

## OKMETIC OYJ INTERIM REPORT 1 JANUARY - 31 MARCH 2016: STRONG CASH FLOW IN WEAK MARKET SITUATION

### JANUARY-MARCH IN BRIEF:

- Net sales amounted to 19.6 (21.6) million euro, down 9.2 (up 24.2) %.
- Sensor wafer net sales 10.2 (10.8) million euro, down 5.3%.
- D&A wafer net sales 9.4 (10.8) million euro, down 13.1%.
- Operating profit without non-recurring items was 1.4 (2.9) million euro corresponding to 7.0 (13.5) % of net sales.
- Operating profit was 6.7 (2.9) million euro corresponding to 34.2 (13.5) % of net sales. The operating profit includes a non-recurring gain of 6.0 million euro related to the sale of operations of the US-based epi plant, announced on 1 April 2016.
- Profit for the period was 6.5 (2.2) million euro.
- Basic earnings per share was 0.39 (0.13) euro.
- Net cash flow from operations amounted to 4.4 (0.9) million euro.

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

### SHORT-TERM OUTLOOK

Demand for Okmetic's advanced sensor wafers is expected to remain on a growth track in 2016. Sensor wafers have more stable demand and prices than silicon wafers used in the manufacture of discrete semiconductors and analog circuits (Discrete & Analog, D&A), and they are also traditionally less sensitive to economic fluctuations. D&A wafers replaced semiconductor wafers as one of Okmetic's two customer segments at the beginning of 2016. For D&A wafers, growth is anticipated to be flat in 2016 due to sluggish demand in the early months of the year.

The market was quieter than usual in early 2016 as anticipated, particularly due to forecasts of lacklustre smartphone sales and the ensuing inventory adjustments across the entire value chain. Demand is expected to pick up again from the second quarter onwards.

### FINANCIAL GUIDANCE FOR 2016

The company revised its guidance for net sales in conjunction of the sale of the Allen plant published on 1 April 2016. In 2016, the net sales are estimated to decline from the level of 2015 and operating profit without non-recurring items to exceed the level of 2015. According to the earlier guidance, the net sales and operating profit without non-recurring items were estimated to exceed the level of 2015 in 2016.

### PRESIDENT KAI SEIKKU:

"The slowing demand in the end of 2015 carried over into 2016, and it took until March for demand to pick up again. Demand for smartphones, a driver of market growth in recent years, is falling because they have now reached a point of saturation. This has led to a rise in inventory levels across the whole value chain. Adjustments in inventory levels will in 2016 affect the entire silicon wafer market, including both of Okmetic's customer segments despite the fact that demand in these is more stable than in the rest of the market.

Net sales (19.6 million euro) were down by 9.2 percent against the comparison period. The biggest drop by far was in the North American market (-1.8 million euro), but Europe (-0.5 million euro) did not escape the effects of the slowing demand either. Net sales growth brought Asia's share of Okmetic's net sales already to 24 percent. Asia has been identified as the fastest-growing market area for Okmetic in the next few years.

The lacklustre market in early 2016 was reflected in Okmetic's operating profit without non-recurring items, which lagged clearly behind the level achieved in the comparison period. The weakening of the US dollar against the euro had a negative impact of 0.2 million euro on the operating profit. A considerable non-recurring gain of 6.0 million euro was recorded for the review period as a result of the sale of the Allen epi plant. The operating profit also includes a non-recurring item of 0.6 million euro related to the voluntary public tender offer

by National Silicon Industry Group (NSIG), announced after the review period on 1 April 2016 (described in more detail later in this report). The Allen plant ended its final quarter under Okmetic in the negative at -0.4 million euro.

The sale of the Allen plant was a better option than the wind-down plan announced in December 2015. The plant will remain operational and the delivery of products to customers will continue. Meanwhile, Okmetic will continue to supply wafers to the plant, now owned and operated by Epitek Silicon. The phase-out of the epi business is a logical step for Okmetic in light of its chosen strategy and focus on high value-added silicon wafers.

Net cash flow in early 2016 (4.4 million euro) was at a significantly better level than in the comparison period. The measures to release working capital are taking effect, and the high polysilicon inventory levels we have seen over the past few years have begun to come down in early 2016 as anticipated, and will continue to do so until the second half of 2017.

In the early months of the year, Okmetic continued its focused investments in line with the company strategy. March saw the launch of an enhanced SOI wafer, E-SOI, which is the result of sustained R&D efforts. Thanks to its advanced properties, E-SOI opens new markets for Okmetic such as HV devices, silicon photonics applications and high-precision sensors.”

