



Sales per customer area	2008	(2007)
Sensors	37%	(34%)
Semiconductors	38%	(56%)
Technology	25%	(10%)

Okmetic's performance in the sensor market developed according to objectives. The use of sensors is expected to continue its increase. Sensor applications are rapidly becoming more popular in cameras and other consumer electronics products, for example, in addition to the automotive industry and other traditional applications.

The drop in the share of semiconductor sales is due to the weak market situation. The shipment volumes and sale prices of these wafers continued to drop overall, in line with the previous year. The most typical uses of semiconductor wafers include consumer electronics, information technology, telecommunications and the automotive industry.

Technology sales comprise not just the sales of manufacturing technology but also crystal sales and occasional polysilicon recycling. Okmetic saw the first revenue from a major technology sales project in 2007. The project progressed ahead of original schedule, which is why the majority of the revenue was accumulated during 2008. The fluctuations in sales volumes, which are due to the nature of technology sales, cause significant variation in the percentage of sales that technology transfer represents per customer area and market area.

Net sales per market area	2008	(2007)
North America	39%	(48%)
Europe	33%	(32%)
Asia	28%	(20%)

Asia's share of sales has developed according to plan thanks to strategic investments. The weakening exchange rate of the US dollar against the euro had a significant effect on the way net sales were distributed between different market areas.

Profitability

In 2008, Okmetic group recorded a profit of 5.8 million euro (5.3 million euro). Earnings per share amounted to 0.34 euro (0.31 euro).

The company's profits suffered from the strong decrease in the value of the US dollar during the year and the increasing prices of polysilicon, the principal raw material, similarly to the previous year.

Income from Okmetic's first ever technology project and silicon recycling boosted profits in 2008 significantly. In addition, the sale of an old machine decommissioned from the Vantaa plant towards the end of the year boosted profits by 0.5 million euro.

The annual profits of the Okmetic group and Okmetic Oyj were compromised by the impairment of the shares of Norstel AB, a Swedish company in which Okmetic Oyj has invested, as 2.5 million euro and 3.2 million euro respectively were recorded as value adjustments in financial expenses at the end of the year. The holding had been initially accounted for as an available-for-sale investment and the change in fair value had been accounted for in the fair value reserve of equity. The decision had no bearing on the operating profit or cash flow.

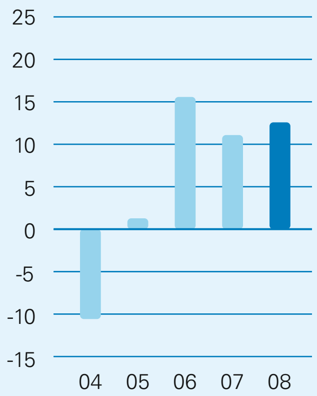
Okmetic Oyj's loan to Okmetic Inc., which was originally recorded as a net investment, generated for the group an exchange loss entered in translation differences under equity. At the beginning of 2008, the remaining loss amounted to 1.3 million euro (1.4 million euro). The loan has been recorded as a regular liability since 2006. For 2008, 0.2 million euro of the exchange loss, which corresponds to the loan repayment, has been recorded under financial expenses. The remaining 1.1 million euro of the exchange loss will be expensed according to the same principle in the future, proportioned to the loan repayments.

The group's operating profit accounted for 12.5 percent of net sales. This is in line with the long-term goal of 10.0 percent set by the board of directors.

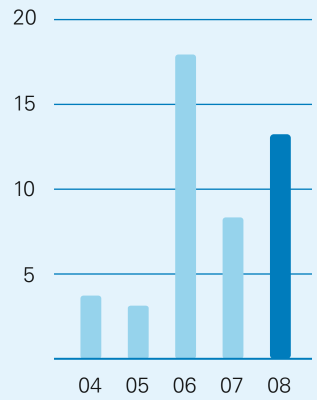
Financing

The group´s financial situation is good. The net cash flow from operative activities amounted to 13.2 million euro (8.3 million euro). In 2007 the cash flow was compromised by 3.5 million euro worth of interest

Operating profit
% of net sales



Net cash flow generated from operating activities
million euro



payments associated with the company´s subordinated loans that were overdue from previous years as well as 3.8 million euro worth of subordinated loan repayments.

The group´s interest-bearing liabilities amounted to 17.4 million euro at the end of the year (22.3 million euro). Subordinated loans accounted for 0.9 million euro of these at the end of the year (1.9 million euro).

At the end of the year, cash and cash equivalents amounted to 18.0 million euro (13.3 million euro). On 31 December 2008, the group´s cash and cash equivalents exceeded the interest-bearing liabilities by 0.6 million euro (on 31 December 2007 liabilities 9.0 million euro higher than cash and cash equivalents).

Return on equity amounted to 12.1 percent (12.4%). The group´s equity ratio strengthened, amounting to 62.8 percent (55.3%). The company exceeded the 50.0 percent financial objective set for the group´s equity ratio. Equity per share was 2.98 euro (2.70 euro).

Investments

In 2008, Okmetic´s capital expenditure payments amounted to 2.6 million euro (4.8 million euro). The majority of the capital expenditure focused on increasing the company's sensor wafer production capacity and on regular maintenance.

Product development

The company invested 2.3 million euro (1.9 million euro) in long-term product development projects in 2008. Product development accounted for 3.3 percent (2.9%) of net sales. Okmetic engaged in several strategic research projects with customers, research institutes and other partners and participated both in national technology programmes funded by Tekes, the leading Finnish funding agency for technology and innovation, and international EU-funded programmes. New products and new versions of existing products were developed and introduced during the year. The development of new SOI versions continued in sensor wafers, and preparations for the shift of demand towards 200 mm wafers continued. Both Okmetic's own and its customers' yields improved and the consumption of raw materials dropped thanks to efforts to develop production machinery and internal processes and practices.

Personnel

The group's objectives for personnel development and staff well-being are set out in Okmetic's strategy. The personnel's expertise and well-being are Okmetic's strengths as well as preconditions for the realisation of the company's strategy and success in the long term. The company conducts regular one-on-one development discussions in order to monitor how well goals are being met.

On average, Okmetic employed 364 people in 2008 (2007: 362 and 2006: 360). At the end of the year, 324 of the group's employees worked in Finland, 36 in the US and three in Japan.

Twenty-nine percent (29%) of the personnel were women and seventy-one percent (71%) were men. Clerical workers accounted for 36 (35) percent of the personnel and manual workers for 64 (65) percent. The average age of Okmetic's employees was 41 (40) and the average length of employment was 8.5 (8.1) years.

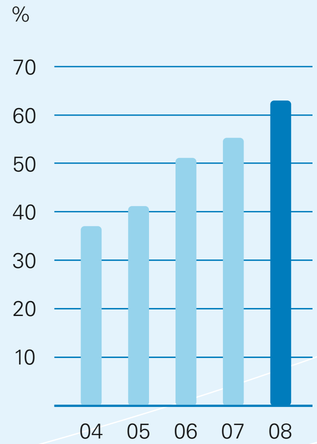
On average, each employee spent 4.8 (4.4) days in training. Courses organised for clerical workers focused on management and leadership skills. The two-year training programme, which was launched during the previous year, continued at the Vantaa plant. The course is open for all manual workers and results in a vocational qualification in chemical engineering.

As regards staff well-being, the focus was on physical fitness, ergonomics and people management.

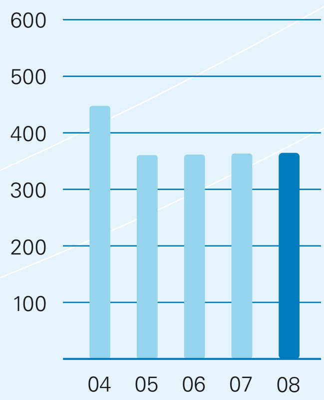
Salaries and bonuses are based on the level of skills required in each position throughout the organisation. Salaries and bonuses amounted to 18.0 million euro (2007: 18.1 million euro and 2006: 17.6 million euro). The group's parent company complies with the collective labour agreements of the Technology 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 paid once a month. Clerical workers are paid bonuses according to annual targets relating to the group's profitability, financial situation and operative performance. The bonuses payable for meeting the group's financial targets account for 4 - 22 percent of the employees' annual income, at the most, depending on the personnel group. Operative targets are set individually from managerial level upwards. Any bo-

Equity ratio



Average number of personnel



nuses paid as a result of meeting these can account for no more than eight percent of the managers' annual income.

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

Environmental issues

Okmetic takes good care of its environmental responsibilities. The company has investigated the environmental risks associated with its business and devised both a universal risk management plan and plans for individual processes. Ecologically sustainable operations boost Okmetic's competitiveness and profitability.

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

Okmetic keeps an eye on developments in environmental legislation both in Finland and internationally, and adjusts its business to meet the latest regulations. Okmetic follows, for example, the chemicals regulations of the European Union (REACH).

Okmetic has ISO 9001:2000, TS 16949 and ISO 14001 certified quality and environmental systems, and the company's plants have been built with environmental considerations in mind. Okmetic's most important subcontractors and suppliers are also ISO 9001:2000 and ISO 14001 certified.

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

Okmetic had no major environmental non-conformities in 2008. The acceptable emission limit values set for waste water treatment were exceeded on three occasions. In these instances the recorded values were nevertheless only just over the acceptable limits and corrective measures were implemented expediently. Okmetic's environmental management system was found to meet the requirements of the company's demanding international customers. The company is not subject to emissions trading regulations.

The key figures on environmental protection at the Vantaa plant in 2008 are as follows:

	2008	(2007)
Energy consumption (GWh):		
electricity	28.6	(25.7)
district heating	2.2	(2.2)
Water consumption (tm^3):		
water	520	(490)
waste water	450	(430)
Waste volumes (t):		
hazardous waste	230	(290)
landfill waste	57	(63)
recycled waste	190	(180)

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

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. Periodic revenue from technology sales causes significant variations in the interim results. The success of the sales strategy hinges on trouble-free contract manufacturing.

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

US dollar price development

euro/USD

Major shareholders on 31 Dec 2008

	Shares, pcs	**Share, %**
Outokumpu Oyj	2,705,000	16.0
OP-Suomi Arvo Equity Fund	1,185,401	7.0
Ilmarinen Mutual Pension Insurance Company	1,149,300	6.8
Mandatum Life Insurance Company	800,000	4.7
Etra-Invest Oy Ab	500,000	3.0
FIM Fenno Equity Fund	487,349	2.9
Varma Mutual Pension Insurance Company	477,175	2.8
Arvo Finland Value Equity Fund	400,000	2.4
Finnish Industrial Investment Ltd.	320,750	1.9
Op-Ilmasto Investment Fund	218,000	1.3
Foreign investors and nominee accounts held by custodian banks	4,146,410	24.6
Others	4,498,115	26.6
Total	16,887,500	100.0

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

Shares and shareholders

On 31 December 2008, Okmetic Oyj's paid-up share capital, as entered in the Finnish Trade Register, was 11,821,250.00 euro. The share capital is divided into 16,887,500 shares. The shares have no nominal value attached. Each share entitles its holder to one vote at general meetings. The company has one class of shares. The company's shares are included in the Finnish book-entry securities system.

More information on shares and shareholders is given in the accompanying appendice.

Share price development and trading

A total of 8.4 million shares (13.2 million shares) were traded between 1 January and 31 December 2008, representing 49.5 percent (78.0%) of the share total of 16.9 million. The lowest quotation of the year was 2.15 euro (2.54 euro) and the highest 3.14 euro per share (4.67 euro per share), with the average being 2.63 euro (3.87 euro). The closing quotation for the year was 2.40 euro (3.03 euro). At the end of the year, the market capitalisation amounted to 40.5 million euro (51.2 million euro).

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

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

Own shares

The company has not repurchased any of its own shares.

Authorisation of the board of directors to decide on repurchasing the company's own shares

The shareholders participating in the extraordinary general meeting held on 6 November 2008 accepted the board of directors' proposal regarding the board's authorisation to repurchase the company's own shares as follows:

The aggregate number of shares repurchased on the basis of the authorisation cannot exceed 1,688,750 shares, which represents 10 percent of all the shares of the company. The company and its subsidiaries together cannot at any time own more than 10 percent of all of the company's registered shares.

Only unrestricted shareholders' equity can be used to repurchase the company's own shares under the authorisation. Own shares can be repurchased at a price determined by public trading on the day of repurchase or at another market-based price.

The board of directors decides the method of repurchasing the company's own shares as well as the other terms and conditions. Derivatives, for example, can be used in the repurchase. Shares can be repurchased independently of the shareholders' proportional share holdings (private placement). The authorisation will remain in force until the annual general meeting of spring 2010, although in any case not past 6 May 2010.

Authorisation of the board of directors to decide on transferring rights to the company's own shares

The shareholders participating in the extraordinary general meeting held on 6 November 2008 accepted the board of directors' proposal regarding the board's authorisation to transfer rights to the company's own shares as follows:

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

The board of directors has the authority to decide on all the terms and conditions of the share issues. The authorisation is limited to transferring rights to the company's own shares as held by the company.

