20230228069938

Årsredovisning

för

DT Holding (Sweden) AB

556057-9749

Räkenskapsåret

2021-08-01 - 2022-07-31

Fastställelseintyg

Undertecknad styrelseledamot i DT Holding (Sweden) AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma 9/1 2023. Årsstämman beslutade att godkänna styrelsens förslag till resultatdisposition.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Sollentuna 10/1 2023

Geir Thomas Fossum

20230228066939

Årsredovisning

för

DT Holding (Sweden) AB

556057-9749

Räkenskapsåret

2021-08-01 - 2022-07-31

Innehållsförteckning

Förvaltningsberättelse	1
Resultaträkning	3
Balansräkning	4
Noter	6

Fotokopians överensstämmelse
med originalet intygas:
0769-6792

20230228065948

Styrelsen och verkställande direktören för DT Holding (Sweden) AB avger följande årsredovisning för räkenskapsåret 2021-08-01 - 2022-07-31.

Förvaltningsberättelse

Information om verksamheten
Bolaget är moderbolag till Beijer Byggmaterial AB.

Ägarförhållanden
DT Holding (Sweden) AB är ett helägt dotterbolag till Winterfell Sweden AB, 559291-0946.

Personal
Bolaget har inte haft någon personal under räkenskapsåret och inte utbetalat några löner eller ersättningar.

Flerårsöversikt (Tkr)	**2021/22**	**2020/21**	**2019/20**
Resultat efter finansiella poster	-9 343	292 323	1 299 815
Balansomslutning	1 337 013	678 000	678 000
Soliditet (%)	61,7	50,8	100,0

Förändringar i eget kapital (Tkr)

	Aktie-kapital	**Överkurs-fond**	**Reserv-fond**	**Balanserat resultat**	**Årets resultat**	**Totalt**
Belopp vid årets ingång	100 100	100 000	1 154	25	314 402	**515 681**
Disposition enligt beslut av årsstämman:				314 402	-314 402	**0**
Utdelning				-300 000		**-300 000**
Aktieägartillskott				591 392		**591 392**
Årets resultat					17 309	**17 309**
Belopp vid årets utgång	**100 100**	**100 000**	**1 154**	**605 819**	**17 309**	**824 382**

Fotokopians överensstämmelse med originalet intygas:
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20230228060941

Förslag till vinstdisposition

Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

balanserad vinst	605 819 001
årets vinst	17 309 133
	623 128 134
disponeras så att	
i ny räkning överföres	623 128 134

Beträffande företagets resultat och ställning i övrigt hänvisas till efterföljande resultat- och balansräkning, samt noter. Alla belopp uttrycks i tusental svenska kronor där ej annat anges.

Fotokopians överensstämmelse
med originalet intygas:
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20230228806942

Resultaträkning

Tkr

	Not	2021-08-01 -2022-07-31	2020-08-01 -2021-07-31
Rörelsens intäkter			
		0	**0**
Rörelsens kostnader			
Övriga externa kostnader	2	0	0
		0	**0**
Rörelseresultat		**0**	**0**
Resultat från finansiella poster			
Erhållna utdelningar från koncernföretag		0	300 000
Räntekostnader och liknande resultatposter	3	-9 343	-7 677
		-9 343	**292 323**
Resultat efter finansiella poster		**-9 343**	**292 323**
Bokslutsdispositioner			
Erhållet koncernbidrag		31 170	26 000
Resultat före skatt		**21 827**	**318 323**
Skatt på årets resultat	4	-4 518	-3 921
Årets resultat		**17 309**	**314 402**

Fotokopians överensstämmelse med originalet intygas:
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20230228806943

Balansräkning

Tkr

	Not	2022-07-31	2021-07-31
TILLGÅNGAR			
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	5, 6	1 269 392	678 000
Fordringar hos koncernföretag	7	31 170	0
		1 300 562	**678 000**
Summa anläggningstillgångar		**1 300 562**	**678 000**
Omsättningstillgångar			
Kortfristiga fordringar			
Fordringar hos koncernföretag	8	36 451	336 479
		36 451	**336 479**
Summa omsättningstillgångar		**36 451**	**336 479**
SUMMA TILLGÅNGAR		**1 337 013**	**1 014 479**

Fotokopians överensstämmelse
med originalet intygas:
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20230228063044

Balansräkning

Tkr

	Not	2022-07-31	2021-07-31
EGET KAPITAL OCH SKULDER			
Eget kapital	9		
Bundet eget kapital			
Aktiekapital		100 100	100 100
Överkursfond		100 000	100 000
Reservfond		1 154	1 154
		201 254	**201 254**
Fritt eget kapital			
Balanserad vinst		605 819	25
Årets resultat		17 309	314 402
		623 128	**314 427**
Summa eget kapital		**824 382**	**515 681**
Kortfristiga skulder			
Skulder till koncernföretag	8	504 220	494 877
Aktuella skatteskulder		8 411	3 921
Summa kortfristiga skulder		**512 631**	**498 798**
SUMMA EGET KAPITAL OCH SKULDER		**1 337 013**	**1 014 479**

Fotokopians överensstämmelse
med originalet intygas:

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20230228069345

Noter

Tkr

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar

DT Holding (Sweden) AB med organisationsnummer 556057-9749 är ett aktiebolag registrerat i Sverige med säte i Stockholm. Adressen till huvudkontoret är Box 798, 191 27 Sollentuna. Företagets verksamhet omfattar att vara ett holdingbolag till Beijer Byggmaterial AB.

DT Holding (Sweden) AB är ett helägt dotterbolag till Winterfell Sweden AB, 559291-0946 med säte i Stockholm och som i sin tur är ett helägt dotterbolag till Stark Group A/S, med säte i Köpenhamn. Koncernredovisningen finns att tillgå hos Stark Group, C.F Richs Vej 115, 2000 Fredriksberg, Danmark.

Ingen koncernredovisning har upprättats med stöd av Årsredovisningslagen 7 kap. 2 § punkt 1.

Företaget tillämpar Årsredovisningslagen (1995:1554) och Bokföringsnämndens allmänna råd BFNAR 2012:1 Årsredovisning och koncernredovisning ("K3").

Utländsk valuta

Företagets redovisningsvaluta är svenska kronor (SEK).

Omräkning av poster i utländsk valuta
Vid varje balansdag räknas monetära poster i utländsk valuta om till balansdagens kurs. Icke-monetära poster, som värderas till historiskt anskaffningsvärde i en utländsk valuta, räknas inte om.
Valutakursdifferenser redovisas i rörelseresultatet eller som finansiell post utifrån den underliggande affärshändelsen, i den period de uppstår, med undantag för transaktioner som utgör säkring och som uppfyller villkoren för säkringsredovisning av kassaflöden eller av nettoinvesteringar.

Låneutgifter

Låneutgifter redovisas i resultaträkningen i den period de uppkommer.

Koncernbidrag

Erhållna koncernbidrag redovisas som bokslutsdisposition i resultaträkningen.

Inkomstskatter

Skattekostnaden utgörs av summan av aktuell skatt och uppskjuten skatt.

Aktuell skatt
Aktuell skatt beräknas på det skattepliktiga resultatet för perioden. Skattepliktigt resultat skiljer sig från det redovisade resultatet i resultaträkningen då det har justerats för ej skattepliktiga intäkter och ej avdragsgilla kostnader samt för intäkter och kostnader som är skattepliktiga eller avdragsgilla i andra perioder. Aktuell skatteskuld beräknas enligt de skattesatser som gäller per balansdagen.

Fotokopians överensstämmelse
med originalet intygas:
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Uppskjuten skatt
Uppskjuten skatt redovisas på temporära skillnader mellan det redovisade värdet på tillgångar och skulder i de finansiella rapporterna och det skattemässiga värdet som används vid beräkning av skattepliktigt resultat. Uppskjuten skatt redovisas enligt den s k balansräkningsmetoden. Uppskjutna skatteskulder redovisas för i princip alla skattepliktiga temporära skillnader, och uppskjutna skattefordringar redovisas i princip för alla avdragsgilla temporära skillnader i den omfattning det är sannolikt att beloppen kan utnyttjas mot framtida skattepliktiga överskott. Obeskattade reserver redovisas inklusive uppskjuten skatteskuld.

Det redovisade värdet på uppskjutna skattefordringar omprövas varje balansdag och reduceras till den del det inte längre är sannolikt att tillräckliga skattepliktiga resultat kommer att finnas tillgängliga för att utnyttjas, helt eller delvis, mot den uppskjutna skattefordran.

Värderingen av uppskjuten skatt baseras på hur företaget, per balansdagen, förväntar sig att återvinna det redovisade värdet för motsvarande tillgång eller reglera det redovisade värdet för motsvarande skuld. Uppskjuten skatt beräknas baserat på de skattesatser och skatteregler som har beslutats före balansdagen.

Aktuell och uppskjuten skatt för perioden
Aktuell och uppskjuten skatt redovisas som en kostnad eller intäkt i resultaträkningen, utom när skatten är hänförlig till transaktioner som redovisats direkt mot eget kapital. I sådana fall ska även skatten redovisas direkt mot eget kapital.

Materiella anläggningstillgångar som är av mindre värde eller kan antas ha en ekonomisk livslängd på högst tre år redovisas som kostnad vid det första redovisningstillfället förutsatt att företaget kan göra motsvarande avdrag enligt Inkomstskattelagen.

Andelar i koncernföretag
Andelar i dotterföretag redovisas till anskaffningsvärde. Utdelning från dotterföretag redovisas som intäkt när rätten att få utdelning bedöms som säker och kan beräknas på ett tillförlitligt sätt.

Finansiella instrument
En finansiell tillgång eller finansiell skuld redovisas i balansräkningen när företaget blir part till instrumentets avtalsenliga villkor. En finansiell tillgång bokas bort från balansräkningen när den avtalsenliga rätten till kassaflödet från tillgången upphör, regleras eller när företaget förlorar kontrollen över den. En finansiell skuld, eller del av finansiell skuld, bokas bort från balansräkningen när den avtalade förpliktelsen fullgörs eller på annat sätt upphör.

Vid det första redovisningstillfället värderas omsättningstillgångar och kortfristiga skulder till anskaffningsvärde. Långfristiga fordringar samt långfristiga skulder värderas vid det första redovisningstillfället till upplupet anskaffningsvärde. Låneutgifter periodiseras som en del i lånets räntekostnad enligt effektivräntemetoden (se nedan).

Vid värdering efter det första redovisningstillfället värderas omsättningstillgångar enligt lägsta värdets princip, dvs. det lägsta av anskaffningsvärdet och nettoförsäljningsvärdet på balansdagen. Kortfristiga skulder värderas till nominellt belopp.

Långfristiga fordringar och långfristiga skulder värderas efter det första redovisningstillfället till upplupet anskaffningsvärde.

Fotokopians överensstämmelse med originalet intygas:
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Nedskrivningsprövning av finansiella anläggningstillgångar
Vid varje balansdag utvärderar företaget om det finns indikationer på att en eller flera finansiella anläggningstillgångar minskat i värde. Exempel på sådana indikationer är betydande finansiella svårigheter hos låntagaren, avtalsbrott eller att det är sannolikt att låntagaren kommer att gå i konkurs.

För finansiella anläggningstillgångar som värderas till upplupet anskaffningsvärde beräknas nedskrivningen som skillnaden mellan tillgångens redovisade värde och nuvärdet av företagsledningens bästa uppskattning av framtida kassaflöden. Diskontering sker med en ränta som motsvarar tillgångens ursprungliga effektivränta. För tillgångar med rörlig ränta används den på balansdagen aktuella räntan.

Likvida medel

Likvida medel inkluderar kassamedel och disponibla tillgodohavanden hos banker och andra kreditinstitut samt andra kortfristiga likvida placeringar som lätt kan omvandlas till kontanter och är föremål för en obetydlig risk för värdefluktuationer. För att klassificeras som likvida medel får löptiden inte överskrida tre månader från tidpunkten för förvärvet.

Not 2 Arvode till revisorer

Revisionsarvode har fakturerats Beijer Byggmaterial AB.

Not 3 Räntekostnader och liknande resultatposter

	2021-08-01 -2022-07-31	2020-08-01 -2021-07-31
Räntekostnader till koncernföretag	-9 343	-7 677
	-9 343	**-7 677**

Not 4 Aktuell och uppskjuten skatt

	2021-08-01 -2022-07-31	2020-08-01 -2021-07-31
Skatt på årets resultat		
Aktuell skatt	4 491	3 921
Periodfrämmande skatt	27	0
Totalt redovisad skatt	**4 518**	**3 921**

Avstämning av effektiv skatt

		2021-08-01 -2022-07-31		2020-08-01 -2021-07-31
	Procent	**Belopp**	**Procent**	**Belopp**
Redovisat resultat före skatt		21 827		318 323
Skatt enligt gällande skattesats	20,60	-4 496	21,40	-68 121
Ej avdragsgilla kostnader		-22		0
Ej skattepliktiga intäkter		0		64 200
Redovisad aktuell skatt	**20,70**	**-4 518**	**1,23**	**-3 921**

Fotokopians överensstämmelse med originalet intygas:

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Not 5 Andelar i koncernföretag

	2022-07-31	2021-07-31
Ingående anskaffningsvärden	678 000	678 000
Lämnat aktieägartillskott, ovillkorat	591 392	0
Utgående ackumulerade anskaffningsvärden	**1 269 392**	**678 000**
Utgående redovisat värde	**1 269 392**	**678 000**

Not 6 Specifikation andelar i koncernföretag

Namn	Kapital-andel	Rösträtts-andel	Antal andelar	Bokfört värde 2021-07-31	Bokfört värde 2020-07-31
Beijer Byggmaterial AB	100	100	58 083	1 269 392	678 000
				1 269 392	**678 000**

	Org.nr	Säte
Beijer Byggmaterial AB	556012-5220	Stockholm

Not 7 Fordringar hos koncernföretag

	2022-07-31	2021-07-31
Tillkommande fordringar	31 170	0
Utgående ackumulerade anskaffningsvärden	**31 170**	**0**
Utgående redovisat värde	**31 170**	**0**

Not 8 Fordringar och skulder till koncernföretag

Skulder till koncernföretag uppgår till 504 220 (494 877) tkr och avser cashpool.

Kortfristiga fordringar till koncernföretag uppgår till 36 451 (336 479) tkr, vilket avser anteciperad utdelning om 0 (300 000) tkr, övrig fordran om 36 451 (1 336 504) tkr, utnyttjad checkräkningskredit om 0 (0) tkr samt övrig skuld om 0 (1 300 025) tkr.

Not 9 Disposition av vinst

	2022-07-31
Förslag till vinstdisposition	
Styrelsen föreslår att till förfogande stående vinstmedel:	
balanserad vinst	605 819
årets vinst	17 309
	623 128
disponeras så att	
i ny räkning överföres	623 128

Fotokopians överensstämmelse med originalet intygas:

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Not 10 Ställda säkerheter och eventualförpliktelser

	2022-07-31	2021-07-31
Pansatta aktier i dotterföretag har ställts till förmån för koncernens kreditfacilitet	1 269 392	0
	1 269 392	**0**

Not 11 Väsentliga händelser efter räkenskapsårets slut

Inga väsentliga händelser efter räkenskapsårets slut.

Stockholm 2022-12-20

Søren Olesen
Ordförande

Laurits Jørgensen

Sisse Fjelsted Rasmussen

Geir Thomas Fossum
Verkställande direktör

Vår revisionsberättelse har lämnats 2022-12-21

Deloitte AB

Therese Kjellberg
Auktoriserad revisor

Fotokopians överensstämmelse med originalet intygas:

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Deloitte.

REVISIONSBERÄTTELSE

Till bolagsstämman i DT Holding (Sweden) AB
organisationsnummer 556057-9749

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för DT Holding (Sweden) AB för räkenskapsåret 2021-08-01-2022-07-31.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av DT Holding (Sweden) ABs finansiella ställning per den 31 juli 2022 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till DT Holding (Sweden) AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.

Penneo dokumentnyckel: WV4JU-CBP4H-DL3ZX-S0PJL-JEKLB-3LFNH

Fotokopians överensstämmelse med originalet intygas:
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- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för DT Holding (Sweden) AB för räkenskapsåret 2021-08-01-2022-07-31 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till DT Holding (Sweden) AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Stockholm enligt efterföljande digital signatur

Deloitte AB

Therese Kjellberg
Auktoriserad revisor

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Winterfell Financing S.à r.l.

Annual Report
Including
Consolidated Financial Statements
2021/22

and

Report of the
Réviseur d'Entreprises Agréé

Winterfell Financing S.à r.l.
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CONTENTS

MANAGEMENT'S REVIEW

IN BRIEF

The Group in brief 3
STARK Group at a glance 4
Financial highlights 5
Business review 6

STRATEGY

Strategy 12
Business model 15
Sustainability 16

GOVERNANCE

Risk management 18
Key risks 19

CONSOLIDATED FINANCIAL STATEMENTS

Management's Statement 22
Report of the réviseur d'entreprises agréé 23
Consolidated Income Statement 25
Consolidated Comprehensive Income 26
Consolidated Statement of Financial Position 27
Consolidated Statement of Changes in Equity 29
Consolidated Cash Flow Statement 30
Notes – Consolidated Financial Statements 31
Company Information 70

Group
The Annual Report of Winterfell Financing S.à r.l. (also referred to as 'the Group' to denote the consolidated group of companies) includes consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Forward-looking statements
The Annual Report contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond the Group's control, may cause actual developments and results to differ materially from expectations contained in the Annual Report.

THE GROUP IN BRIEF

The Group was established on 15 December 2020 when the parent company and subsidiaries in Denmark, Sweden and Germany were incorporated by the ultimate owners, CVC Capital Partners Fund VII.

The Group was established to prepare for the acquisition of STARK Group, which was signed and announced on 8 January 2021.

The acquisition of STARK Group was subject to customary antitrust approvals. The European Commission approved the acquisition on 30 April 2021, allowing CVC Capital Partners Fund VII to take a 100% ownership stake in STARK Group. STARK Group was previously owned by Lone Star Funds since 2018.

As of 4 May 2021, the acquisition of STARK Group was completed and from that date the operations of STARK Group are included in the group results. Before the acquisition, the Group was essentially dormant.

In the following sections, the management review will focus on STARK Group and address business review, strategy, sustainability and risk management from the perspective of STARK Group.

STARK GROUP AT A GLANCE

STARK Group is a leading business-to-business distributor of heavy building materials in the Nordics and Germany, with a strategic focus on serving small and medium sized enterprises (SME) in the renovation, maintenance and improvements (RMI) end-market. STARK Group has a strong footprint in faster growing urban areas, particularly in and around large cities and national capitals, where population growth is above the national average.

STARK Group bridges the gap between suppliers and customers by playing a critical role in a complex value chain. For the 275k customers, the Group provides a deep, competitively priced product range, essential technical product expertise as well as logistical support, offered through the densely populated distribution network.

The Group has a critical role in assisting more than 10k suppliers in gaining cost-efficient access to the large and growing, but fragmented SME market while it simultaneously provides key value-added services such as deep insight into customer purchasing patterns, efficient logistics and aftersales care.

Headquartered in Denmark, STARK Group has in recent years more than doubled in size through organic growth and acquisitions and today holds leading positions in all its markets.

STARK Group has pioneered the industry for more than 120 years and continues to do so.

SEGMENTS

STARK Group's operations are in the Nordics and Germany, which represent the two reporting segments.

NORDICS

The Nordics segment accounts for STARK Group's operations in Denmark (including Greenland), Sweden, Finland and Norway under the STARK Danmark, Beijer Byggmaterial, STARK Suomi and Neumann Bygg business units, respectively.

For the 12 months ended on 31 July 2022, the Nordics segment represented 55% of STARK Group's net sales.

GERMANY

The German segment accounts for STARK Group's operations in Germany (including one branch in Luxembourg) under the STARK Deutschland business unit as well as its operations in Austria.

For the 12 months ended on 31 July 2022, the German segment represented 45% of STARK Group's net sales.

FINANCIAL HIGHLIGHTS

EUR million	2021/22	2020/21[1]
Income Statement		
Net sales	5,995	1,474
Gross profit	1,541	376
EBITDA	459	101
Adjusted EBITDA[2]	479	125
Depreciation and amortisation of non-current assets	(171)	(37)
EBIT	288	64
Financial items, net	(79)	(26)
Earnings before tax	209	38
Net earnings	149	20
Balance sheet		
Total assets	4,972	4,493
Intangible non-current assets	1,806	1,730
Tangible non-current assets	1,453	1,298
Equity	745	577
Investments in property, plant and equipment	71	16
Capital expenditure (Capex), total[3]	95	21
Operational Capex, total[4]	55	12
Operational Capex, base[5]	32	8
Operational Capex, development[6]	23	4
Cash flow		
Cash flow from operating activities	234	262
Cash flow from investing activities	(269)	(2,173)
Cash flow from financing activities	(83)	2,302
Total cash flow	(118)	391
Key ratios		
Gross profit margin[7]	25.7%	25.5%
EBITDA margin[8]	7.6%	6.9%
Adjusted EBITDA margin[9]	8.0%	8.5%

1. 2020/21 includes 3 months of operating activities for STARK Group from the acquisition on 4 May 2021.
2. Adjusted EBITDA is defined as EBITDA excluding non-recurring items.
   Non-recurring items are items of a material and exceptional nature which are adjusted for to provide a better understanding of the underlying performance of the Group.
3. Capital expenditure (Capex) consists of investments in property, plant and equipment and investments in intangible assets (IT software).
4. Operational Capex (capital expenditures) is related to the normal business and excludes Freehold Capex.
   Freehold Capex includes investments in new land/properties as well as upgrades/refurbishments to existing ones.
5. Base Capex relates to maintaining the normal operations of the business.
6. Development Capex relates to expansion of the business to improve earnings capabilities or secure compliance.
7. Gross profit as a percentage of net sales.
8. EBITDA as a percentage of net sales.
9. Adjusted EBITDA as a percentage of net sales.