## KEY FIGURES

1,000 euro	1 Jan- 31 Mar, 2016	1 Jan- 31 Mar, 2015	1 Jan- 31 Dec, 2015	1 Jan- 31 Dec, 2014
Net sales	19,628	21,612	84,540	74,104
Operating profit before depreciation (EBITDA)	8,421	4,545	15,115	12,985
Operating profit without non-recurring items	1,382	2,923	10,972	6,401
% of net sales	7.0	13.5	13.0	8.6
Operating profit	6,720	2,923	7,718	6,401
% of net sales	34.2	13.5	9.1	8.6
Profit for the period	6,512	2,165	4,832	4,832
Basic earnings per share, euro	0.39	0.13	0.29	0.29
Net cash flow from operating activities	4,421	896	14,716	12,478
Net interest- bearing liabilities	4,077	4,033	2,283	-1,110
Equity ratio, %	69.5	68.6	64.0	70.5
Average number of personnel during the period	387	372	394	370

## MARKETS

### Semiconductor industry

Semiconductor industry sales in 2015 were down by two percent year-on-year (IHS) and are estimated at approximately 350 billion US dollars (IC Insights, IHS). Growth was weak in all quarters and especially in the first quarter (IHS). The slowing down of the semiconductor market in 2015 resulted from stagnant smartphone and tablet markets as well as developments in world economy, and China in particular, that are affecting the consumption in general.

In 2016, the semiconductor market is projected to remain flat or fall slightly from the previous year's level (Gartner, WSTS). Growth for 2017 is projected at around three percents (WSTS).

### Sensor industry

In 2015, the sensor industry is estimated to have grown by one percent from the previous year with the market value amounting to 6.4 billion US dollars (IC Insights). Growth for 2016 is projected at around two percents (Semi, SIA, WSTS).

Certain silicon-based microelectromechanical (MEMS) products within the sensor segment have higher sales growth than the others. As a result of the increasing amount of sensors in mobile devices, the demand for e.g. pressure sensors and microphones has surged despite the slowing growth rate of the markets. 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.

Discrete semiconductor and analog circuits industries (Discrete & Analog)

The discrete semiconductor market is estimated to decline by around one percent (WSTS) analog circuits market around two percents in 2016 (Semi, SIA, 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 by three percent in 2015 compared to the previous year and were at a record-high level. However at the same time the value of silicon wafer shipments decreased by six percent compared to the previous year. According to the company's own estimate, the surface area of silicon wafer shipments in January-March 2016 were around five percent lower than in the corresponding period in 2015 and around four percent lower than in 2015 on average.

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. The company supplies primarily 150 mm and 200 mm wafers.

The sensor/MEMS industry has been a key growth area for Okmetic for a long time. The use of sensors and their requirement level are expected to keep growing owing to proliferation of sensor applications in the automotive industry, industrial process control and in portable devices like smartphones, cameras, game consoles, and wearable electronics. In the future, a central growth driver for the sensor industry will be the Internet of Things, which will utilise sensor-produced data in communication between devices.

Another significant growth area is wafers used for the production of discrete and power semiconductors as well as analog circuits. In these wafer markets, areas for growth include, among others, components used in the production of renewable energy, increasing automotive electronics, electric cars, portable consumer products, as well as different solutions related to power supply and efficiency improvement. Okmetic has launched new products for these areas.

## SALES

In January-March, Okmetic's net sales amounted to 19.6 (21.6) million euro. Net sales declined by 9.2 (grew by 24.2) percent compared to the corresponding period last year. The net sales of D&A wafers decreased by 13.1 percent and net sales of sensor wafers by 5.3 percent. The decline in net sales resulted mainly from overall weakness of demand. However, sales improved towards the end of the first quarter, and Okmetic's market share remained stable in the product groups important to the company.

As of financial year started on 1 January 2016, the company reports the net sales of its new customer segments, Sensor wafers and Discrete&Analog wafers (D&A wafers), as well as net sales of its market areas instead of value of deliveries.

