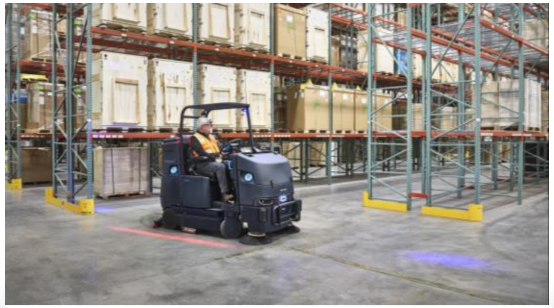
Tax Report 2024

NILFISK

Tax Governance

Tax Compliance



The Group makes best efforts to comply with the tax legislation in the operating countries and act in accordance with current OECD guidelines and arm´s length principles.

Group Tax is involved in all significant business developments to support the business decisions as well as fully assess any potential tax consequences such decisions in advance.

The responsibility for tax risk management lies with the CFO and is overseen by the Audit Committee. The management of the Group's tax affairs is handled by a centralized Group Tax team where day-to-day compliance operations are handled by the local finance teams.

Group Tax maintains an updated overview of all reported tax risks, audits, inquiries and uncertain tax positions. The tax position for the Group is reported by Group Tax to the Nilfisk Audit Committee on a regular basis.

Relationship with Authorities

The Group' s intention is to engage in professional communications with the Tax Authorities, as well as other relevant stakeholders, to participate in an open dialogue on tax matters, including both existing and future matters of relevance. If relevant, the Group will seek dialogue and agreement with Authorities to increase predictability and minimize the risk of tax disputes. All statutory tax risks, tax audits/inquiries, as well as uncertain tax positions is to be reported without delay to Group Tax Department to secure coordination and alignment.

Nilfisk seeks collaboration with all other important stakeholders to achieve its goal of responsibility and tax compliance. Nilfisk is an active member of the Confederation of Danish Industry (DI), that provides with a framework to discuss and align Nilfisk' s tax governance with industry standards.

Tax Planning and Tax Heavens

Any tax planning that is undertaken must be based on sound commercial rationale and will at the same time consider the interests of wider stakeholder groups, including local communities and economies and act in line with the requirements of the Nilfisk Code of Conduct.

Nilfisk considers only business-driven tax optimization and monitors its risk positions. The Group has not setup artificial tax structures to secure tax benefits outside the intension of the tax laws and does not make use of special tax optimization models designed for tax evasion purposes in any low-tax jurisdictions. While Nilfisk is commercially present globally, it does not have any activity in tax havens that are listed on the EU list of non-cooperative tax jurisdictions or under section 4.2 of Ligningsloven LBK no. 422 from January 13, 2023. However, like many other global companies, Nilfisk also has commercial operations in jurisdictions with a lower-than-average tax rate. The presence is based on commercial reasons.

Tax Initiatives

The Group makes use of the benefits of incentives only to the extent that such incentives are available according to our commercial business structure and transfer pricing setup and are generally available for other in a similar position.

Where we claim tax incentives offered by government authorities, we seek to ensure that they are transparent and consistent with statutory or regulatory frameworks and implemented in the manner intended within the relevant statutory, regulatory, or administrative framework. Any incentive will only be used when it is clearly inside the intention of the rules. For example, Nilfisk utilizes opportunities for tax deductions related to research and development activities in Denmark, China and the US. In jurisdictions where Nilfisk operates and R&D tax incentives are widely accessible, they will be accepted and utilized accordingly.

The Tax Profile of our Business

Corporate Income Tax

In the Annual Report, the Group reports its corporate income tax paid for the year. The annual corporate tax is the amount of corporate income tax we expect will be due on the current year's profits and the prior year's tax adjustments, while the annual paid corporate taxes are taxes that we paid during the financial year, and those may relate to corporate tax liabilities for prior, current, or future periods.

Our subsidiaries are subject to corporate income tax in their countries of residence. The exception is our subsidiary in Dubai where a corporate income tax has been imposed as of 2024, according to local legislation.

Transfer Pricing

Nilfisk operates globally under a vertically integrated business model, where Nilfisk A/S (Danish entity) owns a significant part of the value chain creation, from production to sales. Nilfisk' s transfer pricing policy follows a so called 'principal tax model' where the profit follows the risk and value creation throughout the value chain.

Following the principal model, the principal entity allocates an arm's length profit margin to entities in the Group, according to their functional characterization and the residual profit (or loss) in the value chain remains with the principal. The profit margin allocated to each function ("target margin") shall always reflect arm's length conditions in accordance with applicable laws and the transfer pricing policy of the Group, which is consistent with the recommendations of the OECD Transfer Pricing Guidelines. To ensure that the entities are remunerated on an arm's length basis, the target margin is periodically reviewed and updated, and the target margin for the different activities will be adjusted when necessary.

