



Tax report

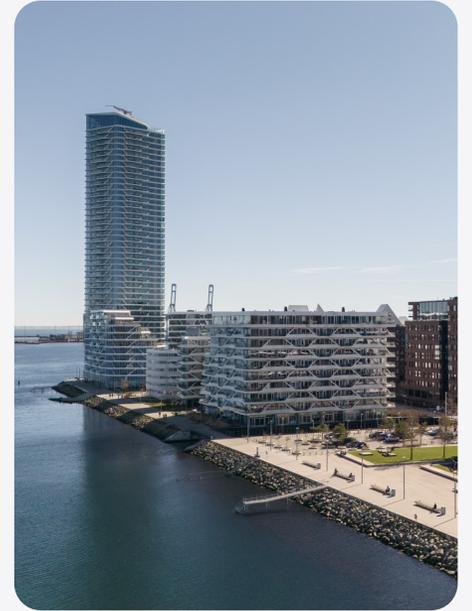
2025

Our approach to tax governance

At Danfoss, 'we engineer a better future' which also extends to how we approach tax governance. We prioritize long term sustainable and responsible tax practices in both the payment and administration of taxes. Our tax governance approach is built upon four main principles, all aimed at creating a better future for all our stakeholders.

Our tax governance approach is built upon four main principles:

- Transparency and simplicity
- Competence and risk management
- Compliance and collaboration
- Being a responsible taxpayer



↑ Cover photo

As a global technology leader, Danfoss plays a key role in helping industries, cities, and communities transition to a more resilient and low-carbon future. Danfoss solutions can significantly reduce cities' carbon footprint through a range of smart and efficient technologies in mobile and industrial machinery, heating and cooling, supermarkets, wastewater facilities, data centers, and much more.



Transparency and simplicity

Danfoss has published a global Group Tax Policy, which facilitates an efficient and fair global tax approach supported by central and local tax governance. While we are commercially present globally, Danfoss did not have any activity in countries that were listed as tax havens on the EU list of non-cooperative tax jurisdictions or in Ligningsloven during 2025. As of February 17th, 2026, Vietnam is included on the EU list of non-cooperative jurisdictions for tax purposes as the country did not meet the necessary standards for the exchange of tax information on request. Danfoss is present in Vietnam for commercial reasons only. Although we have operations in some jurisdictions with lower tax rates, our presence is consistently for the purpose of serving local markets with Danfoss' products and services.

The Danfoss Group tax structure is based on simplicity and efficiency through consolidation for tax purposes and straight forward repatriation of profits. Danfoss may centralize intellectual property (IP) to achieve its strategic goals. A transfer of IP may decrease or increase Danfoss' overall tax payments, however the decision to transfer IP will always be made for strategic business reasons only.

Transparency of tax matters towards all stakeholders is a priority within Danfoss' tax governance. Noncompliant tax matters can be brought forward through our Ethics hotline, which meets the requirements of the European Whistleblower Protection Directive.

Competence and risk management

Tax governance is a key priority to Danfoss. Our Group Tax Policy is reviewed annually by the Danfoss Group Executive Team and approved by the Board of Directors. Within the Board of Directors, the Chair of the Audit Committee is overseeing the Group's tax policy. Operational tax matters, including monitoring and management of tax risks, are periodically reported to the Audit Committee. The Executive Vice President and Chief Financial Officer (CFO) of Danfoss Group is accountable for management of income taxes, employee taxes, indirect taxes, and transfer pricing.

The CFO delegates the strategic management of income taxes, employee taxes, and transfer pricing to the Vice President of corporate tax functions, who manages it together with a team of professionals on corporate and local levels. Operational management of income taxes, employee taxes, transfer pricing compliance, and all matters concerning VAT and custom duties are managed by global and local functional teams within Danfoss. Danfoss has established processes and controls based on recognized risk control strategies to support a low-risk environment. We identify and monitor global tax risks on a regular cycle and implement controls and mitigation measures accordingly.

The corporate tax function ensures high tax competence throughout our organization by offering regular training to a broad group of employees. The corporate tax function also encourages our key tax professionals to continuously educate themselves about important developments in the OECD and national tax legislation. If additional competences are needed, the corporate tax function seeks advice from external consultants and advisors.



