

Okmetic Oyj: Okmetic's interim report

1 January - 31 March 2006 - okmetic enjoys strong growth and achieves good

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OKMETIC OYJ STOCK EXCHANGE RELEASE 4 MAY 2006 AT 9.30 A.M. 1(14)
OKMETIC'S INTERIM REPORT 1 JANUARY - 31 MARCH 2006 - OKMETIC ENJOYS
STRONG GROWTH AND ACHIEVES GOOD PERFORMANCE

Okmetic's net sales for the first quarter amounted to 15.9 million euro (12.4 million euro). Demand is strong. Continuing operations produced a profit of 2.2 million euro (-1.0 million euro). The financial situation is stable. Net cash flow from operating activities amounted to 4.0 million euro (0.0 million euro).

REVIEW IN BRIEF

- Net sales amounted to 15.9 million euro (12.4 million euro).
- Demand for Okmetic's silicon wafers has been strong since autumn 2005.
- Sales to sensor customers have increased.
- North American sales have been strong.
- Profit from continuing operations amounted to 2.2 million euro (-1.0 million euro).
- Net cash flow from operating activities amounted to 4.0 million euro (0.0 million euro).
- The equity ratio strengthened, amounting to 43.2 percent (38.5%).
- The Annual General Meeting held on 11 April 2006 adopted the Financial Statements of Okmetic Oyj and the Group, and discharged the members of the Board of Directors and the President from personal liability. No dividends will be distributed for 2005. Previous members of the Board of Directors and the auditors were re-elected, and the Annual General Meeting accepted the Board of Directors' proposals regarding the Board's authorisation to increase the share capital and to cover retained losses by the premium fund. - Okmetic is investigating the possibilities of developing new business through selling its technological expertise.

PROJECTIONS FOR THE NEAR FUTURE

The company believes that the good market situation will continue at least until the second half of the year. Forecasting demand in the longer term is typically difficult in Okmetic's industry. Net sales for the entire year are expected to grow by around 15 percent in comparison with the previous year. Net sales are anticipated to develop favourably in all the markets that are important to Okmetic.

Okmetic's end-of-year result is expected to be positive. Cash flow from operating activities is expected to be clearly positive. The exchange rate of the US dollar and the price of the principal raw material will be crucial in determining whether the estimates hold true.

Okmetic aims to strengthen its market leadership in relation to sensor wafers and important semiconductor customers. The company aims to promote its profitable growth through being selective in terms of customers and products. The company will be investing in its own cost-effective production while also increasing the proportion of subcontracted manufacturing. The partnership network will also be extended further. Moreover, Okmetic is investigating the possibilities of developing new business through selling its technological expertise.

MARKETS

The market situation has improved. After a less favourable year, the growth of sensor demand has returned to normal levels. Sensor markets typically enjoy a 10 - 20 percent annual growth rate, and are more stable than the semiconductor industry. This overall trend was also evident in the most significant pressure and inertia sensor shipments of Okmetic's clientele during the quarter. In the semiconductor industry, the growth experienced in the first months of the year appears modest in light of average sales figures, but it includes significant segment-specific and regional variations.

Special characteristics of the first quarter included the strength of the American semiconductor market and the strong growth of integrated analogue circuits. The sales of power transistors also reached a good growth rate. All this had a clearly positive impact on the market atmosphere of Okmetic's clientele. (WSTS, SIA, IC Insights)

Growth in the silicon wafer market as well

According to the industry's estimates, silicon wafer shipments increased strongly in the first quarter. The growth affected all wafer sizes. The increase in the volume of shipments is believed to have exceeded the average growth of semiconductor sales. The long decrease in the prices of wafers ended, and signs of an increase in the price levels began to emerge.

Positive trend expected to continue

A significant proportion of Okmetic's sensor wafers are supplied to pressure sensor and accelerometer manufacturers. Demand for these sensor types is expected to increase by just over ten percent during 2006. The good market situation is also expected to continue in the semiconductor industry. On a quarterly level, semiconductor sales may experience periods of faster and slower growth, but the annual estimates generally conclude a growth rate of about ten percent. A growth rate of clearly over ten percent is forecasted for the year 2007 (SIA, WSTS, Gartner, IC Insights, VLSI Research, Future Horizon, Semico Research). The prudence with which semiconductor plants have placed orders for machinery in recent months also supports the view of a continuing steady growth.

Demand for silicon wafers develops along with the sales of the customer industries. According to the forecasts prevailing within the industry, the overall volume of wafer shipments will grow by around ten percent in 2006. Demand for the types of wafers that are important to Okmetic is expected to follow the overall trend. The continuing recovery of price levels is considered likely in the light of the increasing prices of the raw material silicon.

PROFITABILITY AND FINANCING

Profitability on the increase

The structural change, which was implemented with a view to long-term profitability, reached completion at the beginning of 2005.

The development measures led to significant improvements in profitability and cost cutting, the effects of which are now becoming clearly evident as the market situation of the customer industries has improved.

Net sales of the Okmetic Group grew by 28.5 percent in comparison with the corresponding period of the previous year, and 13.7 percent in comparison with the previous quarter.

Sales to sensor customers have increased. However, their contribution to the overall net sales generated by the sales of wafers has decreased slightly from last year, on account of the strong increase in the sales of semiconductor wafers. In terms of the overall net sales, the share of crystal sales has decreased, amounting to about eight percent (2005: 9%).

The share of North American sales in the overall net sales has increased strongly, thanks to the good market situation. Growth has also been achieved in the Asian market, as planned.

