

December 15, 2017

Statement of Tax Principles of Valmet Group and Valmet UK Entities

1. Scope and Purpose of the Present Document

Valmet is committed to complying with all applicable tax laws and regulations in the United Kingdom and in other jurisdictions, with the goal of timely paying the right amount of tax due. This document contains the principles followed by Valmet Group and Valmet UK Entities in its tax compliance. The present document serves to comply with the provisions of Schedule 19 of the Finance Act 2016. The principles set out in this document are considered valid and are applied by the Group until a new statement of tax principles is published. In addition to this statement, the Valmet Code of Conduct guides the tax related decision making of Valmet Group and Valmet UK Entities. The Code of Conduct is available on our global website www.valmet.com.

In the present document:

(i) **“Valmet Group”** or **“the Group”** or **“Valmet”** refer to the multinational group of companies whose ultimate parent is Valmet Oyj, a Finnish public limited liability company duly registered and incorporated in accordance with the Finnish Companies Act, domiciled in Helsinki, Finland and resident for tax purposes in the Republic of Finland; and

(ii) **“Valmet UK Entities”** refer, collectively, to Valmet Ltd and Valmet Automation Limited. Valmet Ltd is a private company limited by shares duly registered under the laws of the United Kingdom of Great Britain and Northern Ireland with its registered office at the address Laneside Foundry, Manchester Road, Haslindgen, Lancashire, United Kingdom. Valmet Automation Limited is a private company limited by shares duly registered under the laws of the United Kingdom of Great Britain and Northern Ireland with its registered office at the address 2 Lindenwood Chineham Business Pa, Chineham, Basingstone, Hampshire, United Kingdom. Both companies are members of the Valmet Group and resident for tax purposes in the United Kingdom of Great Britain and Northern Ireland.

As the Valmet Group constitutes an “MNE Group” envisaged in Article 7(1) of Schedule 19 of the Finance Act 2016, Valmet Oyj is considered the head of the group, which has the duty to publish a statement of tax principles under the Finance Act 2016.

2. Approach of the Group to Risk Management and Governance Arrangements in Relation to UK Taxation

2.1. Nature of Tax Risks of Valmet Business

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The Valmet Group is a leading global developer and supplier of technologies, automation and services for the pulp, paper and energy industries. Valmet's vision is to become the global champion in serving its customers. The group has subsidiaries in over 30 countries and activities in several dozens of countries.

The business of Valmet Group is carried out through projects with varying scopes including provision of services and Valmet proprietary machinery and equipment. Due to the project-based nature of the business of Valmet Group, the Group has tax liabilities in multiple jurisdictions either by way of its subsidiaries or based on its other type of taxable presence in a jurisdiction.

2.2. Tax Risk Management at Group Level

Group tax function is responsible for Group level tax risk management. The tax professionals of the Group tax function report to the Head of Tax. Under the Finnish Companies Act, the Board of Directors of the ultimate parent of the Group, Valmet Oyj, is responsible for the activities of the company, and the Chief Executive Officer of Valmet Oyj is responsible for the day-to-day management of the company. Consequently, the Board of Directors of Valmet Oyj and the Chief Executive Officer of Valmet Oyj are also ultimately responsible for managing the tax risks related to the Valmet business globally, including tax risks in the United Kingdom.

2.3. Tax Risk Management in the United Kingdom

As mentioned in the paragraph 2.2., Group tax function is responsible for Group level tax risk management. The responsibility for accurate and timely fulfilment of UK tax compliance obligations and complying with UK tax laws and regulations lies with the Boards of Directors of Valmet UK Entities and other corporate officers designated by the UK Companies Act. The local finance personnel in the Valmet UK Entities is responsible for routine tax reporting, such as filing local tax returns timely and executing tax payments. Should a situation arise where more sophisticated tax expertise is required, the local finance personnel is obliged to escalate the issue to the tax professionals of the ultimate parent, Valmet Oyj.

3. Attitude of the Group towards Tax Planning and Acceptable Risk Level in Relation to UK Taxation

Valmet Group consider taxation among other factors when making business decisions. Any activities are driven by genuine commercial and economic substance. Where uncertainties may arise from time to time in the structuring of our tax affairs, we will

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seek advice from our external advisors. Valmet has a low risk appetite in respect to taxation and we are committed to not undertaking any tax planning arrangements with tax savings as the sole or main motive of the arrangement. The tax planning techniques applied by Valmet Group seek to eliminate double taxation of income from Valmet operations. Further, the purpose of tax planning within Valmet Group is to ensure the predictable development of the effective tax rate of Valmet Group, which is pertinent to guarantee predictable information for investment decisions made by the present or potential shareholders of Valmet Group.

4. Approach of the Group towards its Dealings with HMRC

When dealing with HMRC and tax authorities in any other jurisdictions, Valmet Group seeks to build a continuous relationship based on transparency and constructive discussion. Valmet seeks to ascertain its compliance with local tax laws and regulations by proactively consulting with HMRC and other tax authorities. Whenever Valmet Group management becomes aware of any inadvertent errors related to its tax compliance, Valmet Group proactively discloses such errors to HMRC as soon as reasonably possible.