The Group reviews on a yearly basis its Transfer Pricing Policy based on OECD guidelines and any local requirements. When applying the Transfer Pricing Policy, the Group uses the OECD proven methods, and all benchmark used are updated or confirmed on a yearly basis.

Uncertain Tax Positions

The uncertain tax positions include considerations around when the Group has taken a position of uncertainty, created by complex legislation subject to interpretation, in the countries where the Group operates. In response to the tax risks connected to cross border activities Nilfisk has made tax-related provisions in accordance with IAS 12, IAS 37 and relevant interpretations, such as IFRIC 23.

Nilfisk is engaged in dialogue with tax authorities in cases of varying scope. Appropriate provisions and recognition of uncertain tax positions has been made where the aggregated probability of the tax position being upheld is considered less than 50%.

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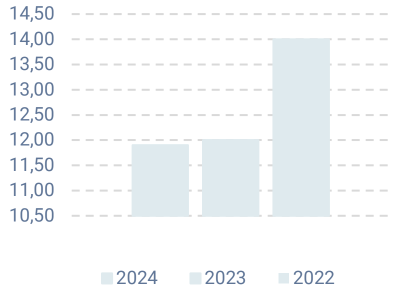
2024 Tax Highlights

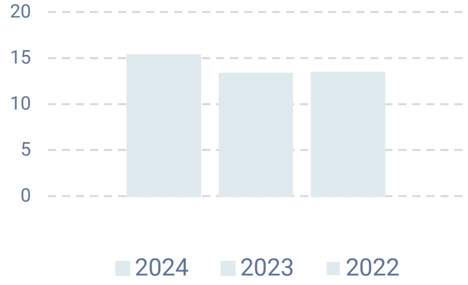
Income Tax Expense
Expense in the Income Statement

m EUR 11,9



Income Tax Paid

m EUR 15,3



In contrast to the reported corporate income tax expenses, taxes paid represent actual cash tax payments made to the tax authorities during the year.

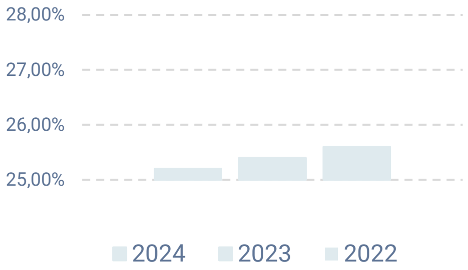
Deferred Tax Assets balance, net

m EUR 21,9

Deferred tax results from the timing differences that can occur when income or expense items are included in the financial statements in different periods to those in which they are taxable or tax-deductible. Deferred tax assets and liabilities represent the tax effects of such timing differences The above deferred tax assets are measured at tax rate that are substantively enacted at the reporting date in accordance with IFRS principles.

Effective Tax Rate

25,2%



Pillar II Readiness

Nilfisk is currently implementing the framework required to ensure that the Group fully complies with the OECD rules.

Nilfisk has made an assessment for potential additional tax liabilities for 2024, which showed that the rules will currently result in immaterial additional tax payments.

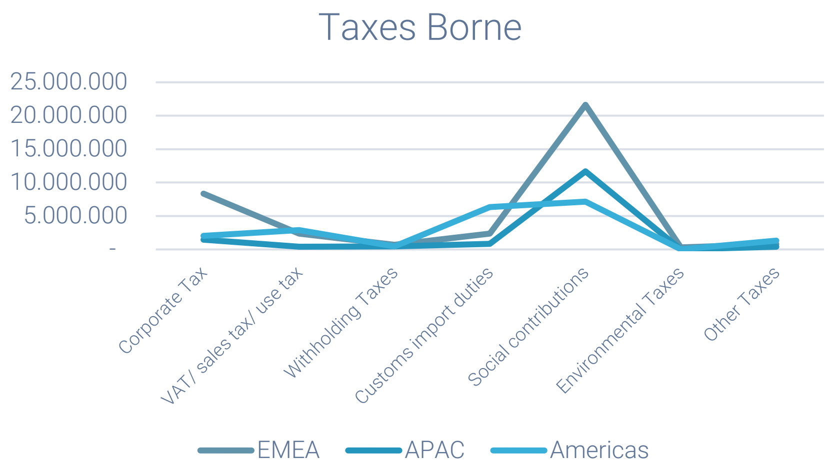
The reassessment will be done on a recurrent basis.