BUSINESS REVIEW

Very strong performance in the financial year 2021/22 driven by high activity in the markets and supported by several value-accretive acquisitions in both the Nordics and Germany. The group successfully navigated a complex macro environment with high price volatility and pressures on supply-chain magnified by the tragic war in Ukraine.

The financial year 2021/22 was the second financial year of the Group and included 12 months of operations of STARK Group. The financial year 2020/21 included 3 months of operations of STARK Group from the acquisition as of 4 May 2021 until 31 July 2021. The financial years are therefore not directly comparable.

Financial year 2021/22
In the financial year, STARK Group delivered a very strong performance above expectations, amidst a volatile and challenging macro environment, supported by several value-accretive acquisitions in both the Nordics and Germany.

Especially in the first half of the year, the high activity levels from 2020/21 continued with healthy demand from both SME and large customers. The focused SME strategy continued to support the growth and win market shares and at the same time improve customer satisfaction (Net Promoter Score). Prices on commodities remained on a high level while inflation on other categories started to become more widespread.

In the second half of the year, the market situation became more uncertain with continued high and widespread inflation across almost all product categories and supply chain challenges driven both by the war in Ukraine and continued Covid-19 related lockdowns. Towards the end of the year, the prices on some commodities, especially Timber, seemed to gradually decrease following a slightly lower activity level and increasing supply.

The Group has until now successfully been managing the inflationary pressures and leveraged on its scale to secure product availability and protect net sales and gross margins.

Acquisitions
During the year, the Group completed several value-accretive acquisitions in both the Nordics and Germany of which the German façade and roofing specialist Melle Gallhöfer was the most significant. Beyond these acquisitions the Group has also entered a new market with a significant acquisition in Austria. The acquisitions are supporting both our Generalist and Specialist areas as well as Civil Engineering. Please refer to note 3.1 for further details.

Covid-19
Since the spring of 2020, the outbreak of Covid-19 has resulted in lower planning visibility and increased uncertainty. STARK Group has so far not experienced any material negative impact on the financial performance or been subject to branch closures or similar government-imposed restrictions as the business is considered critical infrastructure. The Group is still monitoring the situation to maintain a secure workplace for employees and ensure that customers can be serviced.

Adjusted income statements
In the financial year, the Group incurred non-recurring costs related mainly to integration, restructuring and strategic alignment of acquisitions.

To provide a more accurate view of the Group's underlying performance, adjusted figures excluding non-recurring items have been prepared. The adjusted figures are presented in the relevant sections.

In the following section, a summary review of the financial year is presented. Please note that the comparisons only include 3 months of operations for STARK Group.

.

BUSINESS REVIEW

FINANCIAL YEAR 2021/22

CONSOLIDATED INCOME STATEMENT

The consolidated income statement for the financial year 2021/22 included 12 months of operations of STARK Group compared to last financial year, which only included 3 months of operations of STARK Group from the acquisition on 4 May 2021. The amounts in the consolidated income statement are therefore not directly comparable. Please also refer to the proforma 12 months review starting on page 10.

Net sales in the year was EUR 5,995m with gross profit of EUR 1.541m and a gross profit margin of 25.7%. The performance was very satisfactory and driven by continued high activity in the markets supported by acquisitions and organic growth from successful strategy execution.

Total operating expenses were EUR 1,082m including non-recurring items of EUR 20m, which mainly related to M&A costs and other costs driven by acquisitions made during the year. Operating expenses are well in control and cost control remains a top focus area for the management.

EBITDA for the year adjusted for non-recurring items was EUR 479m as a result of a strong top-line and disciplined cost control.

Adjusted Income Statement				2021/22			2020/21
12 months of STARK Group operations in 2021/22 (3 months in 2020/21) EUR million	Reported	Non-recurring items	**Adjusted**	Reported	Non-recurring items	**Adjusted**
Net sales	5,995		5,995	1,474		1,474
Cost of sales	(4,454)		(4,454)	(1,098)		(1,098)
Gross profit	1,541		1,541	376		376
Gross profit margin %	25.7%		25.7%	25.5%		25.5%
Staff costs	(707)	(3)	(704)	(171)	(2)	(169)
Other external operating expenses	(375)	(17)	(358)	(104)	(22)	(82)
Total operating expenses	(1,082)	(20)	(1,062)	(275)	(24)	(251)
EBITDA	**459**	**(20)**	**479**	**101**	**(24)**	**125**
EBITDA margin %	7.6%		8.0%	6.9%		8.5%

Depreciation and amortisation amounted to EUR 171m for the year, reflecting depreciation and amortisation of tangible and intangible assets of EUR 87m and EUR 84m related to right of use assets (IFRS 16). The level of depreciation and amortisation was impacted by the fair value assessment of tangible assets and recognition of intangible assets from the acquisition of STARK Group as of 4 May 2021.

Financial income amounted to EUR 21m arising from adjustment of financial derivatives to estimated market value. The Group has a Term Loan B and a Senior Revolving Credit Facility with floating interest rates. The interest rate risk related to the term loan is partly hedged using interest rate caps that mature in 2024. The Cap hedge a notional amount of EUR 1.076.000.000 or some 80% of the outstanding Term Loan B which is protected against raising interest rates with a maximum floating rate of 0,0%.

Financial expenses were EUR 100m of which EUR 56m were related to external financing, EUR 20m to financing from related parties, EUR 14m to calculated interest on leasing debt and EUR 10m to exchange losses primarily on intercompany loans.

Income tax was EUR 60m with an effective tax rate of 29%. Effective tax rate is impacted by limitation of interest deduction and non-deductible M&A costs.

Other comprehensive income of EUR 23m consisted of net gain of EUR 6m related to exchange gains from translation of foreign operations and net gain of EUR 17m from actuarial gains on retirement benefit plans.

BUSINESS REVIEW

FINANCIAL YEAR 2021/22

Adjusted Segment Income Statement	Nordics		Germany	
12 months of STARK Group operations in 2021/22 (3 months in 2020/21)				
EUR million	2021/22	2020/21	2021/22	2020/21
Net sales	3,277	818	2,718	656
Cost of sales	(2,395)	(596)	(2,059)	(502)
Gross profit	882	222	659	154
Gross profit margin %	26.9%	27.1%	24.2%	23.6%
Staff costs	(398)	(98)	(306)	(71)
Other external operating expenses	(193)	(46)	(165)	(36)
Total operating expenses	(591)	(144)	(471)	(107)
EBITDA	**291**	**78**	**188**	**47**
EBITDA margin %	8.9%	9.5%	6.9%	7.2%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Intangible assets
Total intangible non-current assets amounted to EUR 1,806m as of 31 July 2022 (31 July 2021: EUR 1,730m) and consisted primarily of goodwill, trade names and customer relations identified in connection with the acquisition of STARK Group as of 4 May 2021.

Additions during the year relates to goodwill and intangibles recognized on acquired businesses and investments in software of EUR 24m. The impairment test confirms that intangible non-current assets are not impaired.

Tangible assets
Total tangible non-current assets amounted to EUR 1,453m as of 31 July 2022 (31 July 2021: EUR 1,298m). The amount was primarily related to owned properties, which amounted to EUR 732m and in addition, EUR 553m has been recognized as right of use assets (primarily leased properties) in accordance with IFRS 16. Capital expenditure during the year amounted to EUR 71m.

Capital expenditure (Capex)
During the financial year, the Group continued to invest in and expand the branch network to support growth.

Total capital expenditure was EUR 95m, of which EUR 55m was related to operational Capex and EUR 40m was related to freehold investments. The level for operational Capex was EUR 10m higher than last year (proforma), driven mainly by increased investments in digital solutions and IT security.

In relation to freehold investments, the Group has expanded and upgraded strategic locations in the branch network, including in Germany and Greenland.

In addition to the investments, the Group divested properties and other assets during the year with a total positive cash impact of EUR 15m.

Working capital
Trade working capital (inventories, trade receivables less trade payables) for the Group was EUR 286m as of 31 July 2022 (31 July 2021: EUR 112m). All components of trade working capital increased over last year, mainly due to acquisitions and price inflation.

For inventories specifically, coverage levels were increased during the Spring of 2022 to secure product availability.

Developments in other working capital components were in accordance with expectations and in line with the performance of the business.

BUSINESS REVIEW

FINANCIAL YEAR 2021/22

CONSOLIDATED CASH FLOW STATEMENT

Operating activities
Operating activities generated a positive cash flow of EUR 234m in 2021/22. The positive inflow was driven by the strong result. Working capital generated an outflow of EUR 84m driven mainly by increased inventories as discussed in the previous sections. Interest and tax payments were in line with expectations and reflecting a full-year period compared to only 3 months in the previous year.

Investing activities
Investing activities during the year amounted to a net cash out flow of EUR 269m, which related mainly to acquisitions completed during the year of EUR 189m. Net investments in tangible and intangible non-current assets amounted to EUR 80m.

Financing activities
Net cash flow from financing activities amounted to an outflow of EUR 83m, which mainly related to instalments on leasing debt of EUR 77m.

BUSINESS REVIEW

PROFORMA 12 MONTHS REVIEW

To better understand the underlying performance in the year, an adjusted summary income statement with 12 months proforma comparisons for STARK Group has been presented below. The proforma comparisons include the 9 months performance of STARK Group in the period August 2020 to April 2021 before the inclusion into the Group. Acquisitions are included from the time of closing.

The income statement has been adjusted to exclude non-recurring items. In the financial year 2021/22, the non-recurring items mainly related to acquisitions made during the year and subsequent restructuring and integration into the Group. In 2020/21, the non-recurring items mainly related to the acquisition of STARK Group and continued integration of acquisitions made by STARK Group before the inclusion into the Group.

To supplement the proforma income statement, adjusted proforma segment income statements for the two segments, Nordics and Germany, have also been included.

Adjusted Proforma Income Statement					2021/22			2020/21
12 months of STARK Group operations EUR million	Reported	Non-recurring items	**Adjusted**	Δ%	Reported	Non-recurring items	**Adjusted**
Net sales	5,995		5,995	21.2%	4,949		4,949
Cost of sales	(4,454)		(4,454)	21.0%	(3,683)	(2)	(3,681)
Gross profit	1,541		1,541	21.5%	1,266	(2)	1,268
Gross profit margin %	25.7%		25.7%	0.1 pp	25.6%		25.6%
Staff costs	(707)	(3)	(704)	11.5%	(638)	(6)	(632)
Other external operating expenses	(375)	(17)	(358)	20.7%	(321)	(24)	(297)
Total operating expenses	(1,082)	(20)	(1,062)	14.4%	(959)	(30)	(929)
EBITDA	**459**	**(20)**	**479**	**41.0%**	**307**	**(32)**	**339**
EBITDA margin %	7.6%		8.0%	1.1 pp	6.2%		6.9%

Net sales
Net sales grew by 21.2% to EUR 5,995m for the year fuelled by strong underlying market demand especially in the first half of the year. The Group continued to gain market share as a result of its focused SME strategy. In the last part of the year, market activity slowed in part due to uncertainty resulting from the war in Ukraine and the significant and wide-spread inflation.

Organic growth excluding acquisitions and currency impact was 11.3%. Growth from acquisitions included during the financial year was 9.8%, the most significant were made in Germany and Sweden. Currency impact was positive by 0.1%.

The Nordics grew by 17.3% mainly driven by strong market conditions, continued market share gains and acquisitions. Organic growth excluding acquisitions and currency impact was 13.2%. All Nordic businesses reported strong growth for the year.

Net sales in Germany grew by 26.1% with organic growth excluding acquisitions and currency impact of 9.2%. Market activity continued at a high level during the first part of the year followed by a slowing trend in the last part that was mainly driven by increased market uncertainty, high inflation and some supply chain pressure. Good execution of our SME strategy supported the strong performance.

BUSINESS REVIEW

PROFORMA 12 MONTHS REVIEW

Gross profit and gross margin
Adjusted gross profit grew by 21.5% to EUR 1,541m, which was mainly driven by the strong organic growth in net sales and supported by acquisitions. Organic growth excluding acquisitions and currency impact was 12.7%. Currency impact was 0.0% for the year.

Gross margin was stable at 25.7% (up by 0.1 of a percentage point). Maintaining the gross margin levels was challenged by the high price volatility, supply chain pressures and shifts in activity levels. The Group maintained its focus on effective price management, strategic sourcing initiatives with support from own brands and a growing share of SME sales, which all supported margin developments. In addition, there was support from acquired specialist businesses (especially within the tiles category), which operate at slightly higher margins.

In the Nordics, the gross profit grew by 19.2% to EUR 882m driven by growth in net sales and an improved gross margin. Organic growth excluding acquisitions and currency impact was 14.2%. Gross margin was supported by a positive product mix from acquired businesses and positively impacted by effective management of price volatility during the year.

In Germany, the gross profit grew by 24.8% to EUR 659m driven by the strong net sales growth supported by acquisitions. Organic growth excluding acquisitions and currency impact was 10.5%. Gross margin was slightly lower, mainly due to acquired businesses within Roofing, which have below-average margins.

Operating expenses
Staff costs and other operating expenses were well under control during the financial year thanks to a persistent focus on cost discipline. This remains a top priority due to the reduced forward-looking planning visibility and market volatility.

Staff costs excluding non-recurring items increased by 11.5% to EUR 704 million in the year including a currency impact of 0.1% and impact from acquisitions of 8.2%. Organic growth was 3.2%. Staff costs increased mainly due to a higher number of staff to serve customers and support growth and due to salary increases following union agreements and normal inflation. Employee bonuses increased as a result of the strong performance.

Other operating expenses excluding non-recurring items increased by 20.7% to EUR 358m for the year including a currency impact of 0.3% and impact from acquisitions of 11.0%. Organic growth was 9.4%, driven mainly by normal inflation across cost categories, additional infrastructure costs due to extraordinary price increases on energy and generally increased activity across the Group.

EBITDA
Adjusted EBITDA grew by 41.0% to EUR 479 million as a result of the above dynamics. Growth in net sales and improvements in gross margin flowed through to EBITDA while the careful cost discipline and synergies secured strong growth in EBITDA well above growth in gross profit.

Adjusted Proforma Segment Income Statement	Nordics			Germany		
12 months of STARK Group operations						
EUR million	2021/22	2020/21	Δ%	2021/22	2020/21	Δ%
Net sales	3,277	2,792	17.3%	2,718	2,157	26.1%
Cost of sales	(2,395)	(2,052)	16.6%	(2,059)	(1,629)	26.5%
Gross profit	882	740	19.2%	659	528	24.8%
Gross profit margin %	26.9%	26.5%	0.4 pp	24.2%	24.5%	-0.3 pp
Staff costs	(398)	(364)	9.2%	(306)	(268)	14.5%
Other external operating expenses	(193)	(162)	18.9%	(165)	(135)	22.7%
Total operating expenses	(591)	(526)	12.2%	(471)	(403)	17.3%
EBITDA	**291**	**214**	**36.3%**	**188**	**125**	**48.9%**
EBITDA margin %	8.9%	7.7%	1.2 pp	6.9%	5.8%	1.1 pp

STRATEGY

STARK Group is an international leader in the fragmented markets for distribution of heavy building materials.

STRATEGY

The world's population is growing, and key urban areas in the Nordics, Germany and Austria are experiencing an ongoing housing deficit with population growth rates well above European national averages. It is estimated that the populations of the Nordics, Germany and Austria will grow by 940,000 (0.8%) to 120.8 million in the period 2022-27. This will require more housing, office space and renovated buildings to accommodate inhabitants who expect high quality of life in more energy-efficient and sustainable cities.

STARK Group operates within a part of the building industry that is instrumental in building and renovating these cities. The Group is a builders' merchant and distributor of heavy building materials. It plays a crucial role in connecting manufacturers of building materials with professional craftsmen.

The Group sources more than 280,000 SKUs at scale from more than 10,000 suppliers, advises manufacturers about market developments and customer feedback, and makes products available to professional craftsmen from its densely knitted network of warehouses, branches and shops close to building sites. Professional craftsmen buy from STARK Group to obtain ease of procurement, advice, documentation, credit, and efficient distribution.

The business model on page 15 outlines the role of the Group, our key resources and the value created.

STARK Group estimates the total market for building materials in the Nordics and Germany at approx. EUR 160 billion annually. The retail distribution market for professional craftsmen focusing on heavy building materials such as timber, tiles, windows, plaster boards etc. accounts for approximately one third of the total market.

FOCUS ON ATTRACTIVE MARKETS AND SEGMENTS

STARK Group does business in a geopolitically stable region and focuses its business on a highly attractive market segment: Professional craftsmen working in small and medium-sized enterprises (SME) in the market for renovation, maintenance, and improvement (RMI).

The geographical footprint is in the Nordics, Germany and Austria, all of which exhibit robust market fundamentals including stable GDP growth, a stable regulatory environment as well as compelling structural growth drivers. These include urbanisation, population growth and a push for improved energy efficiency and sustainability in the existing housing stock.

The key market is the RMI end-market, which has relatively high cyclical resilience compared to the newbuild market. The RMI market benefits from the increasingly important market for energy efficiency, the EU Green Deal stimuli package and private investments to improve the existing housing stock through more energy efficient and sustainable solutions.

Customers are craftsmen in the market for small and medium-sized enterprises that mainly engage in small and medium-sized RMI projects or as subcontractors to large building companies in large renovation works.

The products are heavy building materials that by nature are large (e.g., timber, plasterboards and doors), heavy (e.g., steel and cement) and fragile (e.g., roof tiles and windows). Hence, the products are complex to distribute and require specialist skills and utilities when craftsmen procure different mixes of materials for delivery within a short timeframe. To meet craftsmen's needs, the Group also keeps a full assortment of power tools, fasteners, workwear, insulation, paint, etc.

STRATEGY

LEADERSHIP AND OPERATIONAL EXCELLENCE

STARK Group is organised and operates to win and consolidate the attractive market for heavy building materials.

The Group competes in the marketplace from leading market positions in the Nordics, Germany and Austria. It holds no. 1 positions in Germany, Denmark and Sweden, a no. 2 position in Finland, a no. 3 position in Austria and is a leading regional player in Norway in the categories and segments where it has chosen to compete. The Group operates under the STARK brand and strong local brand names such as Raab Karcher, Muffenrohr, Beijer and Neumann, among others.

STARK Group's strategy targets the needs of professional craftsmen in the SME segment and builds on seven pillars of operational excellence:

1. **SME focus** – preferred partner to SME customers
2. **Customer promise** – committed to offering a superior customer service experience
3. **Smart pricing** – customised systems and processes to optimise pricing dynamics
4. **Better sourcing** – shared sourcing function with local business unit anchor points
5. **Stronger network** – further improve efficiency and density of distribution network
6. **Digital leadership** – strengthen customer relationships through digitalisation of services
7. **Excellent operator** – strong, local decision-making and accountability supported by group-wide strategy and sharing of best practice

Services are developed and honed to make it easy and even more attractive to work with the Group.

These include 24/7 opening hours at destination branches in urban areas, 24/7 customer service, a promise to deliver On Time In Full (OTIF) at short notice, a densely knitted network of warehouses, branches and shops close to building sites, guaranteed availability of a large number of key products, competitive prices, personalised advice, documentation, credit and digital solutions that make it easy to work with STARK Group.

STARK Group successfully gains market share year by year. To accelerate growth, the Group makes value creating acquisitions that either expand the Group's network, have a potential for synergies or add capabilities to its business.

In recent years, STARK Group has expanded its leadership in the generalist market for heavy building materials into specialist areas. These include the markets for tiles, roofing and façade as well as civil engineering, as the Group has acquired specialist brands in Germany, Sweden, and Denmark.

LOCAL OWNERSHIP – GLOBAL LEADERSHIP

The Group has a decentralised operating model building on strong local ownership close to its markets. Decision-making powers are country-based and exercised at branch and business unit level. The branches work as national chains in integrated networks that share head office functions, sourcing, logistics handling, and marketing that enable significant scale advantages.

A group-wide sourcing unit has been established to reinforce local sourcing power from STARK Group's global scale. STARK Sourcing offers a single point of entry for suppliers, effective distribution as well as customer and market insights to suppliers, while securing availability and competitive pricing for craftsmen in their local markets.

In recent years, the Group has worked relentlessly to secure availability across markets, reduce sourcing and operating costs, built more efficient distribution networks and streamlined our leadership structure by enhancing local decision-making and accountability.

Lean corporate functions ensure efficient operations as close to customers as possible.

STRATEGY

ACCELERATING GROWTH THROUGH ACQUISITIONS

Strong parameters for competition include branch density and branch closeness to building sites in growth areas. STARK has been winning market share year after year by building its services to professional craftsmen, including by opening and acquiring branches in key growth areas. We have expanded our leadership in the generalist market for heavy building materials into the specialist areas of tiles, roofing and façade as well as civil engineering.

The Group's M&A strategy builds on distinct rationales:

1. Bolt-on acquisitions in attractive growth regions to increase branch network density
2. Expanding assortment in existing strong product categories
3. Adding specialist capabilities and assortment to its generalist network

In total, STARK Group signed 12 acquisitions in the past financial year. These included the Group's third and fourth largest acquisitions in recent years: German generalist Konz and German civil engineering retailer and distributor Tröger & Entenmann Group. In addition, the Group acquired roofing and façade specialist Dach & Wand Handels GmbH, thereby expanding its platform into the Austrian market.

CONSOLIDATING THE MARKET FOR THE BENEFIT OF SUPPLIERS AND CRAFTSMEN

STARK Group plays an important role as a consolidator of fragmented markets for retail and distribution of heavy building materials. By acquiring new businesses, the Group adds capabilities, while becoming a more attractive partner for its customers and suppliers.

Having a dense network of branches, shops and distribution centres in a geography with a population of 120 million, STARK Group offers effective distribution, customer feedback and market-leading insights, while providing advice on market developments to suppliers, who also grow through acquisitions or grow with STARK Group.

