SENSING THE FUTURE

ANNUAL REPORT 2013

OKMETIC

OKMETIC IN BRIEF

Okmetic supplies innovative silicon-based solutions for the semiconductor industry, especially for sensor manufacturing. The company also sells its technological expertise. Okmetic is the world's leading sensor wafer manufacturer and a technological pioneer. The company has production plants in Finland and the United States, contract manufacturing in Japan and China, and sales offices in Japan and Hong Kong. In addition, the company's network of agents serves customers in China, Korea, Malaysia, Taiwan, and the United States. Okmetic, founded in 1985, is listed on NASDAQ OMX Helsinki.

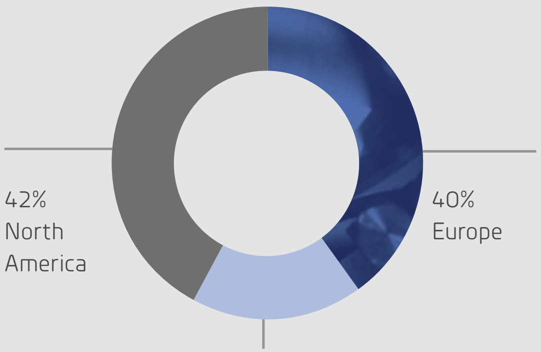
KEY FIGURES 2013

69
NET SALES, MILLION EURO

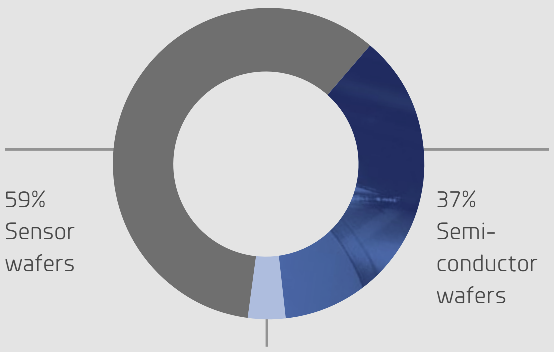
7.3
OPERATING PROFIT, % OF NET SALES

363
PERSONNEL, AVERAGE DURING THE YEAR

SALES PER MARKET AREA



SALES PER CUSTOMER AREA



1,000 euro	2013	2012
Net sales	68,516	83,074
Operating profit before depreciation and amortisation (EBITDA)	10,905	13,864
Operating profit	5,031	8,018
% of net sales	7.3	9.7
Profit for the period	3,842	5,089
Basic earnings per share, euro	0.23	0.31
Net cash flow from operating activities	9,726	9,425
Net interest-bearing liabilities	6,530	-1,688
Equity ratio, %	68.2	72.2
Average number of personnel during the period	363	368

CONTROLLED STRUCTURAL CHANGE IN A CHALLENGING MARKET

The year 2013 was a period of a structural change in Okmetic's business. The sales of solar materials, which accounted for a considerable share of net sales between 2004 and 2012, fell substantially as market prices slumped below the level required for profitable business. This change reduced the company's net sales by approximately 10 million euro compared to 2012.

Thanks to Okmetic's strategy of focusing on high added value wafers, the company again succeeded better than the rest of the silicon wafer market. The net sales of the company's silicon wafers dropped by 6.7 percent, whereas the value of the entire silicon wafer market dropped by approximately 13 percent. The average market price of wafers fell by more than ten percent for the second consecutive year.

Okmetic's most important product group, advanced sensor wafers, succeeded better than the rest of the company's silicon wafers in terms of sales. For the first time, net sales of sensor wafers exceeded 40 million euros (an increase of 2.6%). In contrast, sales of semiconductor wafers dropped drastically. Sales of sensor wafers accounted for as much as 59 percent of net sales. The sales margin of these wafers is higher than that of the semiconductor wafers and demand for them is more stable.

Of Okmetic's market areas, Europe had the best relative performance in 2013. The success in Europe is based on Okmetic's long-term focus, primarily on manufacturers of

Thanks to Okmetic's strategy of focusing on high added value wafers, the company again succeeded better than the rest of the silicon wafer market.

sensors for automotive and consumer electronics in the MEMS application market. Japan and the rest of Asia offered the most challenges; there sales of both silicon wafers and solar materials clearly dropped. In Japan and Asia some of Okmetic's most important customers were overstocked in early 2013, which resulted in order quantities that were lower than in 2012. In the North American market, Okmetic maintained its market position and development there was more balanced than in other market areas.

A plunge in sales of solar materials increased the company's working capital in the early part of the year. In the second half of the year, working capital was cut and restored to nearly the level of the end of 2012. Operative cash flow strengthened at the end of the year and reached a near record high thanks to de-stocking. These measures and some non-recurring items strongly affected operative profitability in the second half of the year and operating profit sank to 7.3 percent, which is under the long-term target of 10 percent. Operating profit of the past five years (2009–2013) was 9,6 percent of net sales, which is the best result in the silicon wafer industry in that period. The company also adjusted its fixed costs by approximately 10 percent compared to the fiscal year 2012.

The challenges facing the silicon wafer industry are expected to continue in 2014, when the effects of the devaluation of the Japanese Yen in 2013 will be transferred to silicon wafer prices throughout the world. Price competition has only a slight impact on Okmetic's sensor wafer business, however, the slump in prices will be felt more strongly in semiconductor wafers. The industry is forecasted to face a third consecutive year of steep price drop, which will increase the pressure for consolidation in the sector.

Okmetic's strategy remains unchanged. The main growth area is advanced sensor wafers, for which manufacturing capacity and capability are being vigorously increased regardless of economic trends. The fab lite business model provides Okmetic with the flexibility to respond to rapidly changing demand in the market. The balance sheet and financial situation are healthy and the company has excellent prerequisites for developing its business in line with the strategy, even in challenging markets.

I wish to thank our competent personnel, customers, shareholders and other stakeholders for their trust, which is the prerequisite for business success. We will do our utmost to be worthy of your trust in the future as well.

Vantaa, February 2014

Kai Seikku
President

OKMETIC'S CORE COMPETENCIES

CRYSTAL GROWING

MANUFACTURING OF ADVANCED SENSOR WAFERS

CUSTOMER RELATIONSHIPS

STRATEGIC CHOICES

Customers

Okmetic supplies tailor-made silicon wafers for the semiconductor industry, especially for sensor manufacturing. The company produces solutions that enhance its customers' competitiveness and profitability.

Objectives

Okmetic's strategic objective is profitable growth, based on the company's core competencies and on the commercialisation of long-term product development schemes. The targets of the company are organic net sales growth of a minimum of 10 percent annually, and operating profit corresponding to more than 10 percent of net sales.

Prerequisites

Personnel's know-how, efficient and flexible in-house production, reliable contract manufacturers as well as worldwide sales network create the prerequisites for profitable growth. Contract manufacturing enhances flexibility of the production capacity.

OKMETIC'S VISION

GLOBAL MARKET LEADER

To be the global market leader and technological pioneer in silicon-based solutions in its chosen customer areas

BEST PARTNER

To be the best partner for the customers

INSPIRING WORKPLACE

To offer an inspiring and challenging high-tech workplace for its personnel

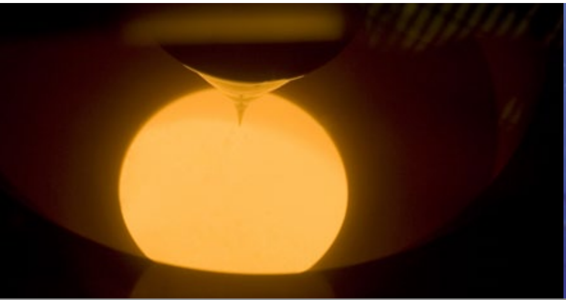
PROFITABLE GROWTH

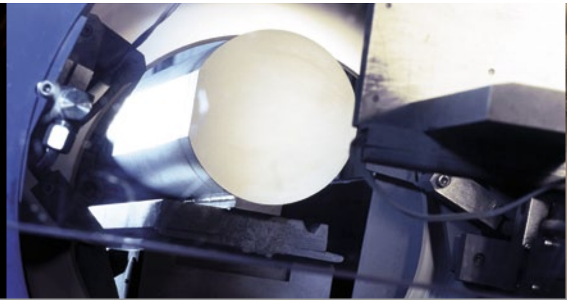
To grow profitably and add shareholder value

THE VALUES GUIDING OKMETIC'S OPERATIONS

Customer orientation and co-operation / Know-how and continuous improvement / Profitability

PRODUCTION OF A SILICON WAFER





1 CRYSTAL GROWING

Manufacture of a silicon wafer begins by growing a crystal from ultra-pure polycrystalline silicon. Many of the wafer´s properties are determined in crystal growing.

2 CUTTING AND SLICING

The crystal is then cut, ground and sliced into wafers according to customer´s specifications.

3 PROCESSING

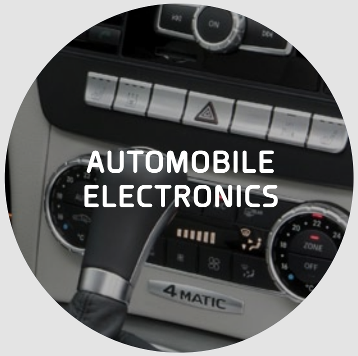
Next, the wafer is processed mechanically and chemically with extreme precision to achieve the properties predefined by the customer.

4 FINAL INSPECTION

After careful inspection, the wafers are then packed and shipped to the customers to be used as raw material for sensor and semiconductor components.

CUSTOMERS' END PRODUCTS

Okmetic's customers manufacture the components either on top of or inside the silicon wafers. Finally, the components are packed and installed in end products.



CUSTOMERS AND MARKETS

Okmetic's silicon wafers serve as a platform for a wide variety of products and applications. The increasing use of mobile devices and their versatile functionalities increase the demand for advanced sensor components. Okmetic is the market leader in supplying silicon wafers to the sensor industry. Even in the challenging year of 2013, the company increased its sensor wafer shipments.

In 2013, the sales value of the sensor industry grew by 6–12 percent, according to different estimates. The increasing use of micro sensors in many consumer electronics products has accelerated sensor sales growth. The growing amount of smart features in cars is also based on sensor technology. New cars monitor the lines a driver uses, the distance to others in traffic and, if necessary, can initiate corrective actions on behalf of the driver. The sensors manufactured by Okmetic's customers are also used in industrial process control and medical applications.

In 2013, the growth in the shipment volumes of silicon-based microphones was particularly strong. Demand also increased for pressure sensors, accelerometers, gyroscopes and micromechanical filters. In the manufacture of those products and others, the use of silicon-on-insulator (SOI) technology is increasing. Okmetic is an industry pioneer in SOI wafers for the sensor industry. The value of Okmetic's sensor wafer shipments increased by 2.5 percent in 2013. The share of sensor wafers in Okmetic's net sales is approximately 60 percent.

The sales of semiconductors began to grow in the second half of 2013. Mobile, wireless applications and positive development in automotive electronics accelerated the sales of semiconductors. Strong growth in the sales of memory ICs in 2013 (+17.6%, SIA) contributed to the 4.4 to 4.9 percent increase in the entire semiconductor sector. However, the sales of the components most important to Okmetic, the discrete and power semiconductors, decreased for the second consecutive year (by approximately 6%, IHS). The value of Okmetic's semiconductor wafer shipments decreased by 18.4 percent in 2013 due to the challenging competitive environment, a general drop in average prices and the over-stocking situation of a major customer in the beginning of the year.

Okmetic's strategy is to be a reliable, quick and flexible niche supplier of wafers to semiconductor customers. The company's key expertise is in wafers that are used as a platform for discrete and power semiconductors as well as solutions related to improving power feed and efficiency.

The solar cell industry is struggling with excess capacity. Profitable growing of solar crystals was not possible due to lowered price level, and consequently, Okmetic's Other business sales consisting of solar materials considerably decreased in 2013.

Okmetic has a global sales network serving manufacturers of sensors and semiconductors in North America, Europe and Asia. In 2013, Okmetic's sales in Europe experienced strong growth. There is a large sensor manufacturing industry in Europe.

CUSTOMER INDUSTRIES CONTINUE TO GROW

In 2014, the sales value of the sensor industry is estimated to increase by 8–11 percent, and in the following years annual growth of 8–13 percent is predicted. The semiconductor market is estimated to increase by 5–8 percent in 2014, and the growth is expected to continue in 2015. In the market most essential to Okmetic, i.e. wireless applications and semiconductors for automotive electronics, the outlook is more positive than on average. Demand for silicon wafers, measured in surface area, is estimated to grow by approximately 6 percent annually between 2014 and 2016.

SOLAR CELLS WORTH

30

KW CAN BE PRODUCED OF ONE SILICON CRYSTAL

TUULI LAIHONEN, MSc (Tech.), works as a production engineer for crystal growth and silicon recycling. She currently supervises 27 crystal growers and six silicon recycling operators, and is also in charge of occupational safety, know-how and operational cost efficiency in her area. "My typical workday consists of production line management and human resource control and guidance. I work in close co-operation with employees, maintenance staff, process engineers and other production supervisors," says Laihonen.

Laihonen has been with Okmetic for 13 years, and during that time she has worked on various engineering tasks, for example, in the cleanroom and wafer etching. "The best things about Okmetic are the feeling of continual advancement and great co-workers."

PRODUCTS AND PRODUCT DEVELOPMENT

Okmetic's product development is driven by customer needs and technological development. In 2013, the company introduced several new value-added products and increased its production capacity. Okmetic spent 4.1 percent of its net sales on research and development.

Okmetic's extensive selection of wafers includes an optimal platform for even the most demanding sensors and semiconductors. The product portfolio contains 100–200mm diameter single- and double-side polished wafers, SOI wafers, as well as wafers with epitaxial layers of various thicknesses. The electrical and mechanical properties of the wafers are always customised according to the customer's requirements.

Okmetic continued to improve the capability of its CZ crystal growing, enabling crystals to be grown with higher and lower resistivity than before. This has increased the variety of crystal materials and expanded the product range on offer to manufacturers of MEMS sensors and power management circuits even further. Okmetic can now produce crystal material with resistivity of over 5 kOhm-cm, which brings significant benefits to customers by enabling minimisation of power losses in their end products. In this area, Okmetic has a clear leading-edge technology. Development work in crystal growing and in advanced silicon wafers further strengthened the company's position in the growing market of power management.

New crystal materials have also increased possibilities in SOI production, thus expanding Okmetic's SOI product family for MEMS sensor manufacturers. The capability of SOI products was further improved in qualities that are pivotal for customers, such as layer thickness. The capabilities of advanced C-SOI (Cavity SOI) wafers were also further enhanced. In bonded SOI wafers, Okmetic's 200mm SOI products are pioneers in uniformity of layer thickness.

Regarding epitaxial wafers, most progress was made in wafers with a thick epi layer.

CONTINUOUS DEVELOPMENT THROUGHOUT THE MANUFACTURING PROCESS

The right kind of product portfolio, an effective and flexible manufacturing process, and sufficient production capacity are among the factors which are critical to Okmetic's success. The work to improve these factors is continuous at Okmetic, and it is often carried out in close co-operation with customers.

In 2013, product and process performance was improved through Lean and Six Sigma methods as well as new, increasingly effective equipment. Supply chain functionality and management were also further enhanced. An agile and flexible supply chain, which also contains fab lite capacity, makes it easier to manage the market cycles and ensures high-quality operations in all situations.

Synergies between different product areas enable Okmetic's extensive product range and operation in several different application areas. The same know-how, equipment, and production lines can be flexibly applied to the manufacture of products.

RESEARCH IN SEVERAL ARENAS

In 2013, Okmetic, in conjunction with Finnish and foreign universities and research institutions, continued its long-term research into silicon material. The company also participated in many national and EU-funded technology projects. The European research project ESiP (Efficient Silicon Multi-Chip System-in-Package Integration – Reliability, Failure Analysis and Test) is worthy of special mention because, as a partner in this project, Okmetic won the ENIAC Innovation Award 2013.

The company collaborated with VTT Technical Research Centre and Aalto University in Finland, Institute of Microelectronics in Singapore and different units of Fraunhofer Institute, among others. Okmetic also participated in events for members of sensor and semiconductor associations and actively worked in the MemsCat cluster, of which the company is a founding member.

Research collaboration with various parties and participation in technology projects is especially important because it helps Okmetic identify the most significant technology trends likely to occur in the future and also aids the recognition of changes in the market in good time, enabling the development of the company's product portfolio and processes accordingly.

11

OF OKMETIC'S EMPLOYEES HOLD A DOCTORAL DEGREE

(DSC (TECH.)/PHD)

AAPO LANKINEN, DSc (Tech.), works as a process development engineer in wafering. "I work on development projects related to silicon cutting. In other words, I design methods to cut silicon bars into wafers in a more efficient, more precise and more reliable manner. The duration of the projects varies from a few days to several years."

"I like the fact that no two workdays are alike. Okmetic's fast-evolving, extensive product range continually brings new kinds of challenges – there is no need to dwell on the same problems from one year to the next. Many of the product development issues Okmetic conducts research on are at the forefront of scientific development, so an academic education can really be put to good use here," says Lankinen.

PERSONNEL, QUALITY AND ENVIRONMENT

In a challenging business environment, the motivation of personnel and the quality of operations are emphasized. The key focus areas in 2013 were co-operation, the early support model and ergonomics in production. Operational processes and procedures to prevent errors in the operational system were further developed.

In order to further improve Okmetic's production and operational efficiency, the team leaders in production started a two-year training programme leading to a Specialist Qualification in Technology. Additionally, management skills were polished through supervisor training sessions. In order to further increase the personnel's know-how, professional training for production employees and a training portal for the individual study of office programmes were provided. The management and the assessment of processes were developed, and the role of the process owners was clarified. Professional competences and the possession of multiple skills are especially important to Okmetic because they make it possible to direct the workforce to different areas of production, according to the prevailing workload levels.

INVESTMENTS IN PERSONNEL WELL-BEING

One of the key objectives of developing well-being at work is taking care of the personnel's physical condition and mental vitality. Okmetic works in close co-operation with the occupational health care service provider. The company's personnel forum organised a training day that focused on increasing openness and efficiency of its work, and looking for answers to working capacity management and well-being at work. The early support model was further developed together with employees and health care representatives. In 2013, practical measures included, among others, the periodic physical examinations of personnel, eyesight tests, encouraging the use of the gym, improving the ergonomics of workstations as well as promoting activities of the senior club for employees over fifty-years-old. In addition, Okmetic's recreation committee organised various sports and cultural activities.

The safety of the work environment also has a significant impact on well-being at work. Okmetic's operations are based on the principle that even one accident is too much. Accidents at work and close-call situations are communicated widely within the company, so that such situations can be prevented in the future. In 2013, Okmetic joined the Haastamme (We challenge) occupational safety campaign arranged by the Federation of Finnish Technology Industries.

AUDITS SHOW OKMETIC'S RESPONSIBLE AND HIGH-QUALITY OPERATIONS

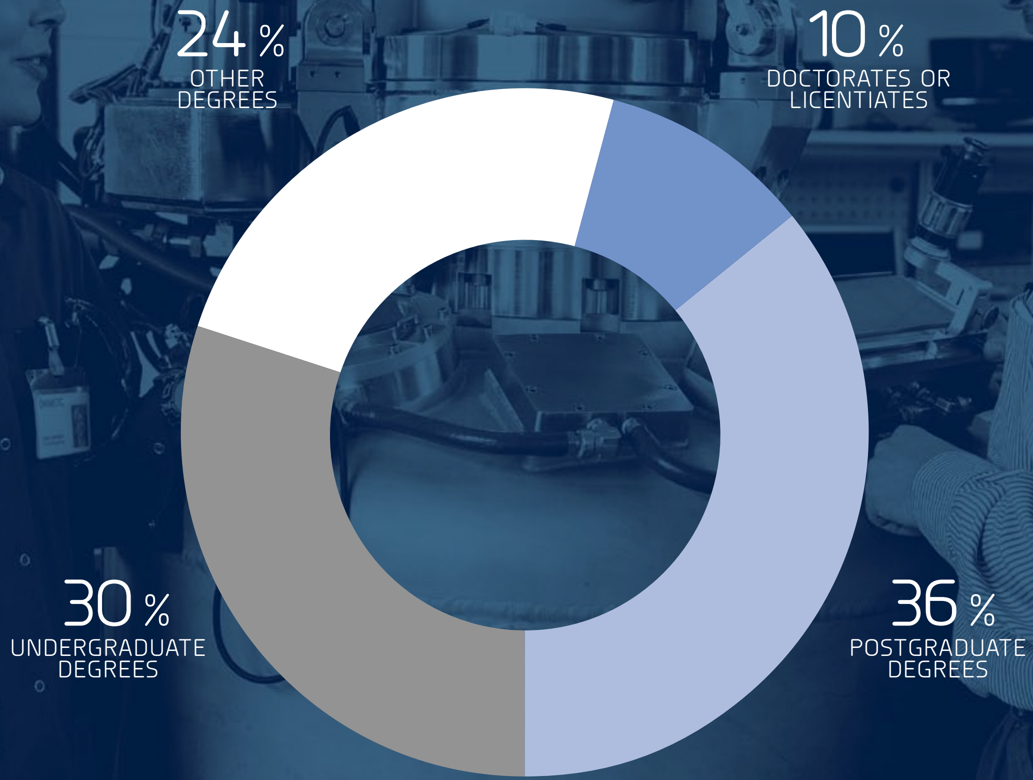
The principles of sustainable development and high-quality operating methods are an integral part of Okmetic's daily operations and management system. Every Okmetician contributes to meeting the objectives set in these areas. Okmetic also develops the quality and eco-friendliness of its operations in close collaboration with its customers, for example, through audits. In 2013, a record amount of 11 customer audits were carried out at Okmetic. In all the scored customer audits performed, Okmetic reached a level of over 90 percent (of a maximum of 100 %).

Okmetic selected the Electronic Industry Citizenship Coalition (EICC®) Code of Conduct as a guide for corporate responsibility in its operations. Regarding the environmental programme, the company focused on making the use of polycrystalline silicon more effective.

Okmetic uses quality and environmental systems in accordance with ISO 9001:2008, ISO 14001:2004, and TS 16949:2009 standards. Okmetic's operations also comply with the requirements set by the REACH regulation, RoHS directive, and GADSL.

.

EDUCATIONAL BACKGROUND OF WHITE-COLLAR EMPLOYEES



UP TO 50,000

MICROCHIPS CAN BE PRODUCED OF ONE MEMS WAFER

JAAKKO HOVI came to Okmetic in 1997 and soon started at the brand-new Vantaa plant. During his long career at Okmetic, Hovi has acquired extensive know-how in many production tasks. Today, he works as a wire cutter and team leader. A grown silicon crystal is valuable, and efforts are made to use it to the fullest extent possible. “It is important to carry out all the preparatory phases of the cutting process with extreme care as it is difficult to make changes while cutting is underway,” says Hovi. “Orienting of crystal, gluing, washing of cut wafers, cassetting and measurements as well as numerous user maintenance tasks make the wire cutter’s job versatile.”

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR OKMETIC OYJ IN 2013

CONTENTS

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

Unless otherwise stated, figures in parenthesis refer to the corresponding period in the previous year.

BOARD OF DIRECTORS' REPORT

Okmetic is a technology company which supplies tailor-made silicon wafers for sensor and semiconductor industries and sells its technological expertise. Since the beginning of 2013, technology business is reported under the title "Other business".

Okmetic is a global market leader in sensor wafers that are used as platform for demanding silicon-based MEMS sensors. Many significant sensor manufacturers in North America, Europe, and Asia are Okmetic's customers. The company provides its customers with solutions that boost their competitiveness and profitability.

The company's products are based on high-tech expertise that generates added value for customers, on innovative product development, and on efficient production process. Okmetic supplies silicon wafers with a diameter of 100–200mm to sensor and semiconductor industries.

Okmetic has a global customer base and sales network. The company has production plants in Finland and the US, sales offices in Japan and Hong Kong, and contract manufacturers in Japan and China, which operate according to fab lite principle. The globally operating supply chain is based on in-house crystal growing as well as on in-house and outsourced silicon wafer manufacturing.

The company targets an organic net sales growth of a minimum of 10 percent annually and an operating profit corresponding to more than 10 percent of net sales.