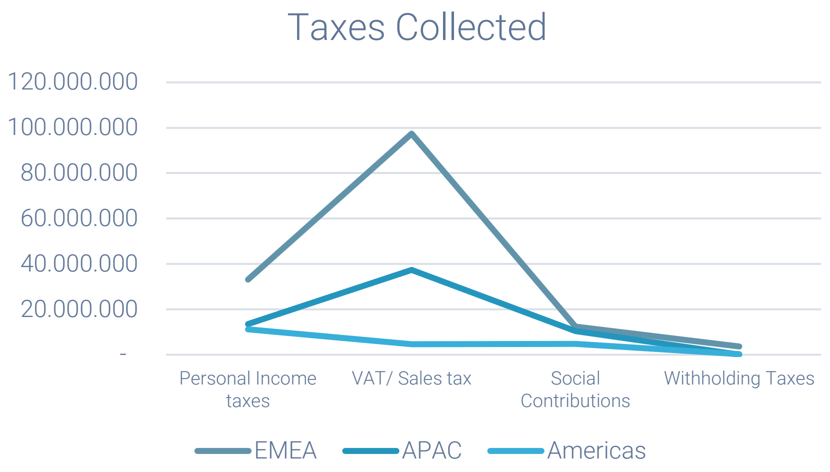
Total Tax Contribution

Nilfisk is committed to operating its business in a responsible manner and this also implies paying taxes accurately and in a timely manner. The Group is present in more than 40 countries and reaches more than 100 countries through direct sales and dealers and thus contributing with taxes and duties collected, which include, without limitation, VAT, GST or other consumption taxes, withholding taxes and excise duties.

For the year 2024, Nilfisk contributed globally a total of EUR 301 m to local public finances via tax payments, EUR 72 m being borne by Nilfisk and EUR 229 m being collected by Nilfisk.

Below, a summary of the main taxes borne and collected, for 2024 per region:





"Tax" in this Contribution Footprint represents any amount of money required to be paid to or collected and subsequently remitted to a government. Taxes born and taxes collected are the taxes due in respect of an accounting period as defined in IFRS Accounting Standards as adopted by the EU.

The total tax contribution is the sum of borne and collected taxes for the period from 1 January to 31 December. Amounts are included as paid when cash is released from or received by the Group.

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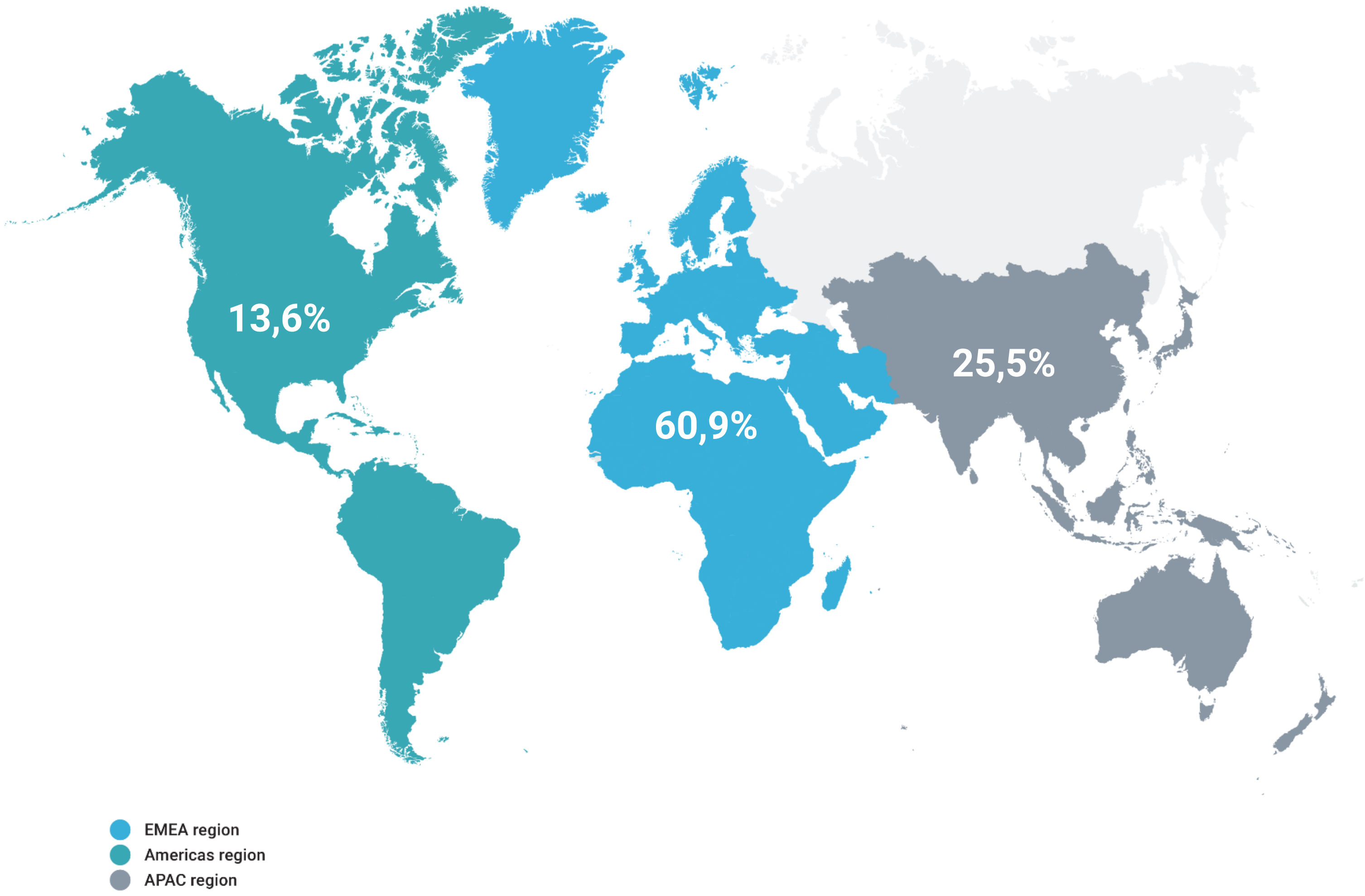
The contribution categorizes the tax payments in 2 categories: Tax Borne and Tax Collected.

