

OKMETIC OYJ INTERIM REPORT 1 JANUARY - 30 JUNE 2016: STRONG CASH FLOW IN VERY CHALLENGING MARKET SITUATION

APRIL-JUNE IN BRIEF:

- Net sales amounted to 19.0 (22.1) million euro, down 14.0 (up 18.0) %.
- Sensor wafer net sales were 9.5 (11.2) million euro, down 15.2%.
- D&A wafer net sales were 9.4 (10.8) million euro, down 12.9%.
- Operating profit without items affecting comparability (IAC, previously operating profit without non-recurring items) was 1.8 (2.9) million euro corresponding to 9.7 (13.2) % of net sales.
- Operating profit was -2.9 (2.9) million euro corresponding to -15.3 (13.2) % of net sales. Operating profit includes items affecting comparability of -4.7 million euro.
- Profit for the period was -3.1 (2.2) million euro.
- Basic earnings per share was -0.19 (0.13) euro.
- Net cash flow from operations amounted to 4.2 (3.7) million euro.

JANUARY-JUNE IN BRIEF:

- Net sales amounted to 38.6 (43.7) million euro, down 11.6 (up 21.0) %.
- Sensor wafer net sales were 19.8 (22.0) million euro, down 10.3%.
- D&A wafer net sales were 18.8 (21.7) million euro, down 13.0%.
- Operating profit without items affecting comparability (IAC) was 3.2 (5.8) million euro corresponding to 8.3 (13.4) % of net sales.
- Operating profit was 3.8 (5.8) million euro corresponding to 9.9% (13.4%) of net sales. Operating profit includes items affecting comparability of 0.6 million euro.
- Profit for the period was 3.4 (4.4) million euro.
- Basic earnings per share was 0.20 (0.26) euro.
- Net cash flow from operations amounted to 8.7 (4.6) million euro.

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

SHORT-TERM OUTLOOK

The early part of the year saw demand for Okmetic's advanced sensor wafers fall as a result of developments in the smartphone market in particular: the sluggish demand, the declining production volumes and the inventory adjustments that continued across the entire value chain. The market will remain weak through the rest of the year. Due to sluggish demand in the early months of the year, the company anticipates negative development for D&A wafers in 2016. At the same time, there is tighter price competition to win orders.

FINANCIAL GUIDANCE FOR 2016

After the difficult market situation in the beginning of the year, the company revised its guidance for 2016 on 20 July 2016. In 2016, the net sales and operating profit without items affecting comparability (previously operating profit without non-recurring items) are estimated to decline from the levels of 2015. According to the earlier guidance, the net sales were estimated to decline from the level of the previous year and operating profit without non-recurring items was estimated to exceed the level of 2015.

PRESIDENT KAI SEIKKU:

"Some of the leading smartphone manufacturers have cut production during the early part of the year by several tens of percent in response to weakening demand. The underlying reason is that high-end smartphones have now reached saturation in major markets. Manufacturers are also running down their high inventories, built up amid historically high growth rates, and this has led to ongoing adjustment across the whole value chain. In practice, these inventory adjustments have meant that the drop in the number of new orders has been even

sharper than the cuts in smartphone production. As a result, order volumes for Okmetic's advanced sensor wafers and certain D&A wafers, among others, have declined.

These challenges in the smartphone market come in the wake of the slow-down in the PC market, and with the exception of steady growth in demand for electronics applications in the automotive industry, there are hardly any glimmers of light in sight in the high-volume segments of the electronics industry. It will likely be a few years before the much talked-about applications for the Internet of Things can make up for the reduction in volumes.

The lacklustre demand was reflected in Okmetic's sales in the North American market in particular, where the drop was approximately 20 percent. Europe has seen a more moderate drop, while Asia, a key strategic market for Okmetic, actually showed sales growth in early 2016 – suggesting that the industry's centre of gravity is shifting to Asia at an increasingly fast pace. Despite the fact that net sales were down, the company was able to maintain its relative market shares in the early part of the year.

For Okmetic, the early part of 2016 has also been characterised by strong net cash flow and major investments in the manufacture of advanced 200 mm wafers, further processing, and crystal growing. The year has been challenging in many ways, but, in line with its strategy, Okmetic's focus is on improving its market position over the long term. The new owner, National Silicon Industry Group, will offer strong support and better resources for Okmetic's future development. Meanwhile, the company will continue to see stronger relative growth in demand in the Chinese and other Asian markets."