MARKETS

Customer industries sensor and semiconductor industries

Sensor industry

According to different estimates, the sales value of sensor industry increased by 6–12 percent in 2013 compared to the previous year. The increasing use of micro sensors in many consumer electronics products has accelerated sensor sales growth. In 2014, the sales value of sensor industry is estimated to grow by 8–11 percent, and annual growth of 8–13 percent is forecasted for the next few years. In terms of volume, sensor shipments are likely to clearly rise to a new record in 2014. (IHS, Yole)

Certain silicon-based microelectromechanical (MEMS) products within the sensor segment have higher sales growth than the others. The shipment volumes of silicon-based microphones experienced particularly strong growth in 2013 (IHS). Also, the demand for pressure sensors, accelerometers, gyroscopes, and micromechanical filters increased. Silicon-on-insulator (SOI) technology is increasingly used in the manufacture of these products, among others. Okmetic is a pioneering supplier of SOI wafers for the sensor industry.

Semiconductor industry

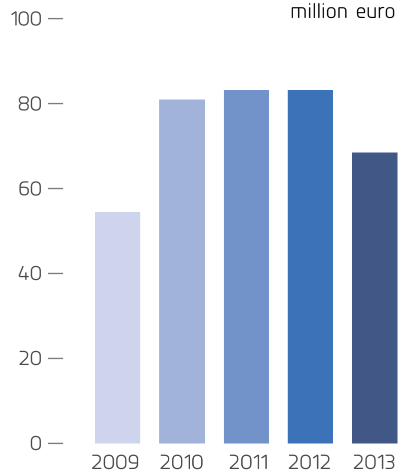
The global semiconductor industry's sales in US dollars continued to grow in the last quarter of 2013. Sales in October–December exceeded those of the corresponding period in 2012 by seven percent (SIA). Annual sales in 2013 reached a new record. The estimates settle between 304 – 318 billion US dollars, corresponding to an annual growth of 4.4–4.9 percent (WSTS, SIA, IHS, Cowan LRA).

KEY FIGURES

1,000 euro	2013	2012	2011
Net sales	68,516	83,074	83,186
Operating profit before depreciation and amortisation (EBITDA)	10,905	13,864	18,069
Operating profit	5,031	8,018	11,817
% of net sales	7.3	9.7	14.2
Profit for the period	3,842	5,089	10,235
Basic earnings per share, euro	0.23	0.31	0.61
Net cash flow from operating activities	9,726	9,425	11,691
Net interest-bearing liabilities	6,530	-1,688	-10,257
Equity ratio, %	68.2	72.2	78.9
Average number of personnel during the period	363	368	363

NET SALES

million euro



Semiconductor industry is estimated to continue on a clear growth track. The market is forecasted to grow 5–8 percent in 2014, and the growth is anticipated to continue in 2015 (WSTS, Gartner, IHS, IC Insights). In particular, portable wireless applications play a key role in the growth of semiconductors. For the market that is key to Okmetic, semiconductors for wireless applications and automotive electronics, among others, the outlook is more positive than the market average (WSTS).

Silicon wafer market

According to the estimate published by SMG, the group of silicon wafer suppliers in SEMI (a global umbrella organisation for semiconductor materials and equipment industry), the surface area of silicon wafer shipments grew 0.4 percent in 2013. In the fourth quarter, shipments were 5.7 percent lower than in the third quarter, but 2.2 percent higher than in the fourth quarter of 2012 (in surface area). In years 2014–2016, surface area is estimated to grow around 6 percent annually (Infiniti Research, SEMI).

Total value of the silicon wafer market in US dollars decreased by 13 percent in 2013 (SMG) due to declined average sales prices and weakening of the Japanese yen.

The key customer areas for Okmetic in the silicon wafer market

In line with its strategy, Okmetic seeks niches in the silicon wafer market, where growth exceeds market average and in which the company has special expertise. Okmetic supplies primarily 150mm and 200mm wafers. The sensor/MEMS industry is a key growth area for Okmetic. MEMS market grows as portable consumer products, automotive electronics, and industrial process control increase.

In the semiconductor market, Okmetic's growth areas include wafers for production of discrete and power semiconductors. In these wafer markets, areas for growth include, among others, components used in the production of renewable energy, increasing automotive electronics, portable consumer products, as well as different solutions related to power supply and efficiency improvement.

SALES

In 2013, Okmetic's net sales decreased by 17.5 percent (down 0.1%) from the previous year amounting to 68.5 (83.1) million euro. Other business sales diminished significantly and amounted to 2.5 (12.3) million euro in year 2013. Value of sensor wafer shipments grew by 2.5 percent, while shipment value of semiconductor wafers decreased by 18.4 percent.

SALES PER CUSTOMER AREA

	1 Jan–31 Dec, 2013	1 Jan–31 Dec, 2012	1 Jan–31 Dec, 2011
Sensor wafers	59%	47%	46%
Semiconductor wafers	37%	38%	35%
Other business	4%	15%	19%

Sensor wafer sales grew in 2013 compared to the previous year. The demand for sensor wafers was at a good level throughout the whole year. The rise in production and shipment volumes of the strategically important SOI wafers in the second half of the year was particularly positive. The use of sensors and their requirement level are expected to continue growing. Sensor applications are increasing in the automotive industry, and especially in consumer electronics products like smartphones, cameras, game consoles, and other mobile devices.

The sales of Okmetic's semiconductor wafers decreased in 2013 in line with the general market development. The demand was weak in the first quarter, but improved in the second as well as in third quarter. In the fourth quarter, the semiconductor wafer sales declined, in line with the normal seasonal fluctuation. The third quarter was the best in sales, which is typical of the industry.

Other business sales dropped clearly in 2013 from the level in the previous year. The declined price level in the solar cell industry did not enable profitable growing of solar crystals.

SALES PER MARKET AREA

	1 Jan–31 Dec, 2013	1 Jan–31 Dec, 2012	1 Jan–31 Dec, 2011
North America	42%	37%	37%
Europe	40%	27%	30%
Asia	18%	35%	33%

In Europe, Okmetic's sales saw strong growth in 2013, thanks to solid demand for sensor wafers. North American and Asian sales decreased. The decrease of sales in Asia was largely due to the drop in Other business sales (earlier, technology sales formed a significant portion of sales in Asia), but also silicon wafer sales were weak in Asia.

PROFITABILITY

In January–December, Okmetic's operating profit was 5.0 (8.0) million euro and accounted for 7.3 (9.7) percent of net sales. Diminished operating profit was due to lower sales and price level in Other business. Solid demand for sensor wafers and adjustment of fixed costs softened the impact of declined sales on operating profit and profitability. Profit for the period was 3.8 (5.1) million euro.

The reduction in the Finnish corporate tax rate in 2014 decreased the group's deferred tax liabilities by 0.5 million euro, which had a positive impact on profit for the period. The group's effective tax rate in 2013 was 12.7 percent. In addition to the reduction in the corporate tax rate in 2014, this was due to the additional tax depreciations utilized in full on the 2013 machinery and equipment investments and the additional tax deductions of R&D salary expenses.

Basic earnings per share was 0.23 (0.31) euro. Diluted earnings per share was 0.22 (0.30) euro.

FINANCING

The company's financial situation is solid. In 2013, net cash flow from operations amounted to 9.7 (9.4) million euro. The net cash generated from operating activities was especially good in the second half, totalling 8.4 (7.8) million euro. Cash flow from operations improved by 4.9 million euro in the second half of the year, as all items under working capital developed favourably. For the whole year 2013, working capital increased by 2.1 million euro.

On 31 December 2013, the company's interest-bearing liabilities amounted to 11.7 (5.6) million euro. In January 2013, Okmetic announced that it has signed a five-year loan agreement for 10 million euro. The loan is used for the earlier announced investments and general corporate purposes. At the end of the reporting period, the amount of the loan outstanding was 9 million euro.

At the end of 2013, cash and cash equivalents amounted to 5.2 (7.3) million euro. On 31 December 2013, the company's cash and cash equivalents totalled 6.5 million euro less than the interest-bearing liabilities (on 31 December 2012, cash and cash equivalents were 1.7 million euro higher than interest-bearing liabilities). The group has ensured liquidity with committed credit facilities of 6.0 million euro. On 31 December 2013, the committed credit facilities were unused.

Return on equity amounted to 6.4 (8.3) percent. At the end of the year, the company's equity ratio was 68.2 (72.2) percent. Equity per share was 3.43 (3.72) euro.

CAPITAL EXPENDITURE

In 2013, Okmetic's capital expenditure amounted to 7.6 (14.3) million euro. The investments were directed to debottlenecking and automatisation of wafer production lines as well as expansion of the Vantaa plant. The expansion increases capacity for SOI and 200mm wafers in Vantaa.

PRODUCT DEVELOPMENT

In 2013, the company expensed 2.8 (2.3) million euro in product development projects. Product development costs accounted for 4.1 (2.8) percent of net sales and were not capitalised.

Okmetic's wafer range kept growing in 2013. The company focused, in particular, on products used in the manufacture of MEMS sensors and power management circuits by expanding the SOI product family and by improving the capability in crystal growing to enable growing of crystals with higher and lower resistivity than earlier. In epi-production, progress was made especially in wafers with a thick epi layer.

In 2013, Okmetic continued its long-term research of silicon material with universities and research institutions in Finland and abroad, and participated in several national and EU-funded technology projects. The company collaborated, among others, with VTT Technical Research Centre of Finland, Aalto University, Institute of Microelectronics and Fraunhofer Institute, as well as participated in member events of sensor and semiconductor associations. In Finland, Okmetic worked actively in the MemsCat-cluster, in which the company is a founding member.

PERSONNEL

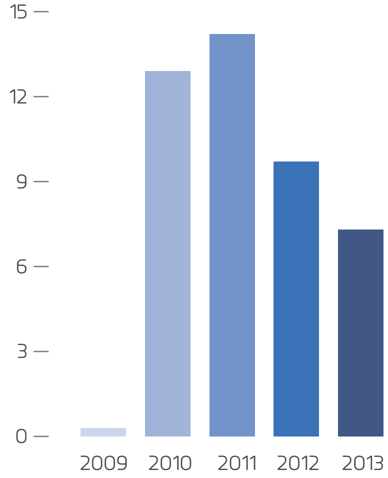
Competent, motivated and content personnel is a prerequisite for Okmetic's growth and success. This is described in the values as well as in the human resources and quality policies of the company.

On average, Okmetic employed 363 (368) people in 2013. At the end of the year, Okmetic employed 355 (364) people of which 310 worked in Finland, 39 in the US, five in Japan, and one in Hong Kong.

Women accounted for 26 (26) percent and men 74 (74) percent of the personnel. White-collar employees accounted for 38 (36) percent and blue-collar employees for 62 (64) percent of the personnel. The average age of Okmetic's employees was 44 (43) years and the average length of employment was 11.6 (10.9) years.

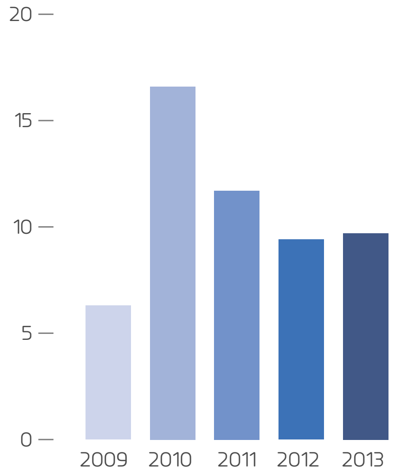
OPERATING PROFIT

% of net sales



NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES

million euro



Throughout the organization, salaries and bonuses are based on the level of skills required in each position. In 2013, salaries and bonuses amounted to 20.3 (21.4) million euro including 0.2 (0.4) million euro expenses of the share reward schemes. 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. The possible production bonuses for blue-collar employees are paid monthly according to the achievement of set targets. White-collar employees are subject to a profit-sharing scheme, which is based on annual targets set by the board of directors relating to the group's profitability, financial situation, and operative performance.

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

ENVIRONMENTAL ISSUES

Okmetic recognises the environmental risks associated with its operations. The company devises both a universal risk management plan and plans for individual processes. Ecologically sustainable operations support Okmetic's competitiveness and profitability.

Measures devised for eliminating environmental risks are integrated to Okmetic's operational processes. Environmental considerations are factored into the development of products and operations in line with continuous improvement principles. Planning of preventive measures is a fundamental part of environmental risk management.

Okmetic follows the development of environmental legislation both in Finland and internationally, and adjusts its operations to meet the regulations.

In October 2012, Okmetic submitted an application for the renewal of the Vantaa plant's environmental permit, as scheduled. The environmental authority approved the application in June 2013.

Okmetic's environmental programme had two objectives in 2013: saving silicon material with the new wire saw in production and replacing chromium trioxide in the laboratory. The first objective was reached, while work with the second objective continues in 2014.

Okmetic follows the chemical regulations of the European Union (REACH) and all Okmetic's products meet the requirements set in the RoHS-directive.

Okmetic has ISO 9001:2008, TS 16949:2009, and ISO 14001:2004 certified quality and environmental systems both at Vantaa and Allen plants. Okmetic expects its most important subcontractors and suppliers to comply with the ISO 9001 and ISO 14001 certifications.

Okmetic had no major environmental non-conformities in 2013. Okmetic's environmental management methods were found to match the high requirement level of international customer companies. The company is not subject to emissions trading regulations.

The company has assessed its consumption of energy, use of polysilicon, amount of acid waste as well as consumption of water and chemicals to have a significant environmental impact. The development of these factors is monitored regularly.

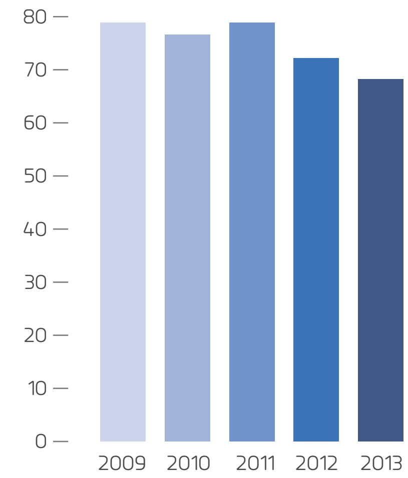
The key figures related to environmental protection at the Vantaa plant in 2013 are as follows:

	2013	2012
Energy consumption (GWh)		
Electricity	28.5	31.9
District heating	5.1	2.5
Water consumption (tm³)		
Water	590	563
Waste water	496	473
Waste volumes (tn)		
Hazardous waste	254	346
Landfill waste	-	-
Recycled waste	368	314

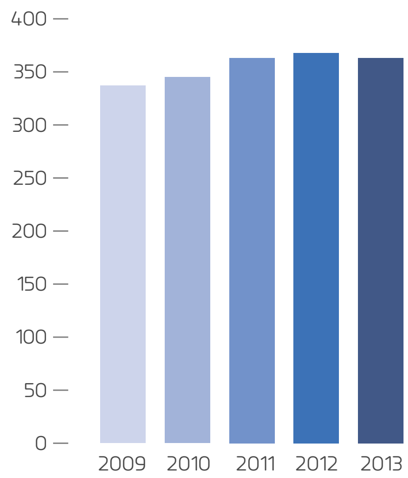
Okmetic does not publish a separate environmental report in addition to the annual report.

EQUITY RATIO

%



AVERAGE NUMBER OF PERSONNEL



BUSINESS RISKS

There have been no significant changes in the company's near future business risks and uncertainties.

Okmetic's business is confronted by risks, which can be derived from the company's operations or changes in its operating environment. The risks that can have an adverse effect on the company's business and valuation are described below.

Okmetic's silicon wafer sales are targeted at the sensor and semiconductor producers in the electronics industry. 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. The proliferation of sensors in consumer electronics applications may, however, increase the susceptibility of this market too to economic fluctuations. Other business sales have in recent years been mainly sales of solar materials to the solar cell industry. Okmetic has existing polysilicon purchasing obligations partly until 2015. Since the price level of the solar cell market has dropped, the validity of long-term polysilicon contracts typical of the industry may cause a price risk.

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 company has considerable pricing power only with its own special products. The pricing of other wafers is mainly based on global market price.

Okmetic operates globally, and therefore the company's business is affected by risks due to exchange rate fluctuations, consisting of the cash flows of purchases and sales. A significant part of sales are conducted in US dollars. Despite hedging, the company remains exposed to exchange rate fluctuations.

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

SHARES AND SHAREHOLDERS

On 31 December 2013, Okmetic Oyj's paid-up share capital, as entered in the Finnish Trade Register, was 11,821,250.00 euro. The number of shares was 17,287,500. 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.

SHARE PRICE DEVELOPMENT AND TRADING

A total of 3.4 (3.3) million shares were traded between 1 January and 31 December 2013, representing 19.6 (19.3) percent of the weighted average of share total of 17.3 (17.3) million during the period. The lowest quotation of the reporting period was 4.25 (4.21) euro, and the highest 5.66 (6.01) euro, with the average being 4.92 (5.25) euro. The closing quotation for the period was 4.82 (5.02) euro. At the end of the period, the market capitalisation amounted to 83.3 (86.8) million euro.

Okmetic is listed on the Small Cap list of NASDAQ OMX Helsinki Ltd. under the trading code OKM1V. According to the International Classification Benchmark (ICB) of the exchange, Okmetic Oyj is listed under the Technology Industry.

DIVIDENDS PAID

In April 2013, the company distributed a dividend of 4.3 million euro for the year 2012 (including dividends distributed to Okmetic Management Oy, a total of 0.1 million euro). The dividend was 0.25 euro per share.

In December 2013, the company distributed an additional dividend of 3.2 million euro (including dividends distributed to Okmetic Management Oy, a total of 0.1 million euro). The dividend was 0.19 euro per share.

In April 2012, the company distributed a dividend of 4.8 million euro of the profit accrued in 2011 (including the 0.1 million euro dividend paid for Okmetic Management Oy). The dividend was 0.28 euro per share.

US DOLLAR PRICE DEVELOPMENT

MAJOR SHAREHOLDERS ON 31 DEC 2013

Shareholders	Shares, pcs	Share, %
Ilmarinen Mutual Pension Insurance Company	1,549,985	9.0
Oy Ingman Finance Ab	870,000	5.0
Mandatum Life Insurance Company Limited	800,000	4.6
The State Pension Fund	600,000	3.5
Nordea Nordic Small Cap Fund	528,810	3.1
Varma Mutual Pension Insurance Company	477,175	2.8
Etra-Invest Oy Ab	400,000	2.3
Okmetic Management Oy	400,000	2.3
Investment Fund Taaleritehdas Arvo Markka Osake	225,100	1.3
Kaleva Mutual Pension Insurance Company	212,700	1.2
Foreign investors and nominee accounts held by custodian banks	2,882,366	16.7
Others	8,341,364	48.3
Total	17,287,500	100.0

OWN SHARES AND DIRECTED SHARE ISSUES

On 12 February 2013, Okmetic's board of directors decided on a transfer of 18,540 own shares held by the company, as a part of the company's share-based incentive scheme for the executive management group, of which the company has given a stock exchange release on 18 February 2012. All the shares were issued to the members of the executive management group in deviation from the shareholders' pre-emptive rights (directed share issue). The rewards of the share reward programme were paid in Okmetic shares and in a monetary amount covering taxes.

Based on the authorisation of the annual general meeting, Okmetic Oyj transferred a total of 15,283 shares to the board members as payment of the annual remuneration on 10 May 2013.

At the end of the year, the company held a total of 194,123 (227,946) own shares, which is approximately 1.1 (1.3) percent of Okmetic's all shares and votes.

RELATED PARTY TRANSACTIONS

Related party transactions have been described in note 26 to the consolidated financial statements.

SHORT-TERM OUTLOOK

In 2014, the demand for semiconductors is expected to continue on its growth track, which started in the second half of 2013. Volume growth is also expected for the silicon wafer market in 2014, but the average price level of wafers is expected to further decline.

Demand for Okmetic's sensor wafers is estimated to grow from the previous year, and the sales and price level of sensor wafers are expected to be fairly stable throughout the year. Prices of semiconductor wafers are hit by the weakened Japanese yen. The demand is expected to pick up compared to 2013. In accordance with normal seasonal fluctuation, the demand for semiconductor wafers is strongest in the second and third quarters of the year. Other business sales are not expected to materially differ from the low level of 2013.

In 2014, net sales and operating profit are estimated to exceed the level of year 2013.

OTHER EVENTS DURING THE FINANCIAL YEAR

Okmetic's board of directors decided on 11 February 2013 on the share reward program for the executive management group for 2013 as a part of the company's incentive and commitment plan. The purpose of the program is to commit and encourage the executive management group to grow the shareholder value in the long run. The possible rewards of the share reward program will be paid in Okmetic shares and in a monetary amount covering taxes in accordance with reaching the set targets. The amount of the rewards corresponds to a maximum of 150,000 shares. In addition, a monetary amount covering taxes will be paid.

On 27 November 2013, Atte Haapalinna, D. Sc. (Tech.), was appointed member of the executive management group, customer support and new business development as areas of responsibility. Haapalinna assumed the role on 1 January 2014. He has worked for Okmetic since 1998 in several positions.

Senior Vice President, Research, Okmetic Fellow Markku Tilli left the executive management group on 31 December 2013. Tilli continues in his role as head of research at Okmetic.

Under the authorisation given by the annual general meeting, the board of directors decided on 27 November 2013 to distribute an additional dividend of 0.19 euro per share (3,247,741.63 euro in total). The dividend was paid on 10 December 2013. No dividend was paid for Okmetic's own shares.

The extraordinary general meeting of Okmetic Oyj gathered on 19 December 2013. The general meeting decided, in accordance with the proposal of the board of directors, to distribute 0.07 euro per share to shareholders as a capital repayment from the invested unrestricted equity reserve.

SHAREHOLDERS BY GROUP ON 31 DEC 2013

Groups	Shares, pcs	Shares, pcs
Corporations	3,374,889	19.5
Financial and insurance institutions	1,811,506	10.5
Public organisations	2,627,160	15.2
Non-profit organisations	127,540	0.7
Households	6,464,039	37.4
Foreign investors and nominee accounts held by custodian banks	2,882,366	16.7
Total	17,287,500	100.0

DISTRIBUTION OF SHAREHOLDINGS ON 31 DEC 2013

Shares, pcs	Number of share-holders	% of share-holders	Shares, pcs	% of share capital
1–100	1,501	18.0	105,972	0.6
101–500	3,859	46.4	1,130,194	6.5
501–1,000	1,530	18.4	1,251,936	7.2
1,001–5,000	1,217	14.6	2,561,003	14.8
5,001–10,000	105	1.3	766,811	4.4
10,001–50,000	86	1.0	1,885,655	10.9
50,001–100,000	3	–	181,903	1.1
100,001–500,000	9	0.1	2,256,120	13.1
500,001–	6	0.1	7,147,906	41.3
Total	8,316	100.0	17,287,500	100.0

The payment was made on 31 December 2013. No repayment was made for shares held by Okmetic.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 15 January 2014, the board of directors decided to dissolve the ownership arrangement of Okmetic Management Oy, owned by President Kai Seikku and Deputy to the President Mikko Montonen, with an arrangement in which Okmetic Oyj acquired the entire share capital of Okmetic Management Oy. Also 400,000 shares of Okmetic Oyj were transferred to the group via Okmetic Management Oy, as well as a loan receivable of Okmetic Oyj from Okmetic Management Oy. There were no shareholders of Okmetic Management Oy in the board of directors of Okmetic Oyj.

The value of the arrangement for the part of Okmetic Oyj's shares owned by Okmetic Management Oy was determined using the average trading price weighted by trading volume of the company's share in NASDAQ OMX Helsinki Oy on 16 January 2014, which was 4.9969 euro.

In a directed share issue on 16 January 2014, Okmetic Oyj transferred a total of 150,000 own shares held by the company to President Kai Seikku (140,000 shares) and Deputy to the President Mikko Montonen (10,000 shares). Subscription price per share was determined using the average trading price of the company's share weighted by trading volume in NASDAQ OMX Helsinki Oy on 16 January 2014, which was 4.9969 euro. Total value of the deal was 749,535 euro. The decision to transfer company's own shares is based on authorisation of the board of directors given by the annual general meeting on 10 April 2013.

NOTIFICATION OF CHANGES IN HOLDINGS

Holding of Oy Ingman Finance Ab (Trade Register number 2241895-0) in Okmetic rose to 5.03 percent of the company's shares and votes on 12 March 2013.

MANAGEMENT AND AUDITOR

In 2013, Okmetic's board of directors comprised Henri Österlund as the chairman, Tapani Järvinen as the vice chairman, and members of the board Hannu Martola, Mervi Paulasto-Kröckel and Mikko Puolakka.

Kai Seikku acts as President of Okmetic Oyj and Mikko Montonen, Executive Vice President, Customers and Markets as Deputy to the President.