Compliance and collaboration



Danfoss is committed to high compliance standards. We use IT and data management systems to support data quality and compliance with legal requirements. Compliance is ensured through documented policies, internal controls, and independent reviews.

Danfoss prioritizes establishing collaboration with tax authorities throughout the world. In Denmark, we participate in the 'Tax Governance Program', an initiative by the Danish Tax Agency aimed at achieving a high level of mutual assurance related to the Group's compliance filings. We engage in transparent dialogue with tax authorities through established cooperation mechanisms, including Mutual Agreement Procedures and Advanced Pricing Arrangements, to resolve cross-border matters and double taxation with other jurisdictions. In addition, we invite tax authorities for discussions on our profitability benchmark studies, planned footprint changes, or information provided in local files.

At Danfoss, we collaborate with relevant industry associations and stakeholders on tax policy and compliance matters to achieve our goal of tax compliance and responsible tax practices. Danfoss is an active member of the Confederation of Danish Industry (DI), where we support DI's efforts for

clear, stable, and coherent international tax rules to avoid aggressive tax planning. In the US, we are a member of several industry associations, such as the Alliance for Responsible Atmospheric Policy and the Association of Equipment Manufacturers. Our collaboration with peers allows us to discuss and align our tax governance with industry standards.

Danfoss is within the scope of the OECD Pillar II (Global Minimum Tax) framework. The rules were implemented in Denmark and came into effect on 1 January 2024.

Pillar II has been enacted or is being implemented in many jurisdictions relevant to our operations. Consistent with IFRS guidance, specifically the IAS 12 exception, we apply the disclosure and recognition requirements relevant to Pillar II income taxes in our financial statements.

We will continue to monitor legislative developments, refine our processes, and, where required, accrue and pay any top up tax to remain compliant with applicable law.

Being a responsible taxpayer

At Danfoss, we prioritize fair profit allocation and being a responsible taxpayer. Our tax planning activities focus on avoiding double taxation and achieving efficient use of resources, since tax expenses and tax management expenses are business costs and need to be considered like other costs when making business decisions. We support transparent tax reporting practices such as the Global Reporting Initiative (GRI) and aim to pay our fair share of taxes.

Danfoss is investing in innovation and new technology to 'engineer a better future' and utilizes tax incentives and tax relief provided that incentives are generally accessible to a broad group of taxpayers and that Danfoss has local commercial substance in the relevant tax jurisdiction. The table to the right shows a complete list of tax incentives and tax credit relief that Danfoss has utilized during the year.

Jurisdiction	Tax incentive
P.R. of China	Hi-tech status
P.R. of China	R&D super deduction
Denmark	R&D incentives/deductions
Denmark	Increased tax depreciation
Finland	R&D incentives/deductions
France	R&D incentives/deductions
Germany	R&D incentives/deductions
Great Britain	R&D incentives/deductions
Slovakia	R&D incentives/deductions
Slovakia	Dual education tax relief
South Korea	Investment incentive
USA	Bonus depreciation
USA	R&D incentives/deductions



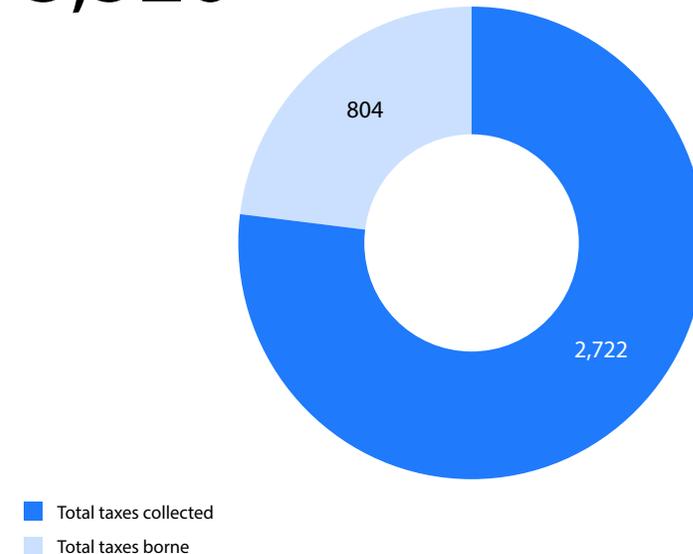
Global tax footprint and total tax contribution