Shareholders by group on 31 Dec 2008

Shareholder groups	Quantity	Shares, pcs	Share, %
Enterprises	195	4,294,437	25.4
Financial and insurance institutions	18	2,630,910	15.6
Public organisations	3	1,642,475	9.7
Non-profit organisations	11	797,129	4.7
Households	2,771	3,376,139	20.0
Foreign investors and nominee accounts held by custodian banks	27	4,146,410	24.6
Total	3,025	16,887,500	100.0

Distribution of shareholdings on 31 Dec 2008

Shares, pcs	Number of shareholders	% of shareholders	Shares, pcs	% of share capital
1 - 100	362	12.0	28,955	0.2
101 - 500	1,246	41.2	384,024	2.3
501 - 1,000	598	19.8	514,620	3.0
1,001 - 10,000	735	24.3	2,181,905	12.9
10,001 - 100,000	70	2.3	1,690,777	10.0
100,001 - 1,000,000	10	0.3	3,675,477	21.8
over 1,000,000	4	0.1	8,411,742	49.8
Total	3,025	100.0	16,887,500	100.0

The share issue can be carried out as a private placement. The board of directors can also cancel any shares it has repurchased. The authorisation will remain in force until further notice, although in any case not past 30 June 2013. Moreover, the authorisation cannot override the authorisation granted at the annual general meeting of 3 April 2008 regarding share issues.

Authorisation of the board of directors to increase share capital
On 11 February 2009, the board of directors decided to propose at the annual general meeting to be held on Thursday, 2 April 2009 that the board be granted the authority to decide on new issues, stock options 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 cannot exceed 3,377,500 shares, which represents approximately 20 percent of all the shares of the company.

The board of directors has the authority 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.

The board of directors was granted similar authorisations at the annual general meetings held on 29 March 2007 and 3 April 2008. The board had not taken advantage of its authorisations by 11 February 2009.

Convertible bonds and option programmes

Okmetic has no convertible bonds or option programmes at the moment.

Projections for the near future

Forecasts for 2009 are marked by uncertainty and cautiousness. Due to the weak financial forecasts for the first months of the year, the electronics industry is trying to minimise stock levels. Okmetic is keeping a close eye on the behaviour of its customers throughout the production chain. The objective is to be able to react quickly as soon as growth resumes.

The silicon-based sensor industry benefits from steadier growth than the semiconductor industry. Overall, the early months of 2009 are nevertheless likely to see the sensor shipment volumes falling short of the figures recorded during the same period last year. However, several microelectromechanical products are currently being developed within the sensor segment, and demand for these is also expected to grow in 2009. Silicon-on-insulator (SOI) technology is a good example of a rapidly growing new sensor manufacturing technology. Okmetic is amongst the pioneering suppliers who provide these products and services to the sensor industry.

Semiconductor sales are believed to drop considerably in 2009. Forecasts have been revised frequently in recent months, and it is not possible to form a clear picture especially as regards the latter part of the year. During the first half of the year, semiconductors are expected to be in low demand overall. Global demand for silicon wafers is also expected to drop from last year's shipment volumes over the next few months. The decrease affects semiconductor wafers in particular, and will comprise all wafer sizes.

Okmetic is believed to still have the capacity to strengthen its market leadership in sensor wafers, the demand for which is expected to hold up better than that for semiconductor wafers.

Events after the end of the financial year

Board of directors´ proposals at the annual general meeting to be held on Thursday, 2 April 2009:

The board's proposal regarding its own powers to decide on new issues, stock options and other share entitlements is presented under Authorisation of the board of directors to increase share capital.

Okmetic Oyj opened negotiations for adjusting staff levels in Finland according to Finnish law in January. The objective of the negotiations was to ensure continued profitability in the prevailing weaker market situation within the semiconductor industry in particular by cutting staff costs and fixed costs.

After the personnel negotiations, the employer decided it will implement fixed-term temporary layoffs. The layoffs will affect 240 people out of the total 320 Okmetic employees in Finland. The layoffs began on 9 February 2009 and will take place between February and June. The layoffs are administered in one-week periods. The duration of the layoffs per employee will vary from one to six weeks.

At a group level, efforts are also made to minimise other costs where possible, and to reduce the labour costs of 40 employees working in foreign subsidiaries to accommodate the current market situation.

Management and auditor

In 2008, Okmetic´s board of directors was made up of Mikko J. Aro as the chairman, Karri Kaitue as the deputy chairman, and Tapani Järvinen, Jarmo Niemi, Pekka Salmi and Henri Österlund (as of 6 November 2008) as members of the board.

Antti Rasilo, M.Sc. (Technology) 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 Tapio Jämsä, Senior Vice President, Sourcing; Jaakko Montonen, Senior Vice President, Production; Mikko Montonen, Executive Vice President, Sales and deputy to the president; Esko Sipilä, Senior Vice President, Finance; Markku Tilli, Senior Vice President, Research; Markus Virtanen, Senior Vice President, Human Resources; and Anna-Riikka Vuorikari-Antikainen, Senior Vice President, Product 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 dividend distribution

According to the financial statements dated 31 December 2008, the parent company´s distributable earnings amount to 15,559,346.96 euro. No significant changes have taken place in the company´s financial position after the end of the financial year.

The board of directors of Okmetic Oyj propose to the annual general meeting that Okmetic Oyj pay a dividend of 0.05 euro per share for 2008, which, based on the number of shares registered on 11 February 2009, amounts to 844,375.00 euro.

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

Information on personnel

	2008	2007	2006
Number of employees, annual average			
Okmetic Oyj, Finland	315	314	315
Okmetic Inc., United States	46	46	44
Okmetic K.K., Japan	3	2	1
Total	364	362	360
Number of employees at the end of the year	363	357	365
Wages and salaries, million euro	18.0	18.1	17.6
Average length of employment, years	8.5	8.1	7.7
Age structure of the personnel			
< 20	0%	0%	0%
20 - 29	11%	13%	11%
30 - 39	39%	39%	43%
40 - 49	30%	30%	30%
50 - 59	20%	18%	15%
60 -	1%	0%	1%
Educational background of clerical workers			
Doctorates and licentiates	13%	13%	12%
Postgraduate degrees	33%	36%	32%
Undergraduate degrees	25%	23%	20%
Other degrees	29%	29%	36%
Number of days in training per person	4.8	4.4	2.5
Occupational health and safety			
Sickness absences, %	3.0%	3.1%	2.9%
Equality			
Men	71%	71%	68%
Women	29%	29%	32%

Five years in figures

Financial performance

1,000 euro Financial year 1 Jan - 31 Dec	2008	2007	2006	2005	2004
Net sales	67,867	64,652	63,694	49,822	54,524
Change in net sales, %	5.0	1.5	27.8	-8.6	10.5
Export and foreign operations share of net sales, %	95.6	93.0	95.7	95.6	96.9
Operating profit/loss	8,476	7,121	9,877	580	-5,735
% of net sales	12.5	11.0	15.5	1.2	-10.5
Profit/loss before tax from continuing operations	5,576	5,215	6,679	-1,561	-8,291
% of net sales	8.2	8.1	10.5	-3.1	-15.2
Return on equity, %	12.1	12.4	18.6	-5.1	-22.2
Return on investment, %	9.9	10.8	14.2	0.8	-7.2
Non-interest bearing liabilities	13,707	14,755	13,770	10,514	12,793
Net gearing ratio, %	-1.2	19.6	31.3	99.5	116.9
Equity ratio, %	62.8	55.3	51.1	41.1	36.9
Capital expenditure [1]	2,773	4,816	1,671	713	1,337
% of net sales	4.1	7.4	2.6	1.4	2.5
Depreciation	7,041	8,095	8,486	8,610	9,018
Research and development expenses [2]	2,261	1,854	1,731	1,424	1,345
% of net sales	3.3	2.9	2.7	2.9	2.5
Average number of personnel during the period	364	362	360	359	446
Personnel at the end of the period	363	357	365	338	418

Share-related key figures

Euro Financial year 1 Jan - 31 Dec	2008	2007	2006	2005	2004
Continuing operations:					
Basic earnings per share	0.34	0.31	0.41	-0.10	-0.50
Diluted earnings per share	0.34				
All operations:					
Basic earnings per share	0.34	0.31	0.41	0.00	-0.55
Diluted earnings per share	0.34				
Equity per share	2.98	2.70	2.37	2.01	1.94
Dividend per share	0.05	0.10	-	-	-
Dividend/earnings, %	14.5	31.8	-	-	-
Effective dividend yield, %	2.1	3.3	-	-	-
Price/earnings (P/E)	7.0	9.6	9.3	501.0	-4.4
Share price performance					
Average trading price	2.63	3.87	3.11	2.09	2.88
Lowest trading price	2.15	2.54	1.80	1.65	2.15
Highest trading price	3.14	4.67	3.75	3.14	4.50
Trading price at the end of the period	2.40	3.03	3.69	1.78	2.44
Market capitalisation at the end of the period, 1,000 euro	40,530	51,169	62,315	30,060	41,206
Trading volume					
Trading volume, transactions	8,355,374	13,175,961	16,500,162	5,851,792	5,519,895
In relation to weighted average number of shares, %	49.5	78.0	97.7	34.7	32.7
Trading volume, euro	22,002,739	51,002,491	51,312,696	12,220,981	15,898,813
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

Information on the parent company's options [4]

Euro Financial year 1 Jan - 31 Dec	2008	2007	2006	2005	2004
Warrants – Option A/B, pcs	-	-	554,800	554,800	554,800
Option rate performance					
Average trading price	-	0.05	0.06	0.09	0.32
Lowest trading price	-	0.01	0.02	0.04	0.20
Highest trading price	-	0.09	0.15	0.20	0.35
Trading price at the end of the period	-	-	0.04	0.04	0.20
Trading volume					
Trading volume, pcs	-	65,700	193,800	32,500	27,500
In relation to weighted average number of options, %	-	11.8	34.9	5.9	5.0
Trading volume, euro	-	3,266	11,092	2,790	8,726

[1] Capital expenditure of continuing operations.
[2] Research and development expenses 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. The subscription period for shares under the warrants has ended on 31 May 2007.

Quarterly key figures

1,000 euro	10 - 12/2008	7 - 9/2008	4 - 6/2008	1 - 3/2008
Net sales	15,751	18,090	16,992	17,034
Compared to previous quarter, %	-12.9	6.5	-0.2	7.9
Operating profit	1,108	2,089	2,737	2,542
% of net sales	7.0	11.5	16.1	14.9
Profit/loss before tax	-1,323	2,683	2,582	1,634
% of net sales	-8.4	14.8	15.2	9.6
Net cash from operating activities	2,878	4,522	3,495	2,281
Net cash used in investing activities	-716	-289	-841	-331
Net cash used in financing activities	-1,912	-48	-4,616	-58
Net increase/decrease in cash and cash equivalents	250	4,185	-1,962	1,892
Personnel at the end of the period	363	361	370	359

1,000 euro	10 - 12/2007	7 - 9/2007	4 - 6/2007	1 - 3/2007
Net sales	15,790	15,927	15,613	17,322
Compared to previous quarter, %	-0.9	2.0	-9.9	8.2
Operating profit	981	2,801	662	2,677
% of net sales	6.2	17.6	4.2	15.5
Profit before tax	454	2,229	207	2,326
% of net sales	2.9	14.0	1.3	13.4
Net cash from/used in operating activities	4,735	2,357	-414	1,628
Net cash used in investing activities	-285	-593	-1,582	-1,850
Net cash from/used in financing activities	-931	-58	-3,582	817
Net increase/decrease in cash and cash equivalents	3,518	1,706	-5,578	595
Personnel at the end of the period	357	356	369	360

Definitions of key financial figures

Return on equity, % (ROE) $$= \frac{\text{Profit/loss for the period from continuing operations x 100}}{\text{Equity (average for the period)}}$$

Return on investment, % (ROI) $$= \frac{\text{(Profit/loss before tax + interest and other financial expenses) x 100}}{\text{Balance sheet total - non-interest bearing liabilities (average for the period)}}$$

Equity ratio, % $$= \frac{\text{Equity x 100}}{\text{Balance sheet total - advances received}}$$

Net gearing ratio, % $$= \frac{\text{(Interest bearing liabilities - cash and cash equivalents) x 100}}{\text{Equity}}$$

Earnings per share $$= \frac{\text{Profit/loss for the period attributable to the equity holders of the parent company}}{\text{Adjusted weighted average number of shares in issue during the period}}$$

Equity per share $$= \frac{\text{Equity attributable to the equity holders of the parent company}}{\text{Adjusted number of shares at the end of the period}}$$

Dividend per share $$= \frac{\text{Dividend for the period}}{\text{Adjusted number of shares at the end of the period}}$$

Effective dividend yield, % $$= \frac{\text{Dividend per share x 100}}{\text{Trading price at the end of the period}}$$

Price/earnings ratio (P/E) $$= \frac{\text{Last adjusted trading price at the end of the period}}{\text{Earnings per share}}$$

Average trading price $$= \frac{\text{Total traded amount in euro}}{\text{Adjusted number of shares traded during the period}}$$

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 $$= \frac{\text{Number of shares traded during the period}}{\text{Weighted average number of shares during the period}}$$

Shares and shareholders of Okmetic Oyj

Shares and share capital

On 31 December 2008, Okmetic Oyj's paid-up share capital, as entered in the Finnish Trade Register, was 11,821,250.00 euro. The share capital is divided into 16,887,500 shares. The shares have no nominal value attached. Each share entitles its holder to one vote at general meeting. 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 is listed on the Small Cap list of NASDAQ OMX Helsinki Ltd. under the trading code OKM1V. According to the Global Industry Classification Standard (GICS), which the exchange uses, Okmetic Oyj is listed under the Information Technology sector.