In addition to the president, the group's executive management group includes Mikko Montonen, Executive Vice President, Customers and Markets and Deputy to the President; Petri Antola, Senior Vice President, Technology Projects and Solar Materials; Juha Jaatinen, Senior Vice President, Finance, IT, and Communications; Jaakko Montonen, Senior Vice President, Supply Chain; Markus Virtanen, Senior Vice President, Human Resources, Quality, and Environment; and Anna-Riikka Vuorikari-Antikainen, Senior Vice President, Products. Head of Research Markku Tilli was a member of the executive management group until 31 December 2013.

The company's auditor is PricewaterhouseCoopers Oy, Authorised Public Accountants, with Mikko Nieminen, Authorised Public Accountant, acting as the principal auditor.

THE BOARD OF DIRECTORS' PROPOSAL REGARDING THE USE OF DISTRIBUTABLE EARNINGS

According to the financial statements dated on 31 December 2013, the parent company's distributable earnings amount to 17,969,052.99 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 has decided to propose to the annual general meeting that no dividend shall be paid for the financial year 2013 and that the loss of the parent company for the financial year, 208,387.78 euro, shall be recorded to the company's retained earnings.

INFORMATION ON PERSONNEL

	2013	2012	2011
Number of employees, annual average			
Okmetic Oyj, Finland	321	326	323
Okmetic Inc., United States	37	37	36
Okmetic K.K., Japan	5	4	3
Okmetic Limited, Hong Kong	1	1	1
Total	363	368	363
Number of employees at the end of the year	355	364	350
Wages and salaries, million euro [1]	20.3	21.4	20.7
Average length of employment, years	11.6	10.9	10.9
Age structure of the personnel			
–19	0%	0%	0%
20–29	10%	9%	8%
30–39	26%	27%	29%
40–49	36%	35%	36%
50–59	24%	23%	23%
60–	5%	4%	4%
Educational background of white-collar employees			
Doctorates or licentiates	10%	11%	10%
Postgraduate degrees	36%	36%	39%
Undergraduate degrees	30%	29%	26%
Other degrees	24%	25%	24%
Number of days in training per person	1.9	1.7	1.9
Occupational health and safety			
Sickness absences	3.5%	3.4%	3.0%
Work place -related injury frequency [2]	5.5	9.0	7.2
Equality			
Men	74%	74%	74%
Women	26%	26%	26%

[1] includes 0.2 million euro (2012: 0.4 million euro, 2011: 1.2 million euro) expenses of the share reward schemes
[2] the number of work place -related injuries per million working hours that cause a sickness leave of three days or longer

FIVE YEARS IN FIGURES

Financial performance

1,000 euro Financial year 1 Jan–31 Dec	2013	2012	2011	2010	2009
Net sales	**68,516**	83,074	83,186	80,907	54,361
Change in net sales, %	**-17.5**	-0.1	2.8	48.8	-19.9
Export and foreign operations share of net sales, %	**91.8**	94.4	94.4	95.8	95.4
Operating profit before depreciation and amortisation (EBITDA) [1]	**10,905**	13,864	18,069	17,102	7,121
% of net sales [1]	**15.9**	16.7	21.7	21.1	13.1
Operating profit [1]	**5,031**	8,018	11,817	10,421	185
% of net sales [1]	**7.3**	9.7	14.2	12.9	0.3
Profit/loss before tax	**4,401**	7,600	11,339	9,811	-590
% of net sales	**6.4**	9.1	13.6	12.1	-1.1
Return on equity, %	**6.4**	8.3	17.2	18.6	-1.0
Return on investment, %	**6.7**	11.8	18.7	18.2	0.0
Non-interest-bearing liabilities	**15,014**	18,309	15,914	16,976	10,715
Net interest-bearing liabilities [2]	**6,530**	-1,688	-10,257	-18,047	-4,770
Net gearing ratio, %	**11.4**	-2.7	-16.8	-31.0	-9.8
Equity ratio, %	**68.2**	72.2	78.9	76.6	78.9
Capital expenditure	**7,648**	14,342	11,992	2,232	1,448
% of net sales	**11.2**	17.3	14.4	2.8	2.7
Depreciation and amortisation	**5,874**	5,846	6,252	6,681	6,936
Research and development expenses	**2,779**	2,331	2,382	2,110	2,134
% of net sales	**4.1**	2.8	2.9	2.6	3.9
Average number of personnel during the period	**363**	368	363	345	337
Personnel at the end of the period	**355**	364	350	342	327

[1] From 2011 Okmetic has changed the place where changes in fair values of currency derivative contracts and their realised gains and losses are presented in the statement of comprehensive income. In line with the new policy, the changes in the fair values of currency derivative contracts and their realised gains and losses are presented with financial income and expenses. Previously these items were presented with other operating income and expenses. A corresponding change has been made in figures from previous periods.
[2] Cash and cash equivalents included liquid investments in fixed-income funds in 2010.

Share-related key figures

Euro Financial year 1 Jan–31 Dec	2013	2012	2011	2010	2009
Basic earnings per share [3]	**0.23**	0.31	0.61	0.60	-0.03
Diluted earnings per share	**0.22**	0.30	0.59	0.58	-0.03
Equity per share [3]	**3.43**	3.72	3.68	3.49	2.89
Capital repayment per share	**0.07**	-	-	-	-
Dividend per share [4]	**-**	0.44	0.28	0.45	0.05
Dividend/earnings, % [4]	**-**	141.9	45.8	75.0	-164.7
Effective dividend yield, % [4]	**-**	8.8	5.7	8.5	1.6
Price/earnings (P/E)	**20.9**	16.2	8.0	8.9	-105.4
Share price performance					
Average trading price	**4.92**	5.25	5.48	4.22	2.54
Lowest trading price	**4.25**	4.21	3.50	2.98	1.81
Highest trading price	**5.66**	6.01	6.65	5.70	3.20
Trading price at the end of the period	**4.82**	5.02	4.92	5.29	3.20
Market capitalisation at the end of the period, 1,000 euro	**83,326**	86,783	85,055	91,451	54,040
Trading volume					
Trading volume, 1,000 pcs	**3,382**	3,330	10,907	14,009	4,316
In relation to weighted average number of shares, %	**19.6**	19.3	63.1	81.4	25.6
Trading volume, 1,000 euro	**16,647**	17,496	59,650	59,124	10,957
The weighted average number of shares during the period adjusted by the share issue, 1,000 pcs	**17,288**	17,288	17,288	17,220	16,888
The number of shares at the end of the period adjusted by the share issue, 1,000 pcs	**17,288**	17,288	17,288	17,288	16,888

[3] When calculating earnings per share (EPS) and equity per share, Okmetic's own shares in its possession and Okmetic Oyj's shares owned by Okmetic Management Oy are deducted from the amount of shares.
[4] The dividend for 2012 includes also the additional dividend of 0.19 euro per share paid in December 2013. The dividend for 2010 includes also the additional dividend of 0.15 euro per share paid in December 2011.

QUARTERLY KEY FIGURES

1,000 euro	Oct–Dec/2013	Jul–Sep/2013	Apr–Jun/2013	Jan–Mar/2013
Net sales	16,837	18,242	17,035	16,403
Compared to previous quarter, %	-7.7	7.1	3.9	-20.7
Compared to corresponding quarter last year, %	-18.6	-13.2	-24.2	-13.2
Operating profit	263	1,423	1,971	1,373
% of net sales	1.6	7.8	11.6	8.4
Profit before tax	32	1,280	1,812	1,277
% of net sales	0.2	7.0	10.6	7.8
Net cash from operating activities	4,915	3,481	519	811
Net cash used in investing activities	-1,304	-1,687	-1,966	-4,131
Net cash from/used in financing activities	-3,892	-1,155	-7,276	9,904
Net increase/decrease in cash and cash equivalents	-281	639	-8,724	6,585
Personnel at the end of the period	355	356	379	354

1,000 euro	Oct–Dec/2012	Jul–Sep/2012	Apr–Jun/2012	Jan–Mar/2012
Net sales	20,685	21,017	22,469	18,902
Compared to previous quarter, %	-1.6	-6.5	18.9	4.2
Compared to corresponding quarter last year, %	14.1	-1.1	3.3	-14.3
Operating profit	1,008	2,970	2,506	1,535
% of net sales	4.9	14.1	11.2	8.1
Profit before tax	762	2,873	2,736	1,229
% of net sales	3.7	13.7	12.2	6.5
Net cash from/used in operating activities	3,565	4,209	2,616	-966
Net cash used in investing activities	-2,650	-3,057	-2,652	-2,624
Net cash used in financing activities	-91	-288	-1,493	-201
Net increase/decrease in cash and cash equivalents	825	864	-1,529	-3,791
Personnel at the end of the period	364	365	390	352

DEFINITIONS OF KEY FINANCIAL FIGURES

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

SHARES AND SHAREHOLDERS OF OKMETIC OYJ

Shares and share capital

On 31 December 2013, Okmetic Oyj's paid-up share capital, as entered in the Finnish Trade Register, was 11,821,250.00 euro. The number of shares was 17,287,500.

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.

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 International Classification Benchmark (ICB), which the exchange uses, Okmetic Oyj is listed under the Technology Industry.

Share repurchase and transfer of own shares

The company did not repurchase its own shares in 2013 (not in 2012 either).

On 11 February 2013, based on the authorisation given at the annual general meeting on 12 April 2012, the board of directors decided on a transfer of the company's own shares. Okmetic transferred a total of 18,540 own shares as part of the company's share-based incentive scheme. All the shares were issued to the members of the executive management group.

On 10 May 2013, based on the authorisation given at the annual general meeting on 10 April 2013, the board of directors decided on a transfer of the company's own shares to the board members as payment of the annual remuneration. A total of 15,283 shares were transferred to the board members.

The board of directors' authorisation to decide on repurchase and/or acceptance as pledge of the company's own shares

The annual general meeting on 10 April 2013 authorised the board of directors to decide on the repurchase and/or the acceptance as pledge of the company's own shares in one or more tranches. On the basis of the authorisation, the aggregate number of own shares to be repurchased and/or accepted as pledge shall not exceed 1,728,750 shares, which represents approximately 10 percent of all the shares of the company. The company and its subsidiaries together cannot at any time own and/or hold as pledge more than 10 percent of all the company's registered shares. Only unrestricted equity can be used to repurchase the company's own shares on the basis of the authorisation. Own shares can be repurchased at a price determined by public trading on the day of the repurchase or at another market-based price.

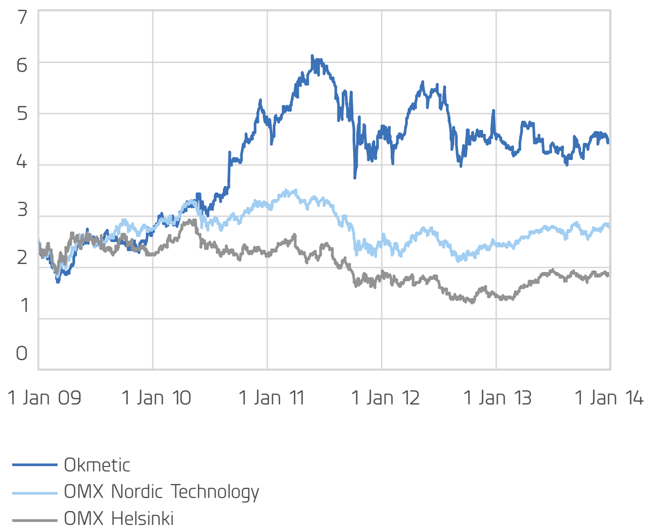
The board of directors decides on the method of repurchasing and/or accepting as pledge of the company's own shares as well as the other terms and conditions. Shares can be repurchased otherwise than in the shareholders' proportional holding of shares (directed repurchase). The authorisation cancels the authorisation given by the annual general meeting on 12 April 2012 to the board of directors to decide on the repurchase and/or acceptance as a pledge of the company's own shares. The authorisation is effective until the next annual general meeting, however, no longer than until 10 October 2014.

The board of directors' authorisation to decide on the issuance of shares, the transfer of the company's own shares as well as the issuance of special rights entitling to shares

The annual general meeting held on 10 April 2013 authorised the board of directors to decide on the issuance of shares, the transfer of the company's own shares, and the issuance of special rights entitling to shares according to

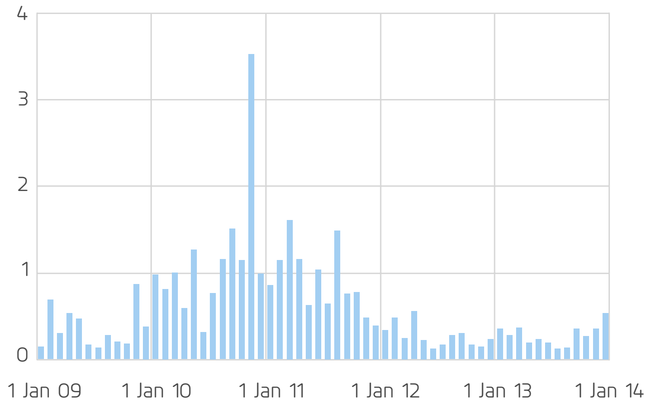
SHARE PRICE PERFORMANCE

euro/index



MONTHLY TRADING VOLUME

million pcs



Chapter 10, Section 1 of the Companies Act in one or more tranches. The aggregate number of shares issued or transferred on the basis of the authorisation may not exceed 5,200,000 shares.

The board of directors decides on all the terms and conditions of the issuance of shares, the transfer of the company's own shares, and the issuance of special rights entitling to shares according to Chapter 10, Section 1 of the Finnish Companies Act. The authorisation concerns both the issuance of new shares as well as the transfer of the company's own shares. The issuance of shares, the transfer of the company's own shares, and the issuance of special rights entitling to shares according to Chapter 10, Section 1 of the Finnish Companies Act may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

The authorisation cancels the authorisations given by the annual general meeting on 12 April 2012 to the board of directors to decide on the transfer of rights to the company's own shares as well as to decide on the issuance of shares and the issuance of special rights entitling to shares. The authorisation is effective until the next annual general meeting, however, no longer than until 10 October 2014.

On 17 December 2013, based on the authorisation given by the annual general meeting on 10 April 2013, the board of directors decided to grant stock options to the key managers of Okmetic. The conditions of the programme are presented in the section Stock option programmes.

Redemption clause

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

Convertible bonds

Okmetic has no convertible bonds at the moment.

Stock option programmes

On 17 December 2013, the board of directors decided to grant stock options to the key managers of Okmetic. As a precondition for being eligible to receive the stock options, the key managers are required to invest in Okmetic shares. According to the investment requirement, the key managers are required to hold in the aggregate 262,600 Okmetic shares to be eligible to receive all of the stock options.

The maximum total number of stock options offered is 870,000, which entitle participants to subscribe for a maximum number of 870,000 Okmetic shares (4.8% of the company's shares on a fully diluted basis). Each stock option entitles participants to subscribe for one share. The shares subscribed with the stock options may either be new shares issued by the company or existing shares held by the company. Of the stock options, 320,000 shall be marked with the symbol 2013 A and 550,000 with the symbol 2013 B. The stock options shall be issued free of charge.

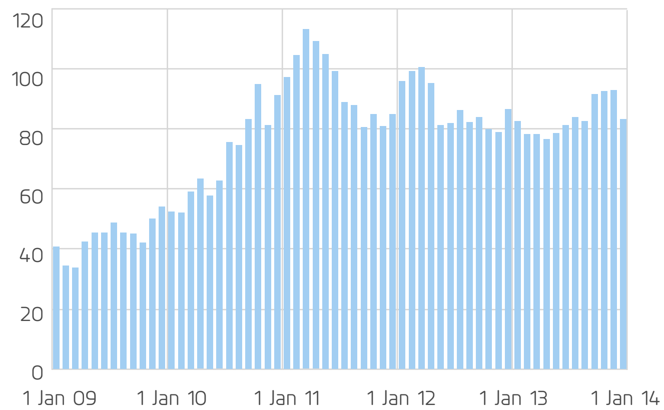
The share subscription price for the stock options 2013 A shall be euro 5.75 and for the stock options 2013 B euro 6.00. Future dividends and capital repayments from the invested unrestricted equity reserve distributed before the share subscription shall be deducted from the share subscription price.

The share subscription period for 25% of the stock options 2013 A and 2013 B will commence on or about 1 February, 2016 and for 75% of the stock options 2013 A and 2013 B on or about 1 February, 2017. The share subscription period for all the stock options ends on 31 March, 2018.

The stock options are intended to align the interests of the shareholders and the key managers and to form a part of the incentive and commitment program of the key managers. The purpose of the arrangement is to encour-

MARKET CAPITALISATION

million pcs



age the key managers to invest in the company's shares and to work on a long-term basis to increase the company's share value. The deliberation period for the selected key executives concerning participation in the stock option programme will expire in the end of February 2014.

No costs of the stock option programme are recorded in the financial statements for year 2013.

The management's share ownership

On 31 December 2013, the members of the board of directors, the president, and the deputy to the president of Okmetic Oyj held a total of 523,307 (504,315) shares, which corresponds to 3.0 (2.9) percent of the company's share capital and voting rights. On 31 December 2013, the share ownership of the other members of Okmetic's executive management group totalled 121,622 (107,791) shares, which corresponds to 0.7 (0.6) percent of the company's share capital and voting rights.

More information on the management's share ownership is given in note 26 to the consolidated financial statements.

Insider rules

Okmetic Oyj's board of directors 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 NASDAQ OMX Helsinki Ltd. and the recommendations given by the Finnish Securities Market Association. Okmetic's insider rules were last updated on 17 April 2008.

Share price development and trading

A total of 3.4 (3.3) million shares were traded between 1 January and 31 December 2013, representing 19.6 (19.3) percent of the weighted average of share total of 17.3 (17.3) million during the period. The lowest quotation of the reporting period was 4.25 (4.21) euro, and the highest 5.66 (6.01) euro, with the average being 4.92 (5.25) euro. The closing quotation for the period was 4.82 (5.02) euro. At the end of the period, the market capitalisation amounted to 83.3 (86.8) million euro.

Increases in share capital 1996–2013 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 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
Directed issue of 400,000 shares in relation to the top management's incentive scheme on 4 March 2010	+400,000	
Share capital on 31 December 2013	17,287,500	11,821,250.00

Major shareholders

Shareholders	31 Dec 2013 Shares, pcs	Share, %	31 Dec 2012 Shares, pcs	Share, %	Change, pcs
Ilmarinen Mutual Pension Insurance Company	**1,549,985**	**9.0**	1,549,985	9.0	0
Oy Ingman Finance Ab	**870,000**	**5.0**	835,000	4.8	35,000
Mandatum Life Insurance Company Limited	**800,000**	**4.6**	800,000	4.6	0
The State Pension Fund	**600,000**	**3.5**	600,000	3.5	0
Nordea Nordic Small Cap Fund	**528,810**	**3.1**	370,660	2.1	158,150
Varma Mutual Pension Insurance Company	**477,175**	**2.8**	477,175	2.8	0
Etra-Invest Oy Ab	**400,000**	**2.3**	400,000	2.3	0
Okmetic Management Oy	**400,000**	**2.3**	400,000	2.3	0
Investment Fund Taaleritehdas Arvo Markka Osake	**225,100**	**1.3**	225,100	1.3	0
Kaleva Mutual Pension Insurance Company	**212,700**	**1.2**	212,700	1.2	0
Foreign investors and nominee accounts held by custodian banks	**2,882,366**	**16.7**	2,912,462	16.8	-30,096
Others	**8,341,364**	**48.3**	8,504,418	49.1	-163,054
Total	**17,287,500**	**100.0**	17,287,500	100.0	0

Shareholders by group

Groups	31 Dec 2013 Shares, pcs	Share, %	31 Dec 2012 Shares, pcs	Share, %
Corporations	3,374,889	19.5	3,421,672	19.8
Financial and insurance institutions	1,811,506	10.5	1,650,993	9.6
Public organisations	2,627,160	15.2	2,824,314	16.3
Non-profit organisations	127,540	0.7	129,317	0.7
Households	6,464,039	37.4	6,348,742	36.7
Foreign investors and nominee accounts held by custodian banks	2,882,366	16.7	2,912,462	16.8
Total	17,287,500	100.0	17,287,500	100.0

Distribution of shareholdings on 31 December 2013

Shares, pcs	Number of shareholders	% of shareholders	Shares, pcs	% of share capital
1–100	1,501	18.0	105,972	0.6
101–500	3,859	46.4	1,130,194	6.5
501–1,000	1,530	18.4	1,251,936	7.2
1,001–5,000	1,217	14.6	2,561,003	14.8
5,001–10,000	105	1.3	766,811	4.4
10,001–50,000	86	1.0	1,885,655	10.9
50,001–100,000	3	0.0	181,903	1.1
100,001–500,000	9	0.1	2,256,120	13.1
500,001–	6	0.1	7,147,906	41.3
Total	8,316	100.0	17,287,500	100.0

Distribution of shareholdings on 31 December 2012

Shares, pcs	Number of shareholders	% of shareholders	Shares, pcs	% of share capital
1–100	1,335	17.3	96,233	0.6
101–500	3,580	46.4	1,045,817	6.0
501–1,000	1,409	18.3	1,153,445	6.7
1,001–5,000	1,178	15.3	2,524,966	14.6
5,001–10,000	115	1.5	841,833	4.9
10,001–50,000	78	1.0	1,700,346	9.8
50,001–100,000	4	0.1	284,954	1.6
100,001–500,000	11	0.1	2,998,416	17.3
500,001–	5	0.1	6,641,490	38.4
Total	7,715	100.0	17,287,500	100.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1,000 euro	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Net sales	1	68,516.4	83,073.9
Cost of sales	2	-54,917.9	-65,995.1
Gross profit		13,598.5	17,078.8
Other operating income	3	68.6	273.5
Sales and marketing expenses	2	-3,697.3	-4,425.9
Administrative expenses	2	-4,507.7	-4,610.7
Other operating expenses	4	-430.8	-297.4
Operating profit		5,031.4	8,018.2
Financial income	8	38.8	123.8
Financial expenses	8	-669.1	-542.1
Profit before tax		4,401.0	7,599.9
Income tax	9	-559.1	-2,510.6
Profit for the period		3,841.9	5,089.3
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
Cash flow hedges	10	-58.5	128.0
Translation differences	10	-59.6	75.9
Other comprehensive income for the period, net of tax		-118.1	203.9
Total comprehensive income for the period		3,723.9	5,293.3
Profit for the period attributable to			
Equity holders of the parent company		3,841.9	5,089.3
Total comprehensive income for the period attributable to			
Equity holders of the parent company		3,723.9	5,293.3
Earnings per share for profit attributable to equity holders of the parent company			
Basic earnings per share, euro	11	0.23	0.31
Diluted earnings per share, euro	11	0.22	0.30

The notes on pages 38–71 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

1,000 euro	Note	31 Dec 2013	31 Dec 2012
Assets			
Non-current assets			
Property, plant and equipment	12	**45,295.1**	43,433.1
Intangible assets	13	**896.5**	636.3
Deferred tax assets	14	**270.5**	270.5
Other receivables	16	**1,149.0**	2,818.6
Total non-current assets		**47,611.1**	47,158.6
Current assets			
Inventories	17	**16,634.4**	13,525.6
Trade and other receivables	16	**14,399.5**	16,689.9
Current income tax receivables		**172.1**	1,106.5
Cash and cash equivalents	18	**5,214.2**	7,288.3
Total current assets		**36,420.2**	38,610.3
Total assets		**84,031.3**	85,768.9

1,000 euro	Note	31 Dec 2013	31 Dec 2012
Equity and liabilities			
Equity			
Equity attributable to equity holders of the parent company			
Share capital		**11,821.3**	11,821.3
Share premium		**20,045.3**	20,045.3
Reserve for invested unrestricted equity		**3.5**	1,200.0
Hedge reserve		**-107.5**	-49.0
Translation differences		**1,863.1**	1,922.7
Retained earnings		**19,805.2**	21,830.1
Profit for the period		**3,841.9**	5,089.3
Total equity	19	**57,272.7**	61,859.7
Liabilities			
Non-current liabilities			
Borrowings	21	**8,182.6**	2,330.4
Deferred tax liabilities	14	**2,051.7**	1,475.4
Other liabilities	23	**298.5**	1,508.3
		10,532.8	5,314.1
Current liabilities			
Borrowings	21	**3,561.5**	3,440.4
Current income tax liabilities		**1.4**	-
Trade and other payables	23	**12,662.8**	15,154.7
		16,225.7	18,595.1
Total liabilities		**26,758.6**	23,909.2
Total equity and liabilities		**84,031.3**	85,768.9

The notes on pages 38–71 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

1,000 euro	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Cash flows from operating activities			
Profit before tax		**4,401.0**	7,599.9
Adjustments for			
Depreciation and amortisation	5	**5,873.6**	5,846.3
Financial income and expenses	8	**630.3**	418.3
Fair value gains/losses on derivative financial instruments		**53.2**	66.7
Other adjustments		**8.7**	151.0
Changes in working capital			
Change in trade and other receivables		**3,799.1**	-1,163.3
Change in inventories		**-3,217.8**	-411.7
Change in trade and other payables		**-2,672.0**	450.5
Interest received		**7.0**	12.3
Interest paid		**-138.4**	-71.1
Other financial items		**5.1**	12.2
Income tax paid		**975.7**	-3,486.1
Net cash from operating activities		**9,725.6**	9,425.0
Cash flows from investing activities			
Purchases of property, plant and equipment	12	**-9,088.5**	-10,983.1
Net cash used in investing activities		**-9,088.5**	-10,983.1
Cash flows from financing activities			
Proceeds from long-term borrowings		**10,000.0**	-
Proceeds from short-term borrowings		**1,024.0**	3,043.0
Repayments of long-term borrowings		**-1,000.0**	-
Repayments of short-term borrowings		**-4,043.0**	-
Payments of finance lease liabilities		**-478.2**	-263.8
Other		**10.0**	10.0
Dividends paid		**-6,763.0**	-4,861.5
Capital repayment		**-1,168.5**	-
Net cash used in financing activities		**-2,418.7**	-2,072.3
Net increase (+), decrease (-) in cash and cash equivalents		**-1,781.7**	-3,630.4
Cash and cash equivalents at the beginning of the period		**7,288.3**	11,257.1
Exchange gains/losses on cash and cash equivalents		**-292.4**	-338.4
Cash and cash equivalents at the end of the period	18	**5,214.2**	7,288.3

The notes on pages 38–71 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	Note	Share capital	Share premium	Reserve for invested unrestricted equity	Hedge reserve	Translation differences	Retained earnings	Total equity
Equity on 31 December 2011		11,821.3	20,045.3	1,200.0	-177.0	1,846.8	26,236.4	60,972.7
Comprehensive income								
Profit for the period							5,089.3	5,089.3
Other comprehensive income, net of tax	10							
Cash flow hedges					128.0			128.0
Translation differences						75.9		75.9
Total comprehensive income for the period		–	–	–	128.0	75.9	5,089.3	5,293.3
Transactions with equity holders								
Share-based payments	20						254.5	254.5
Dividend distribution	19						-4,660.9	-4,660.9
Total transactions with equity holders		–	–	–	–	–	-4,406.4	-4,406.4
Equity on 31 December 2012		11,821.3	20,045.3	1,200.0	-49.0	1,922.7	26,919.4	61,859.7
Comprehensive income								
Profit for the period							3,841.9	3,841.9
Other comprehensive income, net of tax	10							
Cash flow hedges					-58.5			-58.5
Translation differences						-59.6		-59.6
Total comprehensive income for the period		–	–	–	-58.5	-59.6	3,841.9	3,723.9
Transactions with equity holders								
Share-based payments	20						198.9	198.9
Dividend distribution	19						-7,341.3	-7,341.3
Capital repayment	19			-1,196.5			28.0	-1,168.5
Total transactions with equity holders		–	–	-1,196.5	–	–	-7,114.3	-8,310.9
Equity on 31 December 2013		11,821.3	20,045.3	3.5	-107.5	1,863.1	23,647.1	57,272.7

The notes on pages 38–71 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

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

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

Copies of the consolidated financial statements can be obtained via Internet at www.okmetic.com or from the head office of the group's parent company at the above mentioned address.