Professional craftsmen benefit from physical presence/ branch density, competitive pricing, availability, improved credit facilities and the Group's investments in logistics, digital solutions, and other services.

BUSINESS MODEL

Key resources

Products
More than 280,000 SKU numbers sourced and sold.

People
More than 12k employees with backgrounds as craftsmen, retailers, distributors etc.

Brand & reputation
Suite of leading brands acknowledged by craftsmen and the industry at large.

Partnerships
Trusted relationships with 275k craftsmen, 10k suppliers and the industry at large.

Expertise & knowledge
Continuous training of our employees and more than 125 years of heritage.

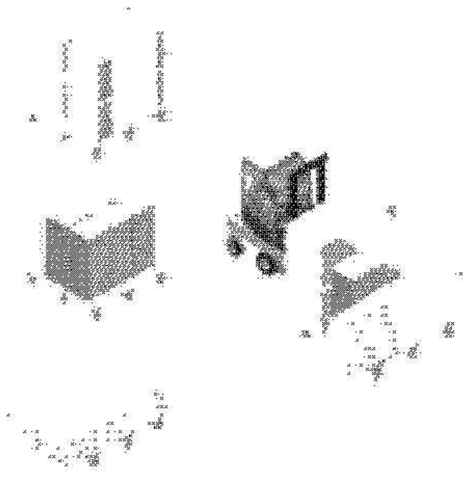
Business activities

SOURCE

Scale in sourcing
Leverage scale to secure availability and ensure competitive prices.

Break pallets
Break truckloads from manufacturers into smaller quantities and mix needed at construction sites.

Warehousing
Keep safety/buffer stock.



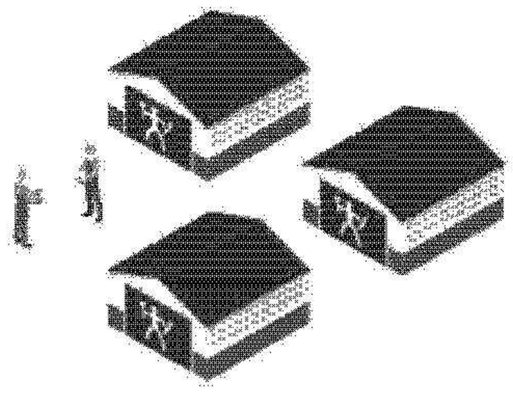
SELL

Product availability
Offer right assortment and in-full availability within short timeframe.

Network with broad coverage
Located close to construction sites to reduce craftsmen's time spent on procuring.

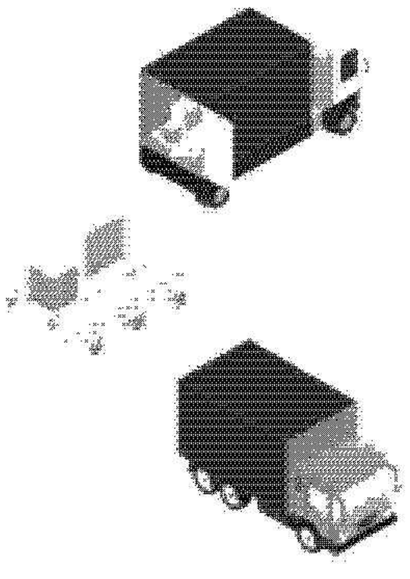
Sales facilitation
Provision of projects and bidding planning services.

Customer consultations and credit
Act as sales force for manufacturers for long tail of SME customers. Advise customers and bridge the liquidity gap by offering credit.



DISTRIBUTE

Efficient distribution
Manage complex distribution of heavy and fragile materials with modified trucks and direct delivery capabilities.



Value creation

Cities of tomorrow
More and better houses, office spaces and renovated buildings for high quality of life and sustainable cities.

Efficient sector
Reduced complexity when distributing heavy building materials procured in different mixes for delivery within a short timeframe.

Customer value
Advise, service and credit for professional craftsmen.

Great place to work
Career opportunities in an engaging and safe work environment for a brand that employees take pride in.

Shareholder value
Competitive total returns through above average market growth and value creation.

SUSTAINABILITY

STARK Group works in support of a future of zero carbon emissions from the construction industry.

Being a proud signatory to the UN Global Compact, STARK Group is mindful of how its business impacts environmentally, socially, and economically sustainable developments.

Most prominent is the Group's commitment to the Science Based Target initiative and the UN Business Ambition for 1.5°C, which was signed in 2021.

Consequently, the Group works to reduce emissions by 42% from its operations (scope 1-2) and 12.3% from purchased goods, transport and distribution, use of sold products and end-life-treatment of sold products etc. (scope 3) by 2030. The overall ambition is to reduce emissions to net zero by 2050 at the latest.

ENVIRONMENTAL: CLIMATE ACTION, CIRCULARITY, AND ECOSYSTEM PROTECTION

STARK Group's 2030 science-based carbon reduction targets were approved by the Science Based Targets Initiative (SBTi) in February 2022. This shows that the Group's carbon targets and efforts are aligned with what science says is necessary to limit the global temperature rise to 1.5°C. The approval of the Group's 2030 targets was an important step on our sustainability journey.

This is a commitment that the Group will work to decarbonise the way it operates. It has a solid plan to meet its interim goals in 2024 and 2030, as outlined in its roadmap, and is determined to reach net zero by 2050.

In 2021/22, the Group reduced its scope 1 and 2 emissions by 22% from the 2020 baseline. 45% of its electricity consumption was sourced from renewables through the purchase of renewable electricity certificates in Germany, Finland, and Norway. Furthermore, the Group continued the transition from conventional lighting to LED, improved efficiency ventilation systems and a continued transition away from gas and oil heating systems. In 2021/22, STARK Group reduced total kWh energy consumption per mEUR revenue by 34%.

Following the reduction of emissions, STARK Group achieved interest savings on its ESG-linked loan of EUR 0.6 million in 2021/22. The interest savings achieved through the ESG Margin ratchet were assigned to the conversion of natural gas and oil heating systems to electric heat pumps to ensure further progress towards the Group's target to net zero.

The Group reduced waste by 2% from a 2020 baseline and absolute waste amounts by 578 tonnes, primarily driven by initiatives to reuse packaging, selling surplus products through new partnerships, as well as training warehouse staff in resource efficiency. The percentage of total waste segregated for recycling increased in all business units except for STARK Deutschland which holds the highest recycling rate of 88%. In Neumann Bygg, great efforts made to increase recycling resulted in an increase from 16% to more than 50%.

During 2021/22, we have further expanded our training programme of sustainability specialists in Sweden and Denmark and initiated a sustainability ambassador programme in Germany and Finland. By the end of our financial year, 250 employees, equal to 2% of all employees, had been fully trained as sustainability specialists.

A total of 17 sustainability events were held across the business units for the purpose of promoting products with sustainable value such as low carbon products, fewer hazardous chemicals, eco-labelled and circular products.

In 2021/22, over 89% of all timber and timber-based products in stocked assortment in STARK Danmark and Neumann Bygg were FSCR or PEFC-certified and made up over 94% of the total sales of timber based products. Similarly, in STARK Danmark, the share of third-party eco-labelled SKUs comprised 28% of the stocked assortment and represented roughly half of the total sale of stocked assortment.

SUSTAINABILITY

SOCIAL:
SAFE, ENGAGED AND INCLUSIVE

As a workplace, STARK Group works to ensure equal treatment and opportunities for all employees. The Group takes pride in belonging to a community that supports the inclusion of all people, regardless of gender, age, ethnicity, ability, sexual orientation, faith or religion.

STARK Group has launched a Diversity and Inclusion Council with quarterly meetings, and Diversity, Equity, and Inclusion was a key topic at management, Board and HR meetings throughout the year. In addition, STARK Group completed the UN Global Compact Target Gender equality accelerator program, and the D&I Council is now working to implement the Women's Empowerment Principles and to strengthen our contribution to SDG 5.5.

As of 31 July 2022, women constituted 25% of our employees, a 3 percentage point increase compared to 2020/21, and accounted for 16% of our management positions. At STARK Group level, the Executive Management Team's gender balance was 50/50. The Board of Directors of STARK Group A/S consisted of 20% women (one out of five). The Group continuously works to adjust the gender balance.

Employee engagement remained at a high level of 74, with an overall participation rate of 83%.

The health and safety of people is a key priority for STARK Group. During the year, the Group joined the Vision Zero campaign via the Danish Vision Zero Council. The updated Health and Safety strategy is based on Vision Zero and the introduction of a number of new KPIs that makes it possible to measure and support a strong Health and Safety culture. In 2021/22, the rate of occupational injuries decreased from 8.8 to 7.9 injuries per 1 million hours worked.

GOVERNANCE:
RESPONSIBLE BUSINESS ETHICS

STARK is committed to upholding a high standard of responsible business conduct, sustainable procurement, and high data ethics to meet the expectations of society and the wider ecosystem we are a part of.

All new contracts entered into in the past year have undergone and passed the product integrity evaluation, and all targeted suppliers have signed legal terms and conditions, including for compliance with STARK Group's Code of Conduct.

This year, we have implemented a Supplier Code of Conduct to clarify our minimum requirements and ambitions towards our suppliers across the supply chain, covering both direct and indirect spend. We also piloted an extended ESG screening of our suppliers using an external partner as a foundation for our further due diligence work.

We are committed to pay our fair share of taxes in all the markets where we conduct business, as we strongly believe that taxes constitute an important contribution to society in the countries in which we operate. We are presently developing a Tax Impact Report where our total tax contributions will be presented, including a breakdown of our tax contributions by type and jurisdiction.

SUSTAINABILITY REPORT 2022

STARK Group's sustainability activities are further elaborated upon in the separate Sustainability report 2022:

starkgroup.dk/newsroom/publications

The report serves as the baseline for STARK Group's annual Communications on the Progress to the UN Global Compact, and as the statutory statement on corporate social responsibility and the underrepresented gender in accordance with the EU Directive 2014/95/EU.

RISK MANAGEMENT

STARK Group considers risk management a critical component of its decision-making and ability to create value over time.

RISK MANAGEMENT

Risk management forms an integral part of STARK Group's operations and decision-making process, and aims to create and safeguard business value, secure continuity of operations and ensure the safety of our people.

STARK Group´s Enterprise Risk Management process is designed to identify and manage uncertainties and risks affecting the Group and its business units in the global marketplace. Integrated with the Internal Control framework, the aim is to identify, prioritise and manage key risks at all levels of the business to support the Group in better decision making, proper allocation of resources and better and faster utilisation of opportunities as they arise.

Identified potential risks are addressed directly with business unit management, so that relevant mitigating actions can be implemented to safeguard our strategic objectives and avoid disruptions or safety concerns in day-to-day operations.

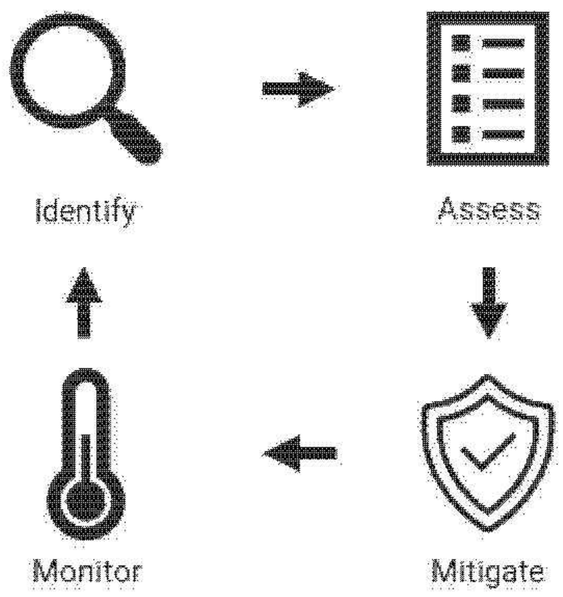
RISK GOVERNANCE

The responsibility for the governance of risks lies with the Board of Directors. On behalf of the Board of Directors, the Audit Committee monitors the effectiveness of the Group's risk management setup and evaluates the design framework and governance.

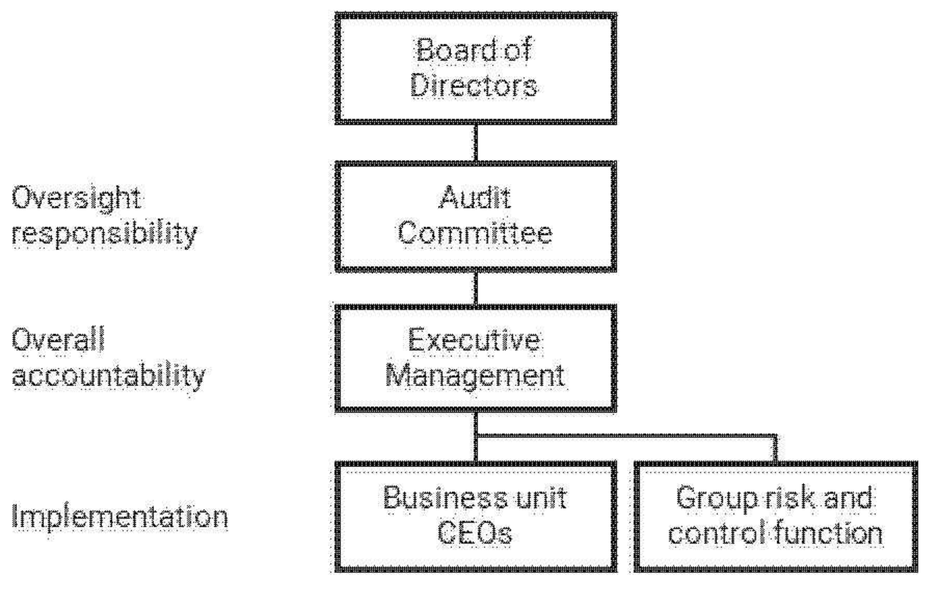
The Executive Management is accountable for the operational part of risk management, headed by the individual business unit CEOs, who are responsible for the implementation of the Group´s Risk Management Policy and Internal Controls framework.

A Group Risk and control function validates the implementation and ensures proper and complete reporting to the Audit Committee on status, mitigations, and newly identified risks.

RISK MANAGEMENT CYCLE



RISK GOVERNANCE MODEL



KEY RISKS

Some risks could have a significant impact on STARK Group's future operations. The Group monitors such key risks more closely to assess and mitigate their impact.

ECONOMIC DOWNTURN

Impact

Rising inflation, interest rates and growing geopolitical uncertainty creating faster-than-expected economic decline might adversely impact customer demand in the builders' merchant industry. This may jeopardise the Group´s operational strategic plans and targeted market growth.

Mitigation

The Executive Management closely monitors market conditions with intelligence provided by the Group's business development department and finance teams. Each business unit's management team holds in-depth meetings with Executive Management to further provide operational insights and assess current market developments. Economic contingency plans for cost-out initiatives have been designed and developed to take recent market situations into account. The Group aims to enhance its resilience towards economic downturns through a continued focus on sales to the core customer segment of small and medium-sized professional craftsmen within the RMI market.

SUPPLY CHAIN DISRUPTION AND PRICING MANAGEMENT

Impact

Supply chain disruptions due to conflicts, shortages of products, restrictions of trade, adverse weather conditions, energy restrictions, logistics disruption or other external factors might impact suppliers, logistics and STARK Group´s business units and thereby result in product availability problems, delivery issues and rapid price increases. The Group might not successfully be able to manage prices of commodities and other sourced goods quickly enough during volatile periods, which could potentially result in margin decline or loss of competitive offerings and market share.

Mitigation

During recent unstable and disruptive periods, STARK Group Sourcing and business units have worked closely with suppliers and logistics partners to address situations as they arise and to mitigate the related risks in the best way possible.

The Group aims to maintain an adequate number of alternative suppliers, to support both product availability and product price development and to secure undisturbed business continuity and product availability for our customers.

By continuously improving the pricing processes and increasing automation, STARK Group has reduced response time as well as simplifying the price adjustment processes. During volatile periods, increased internal inventory monitoring and consistent vendor communication is key to managing an effective pricing process and prevent margin deterioration and supply shortages.

INFORMATION SYSTEMS AND CYBER RISK

Impact

The Group relies on business-unit-specific systems and applications to operate efficiently. This carries an inherent risk of system error, human error, data breaches and other interruptions that may impact STARK Group financially and operationally. The threat to the Group´s cybersecurity and data security continues to be a key risk area and a cyber-attack could result in an extended period of downtime. Operational disruptions or vulnerabilities in key information systems could significantly affect the Group's ability to carry out daily operational business processes and servicing customers.

Mitigation

STARK Group's IT function continuously seeks to minimise the above risks by revising strategy, governance, and development plans. The Group invests in employee training, additional relevant internal competences, governance, and technological measures to curb the cyber threat and increase overall resilience and compliance with information security standards. The Group IT Advisory board and the Information Security Governance Committee are charged with the oversight responsibility of STARK Group's IT risk management and with monitoring progress according to plans.

Consolidated Financial Statements 2021/22

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

Management's Statement 22
Report of the réviseur d'entreprises agréé 23
Consolidated Income Statement 25
Consolidated Comprehensive Income 26
Consolidated Statement of Financial Position 27
Consolidated Statement of Changes in Equity 29
Consolidated Cash Flow Statement 30

NOTES – CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF REPORTING
1.1 Basis of reporting 31
1.2 Group accounting policies 32
1.3 Key accounting estimates and judgements 33

2 INCOME STATEMENT
2.1 Segment analysis 36
2.2 Net sales 37
2.3 Staff costs 38
2.4 Depreciation and amortisation of non-current assets 39
2.5 Financial income 40
2.6 Financial expenses 40
2.7 Income tax 41

3 INVESTED CAPITAL
3.1 Acquisitions of businesses 42
3.2 Goodwill 44
3.3 Other intangible assets 46
3.4 Tangible non-current assets 48
3.5 Leases 50

4 WORKING CAPITAL AND PROVISIONS
4.1 Inventories 52
4.2 Trade receivables 53
4.3 Provisions 55

5 CAPITAL STRUCTURE AND FINANCING
5.1 Share capital and share premium 56
5.2 Dividend 56
5.3 Borrowings 57
5.4 Financial instruments, risk management policies 59

6 OTHER FINANCIAL NOTES
6.1 Deferred tax assets and liabilities 62
6.2 Employee benefit obligations 63
6.3 Cash flow, adjustments and reversals 66
6.4 Cash flow, changes in working capital 66
6.5 Contingent liabilities 66
6.6 Fee to statutory auditors 67
6.7 Securities 67
6.8 Related parties 67
6.9 Subsequent events 68
6.10 List of Group companies 69

MANAGEMENT'S STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors has today considered and adopted the Annual Report of Winterfell Financing S.à r.l. for the period from 1 August 2021 to 31 July 2022.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union.

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position as of 31 July 2022 of the Group and of the results of the Group operations and of the Group's cash flow for the period 1 August 2021 - 31 July 2022.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the results for the period 1 August 2021 - 31 July 2022 and of the financial position of the Group as well as a description of the most significant risks and elements of uncertainty facing the Group.

Luxembourg, 11 November 2022

Carmen André

REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ*

To the Board of Managers of
Winterfell Financing S.à r.l.
20, Avenue Monterey
L - 2163, Luxembourg
Luxembourg

Opinion

We have audited the consolidated financial statements of Winterfell Financing S.à r.l. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 July 2022, the consolidated income statement, the consolidated comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the Audit of the Consolidated Financial Statements" section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the consolidated management's review and consolidated management's statement report but does not include the consolidated financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers of the Group for the Consolidated Financial Statements

The Board of Managers of the Group is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as the Board of Managers of the Group determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ*

Responsibilities of the *"réviseur d'entreprises agréé"* for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the *"réviseur d'entreprises agréé"* that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.
- Conclude on the appropriateness of Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the *"réviseur d'entreprises agréé"* to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the *"réviseur d'entreprises agréé"*. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Deloitte Audit, *Cabinet de révision agréé*

Nick Tabone

Nick Tabone, *Réviseur d'entreprises agréé*
Partner

Luxembourg, 11 November 2022

Deloitte.

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CONSOLIDATED INCOME STATEMENT

EUR million	Note	2021/22	2020/21
Net sales	2.2	5,995	1,474
Cost of sales		(4,454)	(1,098)
Gross Profit		**1,541**	**376**
Staff costs	2.3	(707)	(171)
Other external operating expenses		(375)	(104)
Earnings before interest, tax, depreciation and amortisation (EBITDA) (non-IFRS)		**459**	**101**
Depreciation and amortisation of non-current assets	2.4	(171)	(37)
Earnings before interest and tax (EBIT)		**288**	**64**
Financial income	2.5	21	-
Financial expenses	2.6	(100)	(26)
Earnings before tax		**209**	**38**
Income tax	2.7	(60)	(18)
Net earnings		**149**	**20**
Net earnings for the period is attributable to:			
Shareholders in Winterfell Financing S.à r.l.		144	19
Non-controlling interests		5	1
Total		**149**	**20**

See notes to the consolidated financial statements.