KEY FIGURES

1,000 euro	1 Apr- 30 Jun, 2016	1 Apr- 30 Jun, 2015	1 Jan- 30 Jun, 2016	1 Jan- 30 Jun, 2015	1 Jan- 31 Dec, 2015
Net sales	18,969	22,068	38,597	43,680	84,540
Operating profit before depreciation (EBITDA)	-1,252	4,556	7,169	9,101	15,115
Operating profit without items affecting comparability (IAC) 1)	1,838	2,914	3,220	5,837	10,972
% of net sales	9.7	13.2	8.3	13.4	13.0
Operating profit % of net sales	-15.3	13.2	9.9	13.4	9.1
Profit for the period	-3,117	2,215	3,395	4,380	4,832
Basic earnings per share, euro	-0.19	0.13	0.20	0.26	0.29
Net cash flow from operating activities	4,231	3,660	8,652	4,556	14,716
Net interest- bearing liabilities	12,382	3,826	12,382	3,826	2,283
Equity ratio, %	56.7	67.9	56.7	67.9	64.0
Average number of personnel during the period	387	412	387	392	394

1) New ESMA (European Securities and Markets Authority) guidelines on Alternative Performance Measures (APMs) came into effect on 3 July 2016. Okmetic presents APMs to reflect the underlying business performance and to enhance comparability between financial periods. APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. As of Q2 2016, Okmetic relabels the previously referenced "without non-recurring items" with "without items affecting comparability" (IAC).

MARKETS

Semiconductor industry

Semiconductor industry sales during the first quarter of 2016 were down by around six percent from the levels of the first quarter of 2015, and are estimated at 78 billion US dollars (WSTS). In 2016, the semiconductor sales are projected to fall around two percents from 2015 (IDC, WSTS). Growth for 2017 is projected at around two percents (WSTS).

Sensor industry

The sensor industry is projected to grow around eight percents in 2016 (WSTS, Yole Développement).

Certain silicon-based microelectromechanical (MEMS) products within the sensor segment have higher sales growth than the others. In spite of the slowing market growth, the increasing amount of sensors in mobile devices has accelerated the demand for e.g. pressure sensors and microphones. 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 grow less than one percent (WSTS) and analog circuits market around one percent in 2016 (Semi, SIA, WSTS).

Silicon wafer market

According to the estimate published by SMG, a group of silicon wafer suppliers in SEMI (a global umbrella organisation for semiconductor materials and equipment industry), the surface area of silicon wafer shipments declined around three percents during the first quarter of 2016 compared to the level of corresponding period in 2015. According to the company's own estimate, the shipments of 100-200 mm silicon wafers, measured by surface area, were around five percents lower in January-May 2016 than in the corresponding period in 2015 and around three percents lower than the 2015 average. According to SMG, the value of silicon wafer market was 7.6 billion US dollars in 2015 and the estimate for 2016 is 7.4 billion US dollars.

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 150 mm and 200 mm wafers.

The sensor/MEMS industry has been a key growth area for Okmetic already 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 smart phones, cameras, game consoles, and wearable electronics. In 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-June, Okmetic's net sales amounted to 38.6 (43.7) million euro. Net sales declined by 11.6 (21.0) percent compared to the corresponding period last year. The decline in net sales resulted mainly from overall weakness of the market and especially the decline of the net sales in North America compared to the strong corresponding period. In the second quarter, net sales declined by 14.0 percent from the corresponding period last year. However, 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 Apr- 30 Jun, 2016	1 Apr- 30 Jun, 2015	1 Jan- 30 Jun, 2016	1 Jan- 30 Jun, 2015	1 Jan- 31 Dec, 2015
Sensor wafers	9,530	11,233	19,750	22,024	41,202
D&A wafers	9,439	10,835	18,847	21,656	43,338
Total	18,969	22,068	38,597	43,680	84,540

Demand for both sensor wafers and D&A wafers declined in January-June compared to the strong comparison period. The net sales of sensor wafers declined by 10.3 percents and the net sales of D&A wafers 13.0 percents compared to the comparison period.