Authorisation of the board of directors to increase the share capital

The annual general meeting held on 29 March 2007 authorised the board of directors to decide, from 29 March 2007 onwards, 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 was 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. The board did not take advantage of the authorisation.

The annual general meeting held on 3 April 2008 granted the board of directors similar powers from 3 April 2008 onwards. The board had not taken advantage of the authorisation by 11 February 2009.

On 11 February 2009, the board of directors decided to propose at the annual general meeting to be held on 2 April 2009 that the board of directors be granted a similar authority as of 2 April 2009.

Share repurchase and transfer of own shares

The company has not repurchased any of its own shares.

Authorisation of the board of directors to decide on repurchasing the company's own shares

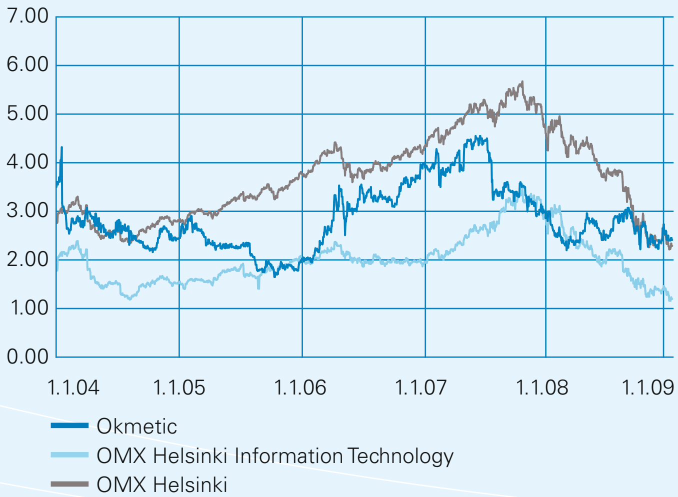
The shareholders participating in the extraordinary general meeting held on 6 November 2008 accepted the board of directors' proposal regarding the board's authorisation to repurchase the company's own shares as follows:

The aggregate number of shares repurchased on the basis of the authorisation cannot exceed 1,688,750 shares, which represents 10 percent of all the shares of the company. The company and its subsidiaries together cannot at any time own more than 10 percent of all the company's registered shares.

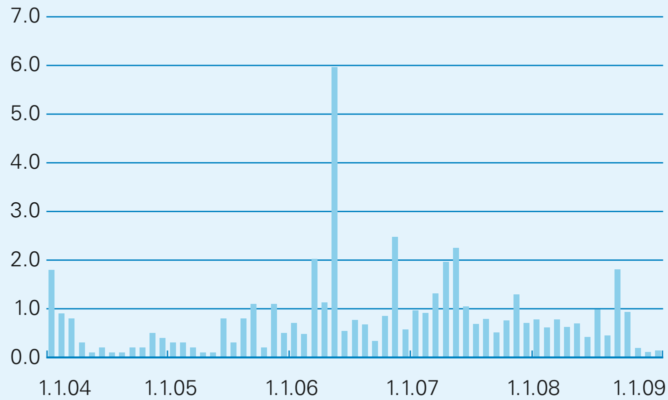
Only unrestricted shareholders' equity can be used to repurchase the company's own shares under the authorisation. Own shares can be repurchased at a price determined by public trading on the day of repurchase or at another market-based price.

The board of directors decides the method of repurchasing the company's own shares as well as the other terms and conditions. Derivatives, for example, can be used in the repurchase. Shares can be repurchased independently of the shareholders' proportional share holdings (private placement). The authorisation will remain in force until the annual general meeting of spring 2010, although in any case not past 6 May 2010.

Development of share price
euro/index



Monthly trading volume
million transactions



Authorisation of the board of directors to decide on transferring rights to the company's own shares

The shareholders participating in the extraordinary general meeting held on 6 November 2008 accepted the board of directors' proposal regarding the board's authorisation to transfer rights to the company's own shares as follows:

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

The board of directors has the authority to decide on all the terms and conditions of the share issues. The authorisation is limited to transferring rights to the company's own shares as held by the company. The share issue can be carried out as a private placement. The board of directors can also cancel any shares it has repurchased. The authorisation will remain in force until further notice, although in any case not past 30 June 2013. Moreover, the authorisation cannot override the authorisation granted at the annual general meeting of 3 April 2008 regarding share issues.

Redemption clause

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

Convertible bonds

Okmetic has no convertible bonds at the moment.

Option programmes for personnel

Okmetic has no option programmes at the moment.

The management's share ownership

On 31 December 2008 the members of the board of directors, the president and the deputy to the president of Okmetic Oyj held a total of 19,300 shares, which correspond to 0.11 percent of the company's share capital and voting rights. The share ownership of the other members of Okmetic's executive management group totalled 7,000 shares on 31 December 2008.

More information on the management's share ownership is given in section 25.

Insider rules

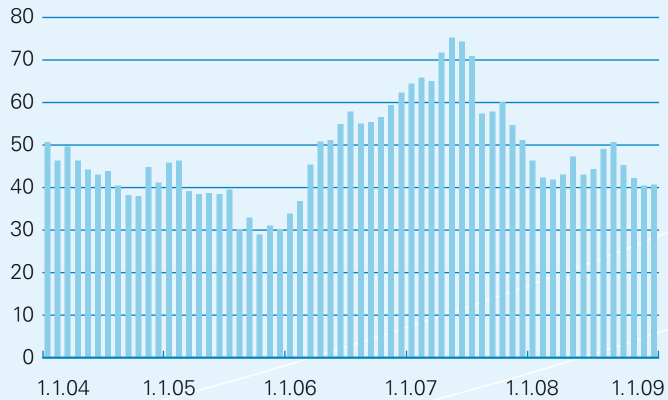
The board of directors of Okmetic Oyj established the insider rules that are to be followed in the group at its meeting on 16 August 2000. The rules take into consideration legislation regulating the securities market, regulations and guidelines issued by the NASDAQ OMX Helsinki Ltd. and the recommendations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

Share price development and trading

A total of 8.4 million shares were traded between 1 January and 31 December 2008, representing 49.5 percent of the share total of 16.9 million. The lowest quotation of the year was 2.15 euro and the highest 3.14 euro per share, with the average being 2.63 euro. The closing quotation for the year was 2.40 euro. At the end of the year, the market capitalisation amounted to 40.5 million euro.

Market capitalisation

million euro



Increases in share capital 1996 - 2008 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 2008	16,887,500	11,821,250.00

Major shareholders

Shareholders	Shares, pcs 31 Dec 2008	Share, %	Shares, pcs 31 Dec 2007	Change, pcs
Outokumpu Oyj	2,705,000	16.0	2,705,000	0
OP-Suomi Arvo Equity Fund	1,185,401	7.0	1,06,950	123,451
Ilmarinen Mutual Pension Insurance Company	1,149,300	6.8	749,300	400,000
Mandatum Life Insurance Company	800,000	4.7	800,000	0
Etra Invest Oy Ab	500,000	3.0	500,000	0
FIM Fenno Equity Fund	487,349	2.9	535,000	-47,651
Varma Mutual Pension Insurance Company	477,175	2.8	457,175	20,000
Arvo Finland Value Equity Fund	400,000	2.4	379,600	20,400
Finnish Industrial Investment Ltd.	320,750	1.9	320,750	0
Op-Ilmasto Investment Fund	218,000	1.3	231,201	-13,201
Foreign investors and nominee accounts held by custodian banks	4,146,410	24.6	3,826,848	319,562
Other shareholders	4,498,115	26.6	5,320,676	-822,561
Total	16,887,500	100.0	16,887,500	0

Shareholders by group

Shareholder groups	Quantity 31 Dec 2008	Shares, pcs	Share, %	Shares, pcs 31 Dec 2007	Share, %	Change in share, %
Enterprises	195	4,294,437	25.4	4,758,994	28.2	-2.8
Financial and insurance institutions	18	2,630,910	15.6	2,535,655	15.0	0.6
Public organisations	3	1,642,475	9.7	1,263,568	7.5	2.2
Non-profit organisations	11	797,129	4.7	821,349	4.9	-0.2
Households	2,771	3,376,139	20.0	3,132,526	18.5	1.5
Foreign investors and nominee accounts held by custodian banks	27	4,146,410	24.6	4,375,408	25.9	-1.3
Total	3,025	16,887,500	100.0	16,887,500	100.0	0.0

Distribution of shareholdings on 31 December 2008

Shares, pcs	Number of shareholders	% of shareholders	Shares, pcs	% of share capital	Change in the number of shareholders	Average shareholding, pcs
1 - 100	362	12.0	28,955	0.2	34	80
101 - 500	1,246	41.2	384,024	2.3	17	308
501 - 1,000	598	19.8	514,620	3.0	72	861
1,001 - 10,000	735	24.3	2,181,905	12.9	96	2,969
10,001 - 100,000	70	2.3	1,690,777	10.0	3	24,154
100,001 - 1,000,000	10	0.3	3,675,477	21.8	-5	367,548
over 1,000,000	4	0.1	8,411,742	49.8	1	2,102,936
Total	3,025	100.0	16,887,500	100.0	218	5,583

Distribution of shareholdings on 31 December 2007

Shares, pcs	Number of shareholders	% of shareholders	Shares, pcs	% of share capital	Change in the number of shareholders	Average shareholding, pcs
1 - 100	328	11.7	27,238	0.2	28	83
101 - 500	1,229	43.8	373,096	2.2	11	304
501 - 1,000	526	18.7	452,166	2.7	-12	860
1,001 - 10,000	639	22.8	1,958,558	11.6	-184	3,065
10,001 - 100,000	67	2.4	1,889,985	11.2	-13	28,209
100,001 - 1,000,000	15	0.5	5,972,123	35.4	0	398,142
over 1,000,000	3	0.1	6,214,334	36.8	1	2,071,445
Total	2,807	100.0	16,887,500	100.0	-169	6,016

Consolidated financial statements, IFRS

Consolidated income statement

1,000 euro	Note	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Net sales	1	67,866.7	64,651.9
Cost of sales	2	**-50,686.7**	-50,966.8
Gross profit		17,180.0	13,685.0
Other operating income	3	**555.6**	762.4
Sales and marketing expenses	2	**-2,987.6**	-2,843.3
Administrative expenses	2	**-5,049.7**	-4,249.3
Other operating expenses	4	**-1,222.0**	-233.8
Operating profit		8,476.3	7,121.0
Financial income	8	**1,058.5**	405.8
Financial expenses	8	**-3,958.4**	-2,311.8
Profit before tax		5,576.4	5,215.0
Income tax	9	**248.4**	90.2
Profit for the period		5,824.8	5,305.1
Attributable to			
Equity holders of the parent company		5,824.8	5,305.1
Earnings per share for profit attributable to the equity holders of the parent company			
Basic and diluted earnings per share, euro	10	**0.34**	0.31

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

Consolidated balance sheet

1,000 euro	Note	31 Dec 2008	31 Dec 2007
Assets			
Non-current assets			
Property, plant and equipment	11	**38,848.5**	43,355.4
Available-for-sale financial assets	12	**0.0**	2,430.5
Other receivables	15	**4,619.4**	2,731.0
Total non-current assets		**43,467.9**	48,517.0
Current assets			
Inventories	14	**10,752.6**	6,399.4
Trade and other receivables	15	**9,289.2**	14,439.1
Cash and cash equivalents	16	**17,974.6**	13,308.3
Total current assets		**38,016.4**	34,146.8
Total assets		**81,484.3**	82,663.7

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

Consolidated balance sheet

1,000 euro	Note	31 Dec 2008	31 Dec 2007
Equity and liabilities			
Equity			
Equity attributable to equity holders of the parent company			
Share capital		11,821.3	11,821.3
Share premium		20,115.4	20,185.5
Translation differences		634.6	74.5
Fair value reserve		0.0	-113.5
Retained earnings		11,992.9	8,376.5
Profit for the period		5,824.8	5,305.1
Total equity	17	50,389.0	45,649.4
Liabilities			
Non-current liabilities			
Borrowings	18	12,519.2	16,383.5
Deferred tax liabilities	13	158.0	432.0
Other liabilities	20	1,350.0	900.0
		14,027.2	17,715.5
Current liabilities			
Borrowings	18	4,869.7	5,875.7
Trade and other payables	20	7,712.0	9,407.8
Accruals and deferred income	21	4,486.5	4,015.3
		17,068.2	19,298.8
Total liabilities		31,095.3	37,014.3
Total equity and liabilities		81,484.3	82,663.7