The board of directors of Okmetic Oyj authorised these financial statements for issue at its meeting held on 13 February 2014. As per the Finnish Companies Act, shareholders have the right to either approve or reject the financial statements in annual general meeting held after their issue. The annual general meeting is also entitled to make a decision on amending the financial statements.

Basis of preparation

The consolidated financial statements of Okmetic 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 2013.

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 Finnish accounting and company legislation.

The consolidated financial statements are presented in thousands of euros and prepared under the historical cost convention, unless otherwise specified in the accounting policies.

New standards, interpretations, and amendments to existing standards and interpretations adopted by the group

The group has adopted the following new standards, interpretations, and amendments to existing standards on 1 January 2013:

- IAS 1 (amendment), Presentation of Financial Statements. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI. As a result of the amendment the group has modified the presentation of items of OCI.
- IFRS 13, Fair Value Measurement. The standard aims to improve consistency in fair value measurement and provide new disclosure requirements when such measurements are required or permitted by other IFRSs. The standard incorporates the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a result of the standard the group has expanded disclosures of fair values.
- Amendment to IFRS 7, Financial Instruments: Disclosures on asset and liability offsetting. This amendment includes new disclosures to enhance the presentation of financial assets and financial liabilities and when those can be offset. The amendment has not had an effect on the consolidated financial statements.
- Annual Improvements to IFRSs. As a result of the 2009–2011 reporting cycle, the IASB published changes to the following standards: IAS 1 Financial Statement Presentation, IAS 16 Property, Plant and Equipment, IAS 32 Financial Instruments: Presentation and IAS 34 Interim Financial Reporting. The changes have not had material effect on the consolidated financial statements.

Accounting policies involving management judgement and key sources of estimation uncertainty

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

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

Impairment of tangible and intangible assets

The group tests the relevant carrying values of tangible and intangible assets for potential impairment in accordance with the methods stated in the accounting policies. The group has not recognised any impairment losses, or reversals of impairment losses, during the year 2013.

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. Management exercises its judgement in assessing unrecognised tax assets and the criteria for recognition at each reporting date. Deferred income tax is discussed in section 14 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 are consolidated from the date on which control is obtained by the group, and subsidiaries sold are deconsolidated 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, Okmetic K.K., and Okmetic Limited.

On consolidation, the group companies' separate financial statements are adjusted to comply with the accounting policies adopted by the group. 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 acquisition method of accounting. According to the acquisition method, the consideration transferred as well as identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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 Finnish Accounting Standards.

Special purpose entity

Okmetic Management Oy, which was established as a part of the top management´s share-based incentive scheme, has been consolidated as a subsidiary in the group's financial statements. On the basis of the shareholders' agreement and the loan agreement, Okmetic Oyj has control over the Management company. The control is based on contractual provisions, which include restrictions to transfer or pledge the Okmetic shares held by the Management company. In addition, all transactions conducted by the Management company are subject to authorisation of the board of directors of Okmetic Oyj. Okmetic Oyj, or any of the companies controlled by it, has no ownership interest in that company. The income statement and balance sheet of the Management company have been consolidated as from the inception of the arrangement. The Okmetic shares held by Okmetic Management Oy have been accounted for as own shares (treasury shares) in the consolidated financial statements and presented in retained earnings as a deduction of equity.

The shareholders of Okmetic Management Oy have been granted the right, on dissolution of the arrangement, to choose whether the share-based transaction is settled in cash or by issuing equity instruments. In the consolidated financial statements the arrangement is accounted for as a cash-settled share-based payment, and the management's investment in the Management company is treated as a financial liability instead of a non-controlling interest. Further information on the accounting for share-based incentive schemes is given in section Share-based payments of the accounting policies.

Segment reporting

Operating segment reporting is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors. The group has a single operating segment.

Foreign currencies

The results and financial position of 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 at the average exchange rates quoted by the European Central Bank at the reporting 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.

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.

Income and expense items of group entities, which have a functional currency other than the euro, are translated into the presentation currency at the average exchange rate and assets and liabilities at the closing rate of the reporting date. The exchange difference arising on the translation of income statements and balance sheets at different exchange rates is recognised as other comprehensive income.

Translation differences relating to items of equity of foreign subsidiaries are recorded as other comprehensive income. On disposal of a foreign subsidiary, in part or in full, the cumulative translation differences are reclassified from equity to profit or loss 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.

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. Generally, revenue recognition takes place in connection with the contractual transfer of the goods. 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 charged to profit or loss 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. Research and development costs are disclosed within cost of sales.

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 are recognised as income over the periods necessary to match them with the related costs. Government grants for compensating the costs of specified research and development projects are entered as adjustments to cost of sales. Grants are recognised where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

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. In addition, changes in the fair value of electricity derivatives classified as held for trading and fair value gains or losses relating to the ineffective portion of electricity derivatives designated as hedges 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 period, together with tax adjustments for previous periods, and changes in deferred tax. Tax on items recognised in other comprehensive income or directly in equity is, correspondingly, recognised in other comprehensive income or directly in equity. Current tax based on the taxable profit for the period is calculated on the basis of the tax rate effective in each country.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. The main temporary differences arise from the depreciation differences on property, plant and equipment, measurement of inventories, measurement at fair value of derivative financial instruments, and unused tax losses carried forward. Deferred income tax is determined using tax rates that that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax liabilities are recognised in full and deferred tax assets to the extent that is probable that future taxable profit will be available against which the temporary difference can be utilised. The conditions for recognising a deferred tax asset are assessed in this respect at each reporting date. Deferred tax assets and liabilities are offset in case they relate to income taxes levied by the same taxation authority.

Property, plant and equipment

Property, plant and equipment are stated at 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 and any existing carrying amount of the replaced part is derecognised. 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 recognised in profit or loss as 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 the end of each reporting period 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.

Intangible assets

Intangible assets, which can be measured reliably and from which future economic benefits are probable, are stated at cost less accumulated amortisation and impairment losses.

Assets are amortised on a straight-line basis over their estimated useful lives. The estimated useful life for the asset class is:

- Software 3–5 years

The assets' residual values and useful lives are reviewed at the end of each reporting period and adjusted, if appropriate, to reflect the changes in expected future economic benefits.

Impairment of non-financial assets

The company's balance sheet does not include assets with indefinite useful life, for example goodwill, which would be subject to annual impairment testing.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment loss are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of materials is determined using the weighted average cost 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, 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 on the trade date, which is the date on which the group commits itself to purchase or sell an asset.

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 risk management policy. Derivative contracts, for which hedge accounting as defined in IAS 39 is not applied, are classified as held for trading. The group holds no financial assets or liabilities designated at fair value through profit or loss at inception.

Instruments in this category are stated at fair value. Fair values of derivative financial instruments are determined on the basis of market and contract prices of the agreements at the reporting date. Fair values of the contracts hedging future cash flows are based on the present value of the cash flows. The methods applied in determining fair values are disclosed in note 25, Derivative financial instruments. Gains and losses arising from changes in the fair values are recognised in profit or loss as incurred.

Instruments in this category are disclosed within non-current receivables or payables in case they mature after 12 months after the reporting date.

Loans and receivables, classified as trade and other receivables and cash and cash equivalents, 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 reporting date. Loans and receivables are measured at amortised cost using the effective interest method.

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

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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 profit or loss. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

Trade receivables are initially stated at fair value based on the original invoice value. Subsequent to initial recognition such assets are measured at amortised cost using the effective interest method, less any impairment losses. 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.

Financial liabilities are initially recognised at fair value based on net proceeds. Transaction costs are included in the initial carrying amount in the case of a financial liability measured at amortised cost. Financial liabilities, except for derivative financial liabilities, are subsequently carried at amortised cost using the effective interest method. Financial liabilities are presented within non-current and current liabilities.

Derivative contracts and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Okmetic has applied hedge accounting as defined in IAS 39 to electricity derivative contracts hedging highly probable forecast cash flows associated with electricity purchases. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and presented in hedge reserve in equity. Such accumulated fair value changes in equity are reclassified to the income statement as adjustments to electricity purchases in the periods when the hedged item affects profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and presented within other operating income and expenses.

The group documents at the inception of hedge accounting the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking hedging transactions. The group also documents and assesses both at hedge inception and at least on a quarterly basis thereafter, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

When a hedging instrument acquired to hedge a cash flow expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity remains in equity until the forecast transaction is recognised. However, when a forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is immediately transferred to profit or loss.

Derivative contracts that have been made for hedging purposes in accordance with the group's risk management policy but for which hedge accounting as defined in IAS 39 is not applied, are classified as held for trading. The changes in the fair values of currency derivatives and their realised gains and losses are presented with financial items. The changes in the fair values of electricity derivatives are presented in other income and expenses.

The fair values of derivatives and the methods applied in determining fair values are disclosed in note 25, Derivative financial instruments. Derivatives are disclosed within non-current receivables or payables in case they mature after 12 months of the end of the reporting period.

Borrowing costs

The group capitalises borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset as part of the cost of that asset when it is probable that such costs will result in future economic benefits, and the costs can be measured reliably. Other borrowing costs are recognised in profit or loss as incurred. The group has currently no qualifying assets.

Leases

Leases of tangible and intangible assets, 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 and intangible 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 or amortised 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 recognised in profit or loss on a straight-line basis over the term 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.

Employee benefits

Pension obligations

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 recognised in profit or loss in the financial period that they relate to. The Finnish personnel pension is based on the Finnish TyEL insurance policy.

Share-based payments

The group has established share-based payment arrangements with payments either in cash or in equity instruments.

The fair value of equity-settled transactions is measured based on the market value of the share on the grant date and recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is based on the management's estimate of the number of shares expected to vest until settled. The estimate is adjusted at each reporting date, with any changes recognised in profit or loss. As employees provide services in advance of the grant date, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. For transactions settled in equity, an increase corresponding to the expense in the income statement is entered in equity.

For cash-settled transactions, the liability is measured at fair value at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss over the vesting period.

Expenses recognised for share-based payments are shown within employee benefit expenses. Taxes and other social security contributions payable in connection with the share-based payments are disclosed within cash-settled transactions.

Equity

Transaction costs directly attributable to the issue or acquisition of the company's own equity instruments (treasury shares) are shown as a deduction in equity. In case the company repurchases its own equity instruments, the consideration paid is deducted from equity.

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, amortisation and potential impairment losses, and other operating expenses. All other items are entered after operating profit. Exchange differences arising from items related to business operations, as well as changes in the fair value of electricity derivatives that are charged to profit or loss, are included in operating profit; otherwise exchange differences and changes in the fair value of derivatives are entered in financial items.

Adoption of new or amended standards and interpretations

The following published standards, interpretations, and amendments to existing standards and interpretations will be adopted by the group in 2014 or later:

- IFRS 10, Consolidated Financial Statements. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity. The standard defines the principle of control, and establishes controls as the basis for consolidation. The standard sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. The standard also sets out the accounting requirements for the preparation of consolidated financial statements.
- Amendment to IFRSs 10, 11, and 12 on transition guidance. These amendments provide additional transition relief to IFRSs 10, 11, and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.
- IFRS 11, Joint Arrangements. As a result of the standard, the accounting for joint arrangements focuses on the rights and obligations of the parties to the arrangement rather than its legal form.
- IFRS 12, Disclosures of Interests in Other Entities. The standard includes the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles, and other off balance sheet vehicles.
- IAS 27 (revised 2011), Separate Financial Statements. The revised standard includes the requirements relating to separate financial statements.
- IAS 28 (revised 2011), Associates and Joint Ventures. The revised standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- Amendment to IAS 32, Financial Instruments: Presentation on asset and liability offsetting. These amendments are to the application guidance in IAS 32, and clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet.
- Amendments to IFRSs 10, 12 and IAS 27 on consolidation for investment entities. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics.
- Amendment to IAS 36, Impairment of Assets on recoverable amount disclosures. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendment to IAS 39, Financial Instruments: Recognition and Measurement – Novation of derivatives. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

- IFRIC 21, Levies. This is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. [1]
- IFRS 9, Financial Instruments. The standard is to replace IAS 39. Currently IFRS 9 contains new requirements for the classification and measurement of financial assets and liabilities, and hedge accounting. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The new guidance for hedge accounting aligns hedge accounting more closely with risk management. Also IFRS 9 relaxes the requirements for hedge effectiveness. The standard allows hedge accounting, for example, for risk components of commodities, aggregated exposures, groups of items when hedging foreign currency, and equity investments. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. [1]
- Defined Benefit Plans: Employee Contributions (proposed amendments to IAS 19). The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. [1]
- Annual Improvements to IFRSs, 2010–2012. The improvements include changes to the following standards: IFRS 2 Share-based Payments, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, and IAS 24 Related Party Disclosures. [1]
- Annual Improvements to IFRSs, 2011–2013. The improvements include changes to the following standards: IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement, and IAS 40 Investment Property. [1]

The group management is yet to assess the impact of the changes on the consolidated financial statements.

[1] The standard/interpretation or amendment is still subject to EU endorsement.

1. SEGMENT INFORMATION

The group has a single operating segment. The company's reporting is based on the fact that the products in line with the strategy 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 provided to the chief operating decision-maker (CODM) of the group, the board of directors. Other business is mainly solar material sales.

In addition to net sales, the company management has no other figures to describe profitability at the level of its customer industries. The operating profit and operating profit percentage are the key indicators of profitability used by the chief operating decision-maker.

Information on geographical areas

Net sales are based on the geographical location of the customers and assets on the location of the assets. Net sales from external customers are measured in a manner consistent with that in the income statement.

	2013		2012	
1,000 euro	Net sales	Non-current assets [1]	Net sales	Non-current assets [1]
Finland	**5,602.8**	**43,947.8**	5,113.6	42,675.0
United States	**26,690.5**	**3,350.9**	28,124.9	4,121.1
Japan	**5,254.2**	**5.6**	19,471.5	9.7
Other countries	**30,968.9**	**-**	30,363.9	-
Total	**68,516.4**	**47,304.3**	83,073.9	46,805.8

[1] The total of non-current assets other than financial instruments and deferred tax assets.

The company has no individual customers, from which received proceeds would exceed 10 percent of total revenues.

Net sales per market area

1,000 euro	North America	Europe	Asia	Group
2013	**28,581.1**	**27,532.9**	**12,402.4**	**68,516.4**
2012	29,987.0	22,371.3	30,715.7	83,073.9

Net sales per customer area

1,000 euro	Sensor wafers	Semiconductor wafers	Other business	Group
2013	**40,455.9**	**25,609.5**	**2,451.0**	**68,516.4**
2012	39,428.7	31,373.7	12,271.5	83,073.9

Okmetic changed its sales reporting per customer area as of the beginning of 2013. According to the current policy, technology sales are reported under the title Other business because of their diminished weight and varying content.

2. EXPENSES BY NATURE

1,000 euro	2013	2012
Materials	**24,775.1**	34,488.0
Water and energy	**3,388.0**	3,498.8
Maintenance and spare parts	**3,227.0**	4,174.7
Employee benefit expenses [1]	**20,332.5**	21,350.7
Change in inventories	**106.1**	-463.7
Depreciation and amortisation [2]	**5,873.6**	5,846.3
Other	**5,420.6**	6,137.0
Total	**63,122.9**	75,031.8

[1] Note 6
[2] Note 5

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

Auditor's fees

1,000 euro	2013	2012
Audit fees	**90.5**	75.8
Tax assignments	**23.1**	27.9
Other assignments	**5.6**	5.9
Total	**119.2**	109.6

Fees to auditors of PricewaterhouseCoopers amounted to 105.7 thousand euro (2012: 92.3 thousand euro).

3. OTHER OPERATING INCOME

1,000 euro	2013	2012
Reversals of compensation agreements	**-**	110.0
Reversals of impairment losses on trade receivables	**-**	152.5
Cash flow hedges, ineffective portion [1]	**44.9**	-
Other income	**23.7**	11.0
Total	**68.6**	273.5

[1] Note 25

4. OTHER OPERATING EXPENSES

1,000 euro	2013	2012
Impairment losses on trade receivables	**89.3**	142.5
Changes in the fair value of financial assets and liabilities held for trading		
Electricity derivatives	**98.1**	29.3
Cash flow hedges, ineffective portion [1]	**-**	37.4
Other expenses	**243.4**	88.2
Total	**430.8**	297.4

[1] Note 25

5. DEPRECIATION AND AMORTISATION

1,000 euro	2013	2012
Depreciation and amortisation by asset class		
Buildings	**1,119.7**	1,026.2
Machinery and equipment	**4,503.3**	4,713.3
Intangible assets	**250.6**	106.8
Total	**5,873.6**	5,846.3
Depreciation and amortisation by function		
Cost of sales	**5,538.4**	5,566.1
Administration	**335.2**	280.2
Total	**5,873.6**	5,846.3

6. EMPLOYEE BENEFIT EXPENSES

1,000 euro	2013	2012
Wages and salaries	**16,146.5**	16,776.7
Pension costs, defined contribution plans	**2,629.2**	2,505.5
Share-based payments		
Equity-settled	**198.9**	254.5
Cash-settled	**111.6**	270.0
Other social security costs	**1,246.3**	1,544.0
Total	**20,332.5**	21,350.7

Details of key management compensation and loans are disclosed in note 26, Related party transactions. Information on share reward schemes is given in note 20, Share-based payments.

Number of personnel	2013	2012
White-collar employees	**137**	133
Blue-collar employees	**226**	235
Average	**363**	368
On 31 December	**355**	364

7. RESEARCH AND DEVELOPMENT EXPENSES

1,000 euro	2013	2012
Research and development expenses	**2,779.0**	2,331.4

Research and development expenses are disclosed within cost of sales.

8. FINANCIAL INCOME AND EXPENSES

1,000 euro	2013	2012
Financial income		
Interest income on loans and receivables	**3.1**	7.2
Gains on financial assets and liabilities held for trading		
Currency derivatives	**35.6**	116.6
Total	**38.8**	123.8
Financial expenses		
Interest expenses on financial liabilities measured at amortised cost	**-189.4**	-71.0
Exchange losses, net [1]	**-473.6**	-467.7
Other financial expenses	**-6.2**	-3.4
Total	**-669.1**	-542.1

[1] Exchange differences include exchange losses of 184.2 thousand euro on loans and receivables (2012: exchange losses of 176.5 thousand euro) and exchange gains of 49.6 thousand euro on financial liabilities measured at amortised cost (2012:-). Exchange losses of 338.9 thousand euro were recognised on the group's internal loans (2012: exchange losses of 171.5 thousand euro).

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, 0.1 million euro of the exchange loss, which corresponds to the loan repayment, has been recorded under financial expenses in 2012. The loan was fully amortised during period 2012.

1,000 euro	2013	2012
Exchange gains/losses recognised in operating profit		
On loans and receivables	**-398.2**	-314.4
On financial liabilities measured at amortised cost	**148.1**	-14.0
On other items	**-**	-46.4
Total	**-250.2**	-374.9

9. INCOME TAX

1,000 euro	2013	2012
Income tax expense		
Current tax	**17.6**	-1,638.6
Tax adjustments of prior periods	**10.7**	-145.7
Deferred tax		
Origination and reversal of temporary differences	**-1,051.1**	-726.3
Impact of change in the Finnish corporate income tax rate in 2014	**463.7**	-
Total	**-559.1**	-2,510.6

Reconciliation of income tax expense recognised in the consolidated income statement and income tax calculated at the domestic tax rate of 24.5 percent (2012: 24.5%):

1,000 euro	2013	2012
Profit before tax	**4,401.0**	7,599.9
Tax calculated at domestic tax rate	**-1,078.2**	-1,862.0
Different tax rates in foreign subsidiaries	**60.4**	-494.3
Impact of change in the Finnish corporate income tax rate in 2014	**463.7**	-
Expenses not deductible for tax purposes	**-15.7**	-8.6
Tax adjustments of prior periods	**10.7**	-145.7
Income tax expense	**-559.1**	-2,510.6

The corporate income tax rate applicable to the parent company decreases to 20.0 percent in 2014. The corporate income tax rate applicable to the parent company decreased to 24.5 percent in 2012. The domestic tax rates of the subsidiaries have not changed in 2013 or 2012.

Tax relating to the components of other comprehensive income is presented in note 14, Deferred income tax.

10. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income and reclassification adjustments:

1,000 euro	2013	2012
Cash flow hedges [1]	**-128.5**	69.1
Transfer to profit or loss	**70.1**	58.9
Translation differences	**-59.6**	-44.1
Transfer to profit or loss [2]	**-**	120.0
Total	**-118.1**	203.9

[1] Note 14
[2] Note 8

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit/loss for the period attributable to equity holders of the parent company by the weighted average number of shares outstanding during the period. When calculating the weighted average, Okmetic's own shares in its possession and Okmetic Oyj's shares owned by Okmetic Management Oy are deducted from the amount of shares [1].

	2013	2012
Profit attributable to equity holders of the parent company, 1,000 euro	**3,841.9**	5,089.3
Weighted average number of shares outstanding during the period, 1,000 shares	**16,685.8**	16,648.9
Basic earnings per share, euro/share	**0.23**	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. The company has dilutive potential shares in respect of share reward schemes, which include executive management group's share reward scheme and top management's incentive scheme.