Net sales per market area

1,000 euro	1 Apr- 30 Jun, 2016	1 Apr- 30 Jun, 2015	1 Jan- 30 Jun, 2016	1 Jan- 30 Jun, 2015	1 Jan- 31 Dec, 2015
North America	7,636	9,833	15,859	19,880	38,344
Europe	6,423	7,759	13,202	15,061	28,641
Asia	4,910	4,476	9,536	8,739	17,555
Total	18,969	22,068	38,597	43,680	84,540

In January-June, the North American net sales decreased by 20.2 percent from the strong comparison period. Europe's net sales declined by 12.3 percent. In strategically important Asia the demand continued strong and net sales increased by 9.1 percent from the comparison period.

PROFITABILITY

April-June

In April-June, operating profit was -2.9 (2.9) million euro corresponding to -15.3 (13.2) percent of net sales. Operating profit includes expenses affecting comparability of 4.2 million euro related to the tender offer of NSIG as well as other expenses affecting comparability of 0.4 million euro.

Operating profit without items affecting comparability (IAC) was 1.8 (2.9) million euro corresponding to 9.7 (13.2) percent of net sales. The weaker operating profit is resulting mainly from decline in sales, weaker sales mix as well as the increased yield costs of the production in Vantaa.

Profit for the period was -3.1 (2.2) million euro. Basic earnings per share was -0.19 (0.13) euro. Diluted earnings per share was 0.19 (0.13) euro.

January-June

In January-June, operating profit was 3.8 (5.8) million euro corresponding to 9.9 (13.4) percent of net sales. Operating profit includes gain affecting comparability of 6.0 million euro related to the sale of the US-based epi plant announced on 1 April 2016 as well as expenses affecting comparability of 4.8 million euro related to the tender offer of NSIG and other expenses affecting comparability of 0.4 million euro.

Operating profit without items affecting comparability (IAC) was 3.2 (5.8) million euro corresponding to 8.3 (13.4) percent of net sales. The weaker operating profit is resulting mainly from decline in sales, weaker sales mix as well as the increased yield costs of the production in Vantaa.

Profit for the period was 3.4 (4.4) million euro. The low income tax expense (0.4 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 the Allen plant. Basic earnings per share was 0.20 (0.26) euro. Diluted earnings per share was 0.20 (0.26) euro.

FINANCING

The company's financial position was moderate at the end of the period. In January-June, net cash flow from operations amounted to 8.7 (4.6) million euro.

The company's interest-bearing liabilities amounted to 16.2 (13.1) million euro on 30 June 2016. At the end of the period, cash and cash equivalents amounted to 3.8 (9.2) million euro. The company's net interest-bearing liabilities amounted to 12.4 (3.8) million euro on 30 June 2016. The company has ensured liquidity with committed credit facilities of 6.0 million euro of which all were in use on 30 June 2016.

Return on equity was 11.5 (14.0) percent and return on investment was 10.6 (15.4) percent. The company's equity ratio was 56.7 (67.9) percent. Equity per share amounted to 2.97 (3.62) euro.

CAPITAL EXPENDITURE

In January-June, capital expenditure amounted to 4.9 (3.1) million euro. The investments focused mainly on increasing capacity and capability for SOI and 200 mm wafers.

PRODUCT DEVELOPMENT

In January-June, the company expensed 1.4 (1.4) million euro in product development projects, corresponding to 3.7 (3.2) percent of net sales. Product development costs have not been capitalised.

During the first half 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 (387) people in January-June. At the end of the period, Okmetic employed 401 (426) people, of which 388 worked in Finland, seven 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 30 June 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 30 Jun, 2016

	shares, pcs	share, %
NSIG Finland S.à r.l.	16,218,195	93.81
Okmetic Oyj	406,129	2.35
FIM Fenno Mutual Fund	55,000	0.32
I.A. von Julins Sterbhus	50,000	0.29
Perisalo Asko Matti	41,583	0.24
VISIO Allocator Fund	27,011	0.16
Tollander Kristina	17,632	0.10
Bergqvist Jukka Tapani	15,000	0.09
Puolakka Kari Heikki Aukusti	10,000	0.06
Mannerheim-Ristin Ritarien Säätiö Sr	6,700	0.04
10 largest shareholders total	16,847,250	97.45
Nominee registered	124,551	0.72
Other shares	315,699	1.83
Total	17,287,500	100.00

SHARE PERFORMANCE AND TRADING

A total of 19.3 (3.4) million shares were traded between 1 January and 30 June 2016, representing 111.6 (19.9) 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 9.69 (7.70) euro, with the average being 9.11 (6.19) euro. The closing quotation for the period on 30 June 2016 was 9.20 (7.05) euro. At the end of the period, market capitalisation amounted to 159.0 (121.9) million euro.