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

Consolidated cash flow statement

1,000 euro	Note	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Cash flows from operating activities			
Profit before tax		5,576.4	5,215.0
Adjustments for			
Depreciation and impairment	4,5	7,041.0	8,102.1
Profit/loss on disposal of property, plant and equipment		64.9	158.2
Interest expenses	8	1,158.2	1,471.7
Interest income	8	-494.5	-405.8
Other financial items	8	2,236.1	840.1
Fair value gains/losses on derivatives at fair value through profit or loss		1,077.7	-340.5
Other adjustments		188.8	-
Changes in working capital			
Change in trade and other receivables		2,163.5	-7,924.8
Change in inventories		-4,280.0	1,344.8
Change in trade and other payables		-818.7	4,345.2
Interest received		424.1	393.5
Interest paid		-1,207.9	-4,511.4
Other financial items		72.6	-293.5
Income tax paid		-25.6	-89.8
Net cash from operating activities		13,176.7	8,304.9
Cash flows from investing activities			
Purchases of property, plant and equipment	11	-2,646.0	-4,809.1
Proceeds from sale of property, plant and equipment		468.6	498.4
Net cash used in investing activities		-2,177.3	-4,310.7
Cash flows from financing activities			
Proceeds from long-term borrowings		-	18,000.0
Repayments of long-term borrowings		-4,748.2	-21,540.1
Payments of finance lease liabilities		-197.6	-213.4
Dividends paid		-1,688.7	-
Net cash used in financing activities		-6,634.5	-3,753.6
Net increase (+), decrease (-) in cash and cash equivalents		4,364.9	240.7
Cash and cash equivalents at the beginning of the financial year		13,308.3	13,184.3
Exchange gains/losses on cash and cash equivalents		301.4	-116.6
Cash and cash equivalents at the end of the financial year	16	17,974.6	13,308.3

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

Consolidated statement of changes in equity

	Equity attributable to equity holders of the parent company					
1,000 euro	Share capital	Share premium	Translation differences	Fair value reserve	Retained earnings	Total equity
Equity on 31 December 2006	**11,821.3**	**20,255.6**	**669.2**	**-1,042.1**	**8,376.5**	**40,080.5**
Available-for-sale financial assets						
Fair value gains/losses recognised directly in equity, net of tax				928.6		928.6
Translation differences			-711.5			-711.5
Transfer to income statement			116.8			116.8
Equity component of convertible bonds		-70.1				-70.1
Net income recognised directly in equity	-	-70.1	-594.7	928.6	-	263.8
Profit for the period					5,305.1	5,305.1
Total recognised income and expenses	-	-70.1	-594.7	928.6	5,305.1	5,568.9
Equity on 31 December 2007	**11,821.3**	**20,185.5**	**74.5**	**-113.5**	**13,681.7**	**45,649.4**
Available-for-sale financial assets						
Fair value gains/losses recognised directly in equity, net of tax				-2,440.5		-2,440.5
Transfer to income statement				2,554.0		2,554.0
Translation differences			320.2			320.2
Transfer to income statement			239.9			239.9
Equity component of convertible bonds		-70.1				-70.1
Net income recognised directly in equity	-	-70.1	560.1	113.5	-	603.5
Profit for the period					5,824.8	5,824.8
Total recognised income and expenses	-	-70.1	560.1	113.5	5,824.8	6,428.3
Dividend distribution					-1,688.8	-1,688.8
Equity on 31 December 2008	**11,821.3**	**20,115.4**	**634.6**	**0.0**	**17,817.7**	**50,389.0**

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

General information

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

Okmetic manufactures and processes high-quality silicon wafers for the sensor and semiconductor industries. Okmetic's wafers are used in automotive 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 issue at its meeting held on 11 February 2009. 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 issue. The general meeting is also entitled to amend the financial statements.

Basis of preparation

The consolidated financial statements of Okmetic group have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) together with SIC and IFRIC interpretations valid at 31 December 2008.

Under the Finnish Accounting Act and its regulations, International Financial Reporting Standards refer to the standards and their interpretations adopted in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also comply with the supplementary disclosure requirements of the 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 and amended standards and interpretations that are effective in 2008, but not relevant to the group's financial statements

- IAS 39 (amendment) and IFRS 7 (amendment), Reclassification of Financial Assets. The amendment permits an entity to reclassify non-derivative financial assets out of the held for trading category and from the available-for-sale category in particular circumstances and with certain criteria. In case of reclassification additional disclosures are required. The amendment is effective from 1 July 2008. The group has not applied the treatment allowed by the amendment during the financial year.

Accounting policies that require management judgement and key sources of estimation uncertainty

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, the capitalisation of development costs, the parameters applied in impairment testing and deferred income tax. Although the estimates are based on the latest available information, the actual results may differ from the estimates.

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

Impairment of property, plant and equipment

The carrying values of property, plant and equipment that are significant to the group are tested for potential impairment in accordance with the methods stated in the accounting policies. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. Based on these value-in-use calculations, the group has not recognised any impairment losses during the year 2008. Impairment testing is discussed in section 11 of the notes to the consolidated financial statements.

Deferred income tax

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

Accounting policies for the consolidated financial statements

Principles of consolidation

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

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 and 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. 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 company strategy dictates, the products are largely manufactured on the same machines and resources, and sold by uniform sales methods to the same or similar customers sharing a common risk profile. The in-house division of wafer types into two customer areas is mainly used to bring clarity to the company's strategic basis. This division is not applied to regular profitability reporting. Technology sales comprise a single significant project, in addition to which they comprise the sales of silicon crystals produced by the company and the occasional proceeds from silicon recycling.

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.

The pricing between geographical segments within the group is carried out at arm's length.

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. Monetary items denominated in foreign currencies are translated into the functional currency using the average exchange rates 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 rates 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. The translation differences relating to the equity of subsidiaries are recorded 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 losses 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 as well as financing activities are disclosed within financial items in the income statement.

Net sales and revenue recognition

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

Interest income is recognised using the effective interest method.

Research and development

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

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

Government grants

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

Income tax

The group's income tax expense includes income tax of the group companies based on taxable profit for the financial period, together with tax adjustments for previous periods and the change in deferred tax. Tax on items recognised directly in equity is correspondingly recognised. Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts using the tax rates that have been enacted by the balance sheet date. 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 and useful lives 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 operating 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 is the higher of an asset's fair value less costs to sell 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.

Inventories

Inventories are stated at the lower of cost or 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. 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 and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss at inception. All derivative contracts have been made for hedging purposes in accordance with the group's 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 holds no 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 unlisted equity shares and securities and they are carried at fair value. The fair value is determined on the basis of estimated future cash flows. There are no such financial assets in the current consolidated balance sheet. 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 and other receivables 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 fair value, which is the original invoice value less impairment. Impairment on trade receivables is recorded when justifiable evidence of impairment has incurred. Significant financial difficulties of the debtor, probability of bankruptcy and default or delinquency in payments for a period of more than 100 days are considered indicators that the trade receivable is impaired.

Cash and cash equivalents comprise cash in hand and in bank as well as short-term bank deposits.

Financial liabilities are initially recognised at fair value based on net proceeds. 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 bonds 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 bonds and the fair value assigned to the liability component. The equity component of the convertible bonds 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 borrowings. During the lease term, lease payments are allocated between the finance charge and the reduction of the outstanding liability in order to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

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. Under a defined contribution plan the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay the benefits. Payments under contribution-based pension plans are 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.

Share-based payments

The company's option arrangements are granted before 7 November 2002. Consequently, no expenses are recognised in the income statement. The subscription period for shares under these warrants ended on 31 May 2007.

Operating profit

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

Application of new and amended IFRS standards and IFRIC interpretations

The IASB has published the following standards and interpretations whose application will be mandatory in 2009 or later. The group has not early adopted these standards and interpretations, but will adopt them in later periods.

The following standards and interpretations will be adopted by the group in 2009:

- IAS 1 (revised), Presentation of Financial Statements. The revised standard is aimed at improving users' ability to analyse and compare the information given in financial statements by separating changes in equity of an entity arising from transactions with owners from other changes in equity. Non-owner changes in equity will be presented in the statement of comprehensive income. It is likely that the group will in the future present both the income statement and statement of comprehensive income.
- IAS 23 (amendment), Borrowing Costs. The amended standard requires an entity to capitalise borrowing costs directly attributable to a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will commence capitalisation of borrowing cost related to such undertakings embarked in 2009.
- IFRS 8, Operating Segments. The new standard replaces IAS 14. The new standard requires a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. The group will continue to report a single business segment. As the company strategy dictates, the products are largely manufactured on the same machines and resources, and sold by uniform sales methods to the same or similar customers sharing a common risk profile. The in-house division of wafer types into two customer areas is mainly used to bring clarity to the company's strategic basis. This division is not applied to regular profitability reporting. Technology sales comprise a single significant project. Technology sales also comprise the sales of silicon crystals produced by the company and the occasional proceeds from silicon recycling.

- IFRIC 11, IFRS 2, Group and Treasury Share Transactions. The interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. The interpretation will not have a material impact on the group's financial statements.

IASB published changes to 34 standards in May 2008 as part of the annual Improvements to IFRSs project. The following presentation includes those changes, that the group will adopt in 2009 and where the management assesses that the change may have an impact on the group's financial statements:

- IAS 1 (amendment), Presentation of Financial Statements. The amendment clarifies that some rather than all financial assets classified as held for trading in accordance with IAS 39 are current assets. Management assesses that the amendment will not have a material impact on the financial statements of the group. [1]
- IAS 36 (amendment), Impairment of Assets. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The change to the standard will increase the amount of information presented on impairment testing in the notes to the financial statements of the group. [1]

The following new standards and interpretations effective in 2009 are not relevant to the financial statements of the group:

- IFRS 1 (amendment), First-time Adoption of IFRS and IAS 27 (amendment), Consolidated and Separate Financial Statements. [1]
- IFRS 2, Share-based Payment.
- IFRIC 13, Customer Loyalty Programmes.
- IFRIC 14, IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- IFRIC 15, Agreements for the Construction of Real Estate. [1]
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation. [1]
- IFRIC 18, Transfers of Assets from Customers. [1]
- IAS 16 (amendment), Property, Plant and Equipment (and consequential amendment to IAS 7, Statement of Cash Flows). [1]
- IAS 19 (amendment), Employee Benefits. [1]
- IAS 20 (amendment), Accounting for Government Grants and Disclosure of Government Assistance. [1]
- IAS 23 (amendment), Borrowing Costs. [1]
- IAS 27 (amendment), Consolidated and Separate Financial Statements. [1]
- IAS 28 (amendment), Investments in Associates (and consequential amendments to IAS 32, Financial Instruments: Presentation and IFRS 7, Financial Instruments: Disclosures). [1]
- IAS 31 (amendment), Interests in Joint Ventures (and consequential amendments to IAS 32 and IFRS 7). [1]
- IAS 32 (amendment), Financial Instruments: Presentation and IAS 1 (amendment), Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation. [1]
- IAS 38 (amendment), Intangible Assets. [1]
- IAS 39 (amendment), Financial Instruments: Recognition and Measurement. [1]
- IAS 40 (amendment), Investment Property (and consequential amendments to IAS 16). [1]
- IAS 41 (amendment), Agriculture. [1]

The following standards and interpretation published by the IASB will be adopted by the group in 2010:

- IFRS 3 (revised), Business Combinations. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. [1]
- IAS 27 (revised), Consolidated and Separate Financial Statements. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. [1]
- IFRS 5 (amendment), Non-current Assets Held for Sale and Discontinued Operations (and consequential amendment to IFRS 1, First-time Adoption). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. [1]
- IFRIC 17, Distributions of Non-cash Assets to Owners. The interpretation clarifies how an entity should measure distributions of assets other than cash made as a dividend to its owners. [1]

Management is assessing the impact of these revisions and amendments on the financial statements of the group for 2010.

The following new standards and interpretations effective in 2010 are not relevant to the financial statements of the group.

- IAS 39 (amendment), Financial Instruments: Recognition and Measurement – Eligible Hedged Items. The amendment prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. [1]
- IFRIC 12, Service Concession Arrangements. The interpretation applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. [1]

[1] The standard/interpretation is still subject to endorsement by the European Union.

1. Segment information

The primary segment reporting format of the group is based on a single business segment. As the company strategy dictates, the products are largely manufactured on the same machines and resources, and sold by uniform sales methods to the same or similar customers sharing a common risk profile. The in-house division of wafer types into two customer areas is mainly used to bring clarity to the company's strategic basis. This division is not applied to regular profitability reporting. Technology sales comprise a single significant project, in addition to which they comprise the sales of silicon crystals produced by the company and the occasional proceeds from silicon recycling.

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.

Geographical segments

1,000 euro	North America	Europe	Asia	Inter segment	Un-allocated	Group
2008						
Net sales	26,488.8	22,434.1	18,943.8			67,866.7
Segment assets	9,462.5	52,580.2	614.1	-641.3	19,468.8	81,484.3
Capital expenditure	909.1	1,828.4	35.0			2,772.5
2007						
Net sales	31,275.1	20,345.0	13,031.7			64,651.9
Segment assets	9,277.3	56,600.9	451.0	-784.0	17,118.6	82,663.7
Capital expenditure	1,224.8	3,589.1	1.7			4,815.6

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

Net sales per customer area

1,000 euro	Sensors	Semiconductors	Technology	Group
2008	25,110.7	25,789.3	16,966.7	67,866.7
2007	21,981.6	36,205.1	6,465.2	64,651.9

2. Expenses by function

1,000 euro	2008	2007
Materials	25,070.6	19,322.5
Water and energy	2,974.0	2,390.3
Maintenance	3,325.5	3,387.2
Employee benefit expenses [1]	18,005.0	18,119.6
Change in inventories	-4,288.0	1,371.4
Depreciation [2]	7,041.0	8,095.3
Other expenses	6,595.9	5,373.1
Total	58,724.0	58,059.4

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

Auditor's fees

1,000 euro	2008	2007
Audit fees	112.2	99.5
Tax assignments	10.1	16.8
Other assignments	12.9	12.4
Total	135.2	128.7

[1] Note 6
[2] Note 5

3. Other operating income

1,000 euro	2008	2007
Gains on sale of property, plant and equipment	555.6	60.4
Gains on financial assets held for trading		
Currency and electricity derivatives	-	701.2
Other income	-	0.8
Total	555.6	762.4

4. Other operating expenses

1,000 euro	2008	2007
Impairment losses on trade receivables	76.7	8.4
Losses on financial liabilities held for trading		
Currency and electricity derivatives	1,101.4	-
Losses on disposal of property, plant and equipment	-	213.1
Compensation payments	41.7	-
Impairment losses on property, plant and equipment	-	6.9
Other expenses	2.2	5.5
Total	1,222.0	233.8

5. Depreciation

1,000 euro	2008	2007
Depreciation by asset class		
Buildings	1,015.1	983.5
Machinery and equipment	6,025.9	7,111.8
Total	7,041.0	8,095.3
Depreciation by function		
Cost of sales	7,031.2	8,088.1
Administration	9.8	7.2
Total	7,041.0	8,095.3

6. Employee benefit expenses

1,000 euro	2008	2007
Wages and salaries	14,672.3	14,647.9
Pension costs, defined contribution plans	2,139.8	2,132.2
Other social security costs	1,193.0	1,339.5
Total	18,005.0	18,119.6

Details of key management compensation are disclosed in note 25, Related party transactions.