	2013	2012
Profit attributable to equity holders of the parent company, 1,000 euro	**3,841.9**	5,089.3
Weighted average number of shares outstanding during the period, 1,000 shares	**16,685.8**	16,648.9
Effect of the share reward schemes, 1,000 shares	**405.3**	416.6
Weighted average number of shares during the period, diluted, 1,000 shares	**17,091.1**	17,065.5
Diluted earnings per share, euro/share	**0.22**	0.30

[1] Note 19

12. PROPERTY, PLANT AND EQUIPMENT

1,000 euro	Land	Buildings	Machinery and equipment	Construction in progress [1]	Total
Acquisition cost on 1 January 2013	848.9	23,377.6	116,148.1	9,786.9	150,161.5
Additions	–	1,154.3	4,268.3	2,225.5	7,648.1
Disposals	–	–	-755.2	–	-755.2
Transfers between items	–	4,236.5	5,069.1	-9,305.6	–
Exchange differences	-36.8	-121.5	-543.7	-0.2	-702.2
Acquisition cost on 31 December 2013	812.1	28,646.9	124,186.6	2,706.6	156,352.2
Accumulated depreciation and impairment on 1 January 2013	–	-13,979.6	-92,748.8	–	-106,728.4
Accumulated depreciation on disposals and transfers	–	–	746.0	–	746.0
Depreciation for the period	–	-1,119.7	-4,503.3	–	-5,623.0
Exchange differences	–	70.7	477.6	–	548.3
Accumulated depreciation and impairment on 31 December 2013	–	-15,028.6	-96,028.5	–	-111,057.1
Carrying amount on 1 January 2013	848.9	9,398.0	23,399.3	9,786.9	43,433.1
Carrying amount on 31 December 2013	812.1	13,618.3	28,158.1	2,706.6	45,295.1

1,000 euro	Land	Buildings	Machinery and equipment	Construction in progress [1]	Total
Acquisition cost on 1 January 2012	865.6	23,432.9	113,176.7	5,264.9	142,740.1
Additions	–	–	8,125.0	6,217.2	14,342.2
Disposals	–	–	-6,609.9	–	-6,609.9
Transfers between items	–	–	1,690.7	-1,690.7	0.0
Exchange differences	-16.7	-55.3	-234.4	-4.5	-310.9
Acquisition cost on 31 December 2012	848.9	23,377.6	116,148.1	9,786.9	150,161.5
Accumulated depreciation and impairment on 1 January 2012	–	-12,984.6	-94,868.8	–	-107,853.4
Accumulated depreciation on disposals and transfers	–	–	6,609.9	–	6,609.9
Depreciation for the period	–	-1,026.1	-4,713.3	–	-5,739.4
Exchange differences	–	31.1	223.4	–	254.5
Accumulated depreciation and impairment on 31 December 2012	–	-13,979.6	-92,748.8	–	-106,728.4
Carrying amount on 1 January 2012	865.6	10,448.3	18,307.9	5,264.9	34,886.7
Carrying amount on 31 December 2012	848.9	9,398.0	23,399.3	9,786.9	43,433.1

[1] In 2013, construction in progress consists of Machinery and equipment of 2.7 million euro (2012: 5.5 million euro) and Buildings of – million euro (2012: 4.3 million euro).

In 2013, additions to property, plant and equipment include assets acquired under finance leases for – million euro (2012: 1.2 million euro).

13. INTANGIBLE ASSETS

1,000 euro	Software	Total
Acquisition cost on 1 January 2013	743.1	743.1
Additions	510.8	510.8
Disposals	–	–
Transfers between items	–	–
Exchange differences	–	–
Acquisition cost on 31 December 2013	1,253.9	1,253.9
Accumulated amortisation and impairment on 1 January 2013	-106.8	-106.8
Accumulated amortisation on disposals and transfers	–	–
Amortisation for the period	-250.6	-250.6
Exchange differences	–	–
Accumulated amortisation and impairment on 31 December 2013	-357.4	-357.4
Carrying amount on 1 January 2013	636.3	636.3
Carrying amount on 31 December 2013	896.5	896.5

1,000 euro	Software	Total
Acquisition cost on 1 January 2012	–	–
Additions	743.1	743.1
Disposals	–	–
Transfers between items	–	–
Exchange differences	–	–
Acquisition cost on 31 December 2012	743.1	743.1
Accumulated amortisation and impairment on 1 January 2012	–	–
Accumulated amortisation on disposals and transfers	–	–
Amortisation for the period	-106.8	-106.8
Exchange differences	–	–
Accumulated amortisation and impairment on 31 December 2012	-106.8	-106.8
Carrying amount on 1 January 2012	–	–
Carrying amount on 31 December 2012	636.3	636.3

In 2013, additions to intangible assets include assets acquired under finance leases for 0.5 million euro (2012: 0.7 million euro).

Finance leases

The carrying amount of tangible and intangible assets includes assets acquired under finance leases as follows:

1,000 euro	Machinery and equipment	Software	Total
31 December 2013			
Acquisition cost	**2,368.9**	**1,253.9**	**3,622.8**
Accumulated depreciation and amortisation	**-1,568.4**	**-357.4**	**-1,925.8**
Carrying amount	**800.5**	**896.5**	**1,697.0**
31 December 2012			
Acquisition cost	2,396.3	743.1	3,139.4
Accumulated depreciation and amortisation	-1,318.7	-106.8	-1,425.5
Carrying amount	1,077.6	636.3	1,713.9

14. DEFERRED INCOME TAX

1,000 euro	2013	2012
Deferred income tax		
Deferred tax assets	270.5	270.5
Deferred tax liabilities	2,051.7	1,475.4
Deferred tax liabilities, net	1,781.2	1,204.9

Movements in deferred income tax during the financial year

1,000 euro	1 Jan 2013	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	31 Dec 2013
Deferred tax assets					
Tax losses carried forward	270.5	–	–	–	270.5
Fair value losses on derivative financial instruments	43.6	9.2	11.0	–	63.8
Finance leases	0.0	4.4	–	–	4.4
Total	314.1	13.6	11.0	–	338.7
Deferred tax liabilities					
Accumulated depreciation differences	1,103.1	794.4	–	–	1,897.5
Share-based payments	3.1	-5.4	–	–	-2.3
Fixed costs included in the cost of inventories	254.4	-29.6	–	–	224.8
Finance leases	158.4	-158.4	–	–	0.0
Total	1,519.0	601.0	–	–	2,120.0
Deferred tax liabilities, net	1,204.9	587.4	-11.0	–	1,781.2

1,000 euro	1 Jan 2012	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	31 Dec 2012
Deferred tax assets					
Tax losses carried forward	270.5	–	–	–	270.5
Share-based payments	120.9	-120.9	–	–	–
Fair value losses on derivative financial instruments	100.6	-15.5	-41.5	–	43.6
Total	492.0	-136.4	-41.5	–	314.1
Deferred tax liabilities					
Accumulated depreciation differences	621.3	481.8	–	–	1,103.1
Share-based payments	54.2	-51.1	–	–	3.1
Fixed costs included in the cost of inventories	288.1	-33.7	–	–	254.4
Finance leases	0.0	158.4	–	–	158.4
Total	963.6	555.4	–	–	1,519.0
Deferred tax liabilities, net	471.6	691.8	41.5	–	1,204.9

Deferred income tax is presented net in respect of group companies between which income equalisation option exists.
The group has not recognised deferred tax assets in the period for the cumulative tax losses of 4.3 million euro (2012: 3.7 million euro) of the foreign subsidiaries.

Tax related to the components of other comprehensive income

1,000 euro	Before tax	Tax	2013 After tax	Before tax	Tax	2012 After tax
Cash flow hedges	**-69.5**	**11.0**	**-58.5**	169.5	-41.5	128.0
Translation differences	**-59.6**	**–**	**-59.6**	76.0	–	76.0
Total	**-129.1**	**11.0**	**-118.1**	245.5	-41.5	203.9

15. FINANCIAL INSTRUMENTS BY CATEGORY

2013 1,000 euro	Note	Financial assets/ liabilities at fair value through profit or loss	Derivative financial instruments under hedge accounting	Loans and receivables	Financial liabilities measured at amortised cost	Carrying amount	Fair value
Financial assets							
Trade and other receivables [1]	16			11,276.6		11,276.6	11,276.6
Derivative financial instruments	16,25	122.2	-			122.2	122.2
Cash and cash equivalents	18			5,214.2		5,214.2	5,214.2
Total		122.2	-	16,490.8	-	16,613.0	16,613.0
Financial liabilities							
Loans from financial institutions	21				10,017.3	10,017.3	9,973.4
Finance lease liabilities	21				1,726.8	1,726.8	1,742.7
Trade and other payables [2]	23				6,894.1	6,894.1	6,894.1
Derivative financial instruments	23,25	340.5	100.9			441.5	441.5
Total		340.5	100.9	-	18,638.2	19,079.7	19,051.7

2012 1,000 euro	Note	Financial assets/ liabilities at fair value through profit or loss	Derivative financial instruments under hedge accounting	Loans and receivables	Financial liabilities measured at amortised cost	Carrying amount	Fair value
Financial assets							
Trade and other receivables [1]	16			14,243.5		14,243.5	14,242.3
Derivative financial instruments	16,25	67.3	-			67.3	67.3
Cash and cash equivalents	18			7,288.3		7,288.3	7,288.3
Total		67.3	-	21,531.8	-	21,599.0	21,597.9
Financial liabilities							
Loans from financial institutions	21				4,043.0	4,043.0	4,014.2
Finance lease liabilities	21				1,727.8	1,727.8	1,759.3
Trade and other payables [2]	23				11,177.7	11,177.7	11,177.2
Derivative financial instruments	23,25	154.4	119.1			273.5	273.5
Total		154.4	119.1	-	16,948.5	17,222.0	17,224.2

[1] Trade and other receivables do not include prepayments or other items than financial assets.
[2] Trade and other payables do not include other items than financial liabilities.

Principles for determining fair values

Trade and other receivables
The carrying amounts of current receivables, other than those relating to derivative contracts, are assumed to be a reasonable approximation of their fair value.

Derivative financial instruments
The methods applied in determining the fair value of derivative contracts are disclosed in note 25, Derivative financial instruments.

Loans from financial institutions
Loans from financial institutions are stated at amortised cost. The fair value of loans is measured on the basis of discounted cash flows. The discount rate used is based on the interest rate at which the group could obtain a similar loan from an external party at the reporting date. The total interest comprises risk-free interest and a company-specific risk premium of 1.08 percent (2012: 1.00%).

Finance lease liabilities
The fair value of finance lease liabilities is calculated by discounting future cash flows at a rate with which the group could enter into an equivalent lease contract at the reporting date.

Trade and other payables
The carrying amounts of current payables, other than those relating to derivative contracts, are assumed to be a reasonable approximation of their fair value.

16. TRADE AND OTHER RECEIVABLES

1,000 euro	2013	2012
Non-current		
Other receivables	36.3	63.3
Derivative financial instruments, not under hedge accounting [1]	-	19.0
Prepayments	1,112.7	2,736.4
Total	1,149.0	2,818.6
Current		
Trade receivables	11,054.2	13,716.2
Other receivables	149.9	416.3
Derivative financial instruments, not under hedge accounting [1]	122.2	48.3
Receivables from related parties [2]	37.2	47.4
Prepayments	1,823.4	838.7
VAT receivables	275.7	824.6
Other current receivables	706.2	409.6
Other prepayments and accrued income	230.8	388.8
Total	14,399.5	16,689.9

[1] Note 25
[2] Note 26

Balance sheet values are the best representation of the amount that is the maximum credit risk exposure in the event of other parties failing to perform their obligations under financial instruments. The receivables are not collateralised, and they do not represent any significant concentrations of credit risk.

Analysis of trade receivables by age and recognised impairment losses

1,000 euro	2013	Impairment losses	2013 Net	2012	Impairment losses	2012 Net
Not past due	8,048.2	-	8,048.2	9,138.3	-	9,138.3
Past due						
–30 days	1,755.1	-	1,755.1	3,251.0	-	3,251.0
31–60 days	558.5	-	558.5	805.9	-	805.9
over 60 days	781.7	-89.3	692.4	663.5	-142.5	521.0
Total	11,143.5	-89.3	11,054.2	13,858.7	-142.5	13,716.2

17. INVENTORIES

1,000 euro	2013	2012
Raw materials and supplies	**11,106.1**	7,825.9
Work in progress	**2,147.7**	1,999.4
Finished goods	**3,380.6**	3,700.3
Total	**16,634.4**	13,525.6

The carrying amount of inventories has been reduced to net realisable value through recognition of a write-down amounting to - thousand euro in the period (2012: 10.7 thousand euro). The carrying amount of inventories stated at net realisable value totaled - thousand euro (2012: 20.5 thousand euro).

18. CASH AND CASH EQUIVALENTS

1,000 euro	2013	2012
Cash in hand and bank accounts	**5,214.2**	7,288.3

19. EQUITY

Number of shares	2013	2012
Number of outstanding shares on 1 January	**16,659,554**	16,589,924
Shares transferred based on executive management group's share reward scheme	**18,540**	56,033
Shares transferred as board members' annual remuneration	**15,283**	13,597
Number of outstanding shares on 31 December	**16,693,377**	16,659,554

Share capital

On 31 December 2013, Okmetic Oyj's paid-up share capital, as entered in the Finnish Trade Register, was 11,821,250.00 euro (2012: 11,821,250.00 euro).

The number of shares was 17,287,500. The shares have no nominal value attached, and there is no maximum to the number of the shares. The company has one class of shares. All issued shares have been paid for in full.

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.

Reserve for invested unrestricted equity

Reserve for invested unrestricted equity comprises the subscription price of the shares that according to the share issue decision is not to be credited to share capital.

Hedge reserve

Hedge reserve consists of the effective portion of fair value changes of cash flow hedges.

Translation differences

Translation differences arise from the conversion of the financial statements of foreign subsidiaries.

Own shares

Okmetic Oyj did not repurchase its own shares in 2013 or 2012.

In 2013, Okmetic Oyj transferred 33,823 own shares (2012: 69,630 shares) as a part of the executive management group's 2012 share reward scheme and the board's annual remuneration.

Okmetic Management Oy held 400,000 of Okmetic Oyj's shares on 31 December 2013 (2012: 400,000 shares). In the consolidated balance sheet, the acquisition cost of 1,200.0 thousand euro has been deducted from retained earnings within equity.

At the end of the year, the company held a total of 194,123 own shares (2012: 227,946 shares).

Dividends and other profit distribution

The board of directors does not propose to the annual general meeting a dividend to be distributed for the financial year 2013.

A dividend of 0.44 euro per share was paid in 2013 (2012: 0.28 euro per share) including the additional dividend of 0.19 euro per share paid in December 2013.

A capital repayment of 0.07 euro per share was paid in 2013 (2012:-).

20. SHARE-BASED PAYMENTS

EXECUTIVE MANAGEMENT GROUP'S SHARE REWARD SCHEME

On 11 February 2013, the board of directors decided on a share reward programme for the executive management group for year 2013.

The reward payment is based on common performance criteria set by the board of directors, which are, among other things, operating profit and cash flow, as well as on individual performance criteria which are, for the president, increasing sales and improving profitability. The individual performance criteria for the other executive management group members are prepared by the president and confirmed by the board of directors. The purpose of the programme is to commit and incentivise the executive management group to grow shareholder value in the long run. The amount of the rewards corresponds to a maximum of 150,000 shares for year 2013. In addition, a monetary amount covering taxes is paid.

The possible rewards of the share reward programme are paid in accordance with reaching the targets that have been set by the board of directors and the president. The board of directors evaluates the realisation of the set targets and decides on possible rewards. The rewards and the monetary amount covering the taxes will be paid to the persons in the programme after the reward period has ended. For year 2013, the share rewards and the monetary amount covering taxes is paid in February 2014.

The shares earned based on the share reward programme must be held for at least two years after the reward disbursement. If a person participating in the programme ceases to be in the service of the company during the two years period, he or she may keep half of the shares received as a reward. The president is obligated to hold half of the shares received as share reward as long as he is working for the company.

In the programme for 2013, the maximum reward for the common targets is 120,000 shares and for the personal targets 30,000 shares. In addition, a monetary amount covering taxes is paid. The president's proportion of both targets is 25.0 percent and the deputy to the president's proportion 15.0 percent.

50.0 percent of the expenses arising from the 2011, 2012, and 2013 share reward schemes are recognised over a vesting period of one year and the other 50.0 percent over a period of three years.

Based on the 2013 programme, 40.7 thousand euro was accrued as cost in the financial statements for 2013. The settlement of the 2013 share reward scheme is defined based on the achieved financial results. Based on the results, altogether approximately 6,000 shares are transferred to the executive management group in February 2014. In addition, a monetary amount covering taxes is paid. The president's proportion of the 2013 share reward is approximately 1,300 shares, and the monetary amount covering taxes. The corresponding proportion of the deputy to the president is approximately 780 shares, and the monetary amount covering taxes. The grant day is 13 February 2014 for the 2013 programme.

Based on the 2012 programme, expenses of 89.7 thousand euro were recorded in the financial statements for year 2013. The settlement of the 2012 share reward scheme was defined based on the achieved financial results. Based on the results, altogether 18,540 shares were transferred for the executive management group in February 2013. In addition, a monetary amount covering taxes was paid. The president's proportion of the 2012 share reward was 2,304 shares, and the monetary amount covering taxes. The corresponding proportion of the deputy to the president was 1,405 shares, and the monetary amount covering taxes. The grant day was 11 February 2013 for the 2012 programme. The closing quotation 4.55 euro of the share on the handover date was regarded as the fair value of the shares.

Based on the 2011 programme, expenses of 108.7 thousand euro were recorded in financial statements for year 2013. The settlement of the 2011 share reward scheme was defined based on the achieved financial results. Based on the results, altogether 56,033 shares were transferred for the executive management group in February 2012. In addition, a monetary amount covering taxes was paid. The president's proportion of the 2011 share reward was 13,378 shares, and the monetary amount covering taxes. The corresponding proportion of the deputy to the president was 8,028 shares, and the monetary amount covering taxes. The grant day was 8 February 2012 for the 2011 programme. The closing quotation 5.75 euro of the share on the handover date was regarded as the fair value of the share.

The equity-settled portion of the programme is measured at fair value at the grant date. Expenses for the equity-settled portion are recognised over the vesting period as employee benefit expenses with a corresponding increase in equity.

The cash-settled portion of the share reward scheme covers taxes incurred. The cash-settled portion is recognised under employee benefit expenses, with a corresponding increase in liabilities, and deferred over the vesting period.

OWN-INVESTMENT BASED STOCK OPTION PLAN FOR MANAGEMENT

On 17 December 2013, the board of directors decided to grant stock options to the key managers of Okmetic. As a precondition for being eligible to receive the stock options, the key managers are required to invest in Okmetic shares. According to the investment requirement, the key managers are required to hold in the aggregate 262,600 Okmetic shares to be eligible to receive all of the stock options.

The maximum total number of stock options offered is 870,000, which entitle participants to subscribe for a maximum number of 870,000 Okmetic shares (4.8% of the company's shares on a fully diluted basis). Each stock option entitles participants to subscribe for one share. The shares subscribed with the stock options may either be new shares issued by the company or existing shares held by the company. Of the stock options, 320,000 shall be marked with the symbol 2013 A and 550,000 with the symbol 2013 B. The stock options shall be issued free of charge.

The share subscription price for the stock options 2013 A shall be euro 5.75 and for the stock options 2013 B euro 6.00. Future dividends and capital repayments from the invested unrestricted equity reserve distributed before the share subscription shall be deducted from the share subscription price.

The share subscription period for 25 percent of the stock options 2013 A and 2013 B will commence on or about February 1, 2016 and for 75 percent of the stock options 2013 A and 2013 B on or about February 1, 2017. The share subscription period for all the stock options ends on 31 March, 2018.

The stock options are intended to align the interests of the shareholders and the key managers and to form a part of the incentive and commitment program of the key managers. The purpose of the arrangement is to encourage the key managers to invest in the company's shares and to work on a long-term basis to increase the company's share value. The deliberation period for the selected key executives concerning participation in the stock option programme will expire in the end of February 2014.

No costs of the stock option programme are recorded in the financial statements for year 2013.

TOP MANAGEMENT'S INCENTIVE SCHEME

In 2010, the top management has been granted a share-based incentive scheme, which is arranged by establishing a Management company. The company has been consolidated in the financial statements.

On 25 January 2010, a company, Okmetic Management Oy, founded by the president and deputy to the president was directed a share issue against payment of 400,000 shares at prevailing market price (3.00 euro). The share ownership programme will be in force approximately three years, after which time it is intended to be dissolved in a manner to be determined later. The programme can be extended by one year.

In December 2012, the company's board of directors decided to extend the ownership arrangement, originally planned approximately for a three-year period, of Okmetic Management Oy, owned by Kai Seikku, President, and Mikko Montonen, Executive Vice President, Customers and Markets, by a maximum of one year. The company will be dissolved by means of a merger or another method no later than in the beginning of 2014.

The shareholders of Okmetic Management Oy have been granted the right, on dissolution of the arrangement, to choose whether the share-based transaction is settled in cash or by issuing equity instruments. In the consolidated financial statements the arrangement is accounted for as a cash-settled share-based payment.

The participants are required to render service until 31 March 2014.

In 2013, the group recognised income of 89.6 thousand euro (2012: expenses 15.7 thousand euro) for the top management's incentive scheme.

21. BORROWINGS

1,000 euro	2013	2012
Non-current		
Loans from financial institutions	**6,993.3**	1,000.0
Finance lease liabilities	**1,189.3**	1,330.4
Total	**8,182.6**	2,330.4
Current		
Loans from financial institutions	**3,024.0**	3,043.0
Finance lease liabilities	**537.5**	397.4
Total	**3,561.5**	3,440.4

Finance lease liabilities

1,000 euro	2013	2012
Gross finance lease liabilities – minimum lease payments, by maturity date		
No later than one year	**572.6**	434.8
Later than one year and no later than five years	**1,218.0**	1,380.6
Later than five years	**–**	–
Total	**1,790.6**	1,815.4
Future finance charges on finance leases	**-63.8**	-87.6
Present value of finance lease liabilities	**1,726.8**	1,727.8
Present value of finance lease liabilities, by maturity date		
No later than one year	**537.5**	397.4
Later than one year and no later than five years	**1,189.3**	1,330.4
Later than five years	**–**	–
Total	**1,726.8**	1,727.8

The group's finance lease agreements relate to IT equipment and software as well as production machinery. The term of the finance leases is five years. Some of the agreements involve conventional purchase options.

22. COMMITMENTS AND CONTINGENCIES

1,000 euro	2013	2012
Own debts secured with collaterals		
Loans from financial institutions and other liabilities	**10,000.0**	1,000.0
Collaterals		
Floating charges	**17,128.0**	8,073.0
Capital commitments	**1,910.1**	5,498.5
Future minimum lease payments under non-cancellable operating leases		
No later than one year	**187.0**	171.8
Later than one year and no later than five years	**208.3**	279.6
Total	**395.3**	451.4

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

In 2013, lease payments recognised in profit or loss in respect of operating leases totaled 440.1 thousand euro (2012: 595.6 thousand euro).

23. TRADE AND OTHER PAYABLES

1,000 euro	2013	2012
Non-current		
Other liabilities	111.6	199.5
Derivative financial instruments, not under hedge accounting [1]	85.9	29.8
Derivative financial instruments, under hedge accounting [1]	100.9	119.1
Liabilities from share reward schemes	-	1,160.0
Total	298.5	1,508.3

Current		
Trade payables	6,741.8	10,528.2
Other liabilities	46.6	450.0
Derivative financial instruments, not under hedge accounting [1]	254.6	124.7
Prepayments received	28.4	59.3
Liabilities from share reward schemes	1,090.8	28.6
Accruals and other current liabilities	4,500.8	3,963.9
Total	12,662.8	15,154.7

[1] Note 25

The significant items of accruals and deferred income consist of accrued personnel expenses.

24. 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 parent 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.

The group uses derivative financial instruments to reduce the adverse effects of changes in exchange rates and energy prices. The main risk the group is exposed to is currency risk.

Currency risk

The group operates internationally and is therefore exposed to risks resulting from different currencies. Currency risks arise from exchange rate fluctuations related to currency flows from revenues and expenses (transaction risk) and from the translation of income statement and balance sheet items of foreign subsidiaries into euro (translation risk).