Net sales per customer segment

1,000 euro	1 Jan- 31 Mar, 2016	1 Jan- 31 Mar, 2015	1 Jan- 31 Dec, 2015
Sensor wafers	10,220	10,791	41,202
D&A wafers	9,407	10,821	43,338
Total	19,628	21,612	84,540

## Net sales per market area

1,000 euro	1 Jan- 31 Mar, 2016	1 Jan- 31 Mar, 2015	1 Jan- 31 Dec, 2015
North America	8,223	10,046	38,344
Europe	6,779	7,302	28,641
Asia	4,626	4,263	17,555
Total	19,628	21,612	84,540

The North American net sales decreased by 18.2 percent from the strong comparison period. Europe's net sales declined by 7.2 percent. In strategically important Asia the demand continued strong and net sales increased by 8.5 percent from the comparison period.

## PROFITABILITY

### January-March

In January-March, operating profit was 6.7 (2.9) million euro corresponding to 34.2 (13.5) percent of net sales. Operating profit includes non-recurring gain of 6.0 million euro related to the sale of the US-based epi plant announced on 1 April 2016 as well as non-recurring cost of 0.6 million euro related to the Tender Offer of NSIG.

Operating profit without non-recurring items was 1.4 (2.9) million euro corresponding to 7.0 (13.5) percent of net sales. The weaker operating profit is resulting mainly from decline in sales, weaker sales mix as well as weak result of the Allen epi plant.

Profit for the period was 6.5 (2.2) million euro. The low income tax expense (0.3 million euro) in the financial period are explained by the Allen plant's tax losses (approximately 5.7 million euro), which are deductible in full against gain from the sale of Allen plant. Basic earnings per share was 0.39 (0.13) euro. Diluted earnings per share was 0.38 (0.13) euro.

## FINANCING

The company's financial position was solid at the end of the period. In January-March, net cash flow from operations amounted to 4.4 (0.9) million euro.

The company's interest-bearing liabilities amounted to 10.6 (13.2) million euro on 31 March 2016. At the end of the period, cash and cash equivalents amounted to 6.5 (9.2) million euro. The company's net interest-bearing liabilities amounted to 4.1 (4.0) million euro on 31 March 2016. The company has ensured liquidity with credit facilities of 6.0 million euro. On 31 March 2016, the credit facilities were fully unused. To ensure liquidity, Okmetic has rearranged its credit facilities after the end of the review period. The company has negotiated new committed credit facilities of 6.0 million euro to replace the 6.0 million euro uncommitted credit facilities. A total of 3.0 million euro has been drawn from these new committed credit facilities after the review period.

Return on equity was 16.5 (13.8) percent. Return on investment was 15.7 (15.0) percent. The company's equity ratio was 69.5 (68.6) percent. Equity per share amounted to 3.78 (3.66) euro.

## CAPITAL EXPENDITURE

In January-March, capital expenditure amounted to 2.6 (1.6) million euro. The investments focused mainly on increasing capacity and capability for SOI and 200 mm wafers.

## PRODUCT DEVELOPMENT

In January-March, the company expensed 0.7 (0.7) million euro in product development projects, corresponding to 3.4 (3.3) percent of net sales. Product development costs have not been capitalised.

In the first quarter of 2016, Okmetic's product development projects focused on the development of new crystal technology and new SOI applications, deployment of new processes to improve productivity, as well as process development for sophisticated C-SOI wafers. As a result of sustained R&D efforts, the company launched an enhanced SOI wafer, E-SOI in March.

## PERSONNEL

Okmetic employed on average 387 (372) people in January-March. At the end of the period, Okmetic employed 389 (375) people, of which 340 worked in Finland, 43 in the US, five in Japan, and one in Hong Kong. As a result of the sale of the Allen epi plant, the majority of the employees of Okmetic Inc., the US-based subsidiary of Okmetic, transferred to the service of the new owner on 1 April 2016.

## SHORT-TERM RISKS

There have been no significant changes in the company's near future risks and uncertainties. However, changes in macro economy may indirectly have an influence also on Okmetic's business.

Business is confronted by risks, which may arise from the company's operations or changes in its operating environment. Risks that, if materialised, can have an adverse effect on the company's operations and valuation are described below.

Silicon wafer sales are targeted at the sensor, discrete semiconductor and analog circuit producers in the electronics industry. The demand of discrete semiconductor and analog circuit industries 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 has, however, increased the susceptibility of this market too to economic fluctuations. In addition, the consolidation of customer companies might be a risk for the company's wafer sales.

Okmetic's share of the global silicon wafer market is around one percent, and market prices have a notable effect on the price development of the company's products. The company has considerable pricing power only with its own special products. The pricing of other wafers is largely 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 cash flows from purchases and sales. A significant part of sales is conducted in US dollars. Despite hedging of the forecasted open currency position, 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 March 2016, 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 to one vote at general meetings. The company has one class of shares. The company's shares are included in the Finnish book-entry system.