As presented in table 1 — Country by Country, the Danfoss Group pays corporate income tax in more than 50 different tax jurisdictions. Besides corporate income taxes, we also pay other direct taxes, like capital income tax and labor market contributions. Indirect taxes, like nonrefundable VAT, paid sales and use tax, property taxes, and custom duties are also relevant examples of business expenses borne by Danfoss that support local governments. Moreover, Danfoss Group collects taxes on behalf of local governments, in the form of value-added taxes on sales and withholding taxes on salaries and capital gains. In this way, our presence generates tax revenues for local governments, both in the form of taxes borne and taxes collected by Danfoss.

In the year 2025, Danfoss contributed a total of EUR 3,526m to local public finances via tax payments, EUR 804m borne by Danfoss and EUR 2,722m collected by Danfoss. We report our Total Tax Contribution on a cash basis, distinguishing taxes borne and taxes collected across corporate income, indirect, and employee taxes. In general, taxes are defined as mandatory payments imposed by national regulations, with no direct relation to a specific benefit received. To achieve comparability between different social and tax systems, our global tax contribution also includes mandatory payments to social schemes, like pension funds, provided governmental regulations require companies to contribute to those schemes.

Total tax contribution 2025 (EURm)

3,526



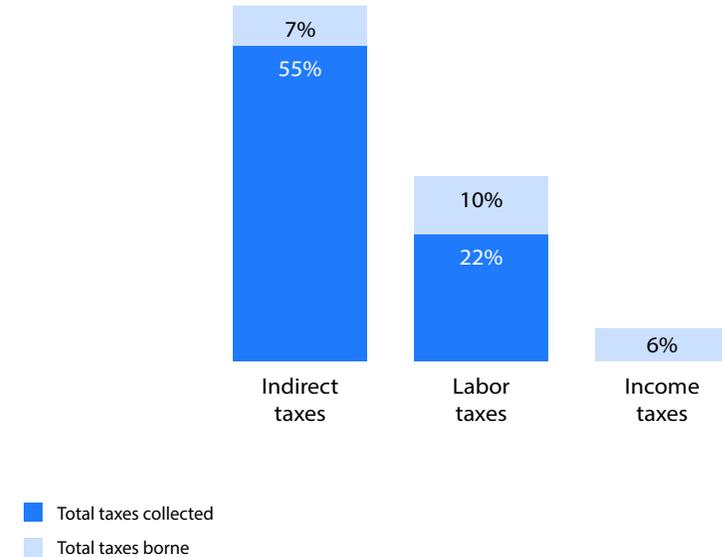
Geography and categories of total tax contribution

On a global level, our largest contribution to public finance consists of indirect taxes, followed by labor taxes and income taxes. The chart also illustrates the proportion of tax collected and tax borne in each tax category. The biggest portion of taxes borne by Danfoss are labor taxes and indirect taxes, while the biggest portion of taxes collected are indirect taxes followed by labor taxes.

When analyzing Danfoss' total tax contribution from a geographic point of view, it shows that Danfoss contributes the largest amount of tax in Europe. Indirect taxes and labor tax percentages may vary significantly between countries, consequently total tax contribution for a given country or region is not necessarily proportional to business footprint measured in sales, headcounts or total assets employed.

However, after taking into consideration national tax environments, the geographical division of our total tax contribution corresponds with our global business footprint. The largest operational footprints are in Denmark, Germany, China and the US and in those countries, we also have our biggest national total tax contribution. This illustrates that Danfoss' tax payments are business driven.