The group uses several currencies in its sales and purchases. The majority of trading is denominated in the US dollar (58% of net sales) and the euro (32%). The Japanese yen (6%) is the most important of the other less-used currencies. The currency distribution has remained almost unchanged in 2013 and 2012. In the normal course of business, hedging requirements 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 (1–12 months) is hedged with currency derivatives. The condition is that the level of hedging exceeds 50 percent of the anticipated net cash flows for the subsequent 1–6 months and 30 percent for the subsequent 7–12 months. Foreign currency surplus is sold as soon as it arises. The currency distribution of cash and cash equivalents can be monitored continuously, and a closer examination is performed on a weekly basis. Forecasted net positions are monitored on a monthly basis.

The parent company operates in the euro.

The equity of the US-based subsidiary totaled 9.1 million US dollar on 31 December 2013 (2012: USD 9.1 million). The equity of the Japan-based subsidiary amounted to -153.5 million Japanese yen on 31 December 2013 (2012: JPY -100.3 million). The equity of the Hong Kong-based subsidiary totaled -0.3 million Hong Kong dollar on 31 December 2013 (2012: HKD -0.4 million). The translation risk related to equity is not hedged. The group has no loans in foreign currencies.

Derivatives are discussed in section 25 of the notes.

Foreign currency assets and liabilities translated into euro at the rate of the reporting date

Nominal values 1,000 euro	2013 USD	2013 JPY	2012 USD	2012 JPY
Current assets				
Cash and cash equivalents	**1,386.2**	**398.3**	3,389.0	669.9
Trade and other receivables	**5,748.8**	**65.3**	8,897.7	47.0
Non-current liabilities				
Other liabilities	**-**	**105.8**	-	-
Current liabilities				
Trade and other payables	**2,651.0**	**126.0**	3,816.5	296.5
Group's internal receivables, net [1]	**541.1**	**1,564.8**	502.4	1,310.5
Hedging position	**1,144.3**	**-**	1,462.0	-
Open position	**3,880.7**	**1,796.6**	7,510.6	1,730.9

1,000 euro	2013 USD	2013 JPY	2012 USD	2012 JPY
Change in exchange rate based on volatility of the currency [2]	**7.38**	**13.18**	8.30	11.10
Effect on profit before tax	**+310.8 / -268.1**	**+272.7 / -209.2**	+812.1 / -687.7	+216.1 / -172.9

[1] The effect on profit or loss of the revaluation under IAS 21 is not eliminated.
[2] The change in the exchange rate represents average volatility of the currency during the last 12-month period.

The calculation does not include forecast future currency-denominated cash flows. Currency forwards are included in the hedging position.

Interest rate risk

The group's operational cash flows are exposed to interest rate risk. On the reporting date, the group's interest-bearing liabilities amounted to 11.7 million euro (2012: 5.6 million euro). In January 2013, Okmetic announced that it has signed a five-year loan agreement for 10 million euro. On the reporting date, the amount of the loan outstanding was 9 million euro.

Credit risk

Credit risk arises from trade and other receivables. The maximum potential loss is the entire nominal value recorded. Receivables do not involve collaterals.

The group's trade receivables are generated by a large number of customers of which, in terms of credit risk, a single customer or a customer group is not individually significant. 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. Customers' payment behaviour is monitored continuously. Where necessary, risks relating to specific customers are reduced by means of payment and delivery terms. Trade receivables amounted 11.1 million euro on 31 December 2013 (2012: 13.7 million euro). Of these, 3.0 million euro was matured on 31 December 2013 (2012: 4.6 million euro).

The group uses well-known, solvent, and well-regarded financial institutions in cash transactions, credit arrangements, and investments of liquid assets.

The distribution of trade receivables by due date is shown in section 16, Trade and other receivables of the notes.

Liquidity risk

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. Sources and forms of funding are diversified. The group's liquidity has been good during 2013. At the end of the year, cash and cash equivalents amounted to 5.2 million euro (2012: 7.3 million euro). The group has ensured the sufficiency of cash funds with committed credit facilities of 6.0 million euro. On 31 December 2013, the committed credit facilities were unused.

The following table presents the remaining contractual maturities of the group's financial liabilities. The figures shown are undiscounted cash flows, including both principal and interest payments.

2013 1,000 euro	Carrying amount	Cash flow	0–6 months	6–12 months	1–2 years	2–5 years
Contractual maturities of financial liabilities						
Loans from financial institutions	10,017.3	10,357.1	1,093.8	2,061.7	2,093.4	5,108.1
Finance lease liabilities	1,726.8	1,790.6	286.3	286.3	572.6	645.4
Trade and other payables	6,894.1	6,894.1	6,765.0	23.3	50.8	55.0
Total	18,638.2	19,041.8	8,145.2	2,371.3	2,716.8	5,808.6
Contractual maturities of derivative financial liabilities						
Electricity derivatives						
Not under hedge accounting	340.5	341.7	127.5	127.5	86.6	–
Under hedge accounting	100.9	102.3	–	–	27.7	74.7
Currency derivatives, not under hedge accounting						
Currency forwards						
Cash outflow		-1,123.9	-1,123.9	–	–	–
Cash inflow	20.4	1,144.3	1,144.3	–	–	–
Currency options, put [1]	-1.2	-1.2	-1.2	–	–	–

2012 1,000 euro	Carrying amount	Cash flow	0–6 months	6–12 months	1–2 years	2–5 years
Contractual maturities of financial liabilities						
Loans from financial institutions	4,043.0	4,104.0	3,070.3	11.3	1,022.5	–
Finance lease liabilities	1,727.8	1,815.4	217.4	217.4	434.8	945.7
Trade and other payables	11,177.7	11,177.7	10,978.2	–	64.7	134.8
Total	16,948.5	17,097.0	14,265.9	228.7	1,522.0	1,080.5
Contractual maturities of derivative financial liabilities						
Electricity derivatives						
Not under hedge accounting	154.4	154.4	77.2	77.2	–	–
Under hedge accounting	119.1	119.1	–	–	102.9	16.2
Currency derivatives, not under hedge accounting						
Currency forwards						
Cash outflow	–	-1,288.5	-1,136.9	–	-151.6	–
Cash inflow	21.9	1,307.1	1,152.2	–	154.9	–

[1] Included at fair value

Commodity risk

The group is exposed to commodity risk related to availability and price fluctuations.

The group's main 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. Okmetic has existing polysilicon purchasing obligations partly until 2015. Since the price level of the solar cell market has dropped, the validity of long-term polysilicon contracts typical of the industry may cause a price risk.

The group's production processes use a significant amount of 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, five years in duration. Okmetic has applied hedge accounting as defined in IAS 39 to the electricity derivative contracts entered into after 1 April 2011 hedging highly probable forecast cash flows associated with electricity purchases. The hedged highly probable forecast purchases are expected to occur at various dates during the next 60 months. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and presented in hedge reserve in equity. Such accumulated fair value changes in equity are reclassified to the income statement as adjustments to electricity purchases in the periods when the hedged item affects profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and presented within other operating income and expenses.

As of the beginning of October 2013, electricity procurement is based on a model where electricity supply is based on advance orders and where the difference between order and electricity consumption is balanced. For future electricity procurement, this enables to replace derivative products with physical hedges.

The table below presents the effect that a 10 percent strengthening or weakening of the prices of the outstanding commodity derivatives would have on profit before tax at the reporting date, assuming all other variables constant.

1,000 euro	2013	2012
Electricity derivatives	**+/-148.4**	+/-224.5

On 31 December 2013, the group's publicly traded electricity derivatives amounted to 52.6 GWh (2012: 74.5 GWh).

Derivatives are discussed in section 25 of the notes.

Price risk of securities

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

Okmetic Oyj owns 8,838 shares in a Swedish company Norstel AB (1.0% of shares). Okmetic has written down the carrying amount of the shares in December 2008.

Capital management

The group's capital management aims to ensure the continuity of the group's operations (going concern) and to increase shareholder value. The capital managed is the equity reported in the group´s balance sheet. 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.

The group monitors the capital structure on the basis of equity ratio and net gearing ratio. At the end of the year, the group´s equity ratio amounted to 68.2 percent (2012: 72.2%). The group´s net interest-bearing liabilities totaled 6.5 million euro (2012: -1.7 million euro) and net gearing ratio was 11.4 percent (2012: -2.7%).

1,000 euro	2013	2012
Equity	**57,272.7**	61,859.7
Balance sheet total - advances received	**84,002.9**	85,709.6
Equity ratio, %	**68.2**	72.2
Borrowings	**11,744.1**	5,600.2
Cash and cash equivalents	**5,214.2**	7,288.3
Net interest-bearing liabilities	**6,529.9**	-1,688.1
Net gearing ratio, %	**11.4**	-2.7

Fair value estimation

The group's financial instruments that are measured at fair value comprise derivatives used for hedging and held for trading, and they are classified on hierarchy level 2.

Fair values of level 2 instruments are based on other data than quoted prices in active markets, but on the data from which the asset is observable, either directly (i.e. price) or indirectly (i.e. derived from the prices). Fair values of the derivative contracts and the methods applied in determining fair values are disclosed in note 25.

The following tables present the fair values of the financial instruments at the end of the reporting period.

Fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis

2013 1,000 euro	Level 1	Level 2	Level 3
Financial assets			
Derivative financial instruments	–	122.2	–
Financial liabilities			
Derivative financial instruments	–	441.5	–

2012 1,000 euro	Level 1	Level 2	Level 3
Financial assets			
Derivative financial instruments	–	67.3	–
Financial liabilities			
Derivative financial instruments	–	273.5	–

Fair value hierarchy of financial assets and liabilities not measured at fair value on the balance sheet, but for which fair value is disclosed

2013 1,000 euro	Level 1	Level 2	Level 3
Financial assets			
Trade and other receivables	–	11,276.6	–
Cash and cash equivalents	–	5,214.2	–
Financial liabilities			
Loans from financial institutions	–	9,973.4	–
Finance lease liabilities	–	1,742.7	–
Trade and other payables	–	6,894.1	–

2012 1,000 euro	Level 1	Level 2	Level 3
Financial assets			
Trade and other receivables	–	14,242.3	–
Cash and cash equivalents	–	7,288.3	–
Financial liabilities			
Loans from financial institutions	–	4,014.2	–
Finance lease liabilities	–	1,759.3	–
Trade and other payables	–	11,177.2	–

25. DERIVATIVE FINANCIAL INSTRUMENTS

1,000 euro	2013 Fair value	2013 Nominal value	2012 Fair value	2012 Nominal value
Currency derivatives				
Currency forwards	**20.4**	**1,144.3**	20.9	1,462.0
Currency options, call	**11.9**	**948.3**	–	–
Currency options, put	**-1.2**	**182.3**	–	–
Electricity derivatives, net				
Under hedge accounting [1]	**-100.9**	**708.3**	-119.1	1,437.8
Not under hedge accounting [2]	**-249.3**	**1,139.1**	-108.1	1,051.4
Total	**-319.2**	**4,122.3**	-206.3	3,951.2

[1] Assets – thousand euro (2012: 0.0 thousand euro), liabilities -100.9 thousand euro (2012: -119.1 thousand euro)
[2] Assets 91.2 thousand euro (2012: 46.3 thousand euro), liabilities -340.5 thousand euro (2012: -154.4 thousand euro)

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 reporting date.
The fair values of electricity derivatives are determined on the basis of market quotations and contract prices of the instruments at the reporting date.

26. RELATED PARTY TRANSACTIONS

Group companies on 31 December 2013

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 Limited [1]	Hong Kong, P.R.China	100
Okmetic Invest Oy	Vantaa, Finland	100
Okmetic Management Oy [2]	Vantaa, Finland	0

[1] Sales office established by Okmetic Oyj.
[2] The company has been established solely to manage Okmetic Oyj's share-based incentive scheme for the top management. Okmetic Oyj has a contractual right to exercise control in the company and in its decision-making.

Key management compensation

1,000 euro	2013	2012
Salaries and other short-term employee benefits	**1,213.8**	1,204.1
Post-employment benefits	**206.5**	187.5
Share-based payments [1]	**310.6**	524.5
Total	**1,730.8**	1,915.9

Key management comprises the board of directors and the executive management group.

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

1,000 euro	2013		2012	
President				
Salary including fringe benefits	**314.5**		314.4	
Statutory pension	**54.8**		50.1	
Share reward [1]	**12.6**		22.8	
Total	**381.9**		387.3	
Deputy to the president				
Salary including fringe benefits	**173.1**		170.7	
Statutory pension	**30.2**		27.2	
Share reward [1]	**7.6**		13.9	
Total	**210.9**		211.8	
	Total remuneration, 1,000 euro, 2013	Of which as shares, pcs, 2013	Total remuneration, 1,000 euro, 2012	Of which as shares, pcs, 2012
Members of the board of directors				
Järvinen Tapani	**35.5**	**3,154**	35.5	2,891
Martola Hannu	**25.5**	**2,285**	25.5	2,195
Paulasto-Kröckel Mervi	**25.0**	**2,260**	25.0	1,927
Puolakka Mikko	**24.0**	**2,081**	23.0	1,851
Salmi Pekka	**-**	**-**	1.5	-
Österlund Henri	**48.3**	**5,503**	48.3	4,733
Total	**158.3**	**15,283**	158.8	13,597
Total	**751.0**		757.8	

[1] The terms and conditions of the share reward schemes are described under note 20, Share-based payments. Based on the share reward programme of 2013 the president is granted approximately 1,300 pcs (2012: 2,304 pcs) and deputy to the president approximately 780 pcs (2012: 1,405 pcs) of the company's own shares. The euro value of the president's and deputy to the president's share reward consists of the value of the granted shares and the monetary amount payable in accordance with the terms and conditions of share reward programme to cover taxes. Share reward based on the share reward programme of 2013 will be paid in February 2014.

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 president of Okmetic Oyj may retire with an old-age pension at the age of 63 according to the Finnish Employees Pensions Act; however he must retire at the age of 65. There is no specific agreement regarding the retirement age of the deputy to the president.

Loans to key management of the company

1,000 euro	2013	2012
On 1 January	**646.2**	795.9
Loans advanced during the period	**-**	-
Loan repayments received	**-10.0**	-146.0
Interest accrued	**31.2**	33.4
Interest received	**-31.4**	-37.0
On 31 December	**636.0**	646.2

As a part of the top management's incentive scheme arrangement, Okmetic has granted an interest-bearing loan of 800.0 thousand euro in 2010 to Okmetic Management Oy established by the president and deputy to the president for the purposes of financing the subscription of the Okmetic shares. The interest rate of the loan is 5.0 percent. The entire loan will be repaid at the latest at the expiration of the programme on 31 March 2013. In December 2012, the company's board of directors decided to extend the ownership arrangement, originally planned approximately for a three-year period, of Okmetic Management Oy, by a maximum of one year. The company will be dissolved by means of a merger or another method no later than in the beginning of 2014.The loan period will be extended respectively. The Management company has a right to repay the loan prematurely at any time. Okmetic Oyj's shares are used as collateral. The loan is market-based.

Okmetic Management Oy has been consolidated and the inter-company loan receivable and liability, interest income and expenses as well as dividend distribution have been eliminated in the group financial statements.

At the same time, Okmetic Oyj granted a loan of 66.3 thousand euro to the deputy to the president to be used in the capitalisation of the company to be established. The interest rate of the loan is 5.0 percent. The loan will be repaid at the latest at the expiration of the programme, on 31 March 2013. The programme has been extended by one year, and the loan period has been extended respectively.

Shares held by the key management	31 Dec 2013	31 Dec 2012	Change
Board of directors	**45,467**	30,184	15,283
President and deputy to the president	**77,840**	74,131	3,709
The company owned by the president and deputy to the president	**400,000**	400,000	0
Other members of the executive management group	**121,622**	107,791	13,831
Total	**644,929**	612,106	32,823

27. EVENTS AFTER THE REPORTING PERIOD

On 15 January 2014, the board of directors decided to dissolve the ownership arrangement of Okmetic Management Oy, owned by President Kai Seikku and Deputy to the President Mikko Montonen, with an arrangement in which Okmetic Oyj acquired the entire share capital of Okmetic Management Oy. Also 400,000 shares of Okmetic Oyj were transferred to the group via Okmetic Management Oy, as well as a loan receivable of Okmetic Oyj from Okmetic Management Oy. There were no shareholders of Okmetic Management Oy in the board of directors of Okmetic Oyj.

The value of the arrangement for the part of Okmetic Oyj's shares owned by Okmetic Management Oy was determined using the average trading price weighted by trading volume of the company's share in NASDAQ OMX Helsinki Oy on 16 January 2014, which was 4.9969 euro.

In a directed share issue on 16 January 2014, Okmetic Oyj transferred a total of 150,000 own shares held by the company to President Kai Seikku (140,000 shares) and Deputy to the President Mikko Montonen (10,000 shares). Subscription price per share was determined using the average trading price of the company's share weighted by trading volume in NASDAQ OMX Helsinki Oy on 16 January 2014, which was 4.9969 euro. Total value of the deal was 749,535 euro. The decision to transfer company's own shares is based on authorisation of the board of directors given by the annual general meeting on 10 April 2013.

FINANCIAL STATEMENTS FOR THE PARENT COMPANY, FAS

PARENT COMPANY'S INCOME STATEMENT

Euro	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Net sales	1	**61,735,345.54**	76,335,185.10
Cost of sales	2	**-49,134,780.52**	-59,524,127.40
Gross profit		**12,600,565.02**	16,811,057.70
Sales and marketing expenses		**-2,956,805.02**	-3,577,540.18
Administrative expenses	3	**-4,109,043.80**	-4,112,174.08
Other operating income	4	**23,730.30**	273,458.63
Other operating expenses	5	**-187,268.95**	-182,759.69
Operating profit		**5,371,177.55**	9,212,042.38
Financial income and expenses	6	**-605,392.54**	-343,350.60
Profit after financial items		**4,765,785.01**	8,868,691.78
Extraordinary income and expenses	7	**-**	-499,690.04
Profit before appropriations and tax		**4,765,785.01**	8,369,001.74
Depreciation differences		**-4,984,878.39**	-1,966,655.20
Income tax	8	**10,705.60**	-1,807,328.84
Profit/loss for the period		**-208,387.78**	4,595,017.70

PARENT COMPANY'S BALANCE SHEET

Euro	Note	31 Dec 2013	31 Dec 2012
Assets			
Fixed assets			
Tangible assets	9		
Buildings		**12,502,196.41**	8,126,783.76
Machinery and equipment		**26,500,994.50**	21,087,680.29
Construction in progress		**2,706,577.70**	9,782,779.89
		41,709,768.61	38,997,243.94
Investments			
Shares in group companies	9, 10	**4,869,214.39**	4,869,214.39
Other receivables	9	**122,907.53**	122,907.53
		4,992,121.92	4,992,121.92
Total fixed assets		**46,701,890.53**	43,989,365.86
Current assets			
Inventories			
Raw materials and supplies		**9,063,695.46**	5,872,205.47
Work in progress		**1,706,385.33**	1,684,565.46
Finished goods		**2,495,634.21**	2,818,885.59
		13,265,715.00	10,375,656.52
Long-term receivables			
Other receivables	11	**2,381,214.91**	4,061,631.38
Short-term receivables			
Trade receivables	11	**9,994,000.18**	12,316,197.33
Other receivables	11	**3,743,312.49**	3,517,826.59
Prepayments and accrued income	12	**384,006.78**	1,530,189.11
		14,121,319.45	17,364,213.03
Cash and cash equivalents		**3,749,772.36**	6,180,824.34
Total current assets		**33,518,021.72**	37,982,325.27
Total assets		**80,219,912.25**	81,971,691.13

Euro	Note	31 Dec 2013	31 Dec 2012
Shareholders' equity and liabilities			
Shareholders' equity	13		
Share capital		**11,821,250.00**	11,821,250.00
Share premium		**20,045,254.71**	20,045,254.71
Reserve for invested unrestricted equity		**1,420,417.66**	2,464,283.05
Retained earnings		**16,757,023.11**	19,679,270.59
Profit/loss for the period		**-208,387.78**	4,595,017.70
Total shareholders' equity		**49,835,557.70**	58,605,076.05
Accumulated appropriations			
Accumulated depreciation differences		**9,487,126.18**	4,502,247.79
Liabilities			
Long-term liabilities			
Loans from financial institutions		**7,000,000.00**	1,000,000.00
Other liabilities		**105,807.77**	199,476.28
		7,105,807.77	1,199,476.28
Short-term liabilities			
Loans from financial institutions		**3,000,000.00**	3,000,000.00
Advances received		**28,385.78**	509,331.93
Trade payables		**6,467,367.30**	10,281,271.73
Other liabilities	11	**1,198,004.54**	738,592.08
Accruals and deferred income	14	**3,097,662.98**	3,135,695.27
		13,791,420.60	17,664,891.01
Total liabilities		**20,897,228.37**	18,864,367.29
Total shareholders' equity and liabilities		**80,219,912.25**	81,971,691.13

PARENT COMPANY'S CASH FLOW STATEMENT

1,000 euro	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Cash flows from operating activities		
Profit before appropriations and tax	4,765.8	8,369.0
Adjustments for		
Depreciation	4,830.1	4,909.8
Financial income and expenses	605.4	343.3
Other adjustments	-77.3	634.5
Change in working capital	-2,156.3	-2,090.2
Interest received	47.0	156.9
Interest paid	-93.1	-40.6
Other financial items	-181.5	171.2
Income tax paid	946.6	-3,443.1
Net cash from operating activities	8,686.6	9,010.9
Cash flows from investing activities		
Investments in fixed assets	-8,992.2	-10,722.8
Net cash used in investing activities	-8,992.2	-10,722.8
Cash flows from financing activities		
Proceeds from long-term borrowings	10,000.0	-
Proceeds from short-term borrowings	1,000.0	3,000.0
Repayments of long-term borrowings	-1,000.0	-
Repayments of short-term borrowings	-4,000.0	-
Other	10.0	146.0
Dividends paid	-6,939.0	-4,973.6
Capital repayment	-1,196.5	-
Net cash used in financing activities	-2,125.5	-1,827.6
Net increase (+), decrease (-) in cash and cash equivalents	-2,431.1	-3,539.4
Cash and cash equivalents at the beginning of the period	6,180.8	9,209.5
Cash gained in merger with Kiinteistö Oy Piitalot	-	510.8
Cash and cash equivalents at the end of the period	3,749.8	6,180.8

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Accounting policies
The financial statements of Okmetic Oyj have been prepared in accordance with 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 items in the income statement.

Fixed assets
Tangible assets are stated at cost less accumulated depreciation and write-downs. Depreciations according to plan on fixed assets are based on the historical cost and the estimated useful lives of the assets. Assets are depreciated on a straight-line basis.

The estimated useful lives for the asset classes are:
- Buildings 20–25 years
- Machinery and equipment 3–15 years

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 and market using the weighted average cost 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 the lower of cost and market. Financial liabilities are stated at nominal value.

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

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.

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 cost 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 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 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.

Extraordinary items
Received and given group contributions and merger gains and losses are booked under extraordinary items.

Income tax
Income tax expense consists of accrued tax for the financial year and tax adjustments for prior years. Deferred income tax is recognised for 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.

1. NET SALES

Euro	2013	2012
Market area		
North America	**25,850,387.14**	26,817,077.59
Europe	**25,257,824.19**	20,842,386.83
Asia	**10,627,134.22**	28,675,720.68
Total	**61,735,345.54**	76,335,185.10

2. PERSONNEL EXPENSES

Euro	2013	2012
Wages and salaries	**14,223,589.77**	14,812,736.52
Share rewards [1]	**270,130.20**	372,508.09
Pension costs	**2,546,892.33**	2,421,841.88
Other social security costs	**680,921.04**	993,408.52
Total	**17,721,533.34**	18,600,495.01
Annual remuneration for the board of directors	**130,000.00**	130,000.00

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	2013		2012	
President				
Salary including fringe benefits	**314,484.00**		314,391.00	
Statutory pension	**54,783.11**		50,113.93	
Share reward [1]	**12,623.58**		22,752.68	
Total	**381,890.69**		387,257.61	
Deputy to the president				
Salary including fringe benefits	**173,139.78**		170,683.78	
Statutory pension	**30,160.95**		27,206.99	
Share reward [1]	**7,574.15**		13,872.80	
Total	**210,874.88**		211,763.57	
	Total remuneration, euro, 2013	Of which as shares, pcs, 2013	Total remuneration, euro, 2012	Of which as shares, pcs, 2012
Members of the board of directors				
Järvinen Tapani	**35,500.00**	**3,154**	35,500.00	2,891
Martola Hannu	**25,500.00**	**2,285**	25,500.00	2,195
Paulasto-Kröckel Mervi	**25,000.00**	**2,260**	25,000.00	1,927
Puolakka Mikko	**24,000.00**	**2,081**	23,000.00	1,851
Salmi Pekka	**-**	**-**	1,500.00	-
Österlund Henri	**48,250.00**	**5,503**	48,250.00	4,733
Total	**158,250.00**	**15,283**	158,750.00	13,597
Total	**751,015.57**		757,771.18	

[1] The terms and conditions of the share reward schemes are described under section 20, Share-based payments of the notes to the consolidated financial statements. Share reward based on the share reward programme of 2012 was paid in February 2013. Share reward based on the share reward programme of 2013 will be paid in February 2014.