### Major shareholders 31 Mar, 2016

	Shares, pcs	Share, %
Ilmarinen Mutual Pension Insurance Company	1,004,985	5.81
Oy Ingman Finance Ab	900,000	5.21
Mandatum Life Insurance Company Ltd.	800,000	4.63
The State Pension Fund	600,000	3.47
Nordea Nordic Small Cap Fund	566,207	3.28
Varma Mutual Pension Insurance Company	477,175	2.76
Okmetic Oyj	406,129	2.35
Oy Etra Invest Ab	400,000	2.31
Taalritehdas Mikro Markka Fund	229,456	1.33
Kaleva Mutual Insurance Company	212,700	1.23
10 largest owners total	5,596,652	32.37
Nominee registered	3,216,648	18.61
Other	8,474,200	49.02
Total	17,287,500	100.00

## **SHARE PERFORMANCE AND TRADING**

A total of 0.7 (2.4) million shares were traded between 1 January and 31 March 2016, representing 4.2 (13.6) 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 6.66 (4.80) euro, and the highest 7.60 (7.25) euro, with the average being 7.07 (5.74) euro. The closing quotation for the period was 7.60 (6.59) euro. At the end of the period, market capitalisation amounted to 131.4 (113.9) million euro.

## **OWN SHARES**

At the end of the period, the company held a total of 406,129 (416,763) own shares, which is approximately 2.3 (2.4) percent of Okmetic's all shares and votes.

## **OTHER EVENTS IN THE INTERIM PERIOD**

The sale of the Allen epi plant

With its stock exchange release published on 1 April 2016, Okmetic announced that it has sold its production plant focusing on epitaxial deposition of silicon wafers, located in Allen in the United States, to American company Epitek Silicon instead of the wind-down announced earlier. In line with the agreement, Okmetic Inc. has transferred the plant to the buyer on 31 March 2016.

The purchase price was 9.5 million US dollars (around 8.5 million euros). The financing conditions are as follows: 0.25 million US dollars were paid at the signing of the agreement on 31 March 2016 and the rest of the purchase price is financed by a vendor note. According to the agreement, 1.5 million US dollars of the vendor note is paid back in parts on a monthly basis by the use of inventories mostly or totally during 2016, 5.75 million US dollars in July 2016, 1.0 million US dollars will be paid 12 months after the signing of the agreement and 1.0 million US dollars 24 months after the signing of the agreement. Okmetic recorded a non-recurring gain of six million euro based on the transaction.

As a result of the sale the business, production facility, equipment, inventories as well as majority of the personnel of Okmetic's US-based subsidiary Okmetic Inc. transferred to the buyer. Okmetic Inc. continues as a North American sales office as announced earlier. Okmetic has agreed with Epitek Silicon that Okmetic will deliver wafers for epitaxial deposition at least for five years time after the transaction.

## **EVENTS AFTER THE INTERIM PERIOD**

Tender offer

Okmetic Oyj ("Okmetic") and National Silicon Industry Group ("NSIG") have on 1 April 2016 entered into a Combination Agreement pursuant to which NSIG, either directly or through its subsidiary (jointly, the "Offeror"), will make a voluntary public tender offer to purchase all of the issued and outstanding shares and option rights in Okmetic that are not owned by Okmetic or any of its subsidiaries (the "Tender Offer").

The consideration offered for each share validly tendered in the Tender Offer is EUR 9.20 in cash. In addition, in accordance with the Combination Agreement, the dividend of EUR 0.65 per share declared by Okmetic's Annual General Meeting held on 7 April 2016 and paid to Okmetic shareholders on 18 April 2016 does not reduce the price offered for the shares. The price offered for Option Rights validly tendered in the Tender Offer is EUR 4.87 in cash for each 2013 A Option Right and EUR 4.62 in cash for each 2013 B Option Right.

The Share Offer Price of EUR 9.20 per Okmetic share represents a premium of approximately 21.1 percent compared to the closing price of the Okmetic shares on Nasdaq Helsinki Ltd. ("Nasdaq Helsinki") on 31 March 2016, the last trading day before the announcement of the Tender Offer. The Share Offer Price of EUR 9.20 together with the Dividend of EUR 0.65 per Okmetic share already paid to Okmetic's shareholders, EUR 9.85 in the aggregate, represents a premium of approximately 29.6 percent compared to the closing price of the shares on Nasdaq Helsinki on the last trading day before the announcement of the Tender Offer.