DIVIDENDS PAID

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). In 2015, the company paid a total of 0.45 euro per share as dividends (in total 7.6 million euro).

OWN SHARES

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

OTHER EVENTS IN THE INTERIM PERIOD

Sale of the epi plant in Allen

In a stock exchange release published on 1 April 2016, Okmetic announced that the company 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 euro). 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.

Tender offer

Okmetic Oyj announced on 1 April 2016 that Okmetic and National Silicon Industry Group (NSIG) have entered into a Combination Agreement pursuant to which NSIG, either directly or through a wholly-owned indirect subsidiary of NSIG, 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. NSIG Finland S.á r.l which is a wholly-owned indirect subsidiary of NSIG, commenced the voluntary public tender offer on 22 April 2016. The extended offer period expired on 14 June 2016.

In a press release published on 17 June 2016, NSIG announced the final result of the tender offer. According to the result, the shares tendered in the tender offer represent approximately 95.79 percent of all the shares and votes in Okmetic (excluding the treasury shares held by Okmetic). In addition, approximately 98.52 percent of the option rights have been tendered in the tender offer, which implies, together with the tendered shares, a holding of approximately 95.73 percent of all the shares and votes in Okmetic fully diluted for the outstanding option rights and excluding the treasury shares held by Okmetic.

The completion trades were settled and the offer consideration paid on 22 June 2016 to the shareholders and holders of option rights who have validly accepted the tender offer in accordance with the terms and conditions of the tender offer.

In order to allow the remaining shareholders and holders of option rights the possibility to still accept the tender offer, NSIG decided to extend the tender offer by a subsequent offer period in accordance with the terms and conditions of the tender offer. The Subsequent Offer Period commenced on 20 June 2016 and expired on 4 July 2016.

On 23 June 2016, NSIG Finland informed Okmetic that NSIG Finland holds more than nine tenths (9/10) of all the shares and votes in Okmetic, and as a consequence of exceeding the relevant ownership threshold, NSIG Finland has the right and obligation, based on Chapter 18, Section 1 of the Finnish Companies Act, to redeem the shares held by any other remaining Okmetic shareholders at fair value.

Annual general meeting on 7 April 2016

The annual general meeting on 7 April 2016 adopted the annual accounts and the consolidated annual accounts for the financial year 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 will consist 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 Mr. Jan Lång as its chairman and Mr. Henri Österlund as its vice chairman in its organisation meeting held immediately after the annual general meeting.

Authorised Public Accountants PricewaterhouseCoopers Oy was re-elected as auditor of the company. PricewaterhouseCoopers Oy has announced that APA, Mr. Mikko Nieminen will be acting as principal auditor.

The decisions of the annual general meeting were published on 7 April 2016 in a separate stock exchange release.

Financing

To ensure liquidity, the company has rearranged its credit facilities. The company has negotiated new committed credit facilities of 6.0 million euro to replace the 6.0 million euro uncommitted credit facilities. All of these new committed credit facilities were in use on 30 June 2016.

Change in the executive management group

On 14 June 2016, Okmetic informed that Juha Jaatinen, Okmetic's Senior Vice President, Finance, IT and Communications and member of the Executive Management Group has resigned to assume a new position with another company. On 5 July 2016 the company announced that Tapio Hyvärinen, M.Sc. (Econ.), has been appointed acting CFO and a member of Okmetic's Executive Management Group as of 15 August 2016.

EVENTS AFTER THE INTERIM PERIOD

Tender offer

NSIG published on 7 July 2016 a press release, according to which the Subsequent Offer Period, the shares tendered during the Subsequent Offer Period represent approximately 0.63 percent of all the shares and votes in Okmetic (excluding the treasury shares held by Okmetic). No option rights were tendered during the Subsequent Offer Period. Together with the shares tendered during the actual offer period, the shares tendered in the Tender Offer represent approximately 96.41 percent of all the shares and votes in Okmetic (excluding the treasury shares held by Okmetic).