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 president of Okmetic Oyj may retire with an old-age pension at the age of 63 according to the Finnish Employees Pensions Act; however he must retire at the age of 65. There is no specific agreement regarding the retirement age of the deputy to the president.

Related party loans

As a part of the top management's incentive scheme arrangement, Okmetic has granted an interest-bearing loan of 800.0 thousand euro in 2010 to Okmetic Management Oy established by the president and deputy to the president for the purposes of financing the subscription of the Okmetic shares. The interest rate of the loan is 5.0 percent. The entire loan will be repaid at the latest at the expiration of the programme on 31 March 2013. In December 2012, the company's board of directors decided to extend the ownership arrangement, originally planned approximately for a three-year period, of Okmetic Management Oy, by a maximum of one year. The company will be dissolved by means of a merger or another method no later than in the beginning of 2014.The loan period will be extended respectively. The Management company has a right to repay the loan prematurely at any time. Okmetic Oyj's shares are used as collateral. The loan is market-based.

At the same time, Okmetic Oyj granted a loan of 66.3 thousand euro to the deputy to the president to be used in the capitalisation of the company to be established. The interest rate of the loan is 5.0 percent. The loan will be repaid at the latest at the expiration of the programme, on 31 March 2013. The programme has been extended by one year and the loan period has been extended respectively.

Related party transactions are described in note 26, Related party transactions of the notes to the consolidated financial statements.

Number of personnel	2013	2012
White-collar employees	**116**	114
Blue-collar employees	**205**	213
Average	**321**	326
On 31 December	**310**	322

3. AUDITOR'S FEES

Euro	2013	2012
Audit fees	**64,381.36**	49,658.16
Tax assignments	**10,600.00**	11,640.38
Other assignments	**5,605.50**	5,951.50
Total	**80,586.86**	67,250.04

4. OTHER OPERATING INCOME

Euro	2013	2012
Reversals of compensation agreements	-	110,000.00
Reversals of credit losses	-	152,458.63
Other income	**23,730.30**	11,000.00
Total	**23,730.30**	273,458.63

5. OTHER OPERATING EXPENSES

Euro	2013	2012
Other expenses	**97,974.84**	65,356.58
Credit losses	**89,294.11**	117,403.11
Total	**187,268.95**	182,759.69

6. FINANCIAL INCOME AND EXPENSES

Euro	2013	2012
Interest income		
From group companies	**40,573.58**	43,640.21
From others	**4,631.72**	4,550.37
Total	**45,205.30**	48,190.58
Interest expenses		
To others	**-140,750.87**	-40,584.04
Other financial income and expenses		
From/to group companies	**-65,996.68**	-171,520.44
From/to others	**-443,850.29**	-179,436.70
Total	**-509,846.97**	-350,957.14
Total	**-605,392.54**	-343,350.60

7. EXTRAORDINARY EXPENSES

Euro	2013	2012
Merger losses	**-**	-499,690.04

8. INCOME TAX

Euro	2013	2012
Current income tax	**-**	-1,680,969.61
Tax adjustments of prior periods	**10,705.60**	-126,359.23
Total	**10,705.60**	-1,807,328.84

9. FIXED ASSETS

Tangible assets

Euro	Buildings	Machinery and equipment	Construction in progress	Total
Acquisition cost on 1 January 2013	20,571,032.49	101,900,960.59	9,782,779.89	132,254,772.97
Additions	1,144,109.21	4,182,294.12	2,225,469.06	7,551,872.39
Disposals	–	-755,204.01	–	-755,204.01
Transfers between items	4,236,519.96	5,065,151.29	-9,301,671.25	–
Acquisition cost on 31 December 2013	25,951,661.66	110,393,201.99	2,706,577.70	139,051,441.35
Accumulated depreciation on 1 January 2013	-12,444,248.73	-80,813,280.30	–	-93,257,529.03
Accumulated depreciation on disposals and transfers	–	745,971.26	–	745,971.26
Depreciation for the period	-1,005,216.52	-3,824,898.45	–	-4,830,114.97
Accumulated depreciation on 31 December 2013	-13,449,465.25	-83,892,207.49	–	-97,341,672.74
Carrying amount on 1 January 2013	8,126,783.76	21,087,680.29	9,782,779.89	38,997,243.94
Carrying amount on 31 December 2013	12,502,196.41	26,500,994.50	2,706,577.70	41,709,768.61

Euro	Buildings	Machinery and equipment	Construction in progress	Total
Acquisition cost on 1 January 2012	–	3,528,095.26	3,357,000.22	6,885,095.48
Transferred in merger	20,571,032.49	96,804,956.85	1,676,886.06	119,052,875.40
Additions	–	6,713,664.07	6,213,079.81	12,926,743.88
Disposals	–	-6,609,941.79	–	-6,609,941.79
Transfers between items	–	1,464,186.20	-1,464,186.20	–
Acquisition cost on 31 December 2012	20,571,032.49	101,900,960.59	9,782,779.89	132,254,772.97
Accumulated depreciation on 1 January 2012	–	-260,830.90	–	-260,830.90
Transferred in merger	-11,543,229.52	-83,153,579.00	–	-94,696,808.52
Accumulated depreciation on disposals and transfers	–	6,609,941.79	–	6,609,941.79
Depreciation for the period	-901,019.21	-4,008,812.19	–	-4,909,831.40
Accumulated depreciation on 31 December 2012	-12,444,248.73	-80,813,280.30	–	-93,257,529.03
Carrying amount on 1 January 2012	–	3,267,264.36	3,357,000.22	6,624,264.58
Carrying amount on 31 December 2012	8,126,783.76	21,087,680.29	9,782,779.89	38,997,243.94

Intangible assets

Euro	Other long-term expenses
Acquisition cost on 1 January 2013	67,717.07
Additions	–
Disposals	–
Acquisition cost on 31 December 2013	**67,717.07**
Accumulated amortisation on 1 January 2013	-67,717.07
Accumulated amortisation on disposals and transfers	–
Accumulated amortisation on 31 December 2013	**-67,717.07**
Carrying amount on 1 January 2013	–
Carrying amount on 31 December 2013	**–**

Euro	Other long-term expenses
Acquisition cost on 1 January 2012	–
Transferred in merger	304,807.20
Additions	–
Disposals	-237,090.13
Acquisition cost on 31 December 2012	67,717.07
Accumulated amortisation on 1 January 2012	–
Transferred in merger	-304,807.20
Accumulated amortisation on disposals and transfers	237,090.13
Accumulated amortisation on 31 December 2012	-67,717.07
Carrying amount on 1 January 2012	–
Carrying amount on 31 December 2012	–

Investments

Euro	Shares in group companies	Other receivables	Total
Acquisition cost on 1 January 2013	4,869,214.39	122,907.53	4,992,121.92
Additions	–	–	–
Disposals	–	–	–
Transfers between items	–	–	–
Carrying amount on 31 December 2013	**4,869,214.39**	**122,907.53**	**4,992,121.92**

Euro	Shares in group companies	Other receivables	Total
Acquisition cost on 1 January 2012	13,777,339.86	15,136.91	13,792,476.77
Transferred in merger	-8,908,125.47	107,770.62	-8,800,354.85
Additions	–	–	–
Disposals	–	–	–
Transfers between items	–	–	–
Carrying amount on 31 December 2012	4,869,214.39	122,907.53	4,992,121.92

10. SUBSIDIARIES ON 31 DECEMBER 2013

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
Okmetic Limited	Hong Kong, P.R.China	100
Okmetic Management Oy [1]	Vantaa, Finland	0

[1] The company has been established solely to manage Okmetic Oyj's share-based incentive scheme for the top management. Okmetic Oyj has a contractual right to exercise control in the company and in its decision-making.

11. RECEIVABLES FROM AND LIABILITIES TO GROUP COMPANIES

Euro	2013	2012
Long-term receivables		
Other receivables	**1,391,432.31**	1,448,151.18
Short-term receivables		
Trade receivables	**743,469.72**	597,594.70
Other receivables	**188,792.15**	428,006.77
Other liabilities	**4,086.40**	162,157.15

12. SHORT-TERM RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME

Euro	2013	2012
Main items included in prepayments and accrued income		
Income tax receivables	**170,655.49**	1,106,542.74
Employee-related insurances	**168,250.34**	268,478.63
Prepaid salaries	**29,379.55**	138,386.35
Other	**15,721.40**	16,781.39
Total	**384,006.78**	1,530,189.11

13. SHAREHOLDERS' EQUITY

Euro	2013	2012
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
Reserve for invested unrestricted equity		
On 1 January	**2,464,283.05**	2,070,843.30
Share-based payments	**152,671.00**	393,439.75
Capital repayment	**-1,196,536.39**	–
On 31 December	**1,420,417.66**	2,464,283.05
Retained earnings		
On 1 January	**19,679,270.59**	14,127,324.98
Profit from the previous period	**4,595,017.70**	10,324,813.57
Dividend distribution	**-7,517,265.13**	-4,772,867.96
On 31 December	**16,757,023.11**	19,679,270.59
Profit/loss for the period	**-208,387.78**	4,595,017.70
Total shareholders' equity on 31 December	**49,835,557.70**	58,605,076.05
Distributable earnings		
Retained earnings	**16,757,023.11**	19,679,270.59
Profit/loss for the period	**-208,387.78**	4,595,017.70
Reserve for invested unrestricted equity	**1,420,417.66**	2,464,283.05
Total	**17,969,052.99**	26,738,571.34

14. SHORT-TERM LIABILITIES, ACCRUALS AND DEFERRED INCOME

Euro	2013	2012
Main items included in accruals and deferred income		
Accrued employee-related expenses	**2,856,394.83**	3,049,426.32
Accrued interest expenses	**57,291.11**	32,769.97
Other	**183,977.04**	53,498.98
Total	**3,097,662.98**	3,135,695.27

15. COLLATERALS

Euro	2013	2012
Own debts secured with collaterals		
Loans from financial institutions and other liabilities	**10,000,000.00**	1,000,000.00
Collaterals		
Floating charges, own	**17,127,785.73**	8,073,020.47

16. COMMITMENTS AND CONTINGENCIES

Euro	2013	2012
Lease commitments		
Payable next year	**488,499.31**	412,743.68
Payable at a later date	**1,129,140.11**	1,024,107.89
Total	**1,617,639.42**	1,436,851.57

The lease agreements involve no redemption clauses. Commitments include value added tax.

Capital commitments	**1,910,145.09**	5,498,517.77

17. DERIVATIVE FINANCIAL INSTRUMENTS

Euro	Fair value 2013	Nominal value 2013
Currency derivatives		
Currency forwards	**20,396.00**	**1,144,328.69**
Currency options, call	**11,851.00**	**948,321.00**
Currency options, put	**-1,205.00**	**182,282.00**
Electricity derivatives	**-350,271.00**	**1,847,393.00**
Total	**-319,229.00**	**4,122,324.69**

Euro	Fair value 2012	Nominal value 2012
Currency derivatives		
Currency forwards	20,991.00	1,462,006.40
Electricity derivatives	-227,197.00	2,489,247.00
Total	-206,206.00	3,951,253.40

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 market quotations and contract prices of the instruments at the balance sheet date. Derivative contracts are held for hedging.

18. DEFERRED INCOME TAX

Accumulated depreciation differences recognised in the balance sheet amount to 9.5 million euro (2012: 4.5 million euro) at the balance sheet date. Deferred tax liability, 1.9 million euro (2012: 1.1 million euro), arising from the accumulated depreciation differences has not been recognised in the parent company's balance sheet.

BOARD OF DIRECTORS' PROPOSAL REGARDING MEASURES CONCERNING DISTRIBUTABLE EARNINGS

According to the financial statements dated 31 December 2013, the parent company's distributable earnings amount to 17,969,052.99 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 has decided to propose to the annual general meeting that no dividend shall be paid for the financial year 2013 and that the loss of the parent company for the financial year, -208,387.78 euro, shall be recorded to the company's retained earnings.

SIGNATURES FOR THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Vantaa, 13 February 2014

Henri Österlund
Chairman of the board of directors

Tapani Järvinen
Vice Chairman of the board of directors

Mervi Paulasto-Kröckel
Member of the board of directors

Hannu Martola
Member of the board of directors

Mikko Puolakka
Member of the board of directors

Kai Seikku
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 31 December, 2013. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, 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 Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view 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 Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director 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 express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about 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 or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

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, 13 February 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant

BOARD OF DIRECTORS

HENRI ÖSTERLUND

1971, M.Sc. (Econ.)

- CEO of Accendo Capital Partners Oy 2007–
- Okmetic Oyj, chairman of the board 2009–, board member 2008–
- Key employment history: Conventum Corporate Finance, Partner 2003–2004, Executive Director 2002–2003; InterQuest, Executive Chairman 2000–2002; Triton, Partner 1999–2000; Doughty Hanson & Co, Associate 1995–1999
- Key board memberships: Talentum Oyj, board member 2011–
- Owns 14,445 shares in the company (1 Mar 2014)

TAPANI JÄRVINEN

1946, Lic.Sc. (Tech.)

- Okmetic Oyj, vice chairman of the board 2011–, board member 2008–
- Key employment history: Outotec Oyj, President and CEO 2006–2009; Outokumpu Technology Oy, 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
- Key board memberships: Finpro RY, board member 2012–; Mustavaaran Kaivos Oy, board member 2011–; Talvivaara Mining Company Plc, chairman of the board 2012–, board member 2010–2012; Outotec Oyj, board member 2010–; Konecranes Ab, board member 2009–; Normet Oy, board member 2007–; Dragon Mining NL, board member 2003–
- Owns 11,790 shares in the company (1 Mar 2014)

HANNU MARTOLA

1963, M.Sc. (Tech.), eMBA

- President and CEO of Detection Technology Oy 2007–
- Okmetic Oyj, board member 2009–
- Key employment history: VTI Technologies Oy, President and CEO 2001–2007, Head of Operations 1998–2000, various managerial positions 1992–1997
- Key board memberships: Powernet International Oy, chairman of the board 2012–, board member 2008–2012; Beddit Oy, chairman of the board 2007–
- Owns 9,531 shares in the company (1 Mar 2014)

MERVI PAULASTO-KRÖCKEL

1966, D.Sc. (Tech.)

- Associate Professor (tenured), Aalto University School of Electrical Engineering 2013–
- Okmetic Oyj, board member 2011–
- Key employment history: Professor, Aalto University School of Electrical Engineering 2008–2013; Infineon Technologies AG, Germany, Director Package Development 2004–2008; Motorola GmbH, Germany, various R&D and management positions 1996–2004
- Owns 5,769 shares in the company (1 Mar 2014)

MIKKO PUOLAKKA

1969, M.Sc. (Econ.)

- Chief Financial Officer of Outotec Oyj 2010–
- Okmetic Oyj, board member 2012–
- Key employment history: Elcoteq SE, CFO 2007–2010, Director Finance Europe 2004–2007; Elcoteq AG, Manager Finance 2001–2003; Huhtamäki Oyj, Operations Controller 1999–2001; Leaf Poland Sp. Z.o.o., Manager Finance 1997–1999
- Key board memberships: Oy Gold Gemex Ltd, board member 2007–
- Owns 3,932 shares in the company (1 Mar 2014)

EXECUTIVE MANAGEMENT GROUP

(1/2)

KAI SEIKKU

1965, M.Sc. (Econ.), President 2010–

- With the company since 2010
- Key employment history: HKScan Corporation, CEO 2005–2009; McCann-Erickson, Country Chairman 2002–2005; Hasan & Partners Oy, CEO 1999–2005; The Boston Consulting Group, Project Leader 1993–1999; SIAR-Bossard, Consultant 1991–1993
- Key board memberships: The Federation of Finnish Technology Industries 2013–; Alma Media Corporation, board member 2006–; Verkkokauppa.com Oyj, board member 2013–
- Owns 186,670 shares in the company (1 Mar 2014)

MIKKO MONTONEN

1965, M.Sc. (Tech.), Executive Vice President, Customers and Markets 2010–2014, Deputy to the President 2008–2014

- Areas of responsibility: customers and markets (until 6 April 2014)
- With the company since 1991
- Key employment history: Okmetic Oyj, Executive Vice President, Sales 2008–2010, Senior Vice President, Sales and Marketing 2004–2007; Okmetic Inc., President, Vice President, Sales and Marketing North America 2000–2004; Okmetic Oy, Sales Manager, Process Engineer 1991–1999
- Owns 43,266 shares in the company (1 Mar 2014)

PETRI ANTOLA

1967, M.Sc. (Tech.), Senior Vice President, Technology Projects and Solar Materials 2010–

- Areas of responsibility: solar material and technology sales
- With the company since 2001
- Key employment history: Okmetic Oyj, Vice President, Sales Asia 2006–2010; Okmetic Inc., Vice President, Sales North America 2004–2006, Account Manager, North America 2001–2004; Sales management positions within ABB in Finland, South Africa, and the USA 1993–2000
- Owns 9,149 shares in the company (1 Mar 2014)

ATTE HAAPALINNA

1969, D.Sc. (Tech.), Senior Vice President, Products 2014–

- Areas of responsibility: product development, process development and product portfolio (from 7 April 2014)
- With the company since 1998
- Key employment history: Okmetic Oyj, Senior Vice President, Customer Support Jan–Apr 2014, Business Development Manager, new business development 2011–2013, Application Manager 2008–2011, Senior Application Engineer, Customer Support Engineer, Development Engineer, Fraunhofer Institut für Produktionstechnologie (IPT), Visiting Scientist 2001, Helsinki University of Technology, Scientist 1995
- Owns 150 shares in the company (1 Mar 2014)

EXECUTIVE MANAGEMENT GROUP

(2/2)

JUHA JAATINEN

1965, M.Sc. (Econ.), Senior Vice President, Finance, IT and Communications 2010–

- Areas of responsibility: finance and accounting, IT and communications
- With the company since 2010
- Key employment history: Nokia Markets, Senior Business Controller 2008–2010; Nokia Multimedia, Director, Finance and Control 2004–2007; Nokia Mobile Phones, Business Controller, Entertainment Business Unit, Development Manager, Financial Reporting System Specialist 1997–2003; ICL Data, Controller 1995–1997
- Owns 17,594 shares in the company (1 Mar 2014)

JAAKKO MONTONEN

1969, M.Sc. (Tech.), Senior Vice President, Supply Chain 2010–

- Areas of responsibility: supply chain, contract manufacturing and sourcing
- With the company since 1994
- Key employment history: Okmetic Oyj, Senior Vice President, Production 2008–2010, Senior Vice President, Product Development 2004–2007, Process and Project Engineer, Development Engineer and Manager, Vice President 1994–2004
- Owns 25,693 shares in the company (1 Mar 2014)

MARKUS VIRTANEN

1962, M.Sc. (Tech.), Senior Vice President, Human Resources, Quality and Environment 2010–

- Areas of responsibility: human resources, quality and environment
- With the company since 1999
- Key employment history: Okmetic Oyj, Senior Vice President, Human Resources 2003–2010, Personnel Manager, Deputy Vice President 1999–2003; Finnish Association of Graduate Engineers TEK, Representative, Organisation Chief, Director of Field Operations and Negotiator for Collective Labour Agreements for the Metal Industry in Federation of Professional and Managerial Staff YTN 1989–1999
- Owns 24,370 shares in the company (1 Mar 2014)

ANNA-RIIKKA VUORIKARI-ANTIKAINEN

1965, M.Sc. (Tech.), Senior Vice President, Customers and Markets 2014–

- Areas of responsibility: customers and markets, customer support (from 7 April 2014)
- With the company since 1992
- Key employment history: Okmetic Oyj, Senior Vice President, Products 2010–2014, Senior Vice President, Sensor Business and Product Development 2008–2010, Senior Vice President, Sensor Business Development 2006–2007, Quality Engineer and Manager, Production Manager, Evaluations Manager, Planning Manager 1992–2006
- Key positions of trust: Chairman of VTT Technical Research Centre of Finland's Advisory Board for ICT and Electronics 2012–, MemsCat, Chairman of the Steering Group 2013–
- Owns 26,191 shares in the company (1 Mar 2014)

Markku Tilli, 1950, M.Sc. (Tech.), Senior Vice President, Research, acted as member of the executive management group until 31 December 2013.

CORPORATE GOVERNANCE STATEMENT

This corporate governance statement has been drawn up in accordance with recommendation 54 of the Finnish Corporate Governance Code 2010 for listed companies and Chapter 7, 7§ of the Securities Market Act. The corporate governance statement is provided separate from the board of directors' report. The statement can also be found on the company website, www.okmetic.com. The board of directors of Okmetic Oyj (hereafter "Okmetic" and "the company") has gone through this report. Okmetic's auditor PricewaterhouseCoopers Ltd. has ensured that this report was issued and that the general description therein of the internal control and risk management systems pertaining to financial reporting corresponds with the financial statements.

The aforementioned code is available on the website of the Finnish Securities Market Association, www.cgfinland.fi.

Okmetic's operational environment

Okmetic Oyj, the parent company of Okmetic group (hereafter also "group"), is a Finnish public limited company, in which shareholders exercise their decision-making power in the general meeting in compliance with the General Corporation Laws and articles of association. The company's registered office is in Vantaa, Finland.

The management of Okmetic Oyj is based on the Finnish General Corporation Laws, the Accounting Act, regulations concerning publicly traded companies, the articles of association, the Finnish Corporate Governance Code published in 2010, and on generally accepted ethical principles.

Okmetic prepares the consolidated financial statements and the interim reports according to EU-approved IFRS standards (International Financial Reporting Standards), the Securities Market Act, FIN-FSA regulations and guidelines, and NASDAQ OMX Helsinki Ltd. rules. The board of directors report and financial statements of Okmetic Oyj are prepared according to the Finnish Accounting Act and Finnish Accounting Board (KILA) guidelines and statements.

The auditor's report comprises the board of directors' report, the consolidated financial statements, and the financial statements of the parent company.

Organisation

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 general meeting has the ultimate power in the company, and the company's chief operative decision-maker is the board of directors. The president, supported by the executive management group, is responsible for the operative management of the company in accordance with the board of directors' guidelines.

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 decides on adopting of the financial statements, distribution of profit, discharging of the board of directors as well as the president and deputy to the president from liability, 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 general meeting usually convenes once a year. The annual general meeting shall be held no later than on 30 June. The board of directors convenes the general meeting according to the articles of association and Finnish Corporate Governance Code. If needed, the company can convene an extraordinary general meeting. The notice to the general meeting is published on the company website or in one or more newspapers with wide circulation area selected by the board of directors, or it will be delivered to the shareholder by registered mail or handed to the shareholder against receipt no earlier than three months and no later than three weeks in advance of the general meeting, however always at least nine days prior to the record date of the general meeting. In addition, Okmetic publishes the notice as a stock exchange release.

Shareholder has 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 shareholders' register maintained by Euroclear Finland Ltd. on the record date of the general meeting. Okmetic Oyj has one class of shares. Each share entitles its holder to one vote at a general meeting. The company's shares are included in the Finnish book-entry securities system.

The president and sufficient amount of board members are present at the general meeting. A person who is nominated as a member of the board of directors for the first time must participate in the general meeting where his/her appointment is decided unless a very important reason exists to justify his/her absence. The auditor is present at the annual general meeting.

The company is not aware of any shareholders' agreements.

Annual general meeting 2013

Okmetic's annual general meeting was held in Vantaa on 10 April 2013. A total of 54 shareholders representing 7,191,719 votes participated in the meeting either in person or by proxy, which corresponds to 41.6 percent of the company's share total. Documents of the annual general meeting are available on the company website www.okmetic.com>Investors>General meeting>2013.

Extraordinary general meeting 2013

Okmetic's extraordinary general meeting was held in Vantaa on 19 December 2013. A total of 16 shareholders representing 3,231,814 votes participated in the meeting either in person or by proxy. Documents of the extraordinary general meeting are available on the company website www.okmetic.com>Investors>General meeting>2013.