During the quarter, Okmetic Group generated a profit of 2.2 million euro (0.9 million euro). The Group's continuing operations produced a profit of 2.2 million euro (-1.0 million euro). Earnings per share from continuing operations amounted to 0.13 euro (-0.06 euro).

The Group's financial situation is stable. Net cash flow from operating activities amounted to 4.0 million euro (0.0 million euro).

At the end of the quarter, cash and cash equivalents amounted to 6.8 million euro (5.9 million euro). The Group's equity ratio strengthened, amounting to 43.2 percent (38.5%). Shareholders' equity per share was 2.12 euro (2.02 euro).

The Group's gross investments amounted to 0.1 million euro and comprised ordinary replacement investments.

Product development accounted for 2.3 percent (1.9%) of Okmetic's net sales. The percentage is typical of the industry.

PERSONNEL

At the end of the quarter, personnel amounted to 337 (2005: 356). Of these, 295 were employed in Finland, 41 in the US and 1 in Japan.

BUSINESS RISKS

The Group's silicon wafer sales are targeted at the sensor and semiconductor industries. Demand for semiconductor wafers is sensitive to economic fluctuations, and changes in the market situation can be fast and dramatic. Demand for sensor wafers is more stable.

The US dollar has great significance as a trading currency. Despite hedging activities, the company is vulnerable to interest rate fluctuations.

According to the company's perception, the demand for polycrystalline silicon, the principal raw material of silicon wafers, has grown strongly and will continue to grow throughout 2006. This has weakened its availability and increased its price. The trend is expected to continue. The company has aimed to secure access to the raw material through long-term purchase agreements.

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

At the end of the quarter, the Group's total liabilities amounted to 36.5 million euro (2005: 42.1 million euro). Unpaid subordinated loans amounted to 6.6 million euro at the end of 2005. Capital and interest repayments of subordinated loans cannot be made in the absence of distributable funds in the Financial Statements for 2005. In 2006, the company will negotiate a renewal for a loan of around 20 million euro with its financiers as provided for in the terms of the loan. Interest rate fluctuations have an impact on the company's financial performance due to the significant extent of its debt.

SHARE PRICE DEVELOPMENT AND TRADING

A total of 3.2 million shares were traded between 1 January and 31 March 2006, representing 18.9 percent of the share total of 16.9 million. The lowest quotation of the quarter was 1.80 euro and the highest was 2.85 euro per share, with an average of 2.30 euro. The closing quotation of the quarter

was 2.69 euro. The total market value of the share capital amounted to 45.4 million euro at the end of the quarter.

Own shares

The company has not repurchased its own shares and the Board of Directors has not been authorised to repurchase or convey the company's own shares.

The authorisations of the Board of Directors relating to increasing the company's share capital are included in the section dealing with decisions of the Annual General Meeting.

Convertible bonds

The company's Extraordinary General Meeting held on 28 June 1999 decided to issue a convertible subordinated bond of 3,363,757.76 euro (then FIM 19,999,995.40). The number of shares in the company can increase by a maximum of 524,000 if the bonds are converted. The conversion of the bonds can now only take place between 8 April 2006 and 30 June 2006. One of the shareholders exercised their right of conversion on 30 June 2001. The value of the converted bond was 39,079.80 euro, and the number of shares involved was 6,750.

Options

The total of 544,800 options, which were issued in connection with the personnel's option programme on the basis of a decision made at the Extraordinary General Meeting held on 23 May 2000 and an authorization granted by the meeting to the Board of Directors, entitle their holders to subscribe to the same number of shares. The options have not been converted into shares. The subscription period ends on 31 May 2007.

DECISIONS OF OKMETIC OYJ'S ANNUAL GENERAL MEETING AND THE ORGANISATION OF THE BOARD OF DIRECTORS

Okmetic Oyj's Annual General Meeting held on 11 April 2006 adopted the Financial Statements of both Okmetic Oyj and the Group and discharged the members of the Board of Directors and the President from personal liability. No dividends will be distributed for 2005.

It was decided that there would be five members on the company's Board of Directors. The following persons were re-elected as members of the Board of Directors until the end of the next Annual General Meeting: Mikko J. Aro, Karri Kaitue, Esa Lager, Pekka Paasikivi and Pekka Salmi. The Board of Directors elected Mikko J. Aro as its Chairman and Karri Kaitue as its Vice Chairman in its organisation meeting held immediately after the Annual General Meeting.

PricewaterhouseCoopers Oy, Authorised Public Accountants, were appointed auditors. Markku Marjomaa, Authorised Public Accountant, was appointed as the principal auditor.

The Board of Directors was granted the authority from 11 April 2006 until the following Annual General Meeting, although for no longer than one year from the Annual General Meeting, to decide on the increasing of share capital by new issue, granting rights of options or taking out convertible debenture loans in one or more tranches in such a way that no more than a total of 3,377,500 new shares will be subscribed in relation to any new issues, granting rights of options or taking out convertible debenture loans. Share capital can be increased by no more than 2,364,250 euro by the authorisation. The authorisation includes a right to deviate from the shareholders' pre-emptive subscription rights provided that a viable economic reason for this exists.

The Annual General Meeting decided that the 16,145,238.65 euro of losses accumulated by the end of the financial year of 1 January – 31 December 2005 will be covered by the premium fund. On 31 December 2005, before covering the retained losses, the premium fund amounted to 36,190,493.36

euro. Covering the retained losses reduces the premium fund by 16,145,238.65 euro. After covering the losses, the premium fund amounts to 20,045,254.71 euro.

Vantaa, 4 May 2006

Board of Directors