Number of personnel		
Clerical workers	132	129
Manual workers	232	233
Average	364	362
On 31 December	363	357

7. Research and development expenses

1,000 euro	2008	2007
Research and development expenses	2,260.9	1,854.2

8. Financial income and expenses

1,000 euro	2008	2007
Financial income		
Interest income on loans and receivables	494.5	405.8
Exchange gains	564.0	-
Total	1,058.5	405.8
Financial expenses		
Interest expenses on financial liabilities measured at amortised cost	-1,158.2	-1,471.7
Impairment losses on available-for-sale financial assets	-2,554.0	-
Exchange losses [1]	-239.9	-809.8
Other financial expenses	-6.2	-30.3
Total	-3,958.4	-2,311.8
Exchange differences recognised in the income statement		
Included in net sales	442.2	-426.1
Included in cost of sales	-148.1	142.2
Included in financial income and expenses	324.1	-809.8
Total	618.2	-1,093.7

[1] Okmetic Oyj's loan to Okmetic Inc., which was originally recorded as a net investment, has resulted in an exchange loss of 2.5 million euro recognised in the translation differences under equity. The loan has been recorded as a regular liability since 2006. As a result, 0.2 million euro of the exchange loss, which corresponds to the loan repayment, has been recorded under financial expenses (2007: 0.1 million euro). The remaining 1.1 million euro of the exchange loss will be expensed according to the same principle in the future, proportioned to the loan repayments.

9. Income tax

1,000 euro	2008	2007
Income tax expense in the income statement		
Current tax	-25.8	-51.4
Deferred tax	274.1	141.6
Total	248.4	90.2

Reconciliation of income tax recognised in the consolidated income statement and income tax calculated at the domestic tax rate of 26 percent (2007: 26%):

	2008	2007
Profit before tax	5,576.4	5,215.0
Expenses not deductible for tax purposes	3,193.4	169.6
Tax calculated at domestic tax rate	-2,280.1	-1,400.0
Differing tax rates in foreign subsidiaries	50.9	13.1
Utilisation of previously unrecognised tax losses	2,477.6	1,477.1
Tax expense in the income statement	248.4	90.2

The domestic tax rates of the subsidiaries have not changed in 2008 or 2007.

10. 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.

	2008	2007
Profit attributable to equity holders of the parent company (1,000 euro)	5,824.8	5,305.1
Weighted average number of shares outstanding during the period (1,000 shares)	16,887.5	16,887.5
Basic earnings per share (euro/share)	0.34	0.31

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. In 2008 and 2007, the company has no dilutive potential shares or options.

11. Property, plant and equipment

1,000 euro	Land	Buildings	Machinery and equipment	Construction in progress	Total
Acquisition cost on 1 January 2008	760.8	23,095.8	101,579.4	284.9	125,720.9
Additions	-	4.2	477.4	2,290.9	2,772.5
Disposals	-	-	-2,025.9	-3.2	-2,029.1
Transfers between items	-	3.5	102.4	-105.9	-
Exchange differences	44.0	147.5	542.2	10.1	743.8
Acquisition cost on 31 December 2008	**804.8**	**23,251.0**	**100,675.5**	**2,476.8**	**127,208.1**
Accumulated depreciation and impairment on 1 January 2008	-	-8,767.2	-73,598.3	-	-82,365.5
Accumulated depreciation on disposals and transfers	-	-	1,492.4	-	1,492.4
Depreciation for the period	-	-1,015.1	-6,025.9	-	-7,041.0
Exchange differences	-	-54.1	-391.4	-	-445.5
Accumulated depreciation and impairment on 31 December 2008	**-**	**-9,836.4**	**-78,523.2**	**-**	**-88,359.6**
Carrying amount on 1 January 2008	760.8	14,328.6	27,981.1	284.9	43,355.4
Carrying amount on 31 December 2008	**804.8**	**13,414.6**	**22,152.3**	**2,476.8**	**38,848.5**

1,000 euro	Land	Buildings	Machinery and equipment	Construction in progress	Total
Acquisition cost on 1 January 2007	850.4	20,740.7	106,331.4	801.7	128,724.2
Additions	-	2,255.9	2,279.9	279.8	4,815.6
Disposals	-	-	-6,361.7	-	-6,361.7
Transfers between items	-	399.8	396.8	-796.6	-
Exchange differences	-89.6	-300.6	-1,067.0	-	-1,457.2
Acquisition cost on 31 December 2007	**760.8**	**23,095.8**	**101,579.4**	**284.9**	**125,720.9**
Accumulated depreciation and impairment on 1 January 2007	-	-7,875.2	-73,027.8	-	-80,903.0
Accumulated depreciation on disposals and transfers	-	-	5,841.4	-	5,841.4
Depreciation for the period	-	-983.5	-7,111.8	-	-8,095.3
Impairment	-	-	-6.9	-	-6.9
Exchange differences	-	91,5	706,8	-	798.3
Accumulated depreciation and impairment on 31 December 2007	**-**	**-8,767.2**	**-73,598.3**	**-**	**-82,365.5**
Carrying amount on 1 January 2007	850.4	12,865.5	33,303.6	801.7	47,821.2
Carrying amount on 31 December 2007	**760.8**	**14,328.6**	**27,981.1**	**284.9**	**43,355.4**

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

2008	**149.6**	**149.6**
2007	336.1	336.1

Additions of property, plant and equipment include no assets acquired under finance leases in 2008 (2007: 192.9 thousand euro).

Note 11 continues

Impairment testing

In impairment testing, the recoverable amount is compared with the carrying amount. The assessment is based on the company's financial statements and three-year cash flow development estimates provided by the management. Cash flow projections beyond the period covered by the estimates are extrapolated using a growth rate oft two percent. The testing has been performed even though there is no indication of potential impairment.

The company's capital structure is determined by the board of directors' long-term target of a 50 percent equity ratio. The discount rate is based on the group's Weighted Average Cost of Capital (WACC), which takes into account the deductibility of interest. The discount rate used at the turn of the year 2009 was 9.8 percent before tax (12.0%). The impairment testing carried out implies that only material changes in the key assumptions of the calculations can indicate that the assets' carrying amounts exceed their recoverable amounts. The impairment testing did not reveal impaired assets.

12. Available-for-sale financial assets

1,000 euro	2008	2007
On 1 January	2,430.5	1,501.9
Additions	10.0	-
Changes in fair value and impairment	-2,440.5	928.6
On 31 December	0.0	2,430.5

At the end of the year 2008, the group recognised an impairment loss in the income statement in respect of Okmetic Oyj's shares in Norstel AB, a Swedish company currently under development, as there was considered to be sufficient objective evidence of the reduction in their value.

13. Deferred income tax

1,000 euro	2008	2007
Deferred income tax in the balance sheet		
Deferred tax assets	609.4	470.0
Deferred tax liabilities	767.3	902.0
Deferred tax liabilities, net	158.0	432.0

Movements in deferred income tax during the financial year

1,000 euro	1 Jan 2008	Entered in the income statement	Entered in equity	31 Dec 2008
Deferred tax assets				
Tax losses carried forward	467.4	-	-	467.4
Fair value losses on derivative financial instruments	0.0	140.4	-	140.4
Finance leases	2.6	-1.0	-	1.6
Total	470.0	139.4	-	609.4
Deferred tax liabilities				
Accumulated depreciation differences	529.5	-143.2	-	386.3
Fair value gains on derivative financial instruments	139.8	-139.8	-	0.0
Fixed costs included in the cost of inventories	232.7	148.3	-	381.0
Total	902.0	-134.7	-	767.3
Deferred tax liabilities, net	432.0	-274.1	-	158.0

Note 13 continues

1,000 euro	1 Jan 2007	Entered in the income statement	Entered in equity	31 Dec 2007
Deferred tax assets				
Tax losses carried forward	407.2	60.2	-	467.4
Finance leases	9.6	-6.9	-	2.6
Total	416.8	53.2	-	470.0
Deferred tax liabilities				
Accumulated depreciation differences	608.6	-79.1	-	529.5
Fair value gains on derivative financial instruments	55.4	84.4	-	139.8
Fixed costs included in the cost of inventories	326.4	-93.7	-	232.7
Total	990.4	-88.4	-	902.0
Deferred tax liabilities, net	573.6	-141.6	-	432.0

Deferred tax assets of 7.4 million euro (2007: 3.8 million euro) attributable to the domestic companies are not recognised in the consolidated financial statements due to uncertainty of the utilisation of the tax benefit relating to these assets. The majority of these deferred tax assets result from the domestic companies' tax loss carry-forwards of 28.4 million euro (2007: 14.6 million euro). The tax losses are carried forward from 2004 and 2007. Of these, 14.6 million euro and 13.8 million euro will expire in 2014 and 2017 respectively. Deferred tax assets have not been recognised for the retained losses of 8.2 million US dollars and 44.4 million Japanese yen (2007: USD 7.7 million and JPY 25.0 million) of the foreign subsidiaries.

14. Inventories

1,000 euro	2008	2007
Raw materials and supplies	**5,588.4**	3,027.5
Work in progress	**1,765.3**	1,371.0
Finished goods	**3,398.9**	2,000.9
Total	**10,752.6**	6,399.4

The carrying amount of inventories has been reduced to net realisable value through recognition of a write-down amounting to 57.2 thousand euro in the period (2007: 43.2 thousand euro). The carrying amount of inventories stated at net realisable value totalled 337.4 thousand euro (2007: 446.0 thousand euro).

15. Trade and other receivables

1,000 euro	2008	2007
Non-current		
Loans and receivables		
Other receivables	2,412.1	1,497.9
Prepayments	2,207.3	1,233.1
Total	4,619.4	2,731.0
Current		
Loans and receivables		
Trade receivables	7,025.2	8,046.0
Other receivables	1,120.9	303.1
Total	8,146.1	8,349.1
Financial assets at fair value through profit or loss		
Derivative financial instruments held for trading [1]	-	537.7
Prepayments	201.0	404.8
VAT and other statutory receivables	897.7	5,136.2
Other prepayments and accrued income	44.5	11.3
Total	9,289.2	14,439.1

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.

[1] Note 23

Analysis of trade receivables by age

1,000 euro	2008 Gross	Impairment losses	2008 Net	2007 Gross	Impairment losses	2007 Net
Not past due	4,625.8	-	4,625.8	5,666.8	-	5,666.8
Past due 1 - 30 days	2,016.1	-	2,016.1	1,968.4	-	1,968.4
Past due 31 - 60 days	273.1	-	273.1	299.5	-	299.5
Past due more than 60 days	186.9	-76.7	110.2	119.7	-8.4	111.3
Total	7,101.9	-76.7	7,025.2	8,054.4	-8.4	8,046.0

Loans and receivables by currency

1,000 euro	2008	2007
EUR	2,138.9	3,075.0
USD	7,354.7	5,720.8
JPY	1,032.5	968.7
Other	32.0	82.4
Total	10,558.2	9,847.0

16. Cash and cash equivalents

1,000 euro	2008	2007
Cash in hand and bank accounts	10,474.6	13,308.3
Short-term bank deposits	7,500.0	-
Total	17,974.6	13,308.3

17. Equity

Share capital
On 31 December 2008, Okmetic Oyj's paid-up share capital, as entered in the Finnish Trade Register, was 11,821,250.00 euro (2007: 11,821,250.00 euro).

The share capital is divided into 16,887,500 shares. The shares have no nominal value attached. 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.

The number of shares has not changed during the financial years of 2008 and 2007.

Share premium
According to the Finnish Companies Act of 1978 (734/78), which was effective until 1 September 2006, share premium comprises the difference between the equivalent book value and the subscription price of shares issued. In addition, the equity component of convertible bonds, 70.1 thousand euro, is recognised in share premium.

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

Fair value reserve
Fair value reserve comprises the fair value adjustments of available-for-sale financial assets.

Own shares
The company has not repurchased its own shares.

Dividends
The board of directors has decided to propose to the annual general meeting that a dividend of 0.05 euro per share be paid for the year 2008. A dividend of 0.10 euro per share was paid in 2008 (2007: -).