CONSOLIDATED COMPREHENSIVE INCOME

EUR million	Note	2021/22	2020/21
Net earnings		**149**	**20**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of foreign operations		6	(7)
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on retirement benefit plans	6.2	23	(4)
Tax on actuarial gain/(loss) on retirement benefit plans	6.2	(6)	1
Other comprehensive income/(loss)		**23**	**(10)**
Total comprehensive income/(loss)		**172**	**10**
Total comprehensive income is attributable to:			
Shareholders in Winterfell Financing S.à r.l.		167	9
Non-controlling interests		5	1
Total		**172**	**10**

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	Note	31 July 2022	31 July 2021
Non-current assets			
Goodwill	3.2	810	769
Other intangible assets	3.3	996	961
Total intangible non-current assets		**1,806**	**1,730**
Property	3.4	732	700
Plant and equipment	3.4	122	81
Non-currents assets under construction	3.4	46	52
Right of use assets	3.5	553	465
Total tangible non-current assets		**1,453**	**1,298**
Investment in a joint venture		1	1
Total financial non-current assets		**1**	**1**
Total non-current assets		**3,260**	**3,029**
Current assets			
Inventories	4.1	813	553
Trade receivables	4.2	569	491
Corporate tax receivables		5	-
Other receivables		44	21
Prepayments		12	7
Cash and cash equivalents		269	392
Total current assets		**1,712**	**1,464**
TOTAL ASSETS		**4,972**	**4,493**

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES

EUR million	Note	31 July 2022	31 July 2021
Equity			
Share capital	5.1	6	6
Share premium	5.1	552	552
Reserves		176	9
Equity, shareholders in Winterfell Financing S.à r.l.		**734**	**567**
Non-controlling interests		11	10
Total equity		**745**	**577**
Non-current liabilities			
Leasing liabilities	3.5	472	398
Deferred tax liabilities	6.1	318	301
Provisions	4.3	32	27
Employee benefit obligations	6.2	92	113
Borrowings	5.3	1,329	1,321
Loans from related parties	5.3 / 6.8	475	455
Total non-current liabilities		**2,718**	**2,615**
Current liabilities			
Leasing liabilities	3.5	84	65
Provisions	4.3	8	10
Borrowings	5.3	27	16
Trade payables		1,096	932
Corporate tax payables		31	35
Other liabilities		263	243
Total current liabilities		**1,509**	**1,301**
Total liabilities		**4,227**	**3,916**
TOTAL EQUITY AND LIABILITIES		**4,972**	**4,493**

See notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

			Reserves				
EUR million	Share capital	Share premium	Trans-lation reserve	Retained earnings	**Equity, share-holders in Winterfell Financing S.à r.l.**	Non-controlling interests	**Total equity**
Balance as of 1 August 2021	**6**	**552**	**(7)**	**16**	**567**	**10**	**577**
Comprehensive income/(loss):							
Net earnings	-	-	-	144	144	5	149
Other comprehensive income/(loss)	-	-	6	17	23	-	23
Comprehensive income/(loss)	**-**	**-**	**6**	**161**	**167**	**5**	**172**
Dividend paid	-	-	-	-	-	(4)	(4)
Balance as of 31 July 2022	**6**	**552**	**(1)**	**177**	**734**	**11**	**745**
Capitalisation upon incorporation in cash as of 15 December 2020	**1**	**-**	**-**	**-**	**1**	**-**	**1**
Capital increase in cash	5	552	-	-	557	-	557
Business acquisitions	-	-	-	-	-	9	9
Comprehensive income/(loss):							
Net earnings	-	-	-	19	19	1	20
Other comprehensive income/(loss)	-	-	(7)	(3)	(10)	-	(10)
Comprehensive income/(loss)	**-**	**-**	**(7)**	**16**	**9**	**1**	**10**
Balance as of 31 July 2021	**6**	**552**	**(7)**	**16**	**567**	**10**	**577**

CONSOLIDATED CASH FLOW STATEMENT

EUR million	Note	2021/22	2020/21
Net earnings		**149**	**20**
Adjustments and reversals, non-cash	6.3	314	81
Changes in working capital	6.4	(84)	179
(Decrease)/increase in provisions and other liabilities		(3)	(6)
Cash flow from operating activities before financial items and tax		**376**	**274**
Interest paid		(67)	(8)
Tax paid		(75)	(4)
Cash flow from operating activities		**234**	**262**
Cash flow from investing activities			
Acquisition of businesses (net of cash acquired)	3.1	(189)	(2,152)
Purchases of property, plant and equipment		(71)	(16)
Proceeds from sale of land, property, plant and equipment		15	-
Purchases of intangible assets		(24)	(5)
Cash flow from investing activities		**(269)**	**(2,173)**
Free cash flow (non-IFRS)		**(35)**	**(1,911)**
Cash flow from financing activities			
Proceeds from borrowings	5.3	-	1,308
Repayment of borrowings	5.3	(2)	-
Proceeds from loans from related parties	5.3	-	450
Proceeds from equity contributions	5.1	-	558
Payment of dividend to minority interests		(4)	-
Repayment of leasing liabilities	5.3	(77)	(14)
Cash flow from financing activities		**(83)**	**2,302**
Net cash (used)/generated		**(118)**	**391**
Effects of exchange rate changes		(5)	1
Net increase/(decrease) in cash and cash equivalents		**(123)**	**392**
Cash, cash equivalents, beginning balance		392	-
Cash and cash equivalents, ending balance		**269**	**392**

See notes to the consolidated financial statements.

1.1 BASIS FOR REPORTING

Overview of business
Winterfell Financing S.à r.l. was established on 15 December 2020. The Company completed the acquisition of STARK Group as of 4 May 2021.

STARK Group is a leading business-to-business ("B2B") distributor focusing mainly on customers in the resilient and structurally growing renovation, maintenance and improvement ("RMI") end-markets within the greater construction sector across Northern Europe. The business is divided into two segments: "Nordics" (Denmark, Sweden, Finland and Norway) and "Germany" (Germany and Austria).

Comparative figures
The comparative figures in the Consolidated Financial Statements cover the period 15 December 2020 – 31 July 2021 as the Group's first accounting year and where the income statement includes operating activities from 4 May 2021, whereby the income statement represents approx. 3 months of operations.

Basis of reporting
The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Management has assessed the impact of new or amended and revised accounting standards and interpretations (IFRSs) issued by the IASB and IFRSs endorsed by the European Union effective on or after 1 August 2021. It is assessed that application of amendments effective from 1 August 2021 has not had a material impact on the consolidated financial statements for 2021/22. Furthermore, Management does not anticipate any significant impact on future periods from the adoption of these amendments.

The Consolidated Financial Statements have been prepared on a going concern basis and under the historical cost convention as modified by the revaluation of certain financial assets and certain financial liabilities that are measured at fair value.

The consolidated financial statements have been authorised for issuance by the Board of Directors on 11 November 2022.

Applying materiality
The consolidated financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. The transactions are presented in classes of similar items in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes.

Management provides specific disclosures required by IFRS unless the information is not applicable or is considered immaterial to the decision making of the primary users of these financial statements.

1.2 GROUP ACCOUNTING POLICIES

A summary of the principal accounting policies applied by the Group in the preparation of the consolidated financial statements is set out below and together with the notes to which they relate. The descriptions of accounting policies in the notes form part of the overall description of the accounting policies.

Consolidation
The Consolidated Financial Statements include the results of the Company and its subsidiary undertakings and its share of the results of its joint venture, see note 6.10 for list of subsidiaries.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries are deconsolidated from the date that control ceases.

Intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated in the consolidated figures.

Foreign currencies
The Consolidated Financial Statements are presented in Euros which is the presentation currency of the Group. Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the companies operate (the "functional currency").

Transactions in foreign currencies are translated to the functional currency using the exchange rates at transaction date. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency at the rate prevailing on the balance sheet date. All differences are recognised in the consolidated income statement.

The assets and liabilities of subsidiaries having other functional currencies than Euro are translated into Euros at exchange rates prevailing at the balance sheet date. Income statement items are translated at average exchange rates for the accounting year. Exchange differences arising are recognised in the consolidated statement of comprehensive income and are included in the translation reserve. The relevant parts of the translation reserve will be recognised in the income statement when a subsidiary is sold or closed down.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Impairment of assets
Assets that have an indefinite useful life, such as goodwill and certain trade names, are not subject to amortisation or depreciation and are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation or depreciation and assets under construction are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is in most cases based on the discounted present value of the future cash flows expected to arise from the cash generating unit to which the asset relates, or from the individual asset or asset group.

Consolidated Cash flow statement
The consolidated statement of cash flows shows cash flows from operating, investing and financing activities, and the Group's cash and cash equivalents at the beginning and end of the year. Cash flow from operating activities is compiled using the indirect method starting with the net result for the year adjusted for noncash items, received and paid financial items, corporate income tax paid and change in working capital. Cash flow from investing activities comprises payments relating to the acquisition and sale of companies and noncontrolling interests, intangible assets, and property, plant and equipment. Cash flow from financing activities comprises proceeds from borrowings, repayment of principal on interest-bearing debt, repayment of lease liabilities, payment of dividends, proceeds from share issues, and the purchase and sale of treasury stock. Cash and cash equivalents comprises cash at bank deposits due on demand. Cash flows in foreign currencies are translated to EUR at the average exchange rate for the respective years.

OTHER SPECIFIC ACCOUNTING POLICIES WITHOUT A NOTE REFERENCE

Cost of sales
Cost of sales includes costs for the goods sold and consumed in order to obtain net sales for the year. The Group enters into arrangements with certain vendors providing purchase rebates. These purchase rebates are recognized where earned and are recorded initially as a reduction in the cost price for the inventory resulting in a reduction in cost of sales when the related product is sold.

Other external expenses
Other external expenses comprise operating expenses such as sales, marketing and distribution costs, costs related to infrastructure and logistics, and corporate costs.

Other operating income and expenses
Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks. Bank overdrafts are shown within borrowings in current liabilities to the extent that there is no legal right of offset and/or no practice of net settlement with cash balances. Cash, which is not freely available to the Group, is disclosed as restricted cash.

Trade payables
Trade payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.3 KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, management makes various accounting judgements and estimates that form the basis of presentation, recognition and measurement of the Group's assets, liabilities, income and expenses.

The judgements and estimates made are based on historical experience and other factors that management assesses to be reliable, but that, by nature, are associated with uncertainty and unpredictability and may therefore prove incomplete or incorrect. Should these judgements or estimates prove incorrect there may be an impact on the following year's Consolidated Financial Statements.

The Group believes that the judgements and estimates that have been applied in these Consolidated Financial Statements will not give rise to a material impact within the next financial year. The judgements or estimates are reviewed on an ongoing basis.

ACQUISITIONS OF BUSINESSES AND ACTIVITIES

Assessment of type of transaction (judgement)
In connection with an acquisition, the Group uses its judgment to determine whether the transaction is a business combination by applying the definition in IFRS 3 Business combinations. A transaction is determined as a business combination when the assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. If the assets acquired do not constitute a business, the transaction is recognized as a purchase of individual assets.

Identification of assets and liabilities (judgement)
As part of an acquisition, an assessment of fair value of the identifiable assets, liabilities and contingent liabilities is carried out.

On recognition of assets and liabilities from a business combination, management judgements are required in identifying assets, liabilities and contingent liabilities.

Purchase price allocations (estimates)
When the Group applies the acquisition method to business combinations, by its nature this involves estimates on assessing the fair value of identifiable assets and liabilities. The assessment of the fair value of customer relations and trade names are based on multiple estimates regarding WACC and expected cash flows which have a significant impact on the fair value and the resulting goodwill or bargain purchase gain from the acquisition.

Customer relations and trade names (estimates)
The valuation of the intangible assets is based on the following methods:

- Trade names: the relief-from-royalty method. It has been assessed that the trade names in the Group each has a strong market position and that their lives are considered indefinite. Consequently, trade names are not amortised but are subject to annual impairment testing.

- Customer relations: the multi-period excess earnings method (MEEM), in which the value of customer relations is estimated based on the residual earnings after fair returns on all other assets employed are deducted from the business unit's after-tax earnings.

Properties (estimates)
Estimation of fair value of properties is based on the normalized earnings model, which requires management estimates related to required rate of return and the applicable market rent.

Please refer to note 3.1.

Other acquired assets and liabilities (estimates)
The fair value of the acquired finished goods is determined on the basis of expected selling prices to be obtained in the course of normal business operations less expected costs to execute the sale, and less a reasonable profit on the sales effort.

Receivables are measured at the fair value of the amounts that are expected to be received less expected costs for collection.

Liabilities are measured at the present value of the amounts that are required for settling the liabilities. The Group's incremental borrowing rate is used for discounting purposes.

1.3 KEY ACCOUNTING ESTIMATES AND JUDGEMENTS - CONTINUED

GROUP AS LESSEE

Determining the lease term of contracts with renewal options (estimate)
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Group has several lease contracts that include extension options.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or whether to terminate the lease. With due consideration to the Group's location plans and strategy, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal option or to let the leases expire. Unless contractually obligated, the Group never estimates lease lengths of more than ten years. The estimated lease term is reassessed at each reporting date.

INVENTORY

Valuation of inventory (estimate)
Provisions are made against slow-moving, obsolete and damaged inventories for which the net realisable value is estimated to be less than the cost. The risk of obsolescence of slow-moving inventory is assessed by comparing the level of inventory held to future sales projected on the basis of historical experience. The actual realisable value of inventory may differ materially from the estimated value on which the provision is based.

The Group has recognised provisions in respect of inventory balances of EUR 61m as of 31 July 2022 (31 July 2021: EUR 49m), see note 4.1.

ACCOUNTS RECEIVABLE

Valuation - expected credit losses (estimate)
Provision is made for expected credit losses in respect of the Group's trade and other receivables, which are estimated to occur if a customer subsequently is unable to pay. In connection with the assessment of whether the Group's provisions for expected credit losses are sufficient, management analyses accounts receivable and estimates lifetime expected credit losses applying a provision matrix as defined in the accounting policy for trade receivables by reference to past default experience and analysis of the current financial position, including historical credit losses, customer credit worthiness, current economic trends and changes in customer payment terms and also takes into account the extent to which protection is provided for through credit insurance arrangements. If customers' financial conditions were to deteriorate compared to the assumed trends, it may be necessary to recognise further credit losses in future periods.

The Group has a provision for expected credit losses of EUR 27m as of 31 July 2022 (31 July 2021: EUR 21m), see note 4.2.

TRADE PAYABLES

Assessment of supplier rebates (estimates)
The Group enters into agreements with many of its vendors that provide rebates. Many of these agreements apply to purchases in a calendar year rather than the Group's financial year.

Under certain agreements, the rebate increases as a proportion of purchases as higher quantities or values of purchases are made. The Group adjusts the cost of purchases to reflect estimated rebates receivable, which can depend on the projected volume, value and mix of purchases from a vendor through to the end of the qualifying period. Actual rebates receivable from vendors may differ materially from the estimates on which the cost of purchases is based.

1.3 KEY ACCOUNTING ESTIMATES AND JUDGEMENTS - CONTINUED

PROVISIONS

Provisions for legal claims and environmental restoration (judgement)

Provisions for legal claims and environmental restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is more likely than not that an outflow of resources will be required to settle the obligation, and when the amount can be reliably estimated. Such provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money. The Group has provided EUR 40m as of 31 July 2022 (31 July 2021: EUR 37m) to cover for the described risks and claims in addition to other provisions as presented in note 4.3.

EXPECTED USEFUL LIFE AND RESIDUAL VALUE FOR NON-CURRENT ASSETS

Useful life is initially assessed when the assets are acquired and is estimated individually in each case.

Amortisation and depreciation of non-current assets is based upon an expected useful life for the assets and an estimated residual value.

Management reassesses expected useful life and the residual value on an on-going basis. When changing the amortisation or depreciation due to a change in the useful life and/or residual value, the effect on depreciation is recognised prospectively as a change in accounting estimates.

Management has generally determined that trade names have indefinite lives. The reasonableness of this determination is reassessed annually.

Customer relations are amortised over 15 years based upon historical experience, market trends and strong relationships between STARK Group and the customers.

NON-CURRENT ASSETS – IMPAIRMENT TESTING

Intangible assets such as goodwill and intangible assets with indefinite lives are annually tested for impairment, whereas intangible assets and tangible assets in use with definite useful lives are tested for impairment only if there is any indication of impairment.

The Group performs the impairment test based on a discounted cashflow model, where assets are allocated to the smallest possible cash generating units (CGUs).

CGUs (judgement)

The CGU determination involves judgement and is based on the smallest identifiable cash generating units. Group management monitor performance at business unit level, and hence the individual business units are identified as the smallest identifiable cash generating units.

Discounted cashflows (estimates)

The expected future cash flows are based on budgets and forecasts for the Group based on Management's expectations and target plans based on current market conditions and future growth expectations. The key factors used in calculating the value are revenue, costs of goods sold (COGS), operating expenses (OPEX), EBITDA, working capital, capital expenditures (CAPEX) and discount rate.

The impairment test did not result in any recognition of impairment losses as of 31 July 2022 and 2021, see note 3.2.

EMPLOYEE BENEFIT PLANS

Valuation of defined benefit plans (estimates)

The value of the defined benefit plans is based on valuations from external actuaries. The valuation is based on multiple actuarial assumptions, including discount rates, expected return on plan assets, expected growth in wages and salaries, mortality and retirement benefits. See note 6.2.

2.1 SEGMENT ANALYSIS

EUR million	Nordics	Germany	**Total**	Nordics	Germany	**Total**
Income statement		2021/22			2020/21	
Net sales	3,277	2,718	5,995	818	656	1,474
Cost of sales	(2,395)	(2,059)	(4,454)	(596)	(502)	(1,098)
Gross Profit	**882**	**659**	**1,541**	**222**	**154**	**376**
Staff costs	(398)	(309)	(707)	(98)	(73)	(171)
Other external operating expenses	(197)	(178)	(375)	(56)	(48)	(104)
Earnings before interest, tax, depreciation and amortisation (EBITDA) (non-IFRS)	**287**	**172**	**459**	**68**	**33**	**101**
Depreciation and amortisation of non-current assets	(101)	(70)	(171)	(22)	(15)	(37)
Earnings before interest and tax (EBIT)	**186**	**102**	**288**	**46**	**18**	**64**
Financial expenses, net			(79)			(26)
Result before tax			**209**			**38**
Tax for the period			(60)			(18)
Result for the period			**149**			**20**

Capital expenditures by segment		2021/22			2020/21	
Property, plant and equipment	40	31	71	9	7	16
Intangible assets	21	3	24	4	1	5
Total capital expenditures by segment	**61**	**34**	**95**	**13**	**8**	**21**

Assets and liabilities by segment		31 July 2022			31 July 2021	
Segment non-current assets	2,035	1,221	3,256	1,969	1,055	3,024
Segment current assets	772	647	1,419	625	445	1,070
Segment liabilities	(1,572)	(809)	(2,381)	(1,424)	(676)	(2,100)
Net liabilities not allocated			13			(17)
Net assets	**1,235**	**1,059**	**2,307**	**1,170**	**824**	**1,977**
Net debt			(1,562)			(1,400)
Total equity			**745**			**577**

Specification of total assets		31 July 2022			31 July 2021	
Segment non-current assets	2,035	1,221	3,256	1,969	1,055	3,024
Segment current assets	772	647	1,419	625	445	1,070
Assets not allocated, non-current			4			5
Assets not allocated, current			24			2
Cash and cash equivalents included in net debt			269			392
Total assets	**2,807**	**1,868**	**4,972**	**2,594**	**1,500**	**4,493**

The operating structure and related segments have been defined based on how management manages and controls the business. This structure is used in the internal reporting framework for the STARK Group Board of Directors, and the operating segments are regularly reviewed by the STARK Group Board of Directors to decide how to best allocate resources and manage performance. The operating segments derive their net sales from a single business activity, the distribution of building materials.

2.2 NET SALES

EUR million	2021/22	2020/21
Sale of goods	5,995	1,474
Total net sales	**5,995**	**1,474**

The net sales in Denmark, which is the domicile market of the Group amounted to EUR1,362m in 2021/22 (2020/21: EUR 335m).

§ ACCOUNTING POLICIES

Net sales

The Group derives its revenues from contracts with customers for the transfer of goods at a point in time. Net sales comprise the fair value of consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Net sales from the sale of goods for resale and finished goods is recognised in the income statement when control of the goods has transferred to the customer, being when the goods are delivered to the buyer and the amount of net sales can be measured reliably.

Net sales is recorded net of returns, discounts and value added taxes.

2.3 STAFF COSTS

EUR million	2021/22	2020/21
Salary and wages	582	143
Pensions - contribution plans	27	6
Pensions - defined benefit plans	5	2
Other expenses for social security	93	20
Total staff costs	**707**	**171**

Compensation for the Executive Management[1] of the Group:		
Salary and wages	5	1
Pensions - contribution plans	0	0
Other expenses for social security	0	0
Total compensation paid to the Executive Management[1]	**5**	**1**

The members of the Executive Management as well as other employees are entitled to cash bonus based on fulfilment of pre-defined financial and non-financial targets.

The Group has not established share-based incentive programs.

Headcount	2021/22	2020/21
Average number of fulltime employees	11,932	11,117
Number of employees at the end of the financial period	13,059	11,389

1. Executive Management of the subsidiary STARK Group A/S managing the operations of STARK Group.
No compensation was paid to the Board of Managers in the parent company.

§ ACCOUNTING POLICIES

Staff expenses

Staff expenses comprise wages and salaries as well as other payroll expenses. Salaries and wages, social security contributions, holiday and sick leave, bonuses and other monetary and non-monetary benefits are recognised in the year in which the employees render the associated services. Bonus for eligible personnel is recognised based on the estimated or agreed bonus as of year-end calculated in accordance with the agreed bonus schemes.

The average number of employees is calculated as average of the number of employees at the end of each month.

2.4 DEPRECIATION AND AMORTISATION OF NON-CURRENT ASSETS

EUR million	2021/22	2020/21
Intangible assets	45	9
Buildings	15	4
Fixtures, fittings, tools and equipment	27	6
Right of use assets	84	18
Total depreciation and amortisation of non-current assets	**171**	**37**

§ ACCOUNTING POLICIES

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment including depreciation of right of use assets.

2.5 FINANCIAL INCOME

EUR million	2021/22	2020/21
Financial income		
Adjustment of financial derivatives to estimated market value	21	-
Total financial income	**21**	**-**

2.6 FINANCIAL EXPENSES

EUR million	2021/22	2020/21
Financial expenses		
Interests on loans from third party	56	13
Interests on loans from related parties	20	5
Foreign exchange losses	10	3
Leases interest (IFRS16)	14	4
Fair value adjustments from derivatives	-	1
Total financial expenses	**100**	**26**

§ ACCOUNTING POLICIES

Financial expenses

Financial expenses are recognised in the Consolidated income statement at the amounts relating to the relevant financial year applying the effective interest rate method.