Taking into account shares acquired through open market purchases, according to the knowledge at the publication date of the press release NSIG Finland holds approximately 96.78 percent of all the shares and votes in Okmetic (excluding the treasury shares held by Okmetic) after the settlement of the sale and purchase of the shares tendered during the Subsequent Offer Period. Together with the option rights that were tendered in the Tender Offer during the actual offer period (the approximately 98.52 percent of the option rights), this implies a holding of approximately 96.72 percent of all the shares and votes in Okmetic fully diluted for the outstanding option rights and excluding the treasury shares held by Okmetic.

Extraordinary general meeting on 7 July 2016

NSIG Finland requested Okmetic's board of directors to convene an extraordinary general meeting. Notice to the meeting was published on 13 June 2016 and the extraordinary general meeting was held on 7 July 2016. According to NSIG Finland's proposal, three members were elected to the board of directors replacing all members of the board of directors elected in the annual general meeting on 7 April 2016, for a term that expires at the end of the following annual general meeting. Mr. Kai Seikku, President of Okmetic; Mr. Leo Ren (legal name Weidong Ren), Managing Director of NSIG, and Mr. Jeffrey Wang (legal name Qingyu Wang), CEO of Shanghai Simgui Technology were elected as members of the board of directors. According to NSIG Finland's proposal, the general meeting resolved that no remuneration shall be paid to the members of the board of directors, but reasonable travel and other costs incurred by the board members for attending in board work shall be compensated by the company.

CONDENSED FINANCIAL STATEMENTS AND TABLES 1 JANUARY – 30 June 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 Apr- 30 Jun, 2016	1 Apr- 30 Jun, 2015	1 Jan- 30 Jun, 2016	1 Jan- 30 Jun, 2015	1 Jan- 31 Dec, 2015
Net sales	18,969	22,068	38,597	43,680	84,540
Cost of sales	-15,554	-16,434	-31,224	-32,312	-65,759
Gross profit	3,416	5,634	7,372	11,368	18,781
Other income and expenses	-6,313	-2,720	-3,550	-5,531	-11,063
Operating profit	-2,898	2,914	3,822	5,837	7,718
Financial income and expenses	-107	-8	-45	-150	-370
Profit before tax	-3,004	2,906	3,778	5,687	7,348
Income tax	-113	-691	-383	-1,308	-2,516

Profit for the period	-3,117	2,215	3,395	4,380	4,832
Other comprehensive income:					
Items that may be reclassified to profit or loss in subsequent periods					
Cash flow hedges	25	-5	49	-7	20
Translation differences	250	-295	-122	622	759
Other comprehensive income for the period, net of tax	275	-300	-73	614	779
Total comprehensive income for the period	-2,842	1,915	3,322	4,994	5,612
Profit for the period attributable to:					
Equity holders of the parent company	-3,117	2,215	3,395	4,380	4,832
Total comprehensive income attributable to:					
Equity holders of the parent company	-2,842	1,915	3,322	4,994	5,612
Basic earnings per share, euro	-0.19	0.13	0.20	0.26	0.29
Diluted earnings per share, euro	-0.19	0.13	0.20	0.26	0.28

CONDENSED CONSOLIDATED BALANCE SHEET

1,000 euro	30 Jun, 2016	30 Jun, 2015	31 Dec, 2015
Assets			
Non-current assets			
Property, plant and equipment	46,367	42,797	46,532
Intangible assets	164	493	329
Other receivables	1,971	615	164
Total non-current assets	48,502	43,905	47,025
Current assets			
Inventories	14,803	17,867	17,477
Receivables	21,175	19,424	16,156

Cash and cash equivalents	3,847	9,231	9,468
Total current assets	39,825	46,521	43,101
Total assets	88,327	90,426	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	38,242	49,337	45,787
Total equity	50,063	61,158	57,608
Liabilities			
Non-current liabilities	11,382	13,253	12,004
Current liabilities	26,882	16,016	20,514
Total liabilities	38,264	29,269	32,519
Total equity and liabilities	88,327	90,426	90,127