Certain of the largest shareholders of Okmetic, Accendo Capital SICAV SIF, Ilmarinen Mutual Pension Insurance Company, Oy Ingman Finance Ab, Mandatum Life Insurance Company Limited and Kaleva Mutual Insurance Company, as well as the members of the Board of Directors and the Executive Management Group of Okmetic, representing jointly approximately 29.9 percent of the outstanding shares and votes in Okmetic as well as 92.9 percent of the outstanding option rights, have, subject to certain customary conditions, irrevocably undertaken to accept the Tender Offer.

The detailed terms and conditions of the Tender Offer and information on how to accept the Tender Offer will be included, in accordance with the Combination Agreement, in the tender offer document to be published by the Offeror by 22 April 2016.

Annual general meeting on 7 April 2016

Okmetic Oyj's annual general meeting on 7 April 2016 adopted the annual accounts and the consolidated annual accounts for 2015 and discharged the company's management from liability. The annual general meeting decided, in accordance with the proposal of the board of directors, to distribute a dividend of 0.65 euro per share (in total 11.0 million euro). The dividend was paid on 18 April 2016.

The annual general meeting confirmed that the company's board of directors consists of five members. Mr. Jan Lång, Mr. Hannu Martola, Ms. Riitta Mynttinen, Mr. Mikko Puolakka and Mr. Henri Österlund were re-elected as members of the board of directors until the end of the next annual general meeting. The board of directors elected Jan Lång as chairman and Henri Österlund as vice chairman in its organising meeting held immediately after the annual general meeting.

Authorised Public Accountant PricewaterhouseCoopers Oy was re-elected as auditor, with APA Mr. Mikko Nieminen as principal auditor.

A separate stock exchange release on the decisions of the annual general meeting was published on 7 April 2016.

Financing

To ensure liquidity, Okmetic has rearranged its credit facilities after the end of the review period. The company has negotiated new committed credit facilities of 6.0 million euro to replace the 6.0 million euro uncommitted credit facilities. A total of 3.0 million euro has been drawn from these new committed credit facilities after the review period.

## **CONDENSED FINANCIAL STATEMENTS AND TABLES 1 JANUARY – 31 MARCH 2016 (unaudited)**

### **ACCOUNTING POLICIES**

These interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting.

In preparing these interim financial statements, Okmetic has followed the same accounting policies as in the financial statements for 2015 except for the effect of changes required by the adoption of certain new or revised standards and interpretations as of 1 January 2016, which have been described in financial statements 2015. The adoption of the new and revised standards and interpretations has not had an effect on the figures presented from the reporting period.

### **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

1,000 euro	1 Jan- 31 Mar, 2016	1 Jan- 31 Mar, 2015	1 Jan- 31 Dec, 2015
Net sales	19,628	21,612	84,540
Cost of sales	-15,671	-15,878	-65,759
Gross profit	3,957	5,734	18,781
Other income and expenses	2,763	-2,810	-11,063
Operating profit	6,720	2,923	7,718
Financial income and expenses	62	-142	-370
Profit before tax	6,782	2,781	7,348
Income tax	-270	-616	-2,516
Profit for the period	6,512	2,165	4,832

Other comprehensive income:			
Items that may be reclassified to profit or loss in subsequent periods			
Cash flow hedges	25	-2	20
Translation differences	-372	916	759
Other comprehensive income for the period, net of tax	-347	914	779
Total comprehensive income for the period	6,165	3,079	5,612
Profit for the period attributable to:			
Equity holders of the parent company	6,512	2,165	4,832
Total comprehensive income attributable to:			
Equity holders of the parent company	6,165	3,079	5,612
Basic earnings per share, euro	0.39	0.13	0.29
Diluted earnings per share, euro	0.38	0.13	0.28

#### CONDENSED CONSOLIDATED BALANCE SHEET

1,000 euro	31 Mar, 2016	31 Mar, 2015	31 Dec, 2015
Assets			
Non-current assets			
Property, plant and equipment	45,643	42,941	46,532
Intangible assets	247	575	329
Other receivables	1,921	708	164
Total non-current assets	47,811	44,224	47,025
Current assets			
Inventories	15,816	18,103	17,477
Receivables	21,772	18,623	16,156
Cash and cash equivalents	6,500	9,194	9,468
Total current			



assets	44,088	45,919	43,101
Total assets	91,899	90,143	90,127
Equity and liabilities			
Equity			
Equity attributable to equity holders of the parent company			
Share capital	11,821	11,821	11,821
Other equity	51,977	49,850	45,787
Total equity	63,799	61,671	57,608
Liabilities			
Non-current liabilities	11,025	13,358	12,004
Current liabilities	17,075	15,114	20,514
Total liabilities	28,100	28,472	32,519
Total equity and liabilities	91,899	90,143	90,127