18. Borrowings

1,000 euro	2008	2007
Non-current		
Financial liabilities measured at amortised cost		
Loans from financial institutions	12,480.7	15,300.0
Subordinated loans	-	928.1
Finance lease liabilities	38.6	155.4
Total	12,519.2	16,383.5
Current		
Financial liabilities measured at amortised cost		
Current portion of loans from financial institutions	3,824.4	4,749.7
Subordinated loans	928.1	928.1
Finance lease liabilities	117.1	197.9
Total	4,869.7	5,875.7

Note 18 continues

Subordinated loans

1,000 euro	2008	2007
Loan period 1999 - 2009, interest 6.0%		
Nordea Bank Finland Plc.	61.0	122.0
Sampo Life Insurance Company	105.0	209.9
Oras Oy	121.6	243.1
Outokumpu Oyj	514.5	1,029.0
The Finnish National Fund for Research and Development Sitra	44.9	89.7
PCA Corporate Finance Oy	81.2	162.4
Total	928.1	1,856.2

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 loans were originally issued as convertible bonds. The right of conversion expired on 30 June 2006. On transition to IFRS reporting, 1 January 2004, the liability and equity components of the convertible bonds were separated. 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 bonds and the fair value assigned to the liability component. The equity component was recognised in share premium.

Finance lease liabilities

1,000 euro	2008	2007
Minimum lease payments		
No later than one year	121.6	210.0
Later than one year and no later than five years	39.5	161.0
Total minimum lease payments	161.1	371.0
Present value of finance lease liabilities		
No later than one year	118.9	204.9
Later than one year and no later than five years	36.8	148.4
Total present value of finance lease liabilities	155.7	353.3
Future finance charges on finance leases	5.4	17.7
Total finance lease liabilities	155.7	353.3
Contingent rents	1.9	2.6

The group's finance lease agreements relate to production machinery and IT equipment. The terms of the finance leases vary from three to ten 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	2008	2007
Own debts secured with collaterals		
Loans from financial institutions and other liabilities	13,333.3	15,666.7
Collaterals		
Mortgages on real property and lease right	16,891.3	16,891.3
Floating charges	8,073.0	12,109.5
Total	24,964.3	29,000.8
Capital commitments	574.0	-
Future minimum lease payments under non-cancellable operating leases		
No later than one year	107.1	124.4
Later than one year and no later than five years	58.1	113.9
Total	165.2	238.3

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

Lease payments made under operating leases and charged to the income statement totalled 404.8 thousand euro in 2008 (2007: 381.2 thousand euro).

20. Trade and other payables

1,000 euro	2008	2007
Non-current		
Financial liabilities measured at amortised cost		
Other liabilities	1,350.0	900.0
Current		
Financial liabilities measured at amortised cost		
Trade payables	5,194.9	4,523.2
Other liabilities	697.3	160.2
Total	5,892.2	4,683.4
Prepayments received	1,184.2	48.1
VAT and other statutory payables	635.6	4,676.3
Total	7,712.0	9,407.8

21. Accruals and deferred income

1,000 euro	2008	2007
Accrued employee-related expenses	3,613.4	3,658.8
Accrued interest expenses	86.1	141.1
Other	247.0	215.4
Financial liabilities at fair value through profit or loss		
Derivative financial instruments held for trading [1]	540.0	-
Total	4,486.5	4,015.3

[1] Note 23

22. Financial risk management

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

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

Market risks

Market risks are caused by changes in foreign exchange rates and interest rates, as well as commodity and energy prices.

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 the IAS 39 standard.

Currency risk

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

The group uses several currencies in its sales and purchases. Currency distribution and net positions are monitored on a monthly basis. The majority of trading is denominated in the US dollar (60% of net sales) and the euro (30%). The Japanese yen (8%) is the most important of the lesser-used currencies. The currency distribution has remained almost unchanged in 2008 and 2007. Hedging requirements primarily arise from the US dollar, in relation to which the group's sales income exceeds the amount of currency required for purchases. In terms of the dollar, the forecasted cash flow for the near future (1 - 6 months) is hedged with currency derivatives, also taking into account cash requirements. The condition is that the level of hedging exceeds 50 percent. The currency distribution of cash and cash equivalents can be monitored continuously. A closer examination is performed on a weekly basis.

The parent company operates in the euro. Loans and receivables by currency are presented in note 15.

The table below presents the currency risk exposure translated into euro at the balance sheet rate. On 31 December 2008, if the euro had weakened/strengthened by 10 percent against the US dollar with all other variables held constant, post-tax profit for the year would have been 970 thousand euro higher/800 thousand euro lower (2007: 860 thousand euro higher/700 thousand euro lower).

On 31 December 2008, if the euro had weakened/strengthened by 10 percent against the Japanese yen with all other variables held constant, post-tax profit for the year would have been 200 thousand euro higher/170 thousand euro lower (2007: 120 thousand euro higher/100 thousand euro lower).

Currency risk exposure

Million euro	2008	2008	2007	2007
	USD	JPY	USD	JPY
	8.8	1.8	7.7	1.1

The equity of the US-based subsidiary totalled 8.8 million US dollars on 31 December 2008 (2007: USD 9.4 million). The equity of the Japan-based subsidiary amounted to -34.6 million Japanese yen on 31 December 2008 (2007: JPY -15.1 million). This translation risk is not hedged.

The group has no loans in foreign currencies.

Due to the uncertainty of cash inflow following the heavy fluctuation of exchange and interest rates and the rapidly weakening market situation, the group did not have, for a short period, derivatives as currency hedges on 31 December 2008.

The group's means of hedging against exchange rate changes of the US dollar on 31 December 2007 comprised currency options with a nominal value of 3.5 million euro at a hedging rate of 1.4350.

Derivatives are discussed in section 23 of the notes.

Interest rate risk

The group is primarily exposed to cash flow interest rate risk, mostly in connection with the loan portfolio. The group's interest rate risk relates to earnings and the cash flow. On 31 December 2008, 1.0 million euro of the group's loans was subject to fixed interest rates (2007: 2.0 million euro) and 16.3 million euro were tied to a short-term floating Euribor reference rate of less than one year (2007: 20.1 million euro). A one percent point change in the reference rate causes a change of 160 thousand euro in profit before tax (2007: 200 thousand euro).

Where necessary, the group raises loan both at fixed rates and based on short-term reference rate of less than one year and uses interest rate swap agreements in order to hedge against the effects of interest rate changes.

The group held no interest rate derivatives on 31 December 2008 or on 31 December 2007.

Credit risk

The group's trade receivables are generated by a large customer base whose customers operate in various product areas. The customers are dispersed in different geographical areas. Credit risk is reduced by targeting sales to customers that are assessed to have good credit quality or that are generally regarded as financially sound. The group uses well-known, solvent and well-regarded financial institutions in cash transactions, credit arrangements and investments of liquid assets. Customers' payment behaviour is monitored continuously. Where necessary, risks relating to specific customers are reduced by means of payment and delivery terms.

The distribution of trade receivables by due date is shown in section 15.

Liquidity risk

The short-term liquidity risk is managed by means of regular long-term financial planning, weekly cash flow forecasts for one month at a time, efficient day-to-day cash flow management and by carrying out the necessary financing activities based on these assessments. The group has ascertained the sufficiency of cash funds by a committed credit facility with a financial institution. On 31 December 2008, the 3.0-million-euro credit facility that the group has agreed with a financial institution was undrawn (2007: 3.0 million euro undrawn). The group's loan agreements include the customary covenants for solvency and financial costs margin requirements.

Note 22 continues

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, three years in duration.

On 31 December 2008, the group's publicly traded electricity derivatives amounted to 70.1 GWh (2007: 72.4 GWh).

Derivatives are discussed in section 23 of the notes.

Price risk of securities

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

Okmetic Oyj owns 8,283 shares in a Swedish company Norstel AB (12.7% of shares). Okmetic has written down the carrying amount of the shares on December 2008.

Contractual maturities of financial liabilities

2008 1,000 euro	Carrying amount	Cash flow	2009	2010	2011	2012	2013	Later
Loans from financial institutions								
Loan repayments	16,305.1	16,325.0	3,825.0	2,600.0	3,600.0	2,300.0	2,000.0	2,000.0
Interest expenses		1,972.5	655.6	489.6	367.3	245.2	150.3	64.5
Subordinated loans								
Loan repayments	928.1	998.2	998.2	-	-	-	-	-
Interest expenses		59.9	59.9	-	-	-	-	-
Finance lease liabilities								
Loan repayments	155.7	155.7	117.1	38.6	-	-	-	-
Interest expenses		5.4	4.6	0.8	-	-	-	-
Trade and other payables	7,242.2	7,242.2	5,892.2	450.0	450.0	450.0	-	-
Total	24,631.1	26,758.9	11,552.6	3,579.0	4,417.3	2,995.2	2,150.3	2,064.5
Derivative financial instruments								
Electricity derivatives	540.0	568.8	94.7	197.5	276.6	-	-	-

2007 1,000 euro	Carrying amount	Cash flow	2008	2009	2010	2011	2012	Later
Loans from financial institutions								
Loan repayments	20,049.7	20,075.0	4,750.0	3,825.0	2,600.0	2,600.0	2,300.0	4,000.0
Interest expenses		3,598.0	1,051.1	823.3	625.6	477.1	328.8	292.1
Subordinated loans								
Loan repayments	1,856.2	1,996.4	998.2	998.2	-	-	-	-
Interest expenses		179.7	119.8	59.9	-	-	-	-
Finance lease liabilities								
Loan repayments	353.3	353.3	197.9	116.6	38.8	-	-	-
Interest expenses		17.7	12.3	4.6	0.8	-	-	-
Trade and other payables	5,583.4	5,583.4	4,683.4	450.0	450.0	-	-	-
Total	27,842.6	31,803.5	11,812.7	6,277.6	3,715.2	3,077.1	2,628.8	4,292.1

Note 22 continues

Capital risk management

The group's aim in capital management is to safeguard the group's business continuity and enhance shareholder value. In capital management, the optimal capital structure is maintained in order to minimise the cost of capital and to increase returns.

At the end of 2007, the board of directors set Okmetic the following long-term goals: the equity ratio to average 50.0 percent and the company to be able to pay out consistent annual dividends. In order to adjust the capital structure, the board of directors may, based on the authorisation granted, issue new shares or repurchase or transfer rights to the company's own shares. The amount of dividends paid to shareholders may be adjusted. Assets may be sold to reduce debt.

The group monitors capital on the basis of the equity ratio. The ratio is calculated as total equity divided by total balance sheet less advances received.

The loans taken by the group involve covenants regarding the ratio of debt to EBITDA, equity ratio and financial costs margin. The group's key figures are clearly above the minimum requirements in each of these aspects.

1,000 euro	2008	2007
Total equity	50,389.0	45,649.4
Total balance sheet - advances received	80,300.1	82,615.6
Equity ratio	62.8%	55.3%

23. Derivative financial instruments

1,000 euro	2008 Fair value	2008 Nominal value	2007 Fair value	2007 Nominal value
Currency derivatives				
Currency options, call	-	-	118.6	3,484.3
Electricity derivatives	-540.0	2,961.0	419.0	2,382.8
Total	-540.0	2,961.0	537.7	5,867.1

The contract price of the derivatives has been used as the nominal value of the underlying asset. The fair values of currency derivatives are determined by using mark-to-market method at the balance sheet date. The fair values of electricity derivatives are determined on the basis of the market quotations and contract prices of the instrument 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. Fair values of financial assets and liabilities

1,000 euro	Note	2008 Carrying amount	2008 Fair value	2007 Carrying amount	2007 Fair value
Financial assets					
Available-for-sale financial assets	12	**0.0**	**0.0**	2,430.5	2,430.5
Trade and other receivables	15	**10,558.2**	**10,339.1**	9,847.0	9,691.6
Financial assets at fair value through profit or loss	15,23	-	-	537.7	537.7
Cash and cash equivalents	16	**17,974.6**	**17,974.6**	13,308.3	13,308.3
Financial liabilities					
Loans from financial institutions	18	**16,305.1**	**16,463.5**	20,049.7	20,302.7
Subordinated loans	18	**928.1**	**969.5**	1,856.2	1,932.9
Finance lease liabilities	18	**155.7**	**157.2**	353.3	351.4
Trade and other payables	20	**7,242.2**	**7,117.7**	5,583.4	5,490.0
Financial liabilities at fair value through profit or loss	21,23	**540.0**	**540.0**	-	-

Available-for-sale financial assets
Available-for-sale financial assets are carried at fair value. The methods applied in determining the fair value are disclosed in the accounting policies for the consolidated financial statements.

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

Financial assets and liabilities at fair value through profit or loss
The methods applied in determining the fair value of financial assets and liabilities at fair value through profit or loss are disclosed in note 23, Derivative financial instruments.

Loans from financial institutions, subordinated loans and finance lease liabilities
Borrowings are stated at amortised cost. The fair value of borrowings is measured on the basis of discounted cash flows. The discount rate used is based on the closing rates of interest rate swap agreements added with a company-specific risk premium of 0.85 percent (2007: 0.85%).

According to the terms of the subordinated 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.

Trade and other payables
The fair value of other non-current liabilities is calculated by discounting the future cash flows at the market rate of interest at the balance sheet date. Other non-current liabilities bear no interest. The carrying amounts of current trade and other payables approximate their fair value.