2.7 INCOME TAX

EUR million	2020/21	2020/21
Current tax	60	21
Deferred tax	1	(3)
Adjustment of current tax regarding previous years	3	-
Adjustment of deferred tax regarding previous years	(4)	-
Total income tax for the period	**60**	**18**
Tax on items charged/(credited) to the statement of other comprehensive income:		
Deferred tax charge/(credit) on actuarial gain/loss on retirement benefit plans	6	(1)
Total tax on items charged/(credited) to other comprehensive income	**6**	**(1)**
Tax reconciliation:	**%**	**%**
Corporation tax rate in Luxembourg	25%	25%
Adjustment of calculated tax in foreign Group entities relative to 25%	-1%	-1%
Non-deductible and non-taxable items	2%	9%
Non-deductible interest expenses	3%	14%
Adjustment relating to prior year	0%	-%
Tax rate on profit before tax	**29%**	**47%**

ACCOUNTING POLICIES

Taxation

The tax expense included in the consolidated income statement consists of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date. Tax expense is recognised in the consolidated income statement except to the extent that it relates to items recognised in the consolidated statement of comprehensive income or directly in the consolidated statement of changes in equity.

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax prepayments.

Tax receivables and liabilities are offset to the extent that there is legal right to set-off, and items are expected to be settled net or simultaneously.

3.1 ACQUISITIONS OF BUSINESSES

In the beginning of March 2021, STARK Group signed an agreement to acquire 100% of the shares in Melle Gallhöfer, which is a leading German specialist distributor of roofing and façade building materials with an annual net sales of EUR 326m and annual EBITDA of around EUR 20m. The agreement was approved by the relevant authorities at the end of October 2021 and the closing and takeover was effective as of 29 October 2021 from which date Melle Gallhöfer is included in the consolidated financial statements of the Group.

The acquisition of Melle Gallhöfer will support STARK Deutschland's position as a market leader within distribution of building materials, including roofing and facade materials through more than 250 branches and distribution centres across all of Germany.

During the financial year 2020/21, the Group also signed agreements to acquire three companies in Sweden, Kakeldaxgruppen AB, Centro Kakel & Klinker AB and AB Knut Lindgren. Closing was completed as of 1 September 2021 for the two tiles companies and as of 1 October 2021 for AB Knut Lundgren. Total annual net sales for these businesses is around EUR 54m with an annual EBITDA of around EUR 2m.

During 2021/22, the Group has signed and closed eleven contracts to acquire Sotenäs Trävaru AB, Angered Byggvaror AB and 100% Proffs AB in Sweden, a business from HOK-Elanto Liiketoiminta Oy in Finland and Lieblein Baustoffe GmbH, Ludwig Pfeiffer Hoch- und Tiefbau GmbH and Tröger & Entenmann Group in Germany, Treprodukter Øst in Norway, XL-Byg Allinge and Arnum Rør in Denmark, and Dach & Wand in Austria. Total annual net sales for these businesses is around EUR 314m with an annual EBITDA of around EUR 21m.

The 15 closed acquisitions with a total annual net sales of around EUR 694m and a total annual EBITDA of around EUR 43m, will increase the Group's geographic coverage in the Nordic countries and Germany and with the acquisition of Dach & Wand, STARK Group enters a new market and gains a strong foothold in the Austrian market for distribution of building materials.

Following recognition of acquired identifiable assets and liabilities at their fair values, the goodwill related to the acquisitions in 2021/22 is totally measured at EUR 44m. The recognised goodwill represents primarily the value of the staff and expected synergies from combining the acquired entities with the existing STARK Group activities. The goodwill is not deductible for tax purposes.

The acquisitions in total contribute with EUR 457m and EUR 31m to the Net sales and EBITDA, respectively.

Transaction and acquisition costs incurred in 2021/22 amounts to EUR 6m which are recognised as part of Other external operating expenses

In 2021/22, the Group also signed a contract to acquire Konz in Germany. With the acquisition of Konz, STARK Group strengthens its foothold in two fast-growing growth areas in Europe's largest market for heavy building materials, Stuttgart and Dresden. The acquisition was closed as of 1 August 2022 and will be included in the consolidated financial statements in 2022/23 and onwards. The consideration for Konz amounts to EUR 41m and is financed with existing available facilities. Konz has an annual net sales of approx. EUR 110m and an EBITDA of around EUR 4m.

The initial accounting is not yet completed, why disclosures of the fair value of assets acquired and other disclosures required by IFRS 3 Business Combinations cannot be provided. The acquisition implies a business combination, and the Group is currently in the process of determining the purchase price allocation.

In November 2022, STARK Group has signed an agreement to acquire Norwegian FagFlis, Norway's leading distributor and retailer of ceramic tiles for professional craftsmen, as well as the Swedish FF Kakel. FagFlis and FF Kakel have an annual turnover of approx. EUR 63m and an annual EBITDA of around EUR 9m. The consideration amounts to EUR 42m and will be financed with existing facilities. Closing is expected to take place in December 2022.

3.1 ACQUISITIONS OF BUSINESSES - CONTINUED

The fair values of the identifiable assets and liabilities acquired as of the acquisition dates and the consideration for the acquisitions closed and taken over during 2021/22 are as follows:

				2021/22	2020/21
EUR million	Melle Nordic	Gallhöfer	Other Germany[1]	Total	Total
Customer relationships	10	22	15	47	446
Trade names	-	7	3	10	490
Other intangible assets	-	1	1	2	32
Property, plant and equipment	9	15	27	51	833
Right of use assets	37	35	15	87	468
Inventories	21	35	27	83	553
Receivables	16	15	21	52	537
Cash and cash equivalents	2	1	-	3	175
Trade and other payables	(24)	(12)	(25)	(61)	(1,009)
Borrowings	(1)	(0)	(16)	(17)	(28)
Employee benefit obligations	-	(0)	(0)	(0)	(112)
Leasing obligations	(35)	(35)	(15)	(85)	(463)
Deferred tax	(2)	(8)	(5)	(15)	(305)
Tax payable	(0)	(4)	(0)	(4)	(18)
Provisions	(0)	(2)	(2)	(4)	(35)
Non-controlling interests	-	-	-	-	(8)
Total	**33**	**70**	**46**	**148**	**1,556**
Goodwill arising	25	-	19	44	771
Consideration	**58**	**70**	**65**	**192**	**2,327**
The net outflow of cash in respect of the purchase of businesses is as follows:					
Total consideration as cash payment	58	70	65	192	2,327
Cash and cash equivalents acquired	(2)	(1)	-	(3)	(175)
Net cash outflow	**56**	**69**	**65**	**189**	**2,152**

1. Other Germany includes Austria.

§ ACCOUNTING POLICIES

Business combinations

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. Deferred tax is calculated on fair value adjustments. Acquisition related costs are expensed.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, negative goodwill, the difference is recognised directly in the consolidated income statement as "Bargain purchase gain".

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year beyond the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Changes in estimates of contingent consideration that reflect additional information received in the measurement period are adjusted retrospectively. Other changes in estimates of contingent consideration are generally recognised in the income statement.

3.2 GOODWILL

EUR million	2021/22	2020/21
Cost at the beginning of the period	769	-
Business acquisitions	44	771
Exchange rate adjustment	(3)	(2)
Cost at the end of the period	810	769
Impairment losses at the beginning of the period	-	-
Impairment charge for the period	-	-
Accumulated impairment losses at the end of the period	-	-
Carrying amount at the end of the period	**810**	**769**

The carrying amount of goodwill by cash generating unit (CGU) is as follows:	31 July 2022	31 July 2021
Germany	261	251
Austria	9	-
Denmark	225	228
Sweden	191	172
Finland	94	94
Norway	30	24
Group	**810**	**769**

Impairment review of goodwill and trade names with indefinite lives

Goodwill and intangible assets acquired have been allocated to the individual cash generating units or aggregated cash generating units (together "CGUs"), which are deemed to be the smallest identifiable group of assets generating independent cash inflows. CGUs have been aggregated in the disclosure above at a geographical level. Impairment reviews were performed for each individual CGU as of 31 July 2022.

The relevant inputs to the value-in-use calculations of each CGU were:

- Cash flow forecasts for year one to five are derived from the most recent approved strategic plan. The strategic plan is developed based on analysis of sales, markets and costs at a geographical level. Consideration is given to past events, expected market development, competition and macroeconomic trends. Long-term growth rate of 1.5 percent was applied for all countries for the years beyond year five.
- The cash flow per CGU is discounted using risk-adjusted, pre-tax discount rate, calculated by reference to the weighted average cost of capital ("WACC"). The discount rate per CGU is as follows:

Germany	10.0%
Austria	11.8%
Denmark	9.5%
Sweden	9.4%
Finland	9.7%
Norway	10.0%

The impairment review did not result in impairment charges.

3.2 GOODWILL – CONTINUED

Management has performed a sensitivity analysis across all CGUs, which have goodwill and acquired intangible assets, using reasonably possible changes in the following key impairment review assumptions: compound average net sales growth rate, pre-tax discount rate and long-term growth rate, keeping all other assumptions constant. With an increase in discount rate of 1%, a decrease in compound average net sales growth rate of 1% or a decrease in the long-term growth rate of 1%, the sensitivity testing did not identify any need for impairment.

In light of the current macro-economic situation with an increased risk of recession, the Group has performed additional scenario analysis. The analysis models a 10% decline in EBITDA versus the current long-term financial plan and also considers the above-mentioned sensitivity changes. The analysis confirms that even in this scenario, there is no need for impairment.

§ ACCOUNTING POLICIES

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill on acquisitions of subsidiary undertakings is included within intangible assets. Goodwill is allocated to cash generating units or aggregations of cash generating units (together "CGUs"). CGUs are independent sources of income streams and represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. The Group considers that a CGU is a business unit because independent cash flows cannot be identified below this level.

Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. For goodwill impairment testing purposes, no CGU is larger than the operating segments determined in accordance with IFRS 8 "Operating Segments".

The recoverable amount of goodwill and acquired trade names with indefinite life is assessed on the basis of the value in use estimate for CGUs to which they are attributed. Where carrying value exceeds the recoverable amount, an impairment loss is recognised with a charge included in the consolidated income statement.

3.3 OTHER INTANGIBLE ASSETS

2021/22 EUR million	Trade names	Customer relation-ships	Software	Total
Cost at the beginning of the period	489	445	36	970
Business acquisitions	10	47	2	59
Additions	-	-	24	24
Disposals	-	-	0	0
Transfers	-	-	2	2
Exchange rate adjustment	(2)	(3)	-	(5)
Cost at the end of the period	497	489	64	1,050
Amortisation and impairment at the beginning of the period	-	(7)	(2)	(9)
Amortisation for the period	-	(32)	(13)	(45)
Exchange rate adjustment	-	0	-	0
Amortisation and impairment at the end of the period	-	(39)	(15)	(54)
Carrying amount at the end of the period	**497**	**450**	**49**	**996**

2020/21 EUR million	Trade names	Customer relation-ships	Software	Total
Cost at the beginning of the period	-	-	-	-
Business acquisitions	490	446	32	968
Additions	-	-	5	5
Disposals	-	-	(1)	(1)
Exchange rate adjustment	(1)	(1)	-	(2)
Cost at the end of the period	489	445	36	970
Amortisation and impairment at the beginning of the period	-	-	-	-
Amortisation for the period	-	(7)	(2)	(9)
Exchange rate adjustment	-	-	-	-
Amortisation and impairment at the end of the period	-	(7)	(2)	(9)
Carrying amount at the end of the period	**489**	**438**	**34**	**961**

Trade names with indefinite lives can be specified as follows per business unit:	31 July 2022	31 July 2021
Germany	209	202
Austria	3	-
Denmark	128	128
Sweden	91	93
Finland	66	66
Total	**497**	**489**

3.3 OTHER INTANGIBLE ASSETS - CONTINUED

The Group has determined that the trade names recognized with a value on the consolidated balance sheet have an indefinite life, subject to annual impairment testing, see note 3.2.

The Group continues to invest in retaining brand awareness and thereby expects to maintain the value of the trade names.

§ ACCOUNTING POLICIES

Other intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Intangible assets, primarily trade names and customer relationships, acquired as part of a business combination are capitalised separately from goodwill and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method for intangible assets.

Trade names with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication of impairment.

Software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses. Costs include software licences, consulting costs attributable to the development, design and implementation of the software and internal costs directly attributable to the development, design and implementation of the software. Costs in respect of training and data conversion are expensed as incurred.

The cost of the intangible assets is amortised and charged to the consolidated income statement over their estimated useful lives as follows:

Customer relationships	15 years
Software	3 - 5 years

3.4 TANGIBLE NON-CURRENT ASSETS

2021/22 EUR million	Property	Plant & equipment	Non-current assets under construction	Total
Cost at the beginning of the period	704	87	52	843
Business acquisitions	40	11	1	52
Additions	11	21	39	71
Disposals	(12)	(1)	(0)	(13)
Transfers	7	37	(46)	(2)
Exchange rate adjustment	1	0	(0)	1
Cost at the end of the period	751	155	46	952
Depreciation at the beginning of the period	(4)	(6)	-	(10)
Depreciation for the period	(15)	(27)	-	(42)
Disposals	0	0	-	0
Exchange rate adjustment	(0)	(0)	-	(0)
Depreciation at the end of the period	(19)	(33)	-	(52)
Carrying amount at the end of the period	**732**	**122**	**46**	**900**

2020/21 EUR million	Property	Plant & equipment	Non-current assets under construction	Total
Cost at the beginning of the period	-	-	-	-
Business acquisitions	707	82	44	833
Additions	-	4	12	16
Disposals	-	-	(1)	(1)
Transfers	1	1	(2)	-
Exchange rate adjustment	(4)	-	(1)	(5)
Cost at the end of the period	704	87	52	843
Depreciation at the beginning of the period	-	-	-	-
Depreciation for the period	(4)	(6)	-	(10)
Disposals	-	-	-	-
Transfers	-	-	-	-
Exchange rate adjustment	-	-	-	-
Depreciation at the end of the period	(4)	(6)	-	(10)
Carrying amount at the end of the period	**700**	**81**	**52**	**833**

3.4 TANGIBLE NON-CURRENT ASSETS

§ ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses. Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. Interest expenses on loans raised for financing the construction of property, plant and equipment and which are related to the period of construction are recognised in the consolidated income statement when incurred.

Depreciation based on cost is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Office buildings	up to 50 years
Commercial buildings and office premises in connection herewith	up to 25 years
Plant and equipment	3 - 10 years

Properties under construction are not depreciated.

At the balance sheet date, an assessment is made of the residual values, useful life left and amortisation pattern. Changes are accounted for as changes in accounting estimates.

Gains and losses on disposals or retirements are recognised in the consolidated income statement as other operating expenses or income.

3.5 LEASES

RIGHT OF USE ASSETS

2021/22 EUR million	Land and buildings	Other equipment	Total
Cost at the beginning of the period	426	57	483
Business acquisitions	77	10	87
Additions	38	19	57
Disposals	(2)	(1)	(3)
Additions due to revised lease terms	32	0	32
Exchange rate adjustment	(2)	(1)	(3)
Cost at the end of the period	569	84	653
Depreciation and impairment at the beginning of the period	(14)	(4)	(18)
Depreciation for the period	(63)	(21)	(84)
Disposals	1	1	2
Exchange rate adjustment	0	0	0
Amortisation and impairment at the end of the period	(76)	(24)	(100)
Carrying amount at the end of the period	**493**	**60**	**553**

2020/21 EUR million	Land and buildings	Other equipment	Total
Cost at the beginning of the period	-	-	-
Business acquisitions	415	53	468
Additions	7	4	11
Disposals	-	-	-
Additions due to revised lease terms	5	-	5
Exchange rate adjustment	(1)	-	(1)
Cost at the end of the period	426	57	483
Depreciation and impairment at the beginning of the period	-	-	-
Depreciation for the period	(14)	(4)	(18)
Disposals	-	-	-
Exchange rate adjustment	-	-	-
Amortisation and impairment at the end of the period	(14)	(4)	(18)
Carrying amount at the end of the period	**412**	**53**	**465**

Right-of-use assets and related leasing liabilities derive from the Group being lessee in leasing arrangements from especially leasing land and buildings representing stores used in the Group's business units.

3.5 LEASES - CONTINUED

LEASING LIABILITY

EUR million	2021/22	2020/21
Less than 1 year	101	81
Between 1 and 5 years	306	263
More than 5 years	233	235
Undiscounted leasing liability as of 31 July	**640**	**579**
Current	84	65
Non-current	472	398
Discounted leasing liability as of 31 July	**556**	**463**
Amounts recognized in the statement of cash flows:		
Repayment of liabilities	77	14
Interest	14	4
Short term, low value and variable leases included in cash flows from operations	12	4
Total cash outflow for leases	**103**	**22**

In 2021/22, short term, low value and variable leases have been expensed as other external operating costs with EUR 12m (2020/21: EUR 4m).

§ ACCOUNTING POLICIES

Right of use lease assets and lease liabilities

The Group recognises a right of use asset and a lease liability at the commencement date for all lease agreements that the Group has entered into as lessee. Right of use assets consist primarily of property and equipment, except short-term leases and leases of low value assets.

The lease liability is initially measured at the present value of the future lease payments, discounted using the incremental borrowing rate for the individual lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest and by reducing the carrying amount to reflect the lease payments made. Further, lease liabilities are changed when re-measurements are needed with a corresponding adjustment to the related right of use asset.

Gains or losses from a lease modification, not accounted for as a separate lease, is recognised in profit and loss.

The initial right of use assets comprise the amount of the initial measurement of the lease liability, lease payments made at or before the commencement day, initial direct costs and costs to restore the underlying asset at the end of the lease period. The right of use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

The right of use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset according to the straight-line method. Property leases normally have a lease term of up to 20 years, whereas leases of plant and equipment normally have lease term of up to 10 years. Property leases may include extension options with the intention of securing flexibility in the lease. Extensions options are included in the lease term if the extension option is reasonably certain to be exercised.

For short-term leases and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within "other external operating expenses".

4.1 INVENTORIES

EUR million	31 July 2022	31 July 2021
Trading goods	874	602
Provision for excess and obsolete goods	(61)	(49)
Total inventories	**813**	**553**

In 2021/22, inventory purchases of EUR 4,454m has been expensed (2020/21: EUR 1,098m).

ACCOUNTING POLICIES

Inventories

Inventories, which comprise goods purchased for resale, are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("FIFO") method. The cost of goods purchased for resale includes import and custom duties, transport and handling costs, freight and packing costs and other attributable costs less supplier rebates. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions are made against slow-moving, obsolete and damaged inventories for which the net realisable value is estimated to be less than the cost. The risk of obsolescence of slow-moving inventory is assessed by comparing the level of inventory held to estimated future sales on the basis of historical experience.

4.2 TRADE RECEIVABLES

EUR million	31 July 2022	31 July 2021
Trade receivables		
Trade receivables, gross	596	512
Provision for expected credit losses	(27)	(21)
Net Trade receivables	**569**	**491**
Of this, due after more than 1 year	-	-

Trade and other receivables have been aged with respect to the payment terms specified in the terms and conditions established with customers as follows:		
Amounts not yet due	491	439
Past due not more than one month	73	44
Past due more than one month and less than two months	2	3
Past due more than two months and less than three months	1	-
Past due more than three months and less than six months	1	4
Past due more than six months	1	1
As of 31 July	**569**	**491**

Movements in the provision for expected credit losses are as follows:	2021/22	2020/21
Provision at the beginning of the period	(21)	-
Business acquisitions	(2)	(20)
Net charge for the period	(9)	(4)
Utilised in the period	5	3
As of 31 July	**(27)**	**(21)**

The Group is utilizing a trade receivable factoring agreement covering a facility for a total of EUR 100m of which EUR 64m was utilised at the balance sheet date (31 July 2021: EUR 48m). The agreements expire unless extended on 22 October 2024. The Group has no obligations on the sold receivables.

4.2 TRADE RECEIVABLES - CONTINUED

31 July 2022 EUR million	Gross carrying amount	Expected credit loss
Specification of provision for expected credit losses:		
Amounts not yet due	493	(2)
Past due not more than one month	81	(8)
Past due more than one month and less than two months	4	(2)
Past due more than two months and less than three months	3	(2)
Past due more than three months and less than six months	1	(0)
Past due more than six months	14	(13)
As of 31 July 2022	**596**	**(27)**

31 July 2021 EUR million	Gross carrying amount	Expected credit loss
Specification of provision for expected credit losses:		
Amounts not yet due	451	(2)
Past due not more than one month	45	(6)
Past due more than one month and less than two months	4	(3)
Past due more than two months and less than three months	0	(0)
Past due more than three months and less than six months	5	(4)
Past due more than six months	7	(6)
As of 31 July 2021	**512**	**(21)**

Provisions for expected credit losses are based on the simplified expected credit loss model. Credit loss provisions on individual receivables are provided for when objective indications of credit losses occur such as customer bankruptcy and uncertainty about the customers' ability and/or willingness to pay, etc. In addition to this, allowances for expected credit losses are made on the remaining trade receivables based on a simplified approach.

§ ACCOUNTING POLICIES

Trade receivables

Trade receivables are non-interest bearing and are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for expected credit losses.

The Group measures the provision for expected credit losses at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The estimate also takes into account the extent to which protection is provided through customer insurance arrangements.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivable is over two years past due, whichever occurs earlier. None of the trade receivables that have been written off are subject to enforcement activities.