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

1,000 euro	1 Jan- 31 Mar, 2016	1 Jan- 31 Mar, 2015	1 Jan- 31 Dec, 2015
Cash flows from operating activities:			
Profit before tax	6,782	2,781	7,348
Adjustments	-3,894	1,565	8,082
Change in working capital	1,780	-3,142	1,102
Financial items	-78	-306	-655
Tax paid	-170	-2	-1,161
Net cash from operating activities	4,421	896	14,716
Cash flows from investing activities:			
Purchases of property, plant and equipment	-5,530	-1,740	-7,579
Net cash used in investing activities	-5,530	-1,740	-7,579
Cash flows from financing activities:			
Proceeds from long-term borrowings	-	1,000	1,000
Payments of long-term borrowings	-1,000	-1,000	-2,000
Payments of finance lease liabilities	-161	-159	-641
Dividends paid	-619	-5,061	-11,193
Net cash used in financing activities	-1,780	-5,221	-12,834
Increase (+) / decrease (-) in cash and cash equivalents	-2,889	-6,064	-5,698
Exchange rate changes	-79	822	730
Cash and cash equivalents at the beginning of the period	9,468	14,436	14,436

Cash and cash equivalents at the end of the period	6,500	9,194	9,468
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### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1,000 euro	Equity attributable to equity holders of parent company					Total
	Share capital	Share premium	Reserve for invested unrestricted equity	Other reserves 1)	Retained earnings	
Balance at 31 Dec, 2015	11,821	20,045	753	3,415	21,574	57,608
Profit for the period					6,512	6,512
Other comprehensive income, net of tax:						
Cash flow hedges				25		25
Translation differences				-372		-372
Total comprehensive income for the period				-347	6,512	6,165
Share-based payments					26	26
Balance at 31 Mar, 2016	11,821	20,045	753	3,068	28,112	63,799
Balance at 31 Dec, 2014	11,821	20,045	753	2,636	28,372	63,627
Profit for the period					2,165	2,165
Other comprehensive income, net of tax:						
Cash flow hedges				-2		-2
Translation differences				916		916
Total comprehensive income for the period				914	2,165	3,079
Share-based payments					26	26
Dividend distribution					-5,061	-5,061
Balance at 31 Mar, 2015	11,821	20,045	753	3,550	25,501	61,671

1) "Other reserves" contains hedge reserve and translation differences.

## SALE OF THE EPI PLANT

On 31 March 2016, Okmetic sold its production plant focusing on epitaxial deposition of silicon wafers, located in Allen in the United States, to American company Epitek Silicon instead of the wind-down announced earlier. The purchase price was 9.5 million US dollars (around 8.5 million euros). Okmetic recorded a gain of 6.0 million euro based on the transaction.

## CHANGES IN PROPERTY, PLANT AND EQUIPMENT

1,000 euro	1 Jan- 31 Mar, 2016	1 Jan- 31 Mar, 2015	1 Jan- 31 Dec, 2015
Carrying amount at the beginning of the period	46,532	42,538	42,538
Additions	2,595	1,587	10,834
Disposals	-1,781	-	-65
Depreciation and impairment losses	-1,619	-1,540	-7,070
Exchange differences	-84	356	296
Carrying amount at the end of the period	45,643	42,941	46,532

## COMMITMENTS AND CONTINGENCIES

1,000 euro	31 Mar, 2016	31 Mar, 2015	31 Dec, 2015
Loans, secured with collaterals	5,000	7,000	6,000
Collaterals	15,110	15,110	15,110
Off-balance sheet lease commitments	188	323	244
Capital commitments	3,811	2,653	5,336
Nominal values of derivative contracts			
Currency options, call	-	595	528
Currency forward agreements	4,086	4,518	5,268
Electricity derivatives	264	897	351
Fair values of derivative contracts			
Currency options, call	-	1	1
Currency forward agreements	143	-215	-93
Electricity derivatives	-133	-249	-185

The contract price of the derivatives has been used as the nominal value of the underlying asset.