Tax categories as percentage of total tax contribution



Geographic split of total tax contribution

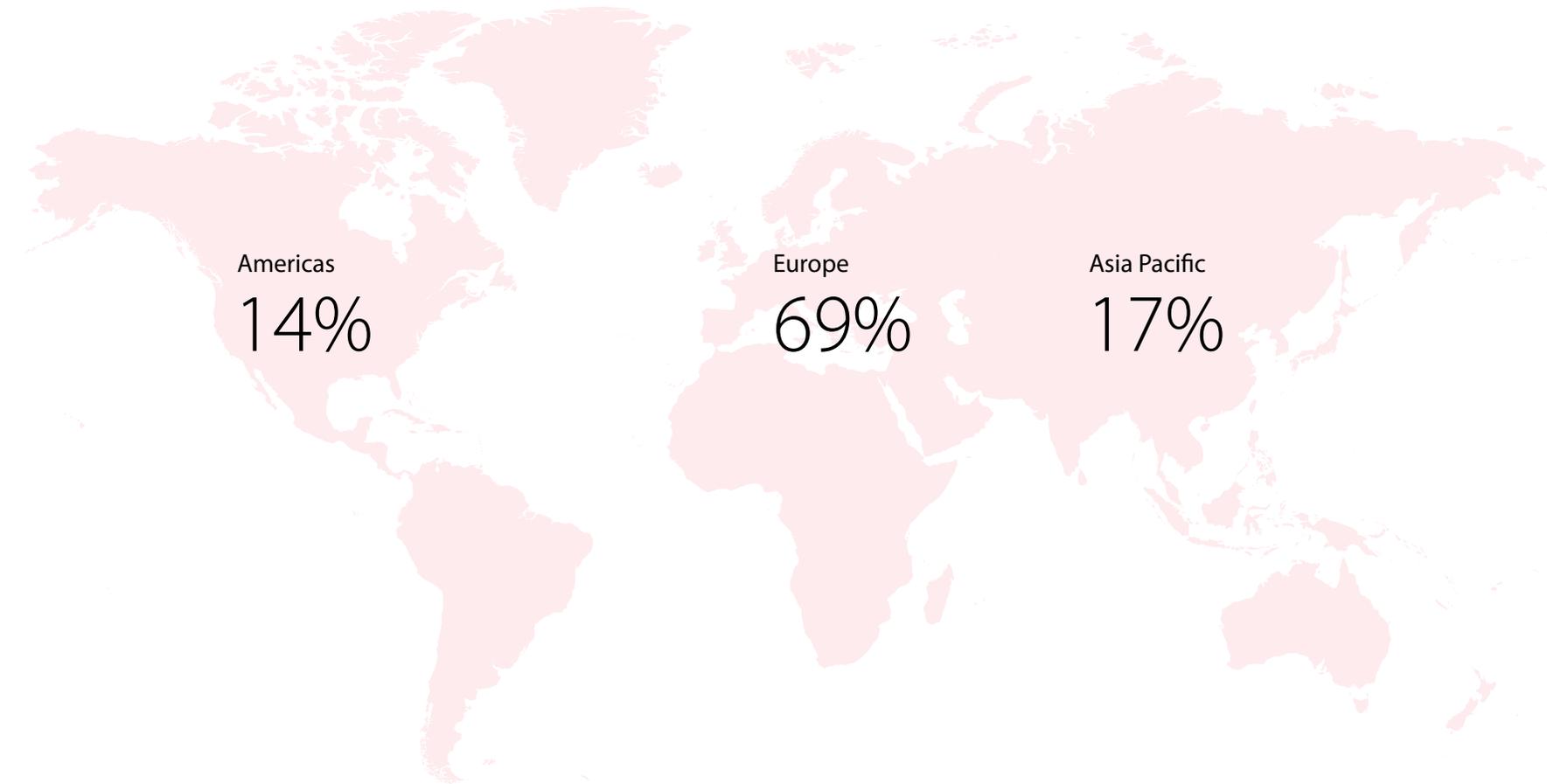


Table 1 — Total tax contribution, Country by Country 2025

Country	Function			Indirect taxes collected	Indirect taxes borne	Salary taxes collected	Salary taxes borne	Income taxes borne ¹	Total tax contribution
	Sales	Manufacturing	R&D						
Argentina	●			4,080	783	224	184	1,097	6,368
Australia	●			8,483	1,489	2,817	1,893	731	15,412
Austria	●			19,578	63	2,897	2,710	888	26,137
Belgium	●			16,314	47	1,779	1,711	332	20,183
Brazil	●	●	●	62,129	10,784	3,562	5,717	5,022	87,215
Bulgaria	●	●		4,937	196	738	586	187	6,644
Canada	●			4,302	46	1,944	211	420	6,924
Chile	●			5,243	521	245	18	172	6,198
Columbia	●			2,259	93	71	86	322	2,832
Croatia	●			5,643	52	610	301	72	6,677
Czech Republic	●	●		16,509	17	898	2,230	401	20,055
P.R. of China	●	●	●	243,054	34,820	36,259	43,685	50,325	408,142
Denmark	●	●	●	494,141	9,092	193,163	41,043	72,488	809,925
Egypt	● ³			0	0	0	0	0	0
Estonia	●			3,033	6	113	138	154	3,444
Finland	●	●	●	90,552	701	24,003	15,022	8,690	138,967
France	●	●	●	94,909	4,802	15,480	22,330	11,989	149,510
Germany	●	●	●	312,351	3,645	190,293	72,689	-4,014 ²	574,963
Great Britain	●	●	●	29,950	1,487	11,853	5,442	3	48,736
Hong Kong	●			0	0	0	0	204	204

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Country	Function			Indirect taxes collected	Indirect taxes borne	Salary taxes collected	Salary taxes borne	Income taxes borne ¹	Total tax contribution
	Sales	Manufacturing	R&D						
Hungary	●			9,086	134	537	417	127	10,301
Iceland	●			3,156	9	321	232	181	3,899
India	●	●	●	58,658	16,026	9,533	2,584	7,159	93,960
Indonesia	●			1,252	945	133	90	415	2,835
Italy	●	●	●	81,009	2,964	32,729	15,041	1,224	132,966
Japan	●	●	●	17,836	565	3,550	2,551	10,976	35,477
Kazakhstan	●			3,575	516	163	114	224	4,592
Latvia	●			2,258	17	273	220	175	2,943
Lithuania	●			8,403	15	380	18	164	8,980