- Taxes Borne are the taxes that the Group is obliged to pay to a government on its own behalf, or taxes that the Group is obliged to pay to a third party and that cannot be recovered from a government.
- Taxes Collected are taxes not finally borne by the Group, but for which the Group bears an administrative burden of collection. These taxes are, however, indirectly generated from the Group's business activities and are therefore part of the Group's total tax contribution.

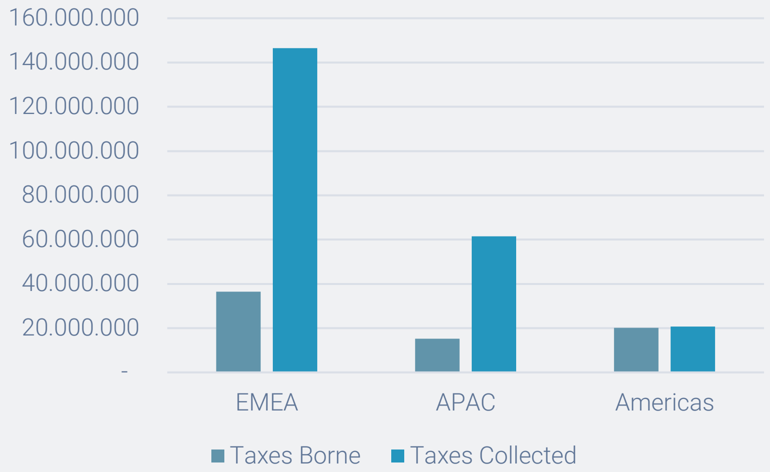
On a global level, our largest contribution to public finance consists of indirect taxes, followed by payroll taxes and income taxes.

Geography of the Total Tax Contribution



The largest amount and percentage of the total tax contribution goes to Europe, followed by APAC.

The distribution between tax borne and tax collected, at regional level, is as follows:



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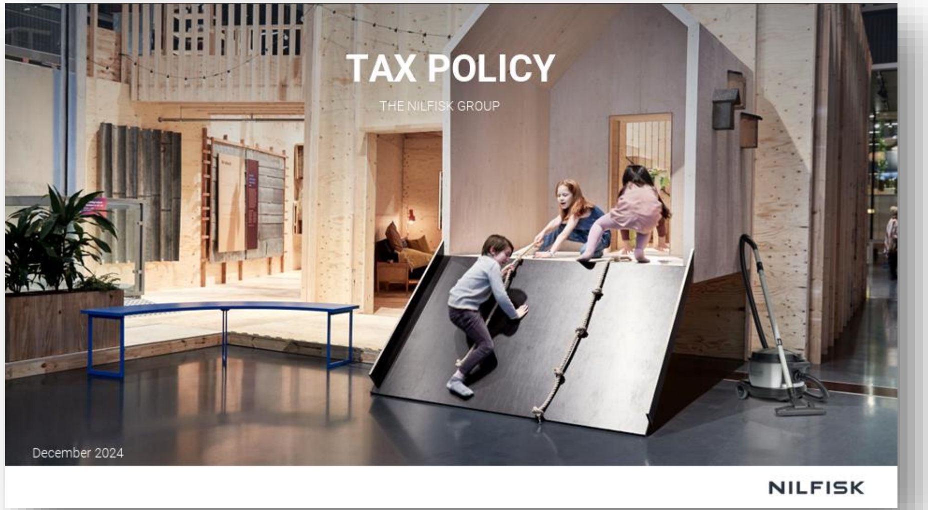
The 2024 Tax Report should give a fair presentation of the Group’s tax activities and results of Nilfisk’ s tax contribution efforts for the reporting period.

Want to read more?

Nilfisk Tax Policy



Annual Report 2024
and Country-by-Country Report

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