## HIERARCHY LEVELS OF DERIVATIVE CONTRACTS MEASURED AT FAIR VALUE

1,000 euro	31 Mar, 2016			31 Mar, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Derivative financial instruments	-	144	-	-	3	-
Financial liabilities						
Derivative financial instruments	133	1	-	249	217	-

## Fair value estimation

The group's financial instruments that are measured at fair value comprise derivatives used for hedging and held for trading.

Fair values of level 1 instruments are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

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 or liability is observable, either directly (i.e. price) or indirectly (i.e. derived from the prices).

Electricity derivatives are classified as level 1, currency derivatives as level 2.

## Fair value determination

The fair values of electricity derivatives are based on quoted market prices. The fair values of currency forwards and options are determined on the basis of market and contract prices of the agreements at the reporting date by applying commonly used valuation techniques.

## KEY FIGURES SHOWING FINANCIAL PERFORMANCE

1,000 euro	1 Jan- 31 Mar, 2016	1 Jan- 31 Mar, 2015	1 Jan- 31 Dec, 2015
Net sales	19,628	21,612	84,540
Change in net sales compared to the previous year's period, %	-9.2	24.2	14.1
Export and foreign operations share of net sales, %	90.2	91.0	91.5
Operating profit before depreciation (EBITDA)	8,421	4,545	15,115
% of net sales	42.9	21.0	17.9
Operating profit without non-recurring items	1,382	2,923	10,972
% of net sales	7.0	13.5	13.0
Operating profit	6,720	2,923	7,718
% of net sales	34.2	13.5	9.1
Profit before tax	6,782	2,781	7,348
% of net sales	34.6	12.9	8.7
Return on equity, % 1)	16.5	13.8	8.0
Return on investment, % 1)	15.7	15.0	10.4
Non-interest-bearing liabilities	17,523	15,246	20,768
Net interest-bearing liabilities	4,077	4,033	2,283
Net gearing ratio, %	6.4	6.5	4.0
Equity ratio, %	69.5	68.6	64.0
Capital expenditure	2,595	1,587	10,834
% of net sales	13.2	7.3	12.8
Depreciation and impairment losses	1,701	1,622	7,397
Research and development expenditure	665	712	2,580
% of net sales	3.4	3.3	3.1

Average number of

personnel during the period	387	372	394
Personnel at the end of the period	389	375	387

1) non-recurring items adjusted in 2016

## KEY FIGURES SHOWING FINANCIAL PERFORMANCE

Euro	31 Mar, 2016	31 Mar, 2015	31 Dec, 2015
Basic earnings per share	0.39	0.13	0.29
Diluted earnings per share	0.38	0.13	0.28
Equity per share	3.78	3.66	3.41
Dividend per share	-	-	0.65
Dividends/earnings, %	-	-	224.1
Effective dividend yield, %	-	-	9.0
Price/earnings(P/E)	-	-	25.3
Share performance (1 Jan-)			
Average trading price	7.07	5.74	6.48
Lowest trading price	6.66	4.80	4.80
Highest trading price	7.60	7.25	7.70
Trading price at the end of the period	7.60	6.59	7.24
Market capitalisation at the end of the period, 1,000 euro	131,385	113,925	125,162
Trading volume (1 Jan-)			
Trading volume, transactions, 1,000 pcs	730	2,353	5,153
In relation to weighted average number of shares, %	4.2	13.6	29.8
Trading volume, 1,000 euro	5,162	13,516	33,386
The weighted average number of shares during the period under review adjusted by the share issue, 1,000 pcs	17,288	17,288	17,288
The number of shares at the end of the period adjusted by the share issue, 1,000 pcs	17,288	17,288	17,288

When calculating earnings per share and equity per share, Okmetic's own shares are deducted from the total number of shares.