25. Related party transactions

Group companies on 31 December 2008

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	2008	2007
Salaries and other short-term employee benefits	1,348.2	1,279.4
Post-employment benefits	158.1	145.1
Total	1,506.3	1,424.5

Key management comprises the board of directors and the executive management group. On 31 December 2008, there were no receivables from the key management (2007: -).

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

1,000 euro	2008	2007
President	312.7	272.2
Deputy to the president	155.5	-
Total	468.3	272.2
Members of the board of directors		
Aro Mikko J.	34.8	34.8
Järvinen Tapani	13.1	-
Kaitue Karri	26.1	26.1
Lager Esa	4.3	17.4
Niemi Jarmo	13.1	-
Paasikivi Pekka	4.3	17.4
Salmi Pekka	17.4	17.4
Österlund Henri	2.6	-
Total	115.7	113.1
Total	584.0	385.3

Members of the board of directors have not been paid pension-related benefits or fringe benefits. The president and the executive management group are not paid separate remuneration for their membership on the boards of subsidiary companies or for acting as a president of a subsidiary. The deputy to the president was appointed on 1 January 2008. No specific agreement has been made concerning the retirement age of the president and the deputy to the president of Okmetic Oyj.

Shares held by the key management

	31 Dec 2008	31 Dec 2007	Change
Board of directors	1,500	2,100	-600
President and deputy to the president [1]	17,800	15,800	2,000
Other members of the executive management group	7,000	7,512	-512
Total	26,300	25,412	888

[1] 2007 includes the holding of the deputy to the president who was appointed on 1 January 2008.

26. Events after the balance sheet date

Okmetic Oyj opened negotiations for adjusting staff levels in Finland according to Finnish law in January. The objective of the negotiations was to ensure continued profitability in the prevailing weaker market situation within the semiconductor industry in particular by cutting staff costs and fixed costs.

After the personnel negotiations, the employer decided it will implement fixed-term temporary layoffs. The layoffs will affect 240 people out of the total 320 Okmetic employees in Finland. The layoffs began on 9 February 2009 and will take place between February and June. The layoffs are administered in one-week periods. The duration of the layoffs per employee will vary from one to six weeks.

At a group level, efforts are also made to minimise other costs where possible, and to reduce the labour costs of 40 employees working in foreign subsidiaries to accommodate the current market situation.

Financial statements for the parent company, FAS

Parent company's income statement

Euro	Note	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Net sales	1	61,225,129.69	56,883,828.79
Cost of sales	3	-46,459,448.81	-44,193,225.49
Gross profit		14,765,680.88	12,690,603.30
Sales and marketing expenses		-2,477,490.87	-2,411,289.08
Administrative expenses	4	-4,436,163.11	-3,690,736.35
Other operating income	5	526,115.74	37,670.28
Other operating expenses	6	-118,432.33	-224,840.34
Operating profit	2,3	8,259,710.31	6,401,407.81
Financial income and expenses	7	-1,646,300.02	-1,500,814.49
Profit for the period		6,613,410.29	4,900,593.32

Parent company's balance sheet

Euro	Note	31 Dec 2008	31 Dec 2007
Assets			
Fixed assets	8		
Investments			
Shares in group companies	8,9	13,776,450.55	13,776,450.55
Other shares and holdings		-	3,174,028.00
Other receivables	8	15,136.91	15,136.91
		13,791,587.46	16,965,615.46
Total fixed assets		13,791,587.46	16,965,615.46
Current assets			
Inventories			
Raw materials and supplies		4,750,886.54	2,253,361.19
Work in progress		1,294,005.89	932,493.68
Finished goods		2,174,167.87	1,290,973.78
		8,219,060.30	4,476,828.65
Long-term receivables			
Other receivables	10	24,629,212.38	28,820,767.27
Short-term receivables			
Trade receivables	10	6,114,818.93	6,972,936.56
Other receivables	10	8,723,394.70	7,148,557.05
		14,838,213.63	14,121,493.61
Cash and cash equivalents		13,007,927.46	11,385,109.32
Total current assets		60,694,413.77	58,804,198.85
Total assets		74,486,001.23	75,769,814.31

Euro	Note	31 Dec 2008	31 Dec 2007
Shareholders' equity and liabilities			
Shareholders' equity	11		
Share capital		11,821,250.00	11,821,250.00
Share premium		20,045,254.71	20,045,254.71
Retained earnings		8,945,936.67	5,734,093.35
Profit for the period		6,613,410.29	4,900,593.32
Total shareholders' equity		47,425,851.67	42,501,191.38
Liabilities			
Long-term liabilities			
Subordinated loans	12	-	998,223.59
Loans from financial institutions	13	11,000,000.00	13,000,000.68
Other liabilities		1,350,000.00	900,000.00
		12,350,000.00	14,898,224.27
Short-term liabilities			
Subordinated loans	12	998,223.50	998,223.58
Loans from financial institutions	13	3,000,001.36	4,000,000.00
Advances received		1,629,836.44	44,235.77
Trade payables		4,737,516.55	3,751,338.31
Other liabilities	10	717,447.58	5,878,058.01
Accruals and deferred income	14	3,627,124.13	3,698,542.99
		14,710,149.56	18,370,398.66
Total liabilities		27,060,149.56	33,268,622.93
Total shareholders' equity and liabilities		74,486,001.23	75,769,814.31

Parent company's cash flow statement

1,000 euro	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Cash flows from operating activities		
Profit for the period	6,613.4	4,900.6
Adjustments for		
Depreciation and write-downs	-	5,910.2
Financial income and expenses	1,646.3	1,500.8
Other adjustments	150.6	173.6
Change in working capital	-1,976.8	-1,880.7
Interest received	1,859.2	601.4
Interest paid	-1,029.5	-4,392.4
Other financial items	46.5	-350.7
Net cash from operating activities	7,309.7	6,462.8
Cash flows from investing activities		
Investments in fixed assets	-	-1,095.9
Proceeds from sale of fixed assets	-	193.3
Net cash used in investing activities	-	-902.6
Cash flows from financing activities		
Proceeds from long-term borrowings	-	15,000.0
Repayments of long-term borrowings	-3,998.2	-21,090.1
Dividends paid	-1,688.7	-
Net cash used in financing activities	-5,686.9	-6,090.1
Net increase (+), decrease (-) in cash and cash equivalents	1,622.8	-530.0
Cash and cash equivalents at the beginning of the financial year	11,385.1	11,915.1
Cash and cash equivalents at the end of the financial year	13,007.9	11,385.1

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.

Foreign currencies

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

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

Fixed assets

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

Inventories

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

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

Financial assets and liabilities and derivative financial instruments

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

Cash and cash equivalents comprise cash in hand and in bank as well as short-term bank deposits.

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

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

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

Net sales

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

Research and development

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

Government grants

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

Other operating income and expenses

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

Provisions

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

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

Income tax

Income tax presented in the income statement consists of accrued tax for the financial year and tax adjustments for prior years. Deferred income tax is 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.

Financial statements for the parent company, FAS

1. Net sales

Euro	2008	2007
Market area		
North America	23,078,421.12	26,574,031.96
Europe	21,307,867.43	18,995,223.80
Asia	16,838,841.14	11,314,573.03
Total	61,225,129.69	56,883,828.79

2. Personnel expenses

Euro	2008	2007
Wages and salaries	12,845,250.44	12,863,056.07
Pension costs	2,096,056.93	2,096,142.08
Other social security costs	750,900.67	840,720.35
Total	15,692,208.04	15,799,918.50
Remuneration for the board of directors	115,747.83	113,100.00

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

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

Euro	2008	2007
President	312,742.57	272,202.01
Deputy to the president	155,540.02	-
Members of the board of directors		
Aro Mikko J.	34,800.00	34,800.00
Järvinen Tapani	13,050.00	-
Kaitue Karri	26,100.00	26,100.00
Lager Esa	4,350.00	17,400.00
Niemi Jarmo	13,050.00	-
Paasikivi Pekka	4,350.00	17,400.00
Salmi Pekka	17,400.00	17,400.00
Österlund Henri	2,647.83	-
Total	115,747.83	113,100.00
Total	584,030.42	385,302.01

Members of the board of directors have not been paid pension-related benefits or fringe benefits. The president and the executive management group are not paid separate remuneration for their membership on the boards of subsidiary companies or for acting as a president of a subsidiary. The deputy to the president was appointed on 1 January 2008. No specific agreement has been made concerning the retirement age of the president and the deputy to the president of Okmetic Oyj.

Number of personnel

	2008	2007
Clerical workers	111	107
Manual workers	204	207
Average	315	314
On 31 December	324	308

3. Depreciation and amortisation

Euro	2008	2007
Depreciation and amortisation by asset class		
Other capitalised expenditure	-	38,960.48
Buildings	-	91,955.00
Machinery and equipment	-	5,772,442.74
Total	-	5,903,358.22
Depreciation and amortisation by function		
Cost of sales	-	5,903,358.22

4. Auditor's fees

Euro	2008	2007
Audit fees	90,916.33	75,042.34
Tax assignments	5,053.00	10,224.00
Other assignments	12,860.49	12,425.06
Total	108,829.82	97,691.40

5. Other operating income

Euro	2008	2007
Sales of fixed assets	526,115.74	37,670.28

6. Other operating expenses

Euro	2008	2007
Credit losses	76,694.33	6,076.98
Compensation payments	41,738.00	-
Disposals of fixed assets	-	218,763.36
Total	118,432.33	224,840.34

7. Financial income and expenses

Euro	2008	2007
Interest income		
From group companies	1,668,107.45	262,680.47
From others	318,634.26	345,760.06
Total	1,986,741.71	608,440.53
Interest expenses		
To others	-979,777.91	-1,301,680.63
Value adjustments of investments held as fixed assets	-3,184,028.00	-
Other financial income and expenses		
From/to group companies	234,242.15	-380,478.93
From/to others	296,522.03	-427,095.46
Total	530,764.18	-807,574.39
Total	-1,646,300.02	-1,500,814.49

8. Fixed assets

Investments

Euro	Shares in group companies	Other shares and holdings	Other receivables	Total
Acquisition cost on 1 January 2008	13,776,450.55	3,174,028.00	15,136.91	16,965,615.46
Additions	-	10,000.00	-	10,000.00
Disposals	-	-	-	-
Write-downs	-	-3,184,028.00	-	-3,184,028.00
Transfers between items	-	-	-	-
Carrying amount on 31 December 2008	**13,776,450.55**	**0.00**	**15,136.91**	**13,791,587.46**
Acquisition cost on 1 January 2007	13,776,450.55	2,500,000.00	689,164.91	16,965,615.46
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers between items	-	674,028.00	-674,028.00	0.00
Carrying amount on 31 December 2007	**13,776,450.55**	**3,174,028.00**	**15,136.91**	**16,965,615.46**

9. Subsidiaries on 31 December 2008

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

10. Receivables from and liabilities to group companies

Euro	2008	2007
Long-term receivables		
Other receivables	20,167,863.32	26,212,667.07
Short-term receivables		
Trade receivables	533,493.71	679,742.24
Other receivables	6,562,576.24	6,454,119.78
Other liabilities	143,254.41	1,085,151.50

11. Shareholders' equity

Euro	2008	2007
Share capital		
On 1 January	11,821,250.00	11,821,250.00
On 31 December	11,821,250.00	11,821,250.00
Share premium		
On 1 January	20,045,254.71	20,045,254.71
On 31 December	20,045,254.71	20,045,254.71
Retained earnings		
On 1 January	5,734,093.35	0.00
Profit from the previous period	4,900,593.32	5,734,093.35
Dividend distribution	-1,688,750.00	-
On 31 December	8,945,936.67	5,734,093.35
Profit for the period	6,613,410.29	4,900,593.32
Total shareholders' equity on 31 December	47,425,851.67	42,501,191.38
Distributable earnings		
Retained earnings	8,945,936.67	5,734,093.35
Profit for the period	6,613,410.29	4,900,593.32
Total	15,559,346.96	10,634,686.67

12. Subordinated loans

Euro	2008	2007
Loan period 1999 - 2009, interest 6.0%		
Nordea Bank Finland Plc.	65,615.47	131,230.94
Sampo Life Insurance Company	112,897.21	225,794.41
Oras Oy	130,748.48	261,496.95
Outokumpu Oyj	553,389.30	1,106,778.59
The Finnish National Fund for Research and Development Sitra	48,246.57	96,493.34
PCA Corporate Finance Oy	87,326.47	174,652.94
Total	998,223.50	1,996,447.17

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.

13. Long-term liabilities

Euro	2008	2007
Loans payable after five years		
Loans from financial institutions	2,000,000.00	4,000,000.00

14. Short-term liabilities, accruals and deferred income

Euro	2008	2007
Main items included in accruals and deferred income		
Accrued employee-related expenses	3,459,470.66	3,485,396.35
Accrued interest expenses	58,387.11	108,143.83
Other	109,266.36	105,002.81
Total	3,627,124.13	3,698,542.99

15. Collaterals

Euro	2008	2007
Own debts secured with collaterals		
Loans from financial institutions and other liabilities	**13,333,333.36**	15,666,666.68
Collaterals		
Mortgages on real property, given by a subsidiary	**16,891,275.58**	16,891,275.58
Floating charges, own	**8,073,020.47**	12,109,530.71
Total	**24,964,296.05**	29,000,806.29

16. Lease commitments

Euro	2008	2007
Payable next year	**296,436.30**	419,583.01
Payable at a later date	**181,434.21**	331,524.18
Total	**477,870.51**	751,107.19

The lease agreements involve no redemption clauses.