4.3 PROVISIONS

2021/22 EUR million	Environmental and Legal	Restructuring	Other provisions	Total
Provision as of 1 August 2021	9	6	22	37
Business acquisitions	2	1	1	4
Utilised in the period	(0)	(4)	(2)	(6)
Charge/(credit) for the period	0	4	2	6
Unused amounts reversed during the period	(0)	(1)	-	(1)
Provision as of 31 July 2022	**11**	**6**	**23**	**40**

2020/21 EUR million	Environmental and Legal	Restructuring	Other provisions	Total
Provision as of 16 December 2020	-	-	-	-
Business acquisitions	9	3	23	35
Utilised in the period	-	(1)	(3)	(4)
Charge/(credit) for the period	-	4	3	7
Unused amounts reversed during the period	-	-	(1)	(1)
Provision as of 31 July 2021	**9**	**6**	**22**	**37**

	31 July 2022	31 July 2021
Other provisions can be specified as follows:		
Dilapidation costs	5	2
Warranty commitments	3	4
Miscellaneous	15	16
Total other provisions	**23**	**22**
Maturity of provisions are expected to be:		
Within 1 year	8	10
Between 1 and 5 years	9	8
Over 5 years	23	19
Total provisions	**40**	**37**

The Environmental provision is related to risks for potential claims on properties.

Restructuring includes provisions for staff redundancy costs as well as expected unavoidable losses from onerous lease obligations from closed branches. In determining the provision for onerous leases, the cash flows have been discounted on a pre-tax basis using appropriate incremental borrowing rates.

Other provisions include warranty and separation costs relating to businesses disposed of and dilapidations on leased properties.

§ ACCOUNTING POLICIES

Provisions

Provisions are recognised when, in consequence of an event that occurred before or on the balance sheet date, the Group has a legal or constructive obligation, and it is probable that economic benefits must be given up settling the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

5.1 SHARE CAPITAL AND SHARE PREMIUM

EUR million	Number of shares	Share capital	Share premium	Total
Changes in share capital and share premium for 2021/22:				
Balance as of 1 August 2021	7,000,000	6	552	558
Balance as of 31 July 2022	**7,000,000**	**6**	**552**	**558**
Changes in share capital and share premium for 2020/21:				
Incorporation - 15 December 2020	6,000,000	1	-	1
Capital increase during the period	1,000,000	5	552	557
Balance as of 31 July 2021	**7,000,000**	**6**	**552**	**558**

Subscribed capital
On 15 December 2020, the Company was incorporated with a subscribed and fully paid-up capital amounting to EUR 60,000.00 represented by 6,000,000 shares with a nominal value of EUR 0.01 each.

On 30 April 2021, the sole shareholder decided to increase the share capital of the Company by an amount of EUR 5m by the issuance of 551,804,992 new shares with a nominal value of EUR 0.01 each, for a total subscription price amounting to EUR 558m including a share premium of EUR 553m (the "Capital Increase"). The Capital Increase was made as a conversion of a loan from the Parent Company into equity. As of 31 July 2021, the subscribed and fully paid-up share capital amounted to EUR 6m corresponding to 557,804,992 shares with a nominal value of EUR 0.01 each.

The subscribed capital as of 31 July 2022 is unchanged compared to 31 July 2021.

Share premium account
On 30 April 2021, in the context of the Capital Increase, an amount of EUR 552,226,942.25 was contributed to the share premium account of the Company.

The share premium account as of 31 July 2022 is unchanged compared to 31 July 2021.

5.2 DIVIDEND

Subscribed capital
No dividends have been paid during the financial year to the shareholder in Winterfell Financing S.à r.l. and no dividends are proposed to be distributed of the net earnings for 2021/22.

5.3 BORROWINGS

Maturity analysis of borrowings

EUR million	31 July 2022	31 July 2021
Current		
Bank loans	10	-
Loans from non-controlling interests	17	16
Current total	**27**	**16**
Non-current		
Bank loans	1,329	1,321
Loans from related parties	475	455
Non-current total	**1,804**	**1,776**
Total borrowings	**1,831**	**1,792**
Within 1 year	10	16
Between 1 and 5 years	7	2
After 5 years	1,814	1,774
Carrying amount	**1,831**	**1,792**

Changes in assets and liabilities from financing activities

2021/22 EUR million	**1 August 2021**	Cash flows	Acquisi-tions	Other non-cash[1]	**31 July 2022**
Bank loans	1,321	(2)	17	3	1,339
Loan from related parties	455	-	-	20	475
Leasing liabilities	463	(77)	85	85	556
Loans from non-controlling interests	16	-	-	1	17
Total change from financing activities	**2,255**	**(79)**	**102**	**109**	**2,387**

1. Other non-cash includes accrued interest of EUR 20m on loans from related parties, new leasing contracts amounting to EUR 57m and re-measurement of leasing liabilities of EUR 32m.

2020/21 EUR million	**15 Dec. 2020**	Cash flows	Acquisi-tions	Other non-cash[2]	**31 July 2021**
Bank loans	-	1,308	12	1	1,321
Loan from related parties	-	450	-	5	455
Leasing liabilities	-	(14)	463	14	463
Loans from non-controlling interests	-	-	16	-	16
Total change from financing activities	**-**	**1,744**	**491**	**20**	**2,255**

2. Other non-cash includes accrued interest of EUR 5m on loans from related parties, new leasing contracts amounting to EUR 11m and re-measurement of leasing liabilities of EUR 5m.

5.3 BORROWINGS - CONTINUED

On 26 April 2021 Winterfell Financing S.à r.l. utilized a EUR 1,345m Term Loan B. The Term Loan B will mature on 26 April 2028. Interest on the loan is at floating rate and is paid quarterly on each 4 May, 4 August, 4 November and 4 February, beginning 4 August 2021. The Term Loan B is not subordinated to other lenders and creditors. The loan is syndicated to a group of institutional investors. In 2021/22 the weighted average interest rate on the Term Loan B was 3.2%.

On 26 April 2021 Winterfell Financing S.à r.l. acceded to a Senior Revolving Credit Facility agreement with lenders for an amount up to EUR 200m. The facility matures on 26 October 2027. The Senior Revolving Credit Facilities were undrawn as of 31 July 2022.

Borrowing costs related to the issuance of the Term Loan B and to obtain the Senior Revolving Credit Facility agreement, amounted to EUR 38m and will be amortised over the loan periods. As of 31 July 2022, the balance of unamortised costs equal EUR 33m (31 July 2021: EUR 37m).

The Group's bank loans are subject to standard clauses, according to which the Group's debt mature in full in case of a change of control. The long-term credit facilities with banks are furthermore subject to one springing covenant. The covenant is only tested if certain test conditions are met and the covenant relates to the gearing ratio of the Group. The covenant was not required to be tested in 2021/2022.

Loans from related parties is discussed in note 6.8 and leasing liabilities are further discussed in note 3.5.

§ ACCOUNTING POLICIES

Borrowings

Interest-bearing loans from related parties and credit institutions and overdrafts are initially recorded at fair value, net of attributable transaction costs.

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between proceeds and redemption value being recognised in the consolidated income statement over the period of the borrowings on an effective interest basis.

5.4 FINANCIAL INSTRUMENTS, RISK MANAGEMENT POLICIES

Risk management
As a result of its operations, investments and financing the Group is exposed to changes in exchange and interest rates. The Group's financial management is exclusively aimed at the management of financial risks related to finance. Thus, it is the Group's policy not to engage in speculation in financial risks.

Capital Risk Management
The Group's sources of funding currently comprise equity contributed by the sole shareholder and cash flows generated by operations, loans from related parties and borrowings from banks. The Group's capital management is reflected in the financing arrangements as set out in note 5.3 and note 6.8 and in the specifications in these notes.

Liquidity Risks
The Group maintains a policy of ensuring sufficient borrowing headroom to finance all investments and capital expenditures included in the strategic plan, with an additional contingent safety margin. The Group substantially manages its liquidity needs with cash flow from operations and to achieve effective management of the Group's cash, cash pooling is used. The Group's liquidity reserves consist of cash and an undrawn credit facility.

Currency risks
The Group's currency risk is limited since costs of wages and purchases of supplies are largely incurred in the same currency as sales are generated. Currency risks are primarily related to international purchases and to a limited extent, sale of goods in foreign currencies. The Group's exposure to currency risk is substantially consistent with the geographic allocation of net assets as set out in note 2.1.

The Group is subject to translation risk when results of subsidiaries are translated into EUR. Translation risk is not hedged with financial contracts. Currently translation risk is primarily related to DKK, SEK and NOK.

It is the Group's policy to actively monitor the impact of exchange rate changes on the results and the Group's financial position. The Group does not engage in speculative currency transactions.

Credit risk
Financial counterparty risk is reduced by only entering into transactions or arrangements with financial counterparties that have a satisfactory credit quality. Furthermore, maximum credit limits for each financial counterparty applies.

The Group has no material risks relating to an individual customer or business partner. The Group's policy for accepting credit risks means that all major customers and other partners are credit rated continuously.

The Group's credit risk is related to accounts receivable, other receivables and cash. The maximum credit risk related to receivables and cash correspond to the balance sheet values recognised. All cash balances are held with reputable financial institutions. Significant outstanding and overdue balances are reviewed on a regular basis and resulting actions are put in place on a timely basis.

In some cases, protection is provided through credit insurance arrangements.

Interest rate risk
Fluctuating interest rates influence the Group's income statement and the present value of future cash flows resulting from changes in interest rates. The objective of actively managing the Group's interest rate exposure is to maintain the interest rate risk at a known and acceptable level and to minimise the Group's borrowing costs. The Term Loan B and the Senior Revolving Credit Facility have floating interest rates. The interest rate risk related to the term loan is partly hedged using interest rate caps that mature in 2024. The Cap hedge a notional amount of EUR 1.076.000.000 or some 80% of the outstanding Term Loan B which is protected against raising interest rates with a maximum floating rate of 0,0%.

As of 31 July 2022, the fair value of the interest cap agreements equal EUR 21m where fair value has been determined based on observed values from independent sources for underlying interest rates and market-determined risk premiums (level 2 in the IFRS fair value hierarchy).

5.4 FINANCIAL INSTRUMENTS, RISK MANAGEMENT POLICIES – CONTINUED

Financial instruments

The carrying amount of financial instruments by category:

EUR million	31 July 2022	31 July 2021
Financial assets		
Trade receivables	569	491
Other receivables	23	21
Cash and cash equivalents	269	392
Financial assets at amortised cost	**861**	**904**
Other receivables (financial derivatives recogniced over income statement)	21	-
Financial assets at fair value	**21**	**-**
Financial liabilities		
Trade and other payables	(1,359)	(1,175)
Less: Tax and social security	43	38
Less: Payroll accruals	10	11
Net trade and other payables (current)	**(1,306)**	**(1,126)**
Loans from related parties	(475)	(455)
Borrowings	(1,356)	(1,337)
Leasing liabilities	(556)	(463)
Financial liabilities at amortised cost	**(3,693)**	**(3,381)**

Maturity on the financial liabilities is as follows:

EUR million	Trade and other payables	Loans and borrowings	Leasing liabilities	Interest on debt	Total
31 July 2022					
Due in less than one year	(1,306)	(27)	(84)	(56)	(1,473)
Due in two to five years	-	(7)	(263)	(200)	(470)
Due in over five years	-	(1,829)	(209)	(223)	(2,261)
Total	**(1,306)**	**(1,863)**	**(556)**	**(479)**	**(4,204)**
31 July 2021					
Due in less than one year	(1,126)	(16)	(65)	(63)	(1,270)
Due in two to five years	-	(2)	(222)	(229)	(453)
Due in over five years	-	(1,810)	(176)	(335)	(2,321)
Total	**(1,126)**	**(1,828)**	**(463)**	**(627)**	**(4,044)**

The future interest for borrowings and loans from related parties have been estimated using the current interest rates.

Fair value is considered to be equal to or approximate the carrying amounts of the various loans and payables.

5.4 FINANCIAL INSTRUMENTS, RISK MANAGEMENT POLICIES – CONTINUED

§ ACCOUNTING POLICIES

Financial instruments

A financial instrument is any contract that gives rise to a financial asset, a financial liability or equity instrument.

Financial assets and financial liabilities are recognised in the Consolidated statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. The Group's financial instruments comprise trade and other receivables (including amounts owed by related parties), derivative financial instruments, cash and cash equivalents, trade and other payables (including amounts owed to related parties) and borrowings.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade and other receivables.

Derivatives financial instruments are measured at fair value. Hedge accounting rules are not applied and fair value adjustments are recognized over income statement which can create fluctuations year over year.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

6.1 DEFERRED TAX ASSETS AND LIABILITIES

EUR million	2021/22	2020/21
Balance at the beginning of the period	301	-
Business acquisitions	15	305
Recognised in the income statement regarding current year	1	(3)
Recognised in other comprehensive income	6	(1)
Adjustment of deferred tax regarding previous years	(4)	-
Exchange rate adjustment	(1)	-
Balance at the end of the period	**318**	**301**

EUR million	31 July 2022	31 July 2021
Deferred tax relates to:		
Intangible assets	235	229
Property, plant and equipment	242	210
Pensions	(4)	(12)
Inventory	(7)	(7)
IFRS 16 leasing liabilities	(143)	(112)
Other assets and liabilities	(5)	(7)
Total	**318**	**301**

The Group has an unrecognised deferred tax asset of EUR 3m relating to tax loss carry forwards where the timing of possible future utilization is not certain. The related tax losses can be carried forward indefinitely.

§ ACCOUNTING POLICIES

Deferred tax

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to the consolidated statement of changes in equity or the consolidated statement of comprehensive income, in which case the deferred tax is recognised in equity, or other comprehensive income, respectively.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

6.2 EMPLOYEE BENEFIT OBLIGATIONS

The Group has entered into pension plans with those of the Group's employees who are eligible. The Group has entered into both defined contribution plans and defined benefit plans.

Defined contribution plans
The Group finances the plans by paying premiums to an independent insurance company that is responsible for the pension obligations. Once the pension contributions to the defined contribution plans have been paid, the Group has no further pension obligation to current or retired employees.

Defined benefit plans
The Group operates defined benefit plans with employees of the Group´s subsidiaries in Germany and Sweden.

FINANCIAL IMPACT OF PLANS

EUR million	2021/22	2020/21
Analysis of liability in the consolidated statement of financial position		
Fair value of plan assets	47	45
Present value of defined benefit obligations	(139)	(158)
Net liability recognised in the consolidated statement of financial position	**(92)**	**(113)**
Analysis of total expense recognised in the consolidated income statement		
Current service cost	(5)	(1)
Past service cost and gain from settlements	-	-
Charged to staff costs	**(5)**	**(1)**
Interest on pension liabilities	(2)	(1)
Other	3	2
Credited/(charged) to finance costs	**1**	**1**
Total expense recognised in the consolidated income statement	**(4)**	**-**
Analysis of amount recognised in the consolidated statement of comprehensive income		
Actuarial gain/(loss)	23	(4)
Taxation	(6)	1
Total amount recognised in the consolidated statement of comprehensive income	**17**	**(3)**

6.2 EMPLOYEE BENEFIT OBLIGATIONS - CONTINUED

EUR million	2021/22	2020/21
Fair value of plan assets		
At the beginning of the period	45	-
Business acquisitions	-	44
Other	3	2
Employer's contributions	(2)	(1)
Fair value gain on plan assets	1	-
As of 31 July	**47**	**45**
Present value of defined benefit obligations		
At the beginning of the period	(158)	-
Business acquisitions	-	(156)
Current service cost	(5)	(1)
Interest cost	(2)	(1)
Benefits paid	3	4
Actuarial gain/(loss) - demographic assumptions	23	(4)
Actuarial gain/(loss) - financial assumptions	(1)	(0)
Currency translation	1	-
As of 31 July	**(139)**	**(158)**

	31 July 2022	31 July 2021
Analysis of present value of defined benefit obligations		
Amounts arising from wholly unfunded plans	(62)	(69)
Amounts arising from plans that are wholly or partly funded	(77)	(89)
Total	**(139)**	**(158)**
Analysis of present/fair value of plan assets		
Property	47	45
Total	**47**	**45**

The actuarial calculations as of 31 July 2022 are based on the following assumptions:

	Germany	Sweden
Discount rate	2.79%	3.40%
Rate of inflation	2.50%	2.80%
Increases to pensions in payment	2.50%	3.80%
Increase in salary	2.10%	3.80%
Current pensioners	1,120	762
Future pensioners	774	601

6.2 EMPLOYEE BENEFIT OBLIGATIONS - CONTINUED

Sensitivity analysis

The Group considers that the most sensitive assumptions are the discount rate, inflation and life expectancy. Below presented as a weighted view across the active benefit plans.

- A change in discount rate of +/- 0.25% respectively would impact the defined benefit obligation by -4% or +5% respectively.
- A change in the inflation rate of +/-0.25% respectively would impact the defined benefit obligation by +3% or -3% respectively.
- Changing expectations for the number of years of life after retirement with 1 year would increase the defined benefit obligation by 5%.

ACCOUNTING POLICIES

Post-employment obligations

Contributions to defined contribution pension plans and other post-retirement benefits are charged to the income statement as incurred. For defined benefit plans, obligations are measured at discounted present value (using the projected unit credit method) whilst plan assets are recorded at fair value. The operating and financing costs of such plans are recognised separately in the consolidated income statement; service costs are spread systematically over the expected service lives of employees and financing costs are recognised in the periods in which they arise.

Actuarial gains and losses are recognised immediately in the consolidated statement of other comprehensive income. Payments to defined contribution schemes are recognised as an expense as they fall due.

Where a plan shows a surplus funding, the asset recognised is limited to the present value of any amount which the Group expects to recover by way of refunds or a reduction in future contributions.

6.3 CASH FLOW, ADJUSTMENTS AND REVERSALS

EUR million	2021/22	2020/21
Financial income	(21)	-
Financial expenses	100	26
Depreciation and amortisation	171	37
Gain from sale of properties and equipment	(2)	-
Change in provisions	6	-
Income tax	60	18
Adjustments and reversals, non-cash	**314**	**81**

6.4 CASH FLOW, CHANGES IN WORKING CAPITAL

EUR million	2021/22	2020/21
(Increase) / decrease in inventories	(177)	(2)
(Increase) / decrease in trade and other receivables	(32)	15
Increase / (decrease) in trade and other payables	125	166
Changes in working capital	**(84)**	**179**

6.5 CONTINGENT LIABILITIES

As part of the Group's ordinary operations, the Group is involved in various legal proceedings and disputes. The outcome of these legal cases is not expected to have a material significance for the Group's financial position.

§ ACCOUNTING POLICIES

Contingent liabilities

A contingent liability is disclosed when the Group identifies a possible obligation that arises from past events and where the existence will be confirmed only by one or more uncertain future events outside the Group's control, it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured sufficiently reliably.

Contingent liabilities are disclosed based on the best estimate of the expenditure required to settle the potential obligation at the end of the reporting period.

6.6 FEE TO STATUTORY AUDITORS

EUR million	2021/22	2020/21
Statutory audit	2	1
Assurance engagements	0	0
Tax advisory	0	0
Other services	0	0
Total fee to statutory auditors	**2**	**1**

6.7 SECURITIES

The shareholdings in the major group companies have been pledged as security for the external financing obtained by the Parent Company, Winterfell Financing S.à r.l. and the same major group companies are jointly and several liable for the Term loan B amounting to EUR 1,345m and the Senior Revolving Credit facilities agreement with lenders up to EUR 200m.

The Senior Revolving Credit facilities were not drawn as of 31 July 2022.

As of 31 July 2022, the Group had pledged properties with a book value of EUR 21m as security for the secured bank loans.

6.8 RELATED PARTIES

On 3 May 2021 the sole shareholder, Winterfell S.à r.l. provided a EUR 450m subordinated shareholder Loan to the Parent Company, Winterfell Financing S.à r.l. The Loan will mature on 26 April 2031. Interest on the loan is set to reflect an arm's length transaction. Interest expensed in the current financial year amounts to EUR 20m, and the loan balance as of 31 July 2022 amounts to EUR 475m including accrued interest. Interest is payable on maturity.

Remuneration to key management personnel is disclosed in note 2.3.

Controlling interest
The ultimate shareholders of the Company are limited partnerships with CVC Capital Partners VII Limited acting as General Partner.

6.9 SUBSEQUENT EVENTS

In April 2022, the Group signed a contract to acquire Konz in Germany. With the acquisition of Konz, STARK Group strengthens its foothold in two fast-growing growth areas in Europe's largest market for heavy building materials, Stuttgart and Dresden. The acquisition was closed as of 1 August 2022 and will be included in the consolidated financial statements in 2022/23 and onwards. The consideration for Konz amounts to EUR 41m and is financed with existing available facilities. Konz has an annual net sales of approx. EUR 110m and an EBITDA of around EUR 4m.

In November 2022, STARK Group has signed an agreement to acquire Norwegian FagFlis, Norway's leading distributor and retailer of ceramic tiles for professional craftsmen, as well as the Swedish FF Kakel. FagFlis and FF Kakel have an annual turnover of approx. EUR 63m and an annual EBITDA of around EUR 9m. The consideration amounts to EUR 42m and will be financed with existing facilities. Closing is expected to take place in December 2022.