## QUARTERLY KEY FIGURES

1,000 euro	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Net sales				19,628
Compared to previous quarter, %				-2.1
Compared to corresponding period last year, %				-9.2
Operating profit without non-recurring items				1,382
% of net sales				7.0
Operating profit				6,720
% of net sales				34.2

Profit before tax				6,782
% of net sales				34.6
Net cash flow generated from:				
Operating activities				4,421
Investing activities				-5,530
Financing activities				-1,780
Increase/decrease in cash and cash equivalents				-2,889
Personnel at the end of the period				389
1,000 euro	10-12/ 2015	7-9/ 2015	4-6/ 2015	1-3/ 2015
Net sales	20,040	20,820	22,068	21,612
Compared to previous quarter, %	-3.7	-5.7	2.1	15.7
Compared to corresponding period last year, %	7.3	7.8	18.0	24.2
Operating profit without non-recurring items	1,595	3,540	2,914	2,923
% of net sales	8.0	17.0	13.2	13.5
Operating profit/loss	-1,660	3,540	2,914	2,923
% of net sales	-8.3	17.0	13.2	13.5
Profit/loss before tax	-1,816	3,477	2,906	2,781
% of net sales	-9.1	16.7	13.2	12.9
Net cash flow generated from:				
Operating activities	5,399	4,761	3,660	896
Investing activities	-3,301	-1,913	-625	-1,740
Financing activities	-3,767	-1,159	-2,687	-5,221
Increase/decrease in cash and cash equivalents	-1,669	1,688	348	-6,064
Personnel at the end of the period	387	384	426	375

## DEFINITIONS OF KEY FINANCIAL FIGURES

Operating profit before depreciation (EBITDA)	=	Operating profit + depreciation + impairment losses
Non-recurring items	=	Gain of the sale of US-based epi plant and expenses related to Tender Offer for the period
Return on equity (ROE), %	=	$\frac{\text{Profit/loss for the period} \times 100}{\text{Equity (average for the period)}}$
Return on investment (ROI), %	=	$\frac{(\text{Profit/loss before tax} + \text{interest and other financial expenses}) \times 100}{\text{Balance sheet total} - \text{non-interest bearing liabilities (average for the period)}}$
Equity ratio, %	=	$\frac{\text{Equity} \times 100}{\text{Balance sheet total} - \text{advances received}}$
Net interest-bearing liabilities	=	Interest-bearing liabilities – cash and cash equivalents
Net gearing ratio, %	=	$\frac{(\text{Interest-bearing liabilities} - \text{cash and cash equivalents}) \times 100}{\text{Equity}}$

Basic earnings per share	=	$\frac{\text{Profit/loss for the period attributable to equity holders of the parent company/}}{\text{Adjusted weighted average number of shares outstanding during the period}}$
Equity per share	=	$\frac{\text{Equity attributable to equity holders of the parent company/}}{\text{Adjusted number of shares at the end of the period}}$
Dividend per share	=	$\frac{\text{Dividend for the period/}}{\text{Adjusted number of shares at the end of the period}}$
Effective dividend yield, %	=	$\frac{\text{Dividend per share} \times 100/}{\text{Trading price at the end of the period}}$
Price/earnings ratio (P/E)	=	$\frac{\text{Last adjusted trading price at the end of the period/}}{\text{Earnings per share}}$
Average trading price	=	$\frac{\text{Total traded amount in euro/}}{\text{Adjusted number of shares traded during the period}}$
Market capitalisation at the end of the period	=	Number of shares at the end of the period x trading price at the end of the period
Trading volume	=	$\frac{\text{Number of shares traded during the period/}}{\text{Weighted average number of shares during the period}}$

All figures of the financial tables are rounded, and consequently the sum of individual figures can deviate from the presented sum figure.

The future estimates and forecasts in this interim report release are based on the company management's current knowledge. Actual events and results may differ from the estimates presented here.

## INTERIM REPORT BRIEFING

A briefing for analysts, investors and media takes place today, Thursday 21 April 2016, at 8.30 a.m. in Helsinki Stock Exchange building, Fabianinkatu 14a, Helsinki (2nd floor, entrance via Nasdaq's reception). The result will be presented by President Kai Seikku.

## OKMETIC OYJ

Board of directors

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*Okmetic supplies tailored, high value-added silicon wafers to be used in the manufacture of sensors as well as discrete semiconductors and analog circuits. Okmetic's strategic objective is profitable growth driven by a*

*product portfolio designed to meet customers' current and future technology needs. The core of the company's operations is being genuinely close to the customers and understanding their needs and processes.*

*Okmetic's global sales network, extensive portfolio of high value-added products, in-depth knowledge of crystal growing, long-term product development projects, as well as efficient and flexible production create prerequisites for achieving the strategic targets. The company's headquarters is located in Finland, where the majority of the company's silicon wafers is manufactured. In addition to in-house manufacture, Okmetic has contract manufacturing in Japan and China. Okmetic's shares are listed on Nasdaq Helsinki Ltd under the code OKM1V. For more information on the company, please visit our website at [www.okmetic.com](http://www.okmetic.com).*