Malaysia	●			0	534	623	287	111	1,555
Mexico	●	●		22,386	6,123	18,087	14,048	4,200	64,845
The Netherlands	●	●		32,075	143	3,376	1,336	2,498	39,429
New Zealand	●			1,373	34	290	125	402	2,224
Norway	●	●	●	27,332	284	1,655	756	933	30,959
Philippines	●			961	146	130	55	184	1,475
Poland	●	●		50,223	1,008	15,884	8,999	3,004	79,116
Romania	●	●		6,909	177	2,753	448	552	10,839
Saudi Arabia	● ³			0	0	0	0	0	0
Serbia	●			162	307	432	210	41	1,151
Singapore	●	●		2,278	1,730	969	584	170	5,731

Table 1 — Total tax contribution, Country by Country 2025

Country	Function			Indirect taxes collected	Indirect taxes borne	Salary taxes collected	Salary taxes borne	Income taxes borne ¹	Total tax contribution
	Sales	Manufacturing	R&D						
Slovakia	●	●	●	43,961	1,868	9,642	15,116	6,449	77,036
Slovenia	●	●	●	16,701	800	9,359	4,146	-759 ²	30,246
South Africa	●			5,085	266	584	248	223	6,407
South Korea	●	●		10,680	795	2,752	1,314	-14 ²	15,527
Spain	●	●	●	48,905	549	4,264	4,577	1,965	60,260
Sweden	●			39,663	58	4,000	4,146	436	48,303
Switzerland	●			4,193	98	631	791	426	6,140
Taiwan	●			605	149	87	106	187	1,133
Thailand	●			1,157	620	205	230	241	2,453
Türkiye	●	●	●	36,038	6,859	32,464	1,486	-1,821 ²	75,026
Ukraine	●			4,104	114	353	306	94	4,971
United Arab Emirates	●	●		282	450	0	749	449	1,931
USA	●	●	●	4,418	144,056	116,162	42,253	17,055	323,944
Vietnam	●			791	0	236	6	42	1,075
Global total tax contribution				1,962,979	257,006	759,502	339,584	207,193	3,526,263

¹ Jurisdictions with 0 income tax paid primarily occur due to either, being loss making, utilizing tax losses from previous years, or due to tax refunds from previous years.

² Negative income taxes are a result of advance tax payments exceeding the final amount owed, or due to adjustments of prior year tax positions.

³ Activity is mainly related to marketing and market research.



Further information available
on Danfoss' website: danfoss.com

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