6.10 LIST OF GROUP COMPANIES

Name	Registered office	Voting and ownership share
Parent:		
Winterfell Financing S.à r.l.	Luxembourg	
Subsidiaries:		
Denmark and Greenland:		
STARK Group A/S	Frederiksberg, Denmark	100%
LSF10 Wolverine BidCo ApS	Frederiksberg, Denmark	100%
STARK Sourcing A/S	Frederiksberg, Denmark	100%
STARK Danmark A/S	Aarhus, Denmark	100%
Electro Energy A/S	Albertslund, Denmark	100%
Arnum Rør ApS	Haderslev, Denmark	100%
Stark Kalaallit Nunaat A/S	Nuuk, Greenland	100%
Germany:		
Winterfell Germany GmbH	Offenbach, Germany	100%
Stark Group Holding Germany GmbH	Frankfurt, Germany	100%
Stark Deutschland GmbH	Offenbach, Germany	100%
Melle Gallhöfer Dach GmbH	Neus, Germany	100%
Fliesen Discount GmbH	Berlin, Germany	100%
Dr. Sporkenbach GmbH	Magdeburg, Germany	100%
Muffenrohr Tiefbauhandel GmbH	Ottersweier, Germany	100%
Platten Peter Fliesenzentrum Nord GmbH	Münster, Germany	100%
Dämmisol Baustoffe GmbH	Berlin, Germany	94.94%
Saxonia Baustoffe GmbH	Dresden, Germany	87.50%
Sporkenbach GbR	Magdeburg, Germany	80.95%
Balzer Group:[1]		
Balzer Verwaltungsgesellschaft mbH	Marburg, Germany	67.40%
Chr. Balzer GmbH & Co. KG	Marburg, Germany	67.34%
Austria:		
STARK Group Holding Austria GmbH	Eberstalzell, Austria	100%
Dach und Wand handels GmbH	Eberstalzell, Austria	100%
Sweden:		
Winterfell Sweden AB	Stockholm, Sweden	100%
DT Holding (Sweden) AB	Stockholm, Sweden	100%
Beijer Byggmaterial AB	Stockholm, Sweden	100%
Vagn Jensens Byggkomponenter AB	Trelleborg, Sweden	100%
Kakeldax i Sverige AB	Stockholm, Sweden	100%
Centro Kakel & Klinker AB	Stockholm, Sweden	100%
100 Procent Proffs Bandhagen AB	Stockholm, Sweden	100%
100 Procent Proffs Rotebro AB	Stockholm, Sweden	100%
BraByggare Sverige AB	Stockholm, Sweden	50%
Vivaldi AB	Stockholm, Sweden	51%
Lund Sandby 6:45 AB	Malmö, Sweden	100%
Sierra-Stark HoldCo AB	Sollentuna, Sweden	100%
Finland:		
Stark Suomi Oy Espoo, Finland 100%	Espoo, Finland	100%
Norway:		
Neumann Bygg AS	Oslo, Norway	100%
Stark Norway Propco AS	Bergen, Norway	100%
Margrethe Jørgensen Vei 6 AS	Bergen, Norway	100%

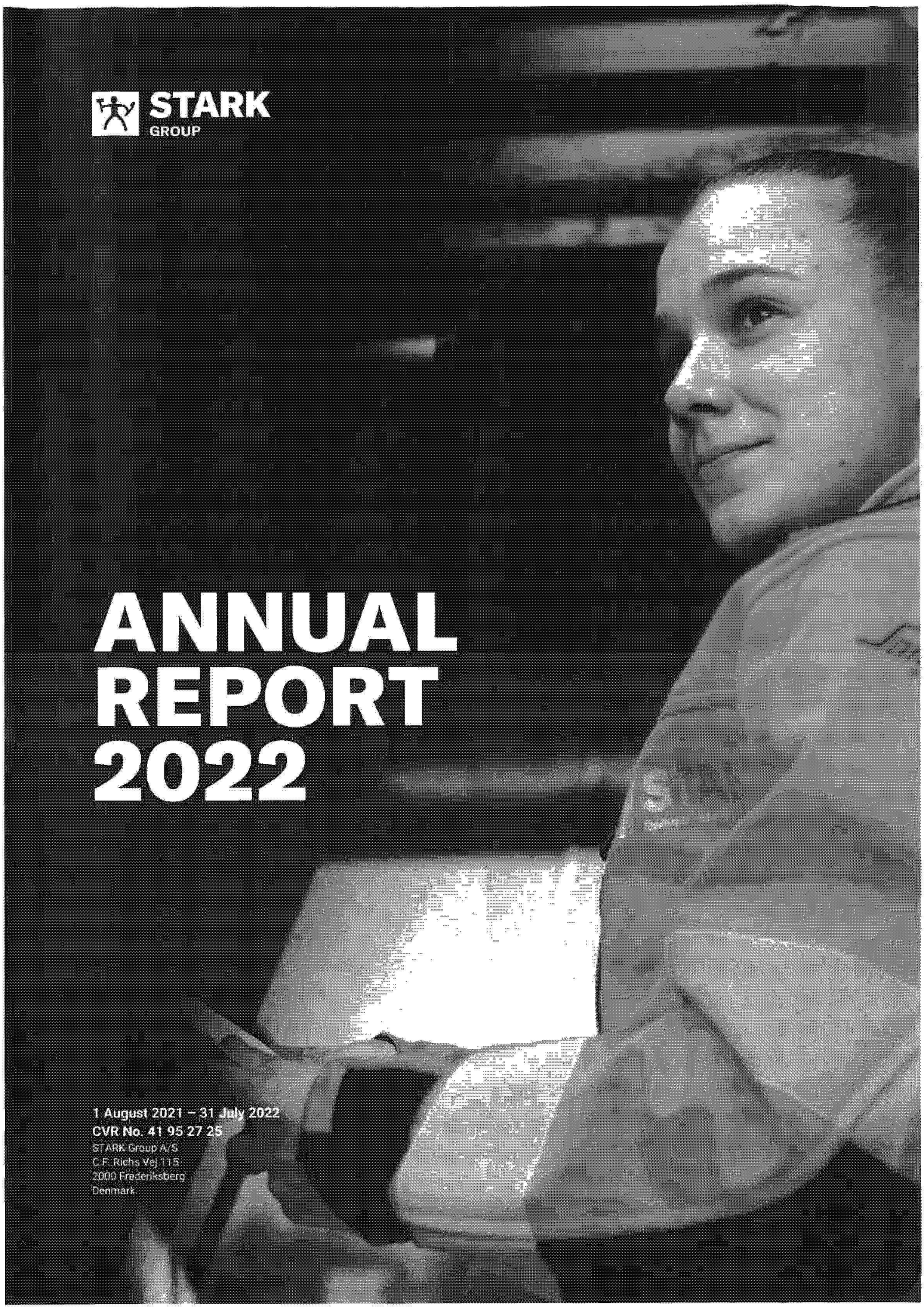
1. The companies in the Balzer Group are owned through both vertical and horizontal ownerships and in total, the Group owns approximately 50% and as such is deemed to have controlling influence. In this overview only the two top entities of the Balzer Group are included. The Balzer Group in total comprises 8 entities.
Measured on net sales, the Balzer group represents about 5% of the total German business.

COMPANY INFORMATION

Company	Winterfell Financing S.à r.l. 20, avenue Monterey L-2163 Luxembourg R.C.S. Luxembourg: B 250.784 Financial year: 1 August – 31 July Incorporated: 15 December 2020 Current financial period: 1 August 2021 – 31 July 2022
Board of Directors	Carmen André Caroline Goergen Christoffer Helsengreen Sjoqvist
Auditor	Deloitte Audit S.à r.l.

STARK
GROUP

ANNUAL REPORT 2022



1 August 2021 – 31 July 2022
CVR No. 41 95 27 25
STARK Group A/S
C.F. Richs Vej 115
2000 Frederiksberg
Denmark

WE BUILD OUR FUTURE BY HELPING OTHERS BUILD THEIRS

TRUST BUILDS THE FUTURE

CONTENTS

MANAGEMENT'S REVIEW

IN BRIEF

STARK Group at a glance 4
Letter from the CEO 5
Financial highlights 7
Key events 2021/22 8
Business review 10

STRATEGY

Strategy 16
Business model 19
Sustainability 20

GOVERNANCE

Risk management 22
Key risks 23
Data ethics 24
Executive Management 26

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Management's Statement 29
Independent auditor's report 30
Income Statement 32
Comprehensive Income 33
Statement of Financial Position 34
Statement of Changes in Equity 36
Cash Flow Statement 37
Notes – Consolidated Financial Statements 38

PARENT COMPANY FINANCIAL STATEMENTS

Income Statement 77
Statement of Financial Position 78
Statement of Changes in Equity 80
Notes – Parent Company Financial Statements 81
Company Information 89

Group

The Annual Report of STARK Group A/S (hereinafter referred to as STARK Group to denote the consolidated group of companies) includes consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements of the Danish Financial Statements Act, and parent company financial statements prepared in accordance with the Danish Financial Statements Act.

Forward-looking statements

The Annual Report contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond the Group's control, may cause actual developments and results to differ materially from expectations contained in the Annual Report.

STARK GROUP AT A GLANCE

STARK Group is a leading business-to-business distributor of heavy building materials in the Nordics and Germany, with a strategic focus on serving small and medium sized enterprises (SME) in the renovation, maintenance and improvements (RMI) end-market. STARK Group has a strong footprint in faster growing urban areas, particularly in and around large cities and national capitals, where population growth is above the national average.

STARK Group bridges the gap between suppliers and customers by playing a critical role in a complex value chain. For the 275k customers, the Group provides a deep, competitively priced product range, essential technical product expertise as well as logistical support, offered through the densely populated distribution network.

The Group has a critical role in assisting more than 10k suppliers in gaining cost-efficient access to the large and growing, but fragmented SME market while it simultaneously provides key value-added services such as deep insight into customer purchasing patterns, efficient logistics and aftersales care.

Headquartered in Denmark, STARK Group has in recent years more than doubled in size through organic growth and acquisitions and today holds leading positions in all its markets.

STARK Group has pioneered the industry for more than 120 years and continues to do so.

SEGMENTS

STARK Group's operations are in the Nordics and Germany, which represent the two reporting segments.

NORDICS

The Nordics segment accounts for STARK Group's operations in Denmark (including Greenland), Sweden, Finland and Norway under the STARK Danmark, Beijer Byggmaterial, STARK Suomi and Neumann Bygg business units, respectively.

For the 12 months ended on 31 July 2022, the Nordics segment represented 55% of STARK Group's net sales.

GERMANY

The German segment accounts for STARK Group's operations in Germany (including one branch in Luxembourg) under the STARK Deutschland business unit as well as its operations in Austria.

For the 12 months ended on 31 July 2022, the German segment represented 45% of STARK Group's net sales.

THE GROUP

The Group was established on 16 December 2020 when the parent company and subsidiaries in Sweden and Germany were incorporated by the ultimate owners, CVC Capital Partners Fund VII.

The Group was established to prepare for the acquisition of STARK Group, which was signed and announced on 8 January 2021. The acquisition of STARK Group was subject to customary antitrust approvals.

The European Commission approved the acquisition on 30 April 2021, allowing CVC Capital Partners Fund VII to take a 100% ownership stake in STARK Group. STARK Group was previously owned by Lone Star Funds since 2018.

As of 4 May 2021, the acquisition of STARK Group was completed and from that date the operations of STARK Group are included in the group results. Before the acquisition, the Group was essentially dormant.

LETTER FROM THE CEO

It is with great pleasure that I introduce our Annual Report 2022 in highlights.

The most important messages I want to convey are, on the one hand, pride of what we have achieved in collaboration with customers, suppliers, and partners and, on the other hand, my sincere gratitude to our people for their commitment. Together, we managed to navigate challenges in a year that has been extraordinary in every sense of the word.

Commercially, we were unexpectedly busy. Financially, we generated net sales that were out of the ordinary. And people-wise, we saw record-high customer and employee engagement. At the same time, we leapfrogged our business platform by opening new branches from greenfield and signing 12 acquisitions during the year.

Leaving our financial year 2022, we are truly ahead of our own expectations. 2022 was truly extraordinary.

EXTRAORDINARY PERFORMANCE

The past year played out on a backdrop of challenging macro-economics and geopolitical unrest. Rising inflation rates over the year were followed by central banks diligently increasing interest rates towards the end of our financial year. Political tensions led to war close to our markets and was followed by plummeting consumer confidence and additional strain on the availability of certain building materials.

Despite this, the retail and distribution market for building materials has been busy. Our activity levels were very high, in particular, during the first half of our financial year. Our people worked very hard to meet customer needs in a marketplace in which securing availability and managing prices was a challenge.

Our net sales ended at close to EUR 6 billion, a 21% growth rate over last year. Close to half of the improvement de-rived from acquisitions carried out in the past two years, while the other half was due to very high activity levels, inflation, and market share gains.

We secured our gross margin which was stable at 25.7% and kept our operating costs under control.

Our Adjusted EBITDA ended at EUR 479 million. This was a result out of the ordinary that mirrored a busy year.

I am grateful for our colleagues' extraordinary efforts. I am also very pleased to note that we together with our suppliers successfully turned a sharp corner despite limited visibility and often heated discussions, to the benefit of professional craftsmen whose needs we live and breathe to serve.

REINVESTING FOR GROWTH

Solid financial performance allowed us to reinvest in our business. In the past year, we reinvested EUR 284 million in acquisitions, new and refurbished branches and in improving our digital solutions and IT security.

During our financial year, we signed 12 acquisitions, most of them bolt-on to our existing network of generalists in heavy building materials. By making our network denser in growth areas close to building sites, we improved our offering to professional craftsmen who value proximity, professional advice, and ease of working with us.

In addition, we made solid progress on building a footprint within specialist categories such a tiles, roofing and façade, and civil engineering. By acquiring roofing and façade specialist Dach & Wand Handels GmbH, we expanded our geographical footprint into Austria, which is close to the size of our Swedish market and is distinguished by high professional standards in the building and construction industry.

These are markets for which our strategy is particularly well suited.

LETTER FROM THE CEO

WHY I AM CONFIDENT IN OUR FUTURE

What does the future hold? No one knows, but I am confident that our future is prosperous.

Here is my thinking: We will likely see a continuation of a challenged macro-economic environment and geopolitical unrest for some time. It will continue to adversely impact the newbuild segment and consequently also impact recent years' significant uptake in the entire construction industry.

We have positioned our business in markets and segments that will be attractive to our industry over the coming years.

We have built our strategy to serve small and medium-sized enterprises of professional craftsmen in the market for renovation, maintenance, and improvement (RMI). The RMI end-market has more cyclical resilience than the newbuild market.

In addition, the populations in the Nordics, Germany and Austria continue to grow, and that will require more and better housing, office spaces, as well as new and renovated buildings over the coming decade.

Renovations for energy efficiency and the EU Green Deal stimuli package will contribute too.

We can now look back at what were unprecedented challenging and good years for the construction industry and for retailers and distributors of building materials.

We have used recent years to strengthen our business. We are well positioned in the marketplace. Our customers appreciate what we do. Our organisational health is sound. And we have a solid leadership team that has experience navigating challenging, volatile times.

I am confident that we are fit for whatever the future may bring.

SØREN P. OLESEN

GROUP CEO

FINANCIAL HIGHLIGHTS

EUR million	2021/22	2020/21[1]
Income Statement		
Net sales	5,995	1,474
Gross profit	1,541	376
EBITDA	459	101
Adjusted EBITDA[2]	479	125
Depreciation and amortisation of non-current assets	(171)	(37)
EBIT	288	64
Financial items, net	(102)	(24)
Earnings before tax	186	40
Net earnings	132	22
Balance sheet		
Total assets	4,942	4,431
Intangible non-current assets	1,806	1,730
Tangible non-current assets	1,453	1,298
Equity	692	541
Net interest-bearing debt	1,577	1,410
Investments in property, plant and equipment	71	16
Capital expenditure (Capex), total[3]	95	21
Operational Capex, total[4]	55	12
Operational Capex, base[5]	32	8
Operational Capex, development[6]	23	4
Cash flow		
Cash flow from operating activities	230	300
Cash flow from investing activities	(269)	(2,173)
Cash flow from financing activities	(25)	2,202
Total cash flow	(64)	329
Key ratios		
Gross profit margin[7]	25.7%	25.5%
EBITDA margin[8]	7.7%	6.9%
Adjusted EBITDA margin[9]	8.0%	8.5%

Please also refer to proforma Business Review with like for like comparisons from page 14.

1 2020/21 includes 3 months of operating activities for STARK Group from the acquisition on 4 May 2021

2 Adjusted EBITDA is defined as EBITDA excluding non-recurring items
Non-recurring items are items of a material and exceptional nature which are adjusted for to provide a better understanding of the underlying performance of the Group.

3 Capital expenditure (Capex) consists of investments in property, plant and equipment and investments in intangible assets (IT software).

4 Operational Capex (capital expenditures) is related to the normal business and excludes Freehold Capex
Freehold Capex includes investments in new land/properties as well as upgrades/refurbishments to existing ones.

5 Base Capex relates to maintaining the normal operations of the business

6 Development Capex relates to expansion of the business to improve earnings capabilities or secure compliance

7 Gross profit as a percentage of net sales

8 EBITDA as a percentage of net sales

9 Adjusted EBITDA as a percentage of net sales

KEY EVENTS 2021/22

THROUGHOUT THE YEAR

Navigating in another year of Covid-19

Navigating coronavirus restrictions and volatile Covid-19 infection rates continued to be a challenge for the business throughout the winter of 2021-22, not least in Germany and Finland. The health and safety of employees and customers was STARK Group's main priority, and fortunately, the Group did not experience any severe outbreaks at any of its facilities. The Group has managed well overall during the pandemic.

FEBRUARY

Entering the Austrian market and building scale in specialist areas

On 17 February, STARK Group acquired the Austrian roofing and façade building material distributor Dach & Wand Handels GmbH. The transaction expanded the Group's geographical footprint and added volume to the roofing and façade specialist category following the Group's entry through the acquisition of Melle Gallhöfer in 2021.

In total, STARK Group signed 12 acquisitions during the financial year. These include the Group's third and fourth largest acquisitions in recent years: German generalist Konz and German civil engineering retailer and distributor Tröger & Entenmann Group.

During the financial year, STARK Group expanded its business platform through acquisitions across all its operations in Germany, Denmark, Sweden, Finland, and Norway.

MARCH

Ambitious climate targets approved by SBTi

The Science Based Targets initiative (SBTi) approved STARK Group's ambitious targets and plans to reduce CO2 emissions to zero by 2050 at the latest. The initiative verified the Group's targets to reduce carbon emissions by 42% from own operations (scope 1 and 2) by 2030 and the plan to actively source 100% renewable electricity and reduce its total scope 3 emissions by 12% within the same timeframe.

The approval confirms the Group' climate plan as one of most ambitious in the industry. At the time of approval, only 22 Danish companies, including Ørsted, Vestas, Novo Nordisk and Carlsberg, had received the endorsement.

STARK Group is well-positioned to deliver on its climate ambition that is embedded in the UN Business Ambition for 1.5°C pledge. The Group has achieved a platinum rating for its sustainability policies, processes, actions, and results by EcoVadis. The platinum rating places STARK Group among the top 1% of the more than 75,000 companies that have been rated by this leading sustainability rating agency.

MARCH

European sponsorship award to STARK Finland

On 10 March, STARK Finland and Ari Huusela won the European Sponsorship Association's Best of Europe Gold Award. The parties were awarded for the sponsorship of Ari Huusela Ocean Racing.

Ari Huusela was the first Nordic participant to complete Vendée Globe. Completing the ocean race has been com-pared to climbing Mount Everest. Ari Huusela travelled 44,000 km. In 117 days. Alone. Crossing the Atlantic, the Indian and the Pacific oceans.

The sponsorship gained much publicity in Finland and met its goals for visibility before the race had even started. At the end of the 117 days of ocean racing, Finns didn't talk about "the boat" but about STARK and Ari.

STARK Group has several significant sponsorships, including the Swedish Ice Hockey team and the Beijer Hockey Games, the Danish national football team and the Finnish Olympic Team.

KEY EVENTS 2021/22

FEBRUARY-JULY

A clear stance and swift action in support of Ukraine
On 24 February, the European security regime changed when Russia invaded Ukraine. Shortly thereafter and before sanctions were agreed, STARK Group decided to stop purchasing directly from Russia and Belarus.

A branch of STARK Danmark initiated a collaboration with the Ukrainian embassy and volunteers. More than 350 tonnes of humanitarian aid was collected, sorted, packed, and transported to reception centres in Poland. From there, the aid was distributed and driven to nine areas in Ukraine.

In the late spring and summer, employees collected money for humanitarian aid. STARK Group owner, CVC, doubled the amount donated by the employees. The donation has been distributed through Save the Children, the Red Cross and the UN's refugee organisation UNHCR.

JUNE

Engaging with suppliers on resilience and sustainability
Working closely together through times of geopolitical conflict and sustainability took centre stage at the annual European Suppliers' Day on 15 June.

During the year, STARK Sourcing's European Supplier Programme facilitated frequent updates on the volatile market situation, working groups on sector specific topics and annual events with its largest suppliers who are members of the programme.

The number of suppliers in the European Suppliers' Programme increased in the year. The programme is the only suppliers programme of its magnitude and importance in the industry for heavy building materials.

BUSINESS REVIEW

Very strong performance in the financial year 2021/22 driven by high activity in the markets and supported by several value-accretive acquisitions in both the Nordics and Germany. The group successfully navigated a complex macro environment with high price volatility and pressures on supply-chain magnified by the tragic war in Ukraine.

The financial year 2021/22 was the second financial year of the Group and included 12 months of operations of STARK Group. The financial year 2020/21 included 3 months of operations of STARK Group from the acquisition as of 4 May 2021 until 31 July 2021. The financial years are therefore not directly comparable.

Financial year 2021/22
In the financial year, STARK Group delivered a very strong performance above expectations, amidst a volatile and challenging macro environment, supported by several value-accretive acquisitions in both the Nordics and Germany.

Especially in the first half of the year, the high activity levels from 2020/21 continued with healthy demand from both SME and large customers. The focused SME strategy continued to support the growth and win market shares and at the same time improve customer satisfaction (Net Promoter Score). Prices on commodities remained on a high level while inflation on other categories started to become more widespread.

In the second half of the year, the market situation became more uncertain with continued high and widespread inflation across almost all product categories and supply chain challenges driven both by the war in Ukraine and continued Covid-19 related lockdowns. Towards the end of the year, the prices on some commodities, especially Timber, seemed to gradually decrease following a slightly lower activity level and increasing supply.