Board of directors

The general meeting appoints the members of the board of directors. The board of directors comprises at least three and no more than eight members. In addition, a maximum of eight vice members may be appointed to the board. The board appoints a chairman and a vice chairman from its members. The board's term of office terminates at the end of the annual general meeting following the appointment of the board.

Five members were appointed to the board of directors at the annual general meeting of 2013. Okmetic's president is not a member of the board of directors.

In 2013, the board of directors comprised the following persons:

- Chairman of the board Henri Österlund, 1971, M.Sc. (Econ.), CEO of Accendo Capital Partners Oy
- Vice chairman of the board Tapani Järvinen, 1946, Lic.Sc. (Tech.)
- Hannu Martola, 1963, M.Sc. (Tech.), eMBA, President and CEO of Detection Technology Oy
- Mervi Paulasto-Kröckel, 1966, D.Sc. (Tech.), Associate Professor (tenured), Aalto University School of Electrical Engineering
- Mikko Puolakka, 1969, M.Sc. (Econ.), Chief Financial Officer of Outotec Oyj

The board members Tapani Järvinen, Mervi Paulasto-Kröckel and Mikko Puolakka are independent of the company and of largest shareholders. Hannu Martola is the President and CEO of Okmetic's customer Detection Technology Oy. The customer's order volumes have increased since 2010, and Hannu Martola is thus dependent on the company. Henri Österlund is the CEO of Accendo Capital Partners Oy. Accendo Capital SICAV SIF fund is a major shareholder of Okmetic, and thus Henri Österlund is dependent on a large shareholder.

Duties

The board of directors of Okmetic Oyj, which is the chief operative decision-maker of the company, manages the company in compliance with the Limited Liability Companies Act and the articles of association.

The board of directors is responsible for managing the group together with the president. The board of directors has general authority in all matters that have not been specifically assigned to another body.

Essential tasks of the board of directors include:

- Taking care of the group's administration and the appropriate arrangement of operations, accounting, and financial management
- Deciding on the group's strategy and supervising its implementation
- Approving the group's annual plans and revisions to them
- Deciding on investments and sales of assets that have strategic significance or that are extensive in scope
- Deciding on significant financial arrangements and risk management
- Preparing the agenda for the general meeting and ensuring that the decisions of the general meeting are implemented
- Defining the dividend policy
- Defining long-term objectives for growth, solidity, and profitability
- Deciding on appointing and dismissing the company's president and deputy to the president and establishing the conditions of their terms of office
- Deciding on incentive schemes for the group
- Ensuring that the company's values are upheld
- Overseeing the process of preparing the financial statements
- Overseeing the financial reporting process
- Overseeing the efficiency of internal control and risk management systems
- Discussing the description, which is given out in Okmetic's corporate governance statement, and which deals with the main features of the internal control and risk management systems pertaining to the financial reporting process

Meetings

The board of directors convenes principally monthly and monitors the management's operations actively. The board of directors has quorum when at least half of its members are present. In 2013 a total of 14 meetings were held. The participation rate of the board members in board meetings was 91.4 percent.

In its meetings the board of directors sets guidelines for the company's targets and yearly action plans. According to the yearly agreed timetable, meetings are summoned in order to discuss the main issues agreed along with the timetable and also other topical issues.

The president, deputy to the president, and senior vice president, finance, IT and communications who acts as secretary to the board, take part in the board meetings. Other members of the group's executive management group take part in the meetings if summoned by the board.

Permanent committees and committees

The board of directors has not founded any permanent committees to deal with its duties. However, the board of directors can decide to form committees of its members to prepare issues in advance. The committees convene when necessary. Board members who do not belong to the committee can, if they so desire, take part in committee meetings. 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. The board of directors is responsible for duties allocated to the audit committee in the Corporate Governance Code.

Assessment of operations

The board of directors assesses its operations and working methods on a yearly basis in order to improve its work. Self-evaluation examines work-efficiency, the size and composition of the board, and the preparation of issues discussed in meetings. Decision making is evaluated by assessing transparency and the extent of discussions and member's opportunities to independent decision making.

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 also prepares the issues for the board meetings together with the chairman of the board and secretary of the board. Kai Seikku, M.Sc. (Econ.) is president of the company since 25 January 2010.

The deputy to the president takes over the responsibilities of the president in case the president is unable to attend to his duties. Executive Vice President, Customers and Markets Mikko Montonen acts as the deputy to the president since 1 January 2008.

The board of directors evaluates the performance of the president on a yearly basis. This evaluation assesses the company's result and whether the other targets set for the president by the board of directors have been met.

The executive management group supports the president in managing the group.

Executive management group

In addition to the president, Okmetic group's executive management group consists of the deputy to the president and specific senior vice presidents chosen by the president. The senior vice presidents report to the president. The executive management group comprises eight members at the moment. The senior vice president, human resources, quality, and environment acts as secretary of the executive management group.

The executive management group comprises:

- Kai Seikku, 1965, M.Sc. (Econ.), President and CEO
- Mikko Montonen, 1965, M.Sc. (Tech.), Executive Vice President, Customers and Markets and Deputy to the President (until 6 April 2014)
- Petri Antola, 1967, M.Sc. (Tech.), Senior Vice President, Technology Projects and Solar Materials
- Atte Haapalinna, 1969, D. Sc. (Tech.), Senior Vice President, Products (from 7 April 2014)
- Juha Jaatinen, 1965, M.Sc. (Econ.), Senior Vice President, Finance, IT and Communications
- Jaakko Montonen, 1969, M.Sc. (Tech.), Senior Vice President, Supply Chain
- Markus Virtanen, 1962, M.Sc. (Tech.), Senior Vice President, Human Resources, Quality and Environment
- Anna-Riikka Vuorikari-Antikainen, 1965, M.Sc. (Tech.), Senior Vice President, Customers and Markets (from 7 April 2014)

Markku Tilli, 1950, M.Sc. (Tech.), Senior Vice President, Research, acted as member of the executive management group until 31 December 2013.

Duties

The executive management group assists the president in managing the group. The company's executive management group plans, implements, and monitors the group's operative business and related decisions based on the guidelines and objectives set by the board of directors.

Some of the main duties of the executive management group are to set the operative targets, draw up the yearly operative plan and budget, decide on the investments in the investment plan approved by the board of directors, monitor business operations and operating environment, and supervise the implementation of operative decisions. The executive management group addresses strategic issues, short-term and long-term plans, revisions of such plans, and other issues that have significance in terms of managing the group. Furthermore, the executive management group prepares issues to be addressed to the board of directors.

The executive management group convenes regularly once a month under the baton of the president. In addition to regular meetings, the executive management group meets specifically to discuss the strategy, planning of operations, results, the management reviews, and other topics if needed.

Remuneration and other benefits of the members of the board of directors, the president, and the members of the executive management group

The board of directors

The annual general meeting held on 10 April 2013 decided on the following annual remuneration for the board of directors: chairman of the board 40,000 euro, vice chairman 30,000 euro, and members 20,000 euro each. It was decided that the annual remuneration shall be paid in the company's shares and in cash for the part of taxes. Payment of the annual remuneration was made as a one-time payment on 10 May 2013, and the number of remuneration shares was determined according to the closing price of the company's share on 8 May 2013. In addition, a meeting fee is paid to the board members, amount of which is 750 euro per meeting for the chairman and 500 euro per meeting for the other board members. Meeting fee is not paid for conference calls lasting less than one hour.

Remuneration of the board of directors in 2013 as shares and in cash:

Board members	Total remuneration, 1,000 euro*	Of which as shares, pcs
Järvinen Tapani	35.5	3,154
Martola Hannu	25.5	2,285
Paulasto-Kröckel Mervi	25.0	2,260
Puolakka Mikko	24.0	2,081
Österlund Henri	48.3	5,503
Total	158.3	15,283

*Total remuneration includes the annual remuneration paid on 10 May 2013 and the meeting fees for the period 1 January–31 December 2013.

In 2013, members of the board of directors were not paid pension-related benefits or fringe benefits.

The president and the executive management group

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 personal performance reviews. The company's board of directors decides on the president's and deputy to the president's salary, remuneration, and terms of employment. The board of directors decides on salary, remuneration, and terms of employment of the other members of the executive management group according to the president's proposal.

In 2013, the annual compensation of the president and the executive management group comprised salaries and fringe benefits as well as rewards awarded in connection with the share reward scheme. In addition, the president and deputy to the president had their own incentive scheme, which will be discussed in Top management's incentive scheme paragraph.

Salaries and remuneration of the president and the deputy to the president for 2013 (1,000 euro):

	Salaries*	Share reward	Total
President	314.5	12.6	327.1
Deputy to the president	173.1	7.6	180.7

*Salaries include fringe benefits.

Based on the achievement of set targets of the share reward scheme 2013, the president and deputy to the president were paid a total of 2,096 Okmetic's shares and in addition to this, cash for the part of taxes in February 2014.

The annual remuneration and fringe benefits awarded to the other members of the executive management group amounted to a total of around 698,000 euro. Based on the achievement of set targets of the share reward scheme 2013, the other members of the executive management group were paid 9,823 Okmetic's shares and in addition to this, cash for the part of taxes in February 2014.

The pension benefits of the president and members of the executive management group are determined on the basis of the Finnish Employee's Pensions Act. The president is entitled to retire after the age of 63. He is required to retire from Okmetic after the age of 65. The period of notice for the president is six months and must be observed by both sides. If the company dismisses the president, he will be paid a sum equal to his total salary of 18 months.

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. Okmetic Management Oy, the company founded by the president and the deputy to the president, was granted a loan of 800,000 euro by Okmetic in 2010. On 31 December 2013, the remaining loan amounted to 584,000 euro. In 2010, the deputy to the president and Okmetic agreed on a personal loan that amounts to 66,250 euro. On 31 December 2013, the remaining loan amounted to 36,250 euro.

Executive management group's share reward scheme 2013

On 11 February 2013, the board of directors decided on a share-based incentive scheme for 2013. The reward to be paid is based on common targets set by the board of directors like profit and cash flow, and on personal targets. The purpose of the scheme is to commit and incentivise the participants to grow shareholder value on the long run. The aggregate amount of possible rewards paid based on the share reward programme may not exceed 150,000 shares for 2013. In addition to the shares, a monetary amount covering taxes will be paid. The maximum reward paid based on the scheme including taxes may not exceed 1.8 million euro. If the cost of the share reward scheme exceeds this sum, the amount of shares to be distributed will be reduced.

The prerequisite for earning shares is that the targets set by the board of directors and the president are met. The board of directors assesses whether the targets are met and makes the decision on the possible reward distribution. When the earning period has terminated, the shares and the monetary amount covering taxes will be paid to the participants. For 2013, the earned shares and the monetary amount covering taxes were paid to the participants in February 2014.

The disbursement of shares is followed by a two-year restriction period, during which the participants are not allowed to sell or transfer shares. If a member of the executive management group leaves the company within the limited two-year period, he/she may keep half of the shares paid as a reward. The president is obligated to hold half of the shares received as share reward as long as he is working for the company.

Top management's incentive scheme

At the beginning of 2010, the board of directors decided on an incentive scheme for the top management. Okmetic Management Oy, a company founded by the president and deputy to the president, was directed a share issue against payment of 400,000 shares at prevailing market price (3.00 euro). The share issue was financed by a capital investment of a total of 400,000 euro in the established company by Seikku and Montonen, together with a loan of 800,000 euro granted by Okmetic Oyj. In December 2012, the board of directors decided to extend the arrangement originally planned for approximately three years by a maximum of one year. In 2013, the group recognised an income of 89, 571 euro for the top management's incentive scheme.

In January 2014, the board of directors decided that the repayment is made with an arrangement in which Okmetic Oyj acquires the entire share capital of Okmetic Management Oy. Also 400,000 shares of Okmetic Oyj were transferred to the group via Okmetic Management Oy, as well as a loan receivable of Okmetic Oyj from Okmetic Management Oy, 484,000 euro. Okmetic published a stock exchange release on the arrangement on 17 January 2014.

Management's stock option plan based on own investment

Based on the authorisation given by the Annual General Meeting on 10 April 2013, Okmetic's board of directors decided on 18 December 2013 to grant stock options to the key managers of Okmetic.

As a precondition for being eligible to receive the stock options, the key managers are required to invest in Okmetic shares. According to the investment requirement, the key managers are required to hold in the aggregate 262,600 Okmetic shares to be eligible to receive all of the stock options.

The stock options shall, in deviation from the shareholders' pre-emptive subscription right, be offered to the key managers of Okmetic. The maximum total number of stock options offered is 870,000, which entitle participants to subscribe for a maximum number of 870,000 Okmetic shares (4.8% of the company's shares on a fully diluted basis). Each stock option entitles participants to subscribe for one share. The shares subscribed with the stock options may either be new shares issued by the company or existing shares held by the company. Of the stock options, 320,000 shall be marked with the symbol 2013 A and 550,000 with the symbol 2013 B. The stock options shall be issued free of charge.

The share subscription price for the stock options 2013 A shall be euro 5.75 and for the stock options 2013 B euro 6.00. Future dividends and capital repayments from the invested unrestricted equity reserve distributed before the share subscription shall be deducted from the share subscription price.

The share subscription period for 25% of the stock options 2013 A and 2013 B will commence on or about 1 February 2016 and for 75% of the stock options 2013 A and 2013 B on or about 1 February 2017. The share subscription period for all the stock options ends on 31 March 2018.

There is, for the company and in the interest of all the company's shareholders, a substantial financial ground to grant the stock options in deviation from the shareholders' pre-emptive subscription right, since the stock options are intended to align the interests of the shareholders and the key managers and to form a part of the incentive and commitment program of the key managers. The purpose of the arrangement is to encourage the key managers to invest in the company's shares and to work on a long-term basis to increase the company's share value.

Incentive scheme for the personnel

All employee groups at Okmetic are eligible for an incentive scheme. The blue-collar employees' possible production bonuses are paid monthly according to the achievement of set targets. White-collar employees are subject to a profit-sharing scheme, which is based on annual targets set by the board of directors relating to the group's profitability, financial situation and operative performance. Bonuses for meeting the targets are calculated as percentage of the employees' annual income. The bonuses account for no more than 12–20 percent of the annual income depending on the personnel group. The cost effect of the incentive scheme on the group's result in 2013 was 215,911 euro for blue-collar employees and 14,760 euro for white-collar employees.

Internal auditing

The group does not have its own organisation for internal auditing. The audit programme, which is produced by the auditor and the management of the company on an annual basis, takes this fact into consideration.

Auditing

The auditor is appointed in the annual general meeting. The nominated auditor is disclosed in the notice to the annual general meeting or via a separate release, should the nominee not be known to the board of directors at the time of issuing the notice.

In accordance with the articles of association the company has one auditor. The auditor must be an individual auditor or an auditing firm approved by the 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 Oy is responsible for auditing of the companies in the group worldwide. PricewaterhouseCoopers Oy is responsible for auditing the parent company Okmetic Oyj and the principal auditor is Authorised Public Accountant Mikko Nieminen. The principal auditor is responsible for giving instructions and coordination of the group's auditing work.

The auditors provide the shareholders of the company with the legally required auditor's report in connection with the annual report. In addition, the auditors report to the parent company's board of directors on a regular basis.

The remuneration of the auditors amounted to 119,163 euro in 2013 (2012: 109,636 euro), of which 90,464 euro (2012: 75,821 euro) originated from auditing.

Internal control and risk management systems pertaining to financial reporting

The steering and control of the group's business activities and administration is primarily carried out in accordance with the aforementioned corporate governance system.

Okmetic operates as juridical companies on three different continents. The companies share common guidelines and timetables for financial reporting. The group management, located in Vantaa, Finland, is responsible for the centralised management of the companies. Management by customer areas is run as a separate system.

For the purpose of financial reporting, the company has a reporting system which produces sufficient and timely data to the management system for operational planning and control.

The purpose of the control system is to support the implementation of the group's strategy and the reliability of financial reporting, and also ensure compliance with guidelines. The group's internal control system is based on the company's values and documented procedural guidelines. The company's values, customer orientation, profitability, know-how, co-operation, and continuous improvement, continuously direct the group's operations. The system is founded on the group structure, business operation and support processes, and control points that monitor them. The group's senior vice president, finance, IT and communications, the controller of the parent company and persons involved in preparing the group accounts are responsible for the general control system of financial reporting.

Okmetic always takes risk management into consideration in its processes. Therefore, also financial reporting includes recognition and analysis of existing risks. Risk management also includes continuous monitoring of changes in operational environment and recognition and management of the risks that come with those changes. Control points are built into processes as well as into financial reporting. Continuous risk evaluation of control points is carried out as a result of internal control measures.

The guidelines for financial reporting give all companies coherent framework and standards to work with. All guidelines, related to processes and financial reporting, are available in electronic format to all who need them. Guidelines are continually updated. Anyone affected by changes in guidelines will also be directly notified of the changes. Everyone taking part in financial reporting is responsible for updating the guidelines in respect to his/her own area of responsibility.

Group accounting defines the common principles and extent of control points of financial reporting in the whole process. The section of the organisation, which is responsible for supervising the implementation of control points, is also responsible for their efficiency. Control points are focused on operations as well as on the continuous reporting of operations. Correctness of financial reporting is ensured by, e.g., approval authority, balancing and differentiating and analysing of tasks. Risk management, processes and methods are discussed regularly in meetings organised according to the management system of the companies and the group.

Financial reporting and risk management are monitored continuously and weekly in a regulated way on different levels. Extensive monitoring is conducted in connection with regular monthly reporting. The management system also includes several other regularly held meetings, in which operations are monitored and necessary actions are decided upon. Financial administration is responsible for drawing up guidelines for necessary change actions. The board of directors is responsible for the final evaluation of operational results and the possible changes required. Insider management of the company is the responsibility of senior vice president, finance, IT and communications.

The board of directors discusses and approves financial reports to be published, such as interim reports, financial statements release, financial statements and annual report.

INSIDER ADMINISTRATION

Okmetic's board of directors has confirmed the company's insider guidelines that are based on the recommendation of 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, president, deputy to the president, members of the executive management group and principal auditor and auditor. In addition, as per a separate decision of the company, the permanent insiders include specifically named group-level managers and persons responsible for handling group issues, as well as associates of the principal auditor, who on the basis of their positions constantly receive insider information.

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

The senior vice president, finance, IT and communications is responsible for the group-level coordination and supervision of insider issues.

The list of Okmetic's public insiders as well as their share holdings and changes thereto are updated monthly on the company's website www.okmetic.com>Investors>Corporate governance>Insider administration>Insiders.

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The annual general meeting of Okmetic Oyj will be held on Wednesday 9 April 2014 at 10.00 a.m. The meeting will be held in the auditorium of the Finnish Aviation Museum in Helsinki–Vantaa airport area, Tietotie 3, Vantaa. The reception of the participants who have registered for the meeting and the distribution of voting tickets will commence at 9.30 a.m.

All shareholders, who are on 28 March 2014 recorded as shareholders in the shareholders' register held by Euroclear Finland Ltd., have the right to attend the meeting. Shareholders who wish to attend the meeting should register their attendance by Friday 4 April 2014 at 12.00 a.m.

by email	osakkaat@okmetic.com
by telephone	+358 9 5028 0269
by mail	Okmetic Oyj, Communications, 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 delivered to the head office of Okmetic Oyj within the registration period.

PROPOSAL REGARDING THE USE OF DISTRIBUTABLE FUNDS

The board of directors proposes to the annual general meeting that no dividend shall be paid for the financial year 2013.

FINANCIAL CALENDAR 2014

Financial statements bulletin 2013	**13 February**
Annual report 2013 on the company's website	**week 12**
Annual general meeting	**9 April**
Interim report January–March	**24 April**
Interim report April–June	**24 July**
Interim report July–September	**23 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.

All of Okmetic's stock exchange releases and presentation materials are available on the company's website immediately after their publication. On the website (www.okmetic.com), IR material is published under the Investors section.

Okmetic's investor relations are the responsibility of President Kai Seikku. All questions addressed to him concerning the company can be sent by email to communications@okmetic.com.

INVESTOR RELATIONS AND COMMUNICATIONS CONTACTS

Senior Vice President, Finance, IT and Communications
Juha Jaatinen
Communications Officer Tuuli Oja
Communications Officer Marika Mäntymaa
(on maternity leave)
Communications Officer Laura Peltonen
(on maternity leave)

Switchboard	+358 9 502 800
Fax	+358 9 5028 0500
Email	communications@okmetic.com firstname.lastname@okmetic.com

SILENT PERIOD

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.

PUBLICATION ORDERS

Okmetic's financial reviews and releases are published in Finnish and English.

Stock exchange releases can be ordered:

by telephone	+358 9 502 800
by email	communications@okmetic.com
on the Internet	www.okmetic.com > Contact us

GLOSSARY

Bonded SOI: a subgroup of SOI wafers (product name Okmetic BSOI); a value-added SOI wafer, in which two silicon wafers are bonded. Two silicon wafers stacked with silicon dioxide layer between, and other wafer thinned to desired thickness.

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

CZ growth method: a method, in which silicon crystal is grown from the melt in quartz crucible

Discrete semiconductor: a separate transistor, diode or other semiconductor component

ENIAC: European Technology Platform for Nanoelectronics, supports development projects of the European electronics industry. Will be replaced from 2014 onwards by the ECSEL programme (to be ratified by the Counsil of Europe)

Epi wafer: a silicon wafer with a thin layer of silicon grown on its surface in an epitaxial reactor

Fab lite model: a business model, in which the company focuses on its core competencies in its in-house production and increases production capacity by using contract manufacturers

GADSL: Global Automotive Declarable Substance List

Gyroscope: angular velocity sensor, which is used in sensing rotating velocity or orientation

International Classification Benchmark (ICB): a global standard for categorising publicly traded companies into industries, which enables company and industry comparisons across countries worldwide

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

IHS: a global information company conducting market research

ISO 14001:2004: an international standard for the management of environmental matters

ISO 9001:2008: an international standard for the management of the quality system used in the company

MEMS: Micro Electro Mechanical Systems.

Polysilicon: the raw material for silicon wafers, high purity polycrystalline silicon

Power semiconductor: a semiconductor component that is used 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

Resistivity: Electrical conductivity in a silicon wafer, adjusted by amount of doping elements (antimony, arsenic, boron or phosphorus)

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

Semiconductor: a material which electrical conductivity 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 is used to trigger the airbag in a car, for example)

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

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

TS 16949:2009: 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

Research companies and industry organisations monitoring the sensor and semiconductor markets:
Future Horizons
Gartner
IC Insights
IHS
SEMI
Semico
SIA
VLSIresearch
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.

Inderes Oy
Mikael Rautanen
Telephone +358 50 346 0321
mikael.rautanen@inderes.com

Pohjola Bank plc
Hannu Rauhala
Telephone +358 10 252 4392
hannu.rauhala@pohjola.com

An up-to-date list of analysts can be found under the Investors section on Okmetic's website www.okmetic.com>Investors>Analysts.

CONTACT INFORMATION

Okmetic Oyj

Vantaa plant and group management
P.O.Box 44, FI-01301 Vantaa, Finland
Piitie 2, FI-01510 Vantaa, Finland
Telephone +358 9 502 800
Fax +358 9 5028 0500

Okmetic Inc.

Allen plant and US sales office
301 Ridgemont Drive,
Allen, TX 75002, USA
Telephone +1 972 747 8600
Fax +1 972 747 8611

Okmetic K.K.

Japan sales office
Sunrise Mita 8F
3-16-12, Shiba
Minato-ku, Tokyo
105-0014 Japan
Telephone +81 3 3798 1400
Fax +81 3 3798 1402

Okmetic Ltd.

Hong Kong sales office
Level 3A
Causeway Corner
18 Percival Street, Causeway Bay, Hong Kong
Telephone +852 3656 7858
Fax +358 9 5028 0200

Investor relations and communications

Senior Vice President, Finance, IT, and Communications Juha Jaatinen
Communications Officer Tuuli Oja

Communications Officer Marika Mäntymaa (on maternity leave)
Communications Officer Laura Peltonen (on maternity leave)

P.O.Box 44, FI-01301 Vantaa, Finland
Telephone +358 9 502 800
Fax +358 9 5028 0200

communications@okmetic.com, or
firstname.lastname@okmetic.com

Okmetic Oyj
Domicile Vantaa, Finland
Business ID 0596885-4

www.okmetic.com

”OKMETIC’S KEY GROWTH AREA IS ADVANCED SENSOR WAFERS, FOR WHICH MANUFACTURING CAPACITY AND CAPABILITY ARE BEING VIGOROUSLY INCREASED REGARDLESS OF ECONOMIC TRENDS.”

KAI SEIKKU, PRESIDENT

OKMETIC