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

1,000 euro	1 Jan- 30 Jun, 2016	1 Jan- 30 Jun, 2015	1 Jan- 31 Dec, 2015
Cash flows from operating activities:			
Profit before tax	3,778	5,687	7,348
Adjustments	-2,260	3,528	8,082
Change in working capital	8,917	-3,650	1,102
Financial items	-156	-551	-655
Tax paid	-1,627	-458	-1,161
Net cash from operating activities	8,652	4,556	14,716
Cash flows from investing activities:			
Purchases of property, plant and equipment	-7,208	-2,365	-7,579
Net cash used in investing activities	-7,208	-2,365	-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
Proceeds from short-term borrowings	6,000	-	-
Payments of finance lease liabilities	-522	-316	-641
Dividends paid	-11,592	-7,592	-11,193
Net cash used in financing activities	-7,114	-7,908	-12,834

Increase (+) / decrease (-) in cash and cash equivalents	-5,671	-5,717	-5,698
Exchange rate changes	49	512	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	3,847	9,231	9,468

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					3,395	3,395
Other comprehensive income, net of tax:						
Cash flow hedges				49		49
Translation differences				-122		-122
Total comprehensive income for the period				-73	3,395	3,322
Share-based payments					105	105
Dividend distribution					-10,973	-10,973
Balance at 30 Jun, 2016	11,821	20,045	753	3,342	14,101	50,063
Balance at 31 Dec, 2014	11,821	20,045	753	2,636	28,372	63,627
Profit for the period					4,380	4,380
Other comprehensive income, net of tax:						
Cash flow hedges				-7		-7
Translation differences				622		622
Total comprehensive income for the period				614	4,380	4,994
Share-based						

payments					129	129
Dividend distribution					-7,592	-7,592
Balance at 30 Jun, 2015	11,821	20,045	753	3,250	25,288	61,158

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

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

1,000 euro	1 Jan- 30 Jun, 2016	1 Jan- 30 Jun, 2015	1 Jan- 31 Dec, 2015
Carrying amount at the beginning of the period	46,532	42,538	42,538
Additions	4,882	3,116	10,834
Disposals	-1,781	-	-65
Depreciation and impairment losses	-3,182	-3,099	-7,070
Exchange differences	-83	242	296
Carrying amount at the end of the period	46,367	42,797	46,532

COMMITMENTS AND CONTINGENCIES

1,000 euro	30 Jun, 2016	30 Jun, 2015	31 Dec, 2015
Loans, secured with collaterals	11,000	7,000	6,000
Collaterals	15,110	15,110	15,110
Off-balance sheet lease commitments	191	328	244
Capital commitments	2,337	3,881	5,336
Nominal values of derivative contracts			
Currency options, call	-	1,088	528
Currency forward agreements	2,944	4,461	5,268
Electricity derivatives	177	717	351
Fair values of derivative contracts			
Currency options, call	-	38	1
Currency forward agreements	-23	-10	-93
Electricity derivatives	-70	-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	30 Jun, 2016			30 Jun, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Derivative financial instruments	-	14	-	-	85	-

Financial liabilities						
Derivative financial instruments	70	37	-	249	57	-

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- 30 Jun, 2016	1 Jan- 30 Jun, 2015	1 Jan- 31 Dec, 2015
Net sales	38,597	43,680	84,540
Change in net sales compared to the previous year's period, %	-11.6	21.0	14.1
Export and foreign operations share of net sales, %	90.2	91.1	91.5
Operating profit before depreciation (EBITDA)	7,169	9,101	15,115
% of net sales	18.6	20.8	17.9
Operating profit without items affecting comparability (IAC)	3,220	5,837	10,972
% of net sales	8.3	13.4	13.0
Operating profit	3,822	5,837	7,718
% of net sales	9.9	13.4	9.1
Profit before tax	3,778	5,687	7,348
% of net sales	9.8	13.0	8.7
Return on equity, %	11.5	14.0	8.0
Return on investment, %	10.6	15.4	10.4
Non-interest-bearing liabilities	22,035	16,212	20,768
Net interest-bearing liabilities	12,382	3,826	2,283
Net gearing ratio, %	24.7	6.3	4.0
Equity ratio, %	56.7	67.9	64.0
Capital expenditure	4,882	3,116	10,834
% of net sales	12.6	7.1	12.8
Depreciation and impairment losses	3,347	3,264	7,397
Research and development expenditure	1,438	1,406	2,580

% of net sales	3.7	3.2	3.1
Average number of personnel during the period	387	392	394
Personnel at the end of the period	401	426	387