17. Derivative financial instruments

Euro	Fair value 2008	Nominal value 2008
Electricity derivatives	**-540,005.00**	**2,961,058.00**
	2007	2007
Currency derivatives		
Currency options, call	118,646.00	3,484,320.56
Electricity derivatives	419,015.00	2,382,816.00
Total	537,661.00	5,867,136.56

The contract price of the derivatives has been used as the nominal value of the underlying asset. The fair values of currency derivatives are determined by using mark-to-market method at the balance sheet date. The fair values of electricity derivatives are determined on the basis of the market quotations and contract prices of the instrument 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.

18. Deferred income tax

The company has tax losses carried forward in the amount of 28.4 million euro (2007: 14.6 million euro). The company has not recognised deferred tax assets for this amount.

Board of directors’ proposal regarding measures concerning distributable earnings

According to the financial statements dated 31 December 2008, the parent company’s distributable earnings amount to 15,559,346.96 euro. No significant changes have taken place in the company’s financial position after the end of the financial year.

The board of directors’ proposal for the annual general meeting is that Okmetic Oyj pay a dividend of 0.05 euro per share for 2008, which, based on the number of shares registered on 11 February 2009, amounts to 844,375.00 euro.

Signatures for the financial statements and board of directors’ report

Vantaa, 11 February 2009

Mikko J. Aro
Chairman of the board of directors

Karri Kaitue
Deputy Chairman of the board of directors

Tapani Järvinen
Member of the board of directors

Jarmo Niemi
Member of the board of directors

Pekka Salmi
Member of the board of directors

Henri Österlund
Member of the board of directors

Antti Rasilo
President

Auditor's report

To the Annual General Meeting of Okmetic Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Okmetic Oyj for the year ended on 31st December 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President

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

Auditor's Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the President have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

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

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

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

Helsinki, 11th February 2009

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Marjomaa
APA

Corporate governance

Okmetic Oyj, the parent company of Okmetic group, is a Finnish public limited company. Its registered office is in Vantaa, Finland.

Okmetic complies with the Finnish Companies Act, other relevant legislation, regulations concerning publicly traded companies, the articles of association and the Finnish Corporate Governance Code published in 2008.

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 have been defined in the Finnish Companies Act and Okmetic's articles of association.

The general meeting usually convenes once a year. In the general meeting, the shareholders decide on 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 convenes 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 the 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 notice of the general meeting.

The right to participate in the general meeting applies to shareholders who are included in the list of shareholders maintained by Euroclear Finland Ltd. at least 10 days before the general meeting. Shareholders can use their right to participate either personally or by proxy.

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

The president and the members of the board of directors are present at the general meeting. Persons who are nominated as 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 auditor is present at the annual general meeting.

The company is not aware of any shareholders' agreements.

Board of directors

Okmetic´s 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 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 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 at the annual general meeting of 2008. The extraordinary general meeting held on 6 November 2008 decided to increase the number of members on the board from five to six. The president of Okmetic is not a member of the board of directors.

Essential tasks of the board of directors include:

- the administration of the group and the appropriate arrangement of the operations, accounting and financial management
- deciding on the group's strategy and supervising its implementation
- approving the group's annual plans and any revisions to them
- deciding on investments and sales of assets that have strategic significance or that are extensive in scope
- deciding on significant financial arrangements and risk management
- preparing the agenda for the general meeting and ensuring the decisions of the general meeting are implemented
- deciding on appointing and, if appropriate, dismissing the company's president and the deputy to the president and establishing the conditions of their terms of office
- deciding incentive schemes for the group
- ensuring that the company's values are upheld.

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 3 April 2008, 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 -; Oy Airam Electric Ab, board member 1997 -; E. Ahlström Oy, board member 2007 -
- 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 Executive Committee 2005 -
- Okmetic Oyj, member and deputy chairman of the board 2005 -
- Key employment history: Outokumpu Oyj, Executive Vice President – Strategy and Business Development 2003 - 2004; Avesta-Polarit Oy, President – Coil Products 2003; AvestaPolarit Oy, Executive Vice President – Strategy and Business Development 2002 - 2003; Avesta-Polarit 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 -; Outotec Oyj, board member 2005 - , vice chairman 2006 -
- Does not own shares in the company

Tapani Järvinen, 1946, Lic.Sc. (Tech.)

- President and CEO of Outotec Oyj 2006 -
- Okmetic Oyj, member of the board 2008 -
- Key employment history: Outokumpu Technology, President and CEO 2003 - 2006; Outokumpu Oyj, Executive Vice President and member of the Group Executive Committee 2000 - 2005; Compañia Minera Zaldívar, Chile, General Manager and CEO 1994 - 2000; Outokumpu Copper S.A., Spain, President 1991 - 1994; Outokumpu Pori, Drawn Products Division, Vice President and General Manager 1989 - 1991; Outokumpu Pori, Drawing Mill, General Manager 1985 - 1989; Kone Corporation, Materials Handling Division, Marketing Manager 1983 - 1985; Kone Grúas, Mexico, Technical Director 1980 - 1983; Kone Corporation, Project Manager 1971 - 1980
- Key board memberships: Outotec Minerals Oy, chairman of the board 2003 -; Normet Oy, board member 2007 -; Metallinjalostajat ry, board member 2006 -; Dragon Mining NL, board member 2003 -; Outotec Tecnologia Brasil LTDA., board member 2004 -
- Does not own shares in the company

Jarmo Niemi, 1953, M.Sc. (Tech.)

- President and CEO of Tecnomen Oyj 2003 -
- Okmetic Oyj, member of the board 2008 -
- Key employment history: Aspocomp Group, President 1993 - 2003; Aspo Corporation, various management positions 1986 - 1993; Orion Corporation, Medion, various management positions 1981 - 1986
- Key board memberships: QPR Software Oyj, board member 2007 -
- 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 -; Panphonics Oy, board member 2003 -
- Does not own shares in the company

In addition, the following person was appointed to the board of directors on 6 November 2008:

Henri Österlund, 1971, M.Sc. (Econ.)

- CEO of Accendo Capital Partners Oy 2007 -
- Okmetic Oyj, member of the board 2008 -
- Key employment history: Conventum Corporate Finance, Partner 2003 - 2004; Conventum Corporate Finance, Executive Director 2002 - 2003; InterQuest, Executive Chairman 2000 - 2002; Triton, Partner 1999 - 2000; Doughty Hanson & Co, Associate 1995 - 1999; Landesbank Schleswig-Holstein, Trainee 1993 - 1994
- 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, Jarmo Niemi and Pekka Salmi are independent of any of the company's major shareholders.

The board of directors convenes when necessary. In 2008 a total of twelve meetings were held. The participation rate of the members of the board in board meetings amounted to 95 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 financing, for example.

President and deputy to the president

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

The president is responsible for ensuring that the business and day-to-day running of the group are arranged in adherence to existing laws and regulations and in accordance with the instructions and decisions of the board of directors. The president is also responsible for ensuring that the decisions of the board of directors are implemented as agreed. Antti Rasilo, M.Sc. (Tech.) has been acting as the president of the company since 2003.

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

Executive management group

Okmetic's executive management group consists of the president, the deputy to the 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, member of the board 2008 -, vice member 2004 - 2007
- Owns 12,800 shares in the company

Tapio Jämsä, 1958, M.Sc. (Tech.), Senior Vice President, Sourcing 2008 -
- Areas of responsibility: purchases, contract manufacturing, quality and environment
- With the company since 2008
- Key employment history: Kone Oyj, Sourcing Director 2006 - 2008; VTI Technologies Oy, Sourcing Director 2005 - 2006; Kone Oyj, Purchasing Director 2001 - 2005; Okmetic Oyj, Vice President, Vantaa Plant 1998 - 2001
- Does not own shares in the company

Jaakko Montonen, 1969, M.Sc. (Tech.), Senior Vice President, Production 2008 -
- Areas of responsibility: production, semiconductor wafer business
- With the company since 1994
- Key employment history: Okmetic Oyj, Process and Project Engineer, Development Engineer, Development Manager and Vice President 1994 - 2004, Senior Vice President, Product Development 2004 - 2007
- Owns 1,000 shares in the company

Mikko Montonen, 1965, M.Sc. (Tech.), Executive Vice President, Sales and deputy to the president 2008 -
- Areas of responsibility: sales, technology business
- With the company since 1991
- Key employment history: Okmetic Oyj, Process Equipment Engineer, Account Manager, Vice President 1991 - 2004, Senior Vice President, Sales and Marketing 2004 - 2007
- Owns 5,000 shares in the company

Esko Sipilä, 1948, M.Sc. (Econ.), Senior Vice President, Finance 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
- Owns 3,400 shares in the company

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
- Owns 500 shares in the company

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 Resources 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
- Owns 1,100 shares in the company

Anna-Riikka Vuorikari-Antikainen, 1965, M.Sc. (Tech.), Senior Vice President, Sensor Business and Product Development 2008 -

- Areas of responsibility: product development and marketing, sensor wafer business
- With the company since 1992
- Key employment history: Okmetic Oyj, Quality Engineer and Manager, Production Manager, Evaluations Manager, Planning Manager 1992 - 2006, Senior Vice President, Sensor Business Development 2006 - 2007
- Owns 1,000 shares in the company

Separate operational 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 sensor and semiconductor wafer businesses.

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 3 April 2008 decided on the following annual remuneration for the members of the board of directors: chairman of the board 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 the group's profitability, financial situation and operative performance. Operative targets are set individually from managerial level upwards. Bonuses for meeting personal targets are calculated as a percentage of the employees´ annual income. The bonuses account for between 15 and 50 percent of annual income depending on the personnel group.

The annual emoluments of the president and the executive management group comprise salaries and related benefits in kind as well as bonuses awarded in connection with the aforementioned incentive scheme of the group. The bonuses are awarded on the basis of annual profitability and cash flow targets set by the board of directors as well as personal operative performance targets. In 2008 and 2007, the maximum amount of bonus available was 50 percent of the annual income for the president and 30 percent 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 318,700 euro in 2008. The annual remuneration and perks awarded to the other members of the executive management group amounted to a total of 919,600 euro in 2008.

The pension benefits of the president and the members of the executive management group are determined on the basis of the Finnish Employee's Pensions Act. The 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 or their families have no business links with the company.

Risk management

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.

The group uses derivative financial instruments to reduce the adverse effects of changes in exchange rates, interest rates and energy prices.

Hedging requirements primarily arise from the US dollar, in relation to which the group´s sales income exceeds the amount of currency required for purchases. In terms of the dollar, the forecasted net cash flow for the near future (1 - 6 months) is hedged with currency forwards, also taking into account cash requirements. The condition is that the level of hedging exceeds 50 percent.

The group uses loan agreements which are tied to both a fixed reference rate of less than 12 months and a longer-term reference rate to hedge against changes in interest rates. Interest rate swap agreements are used if necessary.

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.

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 three years in duration.

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

Internal supervision, auditing of financial statements and internal auditing

The administration and supervision of the group's business activities are 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 president and the members of the executive management group are responsible for ensuring that the operations of the company are carried out in accordance with existing laws as well as other regulations, decisions of the board of directors and the operational principles of the company.

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

The achieving of set targets is monitored on a monthly basis with the help of a planning and monitoring system that covers the operational activities of all 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 auditor is appointed in the annual general meeting. The nominated auditor is disclosed in the notice of the annual general meeting or via a separate release, should the nominee not be known to the board of directors at the time of issuing the notice.

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

The accountancy firm PricewaterhouseCoopers is responsible for auditing of the companies included in the group worldwide. PricewaterhouseCoopers Oy is responsible for auditing the parent company Okmetic Oyj and the principal auditor is Authorised Public Accountant 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 135,200 euro in 2008, of which 112,200 euro originated from auditing.

Insider administration

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

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

The management can, if necessary, also appoint specific persons as temporary insiders in connection with a specific project. Project-specific insiders are employees who in the course of their duties or in connection with a 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.

Investor relations

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

All Okmetic's releases and presentation materials are available on the company website (www.okmetic.com) immediately after their publication. The information is published in both Finnish and English.

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

Board of directors

Mikko J. Aro
Chairman of the board,
member of the board 1999 -

Karri Kaitue
Deputy Chairman of the board,
member of the board 2005 -

Tapani Järvinen
Member of the board 2008 -

Jarmo Niemi
Member of the board 2008 -

Pekka Salmi
Member of the board in
1999 - 2001 and 2002 -

Henri Österlund
Member of the board 2008 -

Executive management group

Markku Tilli
Senior Vice President,
Research

Antti Rasilo
President

Esko Sipilä
Senior Vice President,
Finance

Jaakko Montonen
Senior Vice President,
Production

Anna-Riikka Vuorikari-Antikainen
Senior Vice President,
Product Development

Mikko Montonen
Executive Vice President,
Sales

Tapio Jämsä
Senior Vice President,
Sourcing

Markus Virtanen
Senior Vice President,
Human Resources

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 processed silicon wafer, which has semiconductor functions.

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

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; a 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.

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

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

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

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: Micro Electro Mechanical Systems.

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 materials and equipment industry. Okmetic is a member of the organisation.

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

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

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

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

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

SIRE: an insider register system.

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
iSuppli
WSTS
Yole Développement

Analysts

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

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An up-to-date list of analysts can be found in the Investors section of Okmetic's website at www.okmetic.com.

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