

## **Tax information regarding convertibles – Finland**

Interest income from the convertible should be treated as capital income as long as it is based on fair market value. You must annually report the interest income in your individual income tax return.

However, if You receive refinancing for granting the loan to the employer and the employer affects the terms of this financing, the tax authorities may apply tax avoidance rule and consider the loan to employer and employer contributed loan from the financing institution as a combined act. In this case all payments to You for granting the loan may be taxed as employment income. This concerns also items which would otherwise be regarded as a capital income.

When a conversion of the shares is made employee taxation may be triggered which is withheld and reported to the tax authority by your employer i.e. no action is required from You. The taxable income corresponds to the difference of the fair market value less the pre-defined strike price at date of conversion. Should taxable income be generated at the conversion, this would be treated as employment income for You (considered a stock option in Finnish taxation). It should be noted that e.g. pension insurance and unemployment insurance contributions are not payable for You or for the employer. However You must pay employee sickness insurance premium.

When You potentially sell the shares after conversion, capital gain taxation applies which needs to be reported in your annual income tax return.

Except for the above stated no further action will required by You.

Please note that the above is based on advice provided to ÅF Pöyry AB by Ernst & Young (EY). Your particular tax situation has not been assessed and you take part on the advice above on a non-reliance basis. We recommend that you consult your personal tax advisor.