KEY FIGURES PER SHARE

Euro	30 Jun, 2016	30 Jun, 2015	31 Dec, 2015
Basic earnings per share	0.20	0.26	0.29
Diluted earnings per share	0.20	0.26	0.28
Equity per share	2.97	3.62	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	9.11	6.19	6.48
Lowest trading price	6.66	4.80	4.80
Highest trading price	9.69	7.70	7.70
Trading price at the end of the period	9.20	7.05	7.24
Market capitalisation at the end of the period, 1,000 euro	159,045	121,877	125,162

Trading volume (1 Jan-)

Trading volume, transactions, 1,000 pcs	19,289	3,445	5,153
In relation to weighted average number of shares, %	111.6	19.9	29.8
Trading volume, 1,000 euro	175,807	21,319	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
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The number of shares at the end of the period adjusted by the share issue, 1,000 pcs

	17,288	17,288	17,288
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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			18,969	19,628
Compared to previous quarter, %			-3.4	-2.1
Compared to corresponding period last year, %			-14.0	-9.2
Operating profit without items affecting comparability (IAC)			1,838	1,382
% of net sales			9.7	7.0
Operating profit			-2,898	6,720
% of net sales			-15.3	34.2
Profit before tax			-3,004	6,782
% of net sales			-15.8	34.6
Net cash flow generated from:				
Operating activities			4,231	4,421
Investing activities			-1,678	-5,530
Financing activities			-5,334	-1,780
Increase/decrease in cash and cash equivalents			-2,782	-2,889
Personnel at the end of the period			401	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 items affecting comparability (IAC)	1,595	3,540	2,914	2,923
% of net sales	8.0	17.0	13.2	13.5
Operating profit	-1,660	3,540	2,914	2,923
% of net sales	-8.3	17.0	13.2	13.5
Profit 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

RECONCILIATIONS OF KEY FINANCIAL FIGURES

New ESMA (European Securities and Markets Authority) guidelines on Alternative Performance Measures (APMs) came into effect on 3 July 2016. Okmetic presents APMs to reflect the underlying business performance and to enhance comparability between financial periods. APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. As of Q2 2016, Okmetic relabels the previously referenced "without non-recurring items" with "without items affecting comparability" (IAC).

Exceptional transactions outside the normal business operations are treated as items affecting comparability. Such items, as defined by Okmetic, are income or expenses from discontinued operations and the restructuring of operations, impairment of assets, expenses related to the NSIG tender offer, and any other transactions management has excluded as non-operational.

Operating profit without items affecting comparability

1,000 euro	1-6/ 2016	4-6/ 2016	1-3/ 2016
Operating profit	3,822	-2,898	6,720
Items affecting comparability (IAC)			
Income and expenses related to the sale of operations of the US-based epi plant	5,758	-130	5,888
Expenses related to tender offer by NSIG	-4,796	-4,246	-550
Others	-360	-360	-
Items affecting comparability (IAC) total	602	-4,735	5,338
Operating profit without items affecting comparability (IAC)	3,220	1,838	1,382

1,000 euro	1-12/ 2015	10-12/ 2015	7-9/ 2015	4-6/ 2015	1-3/ 2015
Operating profit	7,718	-1,660	3,540	2,914	2,923
Items affecting comparability (IAC)					
Expenses related to the reorganisation of the epi plant in the US	-3,255	-3,255	-	-	-
Operating profit without items affecting comparability (IAC)	10,972	1,595	3,540	2,914	2,923

In addition to Alternative Performance Measures (APMs) presented above, Okmetic also reports other performance measures that have not been defined in IFRS. There have not been any changes in the definitions or labels of these measures, and they have been published in the annual report 2015.

DEFINITIONS OF KEY FINANCIAL FIGURES

Operating profit before depreciation (EBITDA)	=	Operating profit + depreciation + impairment losses
Items affecting comparability (IAC)	=	Exceptional items that are not related to normal business operations
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.

OKMETIC OYJ

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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.

NSIG is a limited liability company organized under the PRC laws. The registered office of NSIG is in Shanghai, China.

Established in 2015, NSIG is a China-based holding group that is engaged in the investment and development of semiconductor materials and equipment industry with a registered capital of RMB 2 billion (approximately EUR 272 million). NSIG's mission is to establish a major industrial player in the global semiconductor sector (especially silicon and its ecosystems) through both PRC domestic investments and outbound mergers and acquisitions.