The Group has until now successfully been managing the inflationary pressures and leveraged on its scale to secure product availability and protect net sales and gross margins.

Acquisitions
During the year, the Group completed several value-accretive acquisitions in both the Nordics and Germany of which the German façade and roofing specialist Melle Gallhöfer was the most significant. Beyond these acquisitions the Group has also entered a new market with a significant acquisition in Austria. The acquisitions are supporting both our Generalist and Specialist areas as well as Civil Engineering. Please refer to note 3.1 for further details.

Covid-19
Since the spring of 2020, the outbreak of Covid-19 has resulted in lower planning visibility and increased uncertainty. STARK Group has so far not experienced any material negative impact on the financial performance or been subject to branch closures or similar government-imposed restrictions as the business is considered critical infrastructure. The Group is still monitoring the situation to maintain a secure workplace for employees and ensure that customers can be serviced.

Adjusted income statements
In the financial year, the Group incurred non-recurring costs related mainly to integration, restructuring and strategic alignment of acquisitions.

To provide a more accurate view of the Group's underlying performance, adjusted figures excluding non-recurring items have been prepared. The adjusted figures are presented in the relevant sections below.

In the following section, a summary review of the financial year is presented. Please note that the comparisons only include 3 months of operations for STARK Group.

BUSINESS REVIEW

FINANCIAL YEAR 2021/22

CONSOLIDATED INCOME STATEMENT

The Consolidated income statement for the financial year 2021/22 included 12 months of operations of STARK Group compared to last financial year, which only included 3 months of operations of STARK Group from the acquisition on 4 May 2021. The amounts in the consolidated income statement are therefore not directly comparable. Please also refer to the proforma 12 months review starting on page 14.

Net sales in the year was EUR 5,995m with gross profit of EUR 1.541m and a gross profit margin of 25.7%. The performance was very satisfactory and driven by continued high activity in the markets supported by acquisitions and organic growth from successful strategy execution.

Total operating expenses were EUR 1,082m including non-recurring items of EUR 20m, which mainly related to M&A costs and other costs driven by acquisitions made during the year. Operating expenses are well in control and cost control remains a top focus area for the management.

EBITDA for the year adjusted for non-recurring items was EUR 479m as a result of a strong top-line and disciplined cost control.

Compared to the outlook for 2021/22 as set out in the consolidated financial statements for 2020/21 with reported net sales in the range of EUR 5,3bn to EUR 5.6bn and adjusted EBITDA in the range of EUR 390m to EUR 410m, the Group has achieved results that are significantly better. Main drivers behind the strong performance have been described above with support from acquired businesses during the year, which were not known at the time of the outlook.

Adjusted Income Statement			2021/22			2020/21
12 months of STARK Group operations in 2021/22 (3 months in 2020/21) EUR million	Reported	Non-recurring items	**Adjusted**	Reported	Non-recurring items	**Adjusted**
Net sales	5,995		**5,995**	1,474		**1,474**
Cost of sales	(4,454)		**(4,454)**	(1,098)		**(1,098)**
Gross profit	1,541		**1,541**	376		**376**
Gross profit margin %	25.7%		**25.7%**	25.5%		**25.5%**
Staff costs	(707)	(3)	**(704)**	(171)	(2)	**(169)**
Other external operating expenses	(375)	(17)	**(358)**	(104)	(22)	**(82)**
Total operating expenses	(1,082)	(20)	**(1,062)**	(275)	(24)	**(251)**
EBITDA	**459**	**(20)**	**479**	**101**	**(24)**	**125**
EBITDA margin %	7.7%		**8.0%**	6.9%		**8.5%**

Depreciation and amortisation amounted to EUR 171m for the year, reflecting depreciation and amortisation of tangible and intangible assets of EUR 87m and EUR 84m related to right of use assets (IFRS 16). The level of depreciation and amortisation was impacted by the fair value assessment of tangible assets and recognition of intangible assets from the acquisition of STARK Group as of 4 May 2021.

Financial expenses for the year were EUR 102m of which EUR 70m were related to financing from related parties, EUR 14m to calculated interest on leasing debt and other financial items of EUR 18m.

Income tax was EUR 54m with an effective tax rate of 29%. Effective tax rate is impacted by limitation of interest deduction and non-deductible M&A costs.

Other comprehensive income consisted of net gain of EUR 6m related to exchange gains from translation of foreign operations and net gain of EUR 17m from actuarial gains on retirement benefit plans.

BUSINESS REVIEW

FINANCIAL YEAR 2021/22

Adjusted Segment Income Statement	Nordics		Germany	
12 months of STARK Group operations in 2021/22 (3 months in 2020/21) EUR million	2021/22	2020/21	2021/22	2020/21
Net sales	**3,277**	818	**2,718**	656
Cost of sales	**(2,395)**	(596)	**(2,059)**	(502)
Gross profit	**882**	222	**659**	154
Gross profit margin %	**26.9%**	27.1%	**24.2%**	23.6%
Staff costs	**(398)**	(98)	**(306)**	(71)
Other external operating expenses	**(193)**	(46)	**(165)**	(36)
Total operating expenses	**(591)**	(144)	**(471)**	(107)
EBITDA	**291**	**78**	**188**	**47**
EBITDA margin %	**8.9%**	9.5%	**6.9%**	7.2%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Intangible assets
Total intangible non-current assets amounted to EUR 1,806m as of 31 July 2022 (31 July 2021: EUR 1,730m) and consisted primarily of goodwill, trade names and customer relations identified in connection with the acquisition of STARK Group as of 4 May 2021.

Additions during the year relates to goodwill and intangibles recognized on acquired businesses and investments in software of EUR 24m. The impairment test confirms that intangible non-current assets are not impaired.

Tangible assets
Total tangible non-current assets amounted to EUR 1,453m as of 31 July 2022 (31 July 2021: EUR 1,298m). The amount was primarily related to owned properties, which amounted to EUR 732m and in addition, EUR 553m has been recognized as right of use assets (primarily leased properties) in accordance with IFRS 16. Capital expenditure during the year amounted to EUR 71m.

Capital expenditure (Capex)
During the financial year, the Group continued to invest in and expand the branch network to support growth.

Total capital expenditure was EUR 95m, of which EUR 55m was related to operational Capex and EUR 40m was related to freehold investments. The level for operational Capex was EUR 10m higher than last year (proforma), driven mainly by increased investments in digital solutions and IT security.

In relation to freehold investments, the Group has expanded and upgraded strategic locations in the branch network, including in Germany and Greenland.

In addition to the investments, the Group divested properties and other assets during the year with a total positive cash impact of EUR 15m.

Working capital
Trade working capital (inventories, trade receivables less trade payables) for the Group was EUR 286m as of 31 July 2022 (31 July 2021: EUR 113m). All components of trade working capital increased over last year, mainly due to acquisitions and price inflation.

For inventories specifically, coverage levels were increased during the Spring of 2022 to secure product availability.

Developments in other working capital components were in accordance with expectations and in line with the performance of the business.

BUSINESS REVIEW

FINANCIAL YEAR 2021/22

CONSOLIDATED CASH FLOW STATEMENT

Operating activities
Operating activities generated a positive cash flow of EUR 230m in 2021/22. The positive inflow was driven by the strong result. Working capital generated an outflow of EUR 88m driven mainly by increased inventories as discussed in the previous section. Interest and tax payments were in line with expectations and reflecting a full-year period compared to only 3 months in the previous year.

Investing activities
Investing activities during the year amounted to a net cash out flow of EUR 269m, which related mainly to acquisitions completed during the year of EUR 189m. Net investments in tangible and intangible non-current assets amounted to EUR 80m.

Financing activities
Net cash flow from financing activities amounted to an outflow of EUR 25m, which mainly related to instalments on leasing debt of EUR 77m and proceeds from loans from related parties of EUR 58m.

OUTLOOK 2022/23

Visibility for the coming financial year 2022/23 is significantly reduced, mainly due to the current macro-economic situation of continuing high inflation, increasing interest rates and potential recessions in one or more of our key markets. However, this is offset by positive demographic developments and governmental focus on energy renovations.

The Group expects a stable top line for the coming year. Price inflation is expected to remain high for the first months in the financial year, before stabilising later in the financial year. Activity in the market is expected to be a bit softer compared to 2021/22, especially towards the end of the coming financial year. The top line will be supported by full-year run-rate effects from acquisitions made in 2021/22.

As for adjusted EBITDA, the Group expects a stable to slightly increasing level in 2022/23 compared to 2021/22 that will be driven by continued cost control and the positive run-rate impact from acquisitions. The Group expects to be able to partially offset inflation on the cost base, particularly in terms of labour costs and through efficiency measures and synergies from acquired businesses.

Alongside the integration of recently completed acquisitions, the Group will continue to pursue relevant and value creating M&A opportunities.

Including acquisitions completed up to the date of this report, the Group expects to deliver the following for 2022/23:

- Reported net sales in the range of EUR 6.1 billion to EUR 6.5 billion
- Adjusted EBITDA in the range of EUR 480 million to EUR 510 million

The outlook for 2022/23 is based upon assumptions and estimates that, while prepared with numerical specificity and considered reasonable, are inherently subject to significant business, operational, economic, political, legal and competitive uncertainties and contingencies, many of which are beyond the company's control and influence, and upon assumptions with respect to future business decisions that are subject to change. The outlook may deviate substantially from actual developments and the actual results of operations are likely to deviate, and may deviate materially, from the outlook, since anticipated events may not occur as expected.

BUSINESS REVIEW

PROFORMA 12 MONTHS REVIEW

To better understand the underlying performance in the year, an adjusted summary income statement with 12 months proforma comparisons for STARK Group has been presented below. The proforma comparisons include the 9 months performance of STARK Group in the period August 2020 to April 2021 before the inclusion into the Group. Acquisitions are included from the time of closing.

The income statement has been adjusted to exclude non-recurring items. In the financial year 2021/22, the non-recurring items mainly related to acquisitions made during the year and subsequent restructuring and integration into the Group. In 2020/21, the non-recurring items mainly related to the acquisition of STARK Group and continued integration of acquisitions made by STARK Group before the inclusion into the Group.

To supplement the proforma income statement, adjusted proforma segment income statements for the two segments, Nordics and Germany, have also been included.

Adjusted Proforma Income Statement

12 months of STARK Group operations EUR million	2021/22 Reported	2021/22 Non-recurring items	2021/22 **Adjusted**	2021/22 Δ%	2020/21 Reported	2020/21 Non-recurring items	2020/21 **Adjusted**
Net sales	5,995		**5,995**	**21.2%**	4,949		**4,949**
Cost of sales	(4,454)		**(4,454)**	**21.0%**	(3,683)	(2)	**(3,681)**
Gross profit	1,541		**1,541**	**21.5%**	1,266	(2)	**1,268**
Gross profit margin %	25.7%		**25.7%**	**0.1 pp**	25.6%		**25.6%**
Staff costs	(707)	(3)	**(704)**	**11.5%**	(638)	(6)	**(632)**
Other external operating expenses	(375)	(17)	**(358)**	**20.5%**	(321)	(24)	**(297)**
Total operating expenses	(1,082)	(20)	**(1,062)**	**14.4%**	(959)	(30)	**(929)**
EBITDA	**459**	**(20)**	**479**	**41.1%**	**307**	**(32)**	**339**
EBITDA margin %	7.7%		**8.0%**	**1.1 pp**	6.2%		**6.9%**

Net sales
Net sales grew by 21.2% to EUR 5,995m for the year fuelled by strong underlying market demand especially in the first half of the year. The Group continued to gain market share as a result of its focused SME strategy. In the last part of the year, market activity slowed in part due to uncertainty resulting from the war in Ukraine and the significant and wide-spread inflation.

Organic growth excluding acquisitions and currency impact was 11.3%. Growth from acquisitions included during the financial year was 9.8%, the most significant were made in Germany and Sweden. Currency impact was positive by 0.1%.

The Nordics grew by 17.3% mainly driven by strong market conditions, continued market share gains and acquisitions. Organic growth excluding acquisitions and currency impact was 13.2%. All Nordic businesses reported strong growth for the year.

Net sales in Germany grew by 26.1% with organic growth excluding acquisitions and currency impact of 9.2%. Market activity continued at a high level during the first part of the year followed by a slowing trend in the last part that was mainly driven by increased market uncertainty, high inflation and some supply chain pressure. Good execution of our SME strategy supported the strong performance.

BUSINESS REVIEW

PROFORMA 12 MONTHS REVIEW

Gross profit and gross margin
Adjusted gross profit grew by 21.5% to EUR 1,541m, which was mainly driven by the strong organic growth in net sales and supported by acquisitions. Organic growth excluding acquisitions and currency impact was 12.7%. Currency impact was 0.0% for the year.

Gross margin was stable at 25.7% (up by 0.1 of a percentage point). Maintaining the gross margin levels was challenged by the high price volatility, supply chain pressures and shifts in activity levels. The Group maintained its focus on effective price management, strategic sourcing initiatives with support from own brands and a growing share of SME sales, which all supported margin developments. In addition, there was support from acquired specialist businesses (especially within the tiles category), which operate at slightly higher margins.

In the Nordics, the gross profit grew by 19.2% to EUR 882m driven by growth in net sales and an improved gross margin. Organic growth excluding acquisitions and currency impact was 14.2%. Gross margin was supported by a positive product mix from acquired businesses and positively impacted by effective management of price volatility during the year.

In Germany, the gross profit grew by 24.8% to EUR 659m driven by the strong net sales growth supported by acquisitions. Organic growth excluding acquisitions and currency impact was 10.5%. Gross margin was slightly lower, mainly due to acquired businesses within Roofing, which have below-average margins.

Operating expenses
Staff costs and other operating expenses were well under control during the financial year thanks to a persistent focus on cost discipline. This remains a top priority due to the reduced forward-looking planning visibility and market volatility.

Staff costs excluding non-recurring items increased by 11.5% to EUR 704 million in the year including a currency impact of 0.1% and impact from acquisitions of 8.2%. Organic growth was 3.2%. Staff costs increased mainly due to a higher number of staff to serve customers and support growth and due to salary increases following union agreements and normal inflation. Employee bonuses increased as a result of the strong performance.

Other operating expenses excluding non-recurring items increased by 20.5% to EUR 358m for the year including a currency impact of 0.3% and impact from acquisitions of 11.0%. Organic growth was 9.2%, driven mainly by normal inflation across cost categories, additional infrastructure costs due to extraordinary price increases on energy and generally increased activity across the Group.

EBITDA
Adjusted EBITDA grew by 41.1% to EUR 479 million as a result of the above dynamics. Growth in net sales and improvements in gross margin flowed through to EBITDA while the careful cost discipline and synergies secured strong growth in EBITDA well above growth in gross profit.

Adjusted Proforma Segment Income Statement	Nordics			Germany		
12 months of STARK Group operations EUR million	2021/22	2020/21	Δ%	2021/22	2020/21	Δ%
Net sales	**3,277**	2,792	17.3%	**2,718**	2,157	26.1%
Cost of sales	**(2,395)**	(2,052)	16.6%	**(2,059)**	(1,629)	26.5%
Gross profit	**882**	740	19.2%	**659**	528	24.8%
Gross profit margin %	**26.9%**	26.5%	0.4 pp	**24.2%**	24.5%	-0.3 pp
Staff costs	**(398)**	(364)	9.2%	**(306)**	(268)	14.5%
Other external operating expenses	**(193)**	(162)	18.8%	**(165)**	(135)	22.6%
Total operating expenses	**(591)**	(526)	12.2%	**(471)**	(403)	17.2%
EBITDA	**291**	**214**	**36.4%**	**188**	**125**	**49.1%**
EBITDA margin %	**8.9%**	7.7%	1.2 pp	**6.9%**	5.8%	1.1 pp

STRATEGY

STARK Group is an international leader in the fragmented markets for distribution of heavy building materials.

STRATEGY

The world's population is growing, and key urban areas in the Nordics, Germany and Austria are experiencing an ongoing housing deficit with population growth rates well above European national averages. It is estimated that the populations of the Nordics, Germany and Austria will grow by 940,000 (0.8%) to 120.8 million in the period 2022-27. This will require more housing, office space and renovated buildings to accommodate inhabitants who expect high quality of life in more energy-efficient and sustainable cities.

STARK Group operates within a part of the building industry that is instrumental in building and renovating these cities. The Group is a builders' merchant and distributor of heavy building materials. It plays a crucial role in connecting manufacturers of building materials with professional craftsmen.

The Group sources more than 280,000 SKUs at scale from more than 10,000 suppliers, advises manufacturers about market developments and customer feedback, and makes products available to professional craftsmen from its densely knitted network of warehouses, branches and shops close to building sites. Professional craftsmen buy from STARK Group to obtain ease of procurement, advice, documentation, credit, and efficient distribution.

The business model on page 19 outlines the role of the Group, our key resources and the value created.

STARK Group estimates the total market for building materials in the Nordics and Germany at approx. EUR 160 billion annually. The retail distribution market for professional craftsmen focusing on heavy building materials such as timber, tiles, windows, plaster boards etc. accounts for approximately one third of the total market.

FOCUS ON ATTRACTIVE MARKETS AND SEGMENTS

STARK Group does business in a geopolitically stable region and focuses its business on a highly attractive market segment: Professional craftsmen working in small and medium-sized enterprises (SME) in the market for renovation, maintenance, and improvement (RMI).

The geographical footprint is in the Nordics, Germany and Austria, all of which exhibit robust market fundamentals including stable GDP growth, a stable regulatory environment as well as compelling structural growth drivers. These include urbanisation, population growth and a push for improved energy efficiency and sustainability in the existing housing stock.

The key market is the RMI end-market, which has relatively high cyclical resilience compared to the newbuild market. The RMI market benefits from the increasingly important market for energy efficiency, the EU Green Deal stimuli package and private investments to improve the existing housing stock through more energy efficient and sustainable solutions.

Customers are craftsmen in the market for small and medium-sized enterprises that mainly engage in small and medium-sized RMI projects or as subcontractors to large building companies in large renovation works.

The products are heavy building materials that by nature are large (e.g., timber, plasterboards and doors), heavy (e.g., steel and cement) and fragile (e.g., roof tiles and windows). Hence, the products are complex to distribute and require specialist skills and utilities when craftsmen procure different mixes of materials for delivery within a short timeframe. To meet craftsmen's needs, the Group also keeps a full assortment of power tools, fasteners, workwear, insulation, paint, etc.

STRATEGY

LEADERSHIP AND OPERATIONAL EXCELLENCE

STARK Group is organised and operates to win and consolidate the attractive market for heavy building materials.

The Group competes in the marketplace from leading market positions in the Nordics, Germany and Austria. It holds no. 1 positions in Germany, Denmark and Sweden, a no. 2 position in Finland, a no. 3 position in Austria and is a leading regional player in Norway in the categories and segments where it has chosen to compete. The Group operates under the STARK brand and strong local brand names such as Raab Karcher, Muffenrohr, Beijer and Neumann, among others.

STARK Group's strategy targets the needs of professional craftsmen in the SME segment and builds on seven pillars of operational excellence:

1. **SME focus** – preferred partner to SME customers
2. **Customer promise** – committed to offering a superior customer service experience
3. **Smart pricing** – customised systems and processes to optimise pricing dynamics
4. **Better sourcing** – shared sourcing function with local business unit anchor points
5. **Stronger network** – further improve efficiency and density of distribution network
6. **Digital leadership** – strengthen customer relationships through digitalisation of services
7. **Excellent operator** – strong, local decision-making and accountability supported by group-wide strategy and sharing of best practice

Services are developed and honed to make it easy and even more attractive to work with the Group.

These include 24/7 opening hours at destination branches in urban areas, 24/7 customer service, a promise to deliver On Time In Full (OTIF) at short notice, a densely knitted network of warehouses, branches and shops close to building sites, guaranteed availability of a large number of key products, competitive prices, personalised advice, documentation, credit and digital solutions that make it easy to work with STARK Group.

STARK Group successfully gains market share year by year. To accelerate growth, the Group makes value creating acquisitions that either expand the Group's network, have a potential for synergies or add capabilities to its business.

In recent years, STARK Group has expanded its leadership in the generalist market for heavy building materials into specialist areas. These include the markets for tiles, roofing and façade as well as civil engineering, as the Group has acquired specialist brands in Germany, Sweden, and Denmark.

LOCAL OWNERSHIP – GLOBAL LEADERSHIP

The Group has a decentralised operating model building on strong local ownership close to its markets. Decision-making powers are country-based and exercised at branch and business unit level. The branches work as national chains in integrated networks that share head office functions, sourcing, logistics handling, and marketing that enable significant scale advantages.

A group-wide sourcing unit has been established to reinforce local sourcing power from STARK Group's global scale. STARK Sourcing offers a single point of entry for suppliers, effective distribution as well as customer and market insights to suppliers, while securing availability and competitive pricing for craftsmen in their local markets.

In recent years, the Group has worked relentlessly to secure availability across markets, reduce sourcing and operating costs, built more efficient distribution networks and streamlined our leadership structure by enhancing local decision-making and accountability.

Lean corporate functions ensure efficient operations as close to customers as possible.

STRATEGY

ACCELERATING GROWTH THROUGH ACQUISITIONS

Strong parameters for competition include branch density and branch closeness to building sites in growth areas. STARK has been winning market share year after year by building its services to professional craftsmen, including by opening and acquiring branches in key growth areas. We have expanded our leadership in the generalist market for heavy building materials into the specialist areas of tiles, roofing and façade as well as civil engineering.

The Group's M&A strategy builds on distinct rationales:

1. Bolt-on acquisitions in attractive growth regions to increase branch network density
2. Expanding assortment in existing strong product categories
3. Adding specialist capabilities and assortment to its generalist network

In total, STARK Group signed 12 acquisitions in the past financial year. These included the Group's third and fourth largest acquisitions in recent years: German generalist Konz and German civil engineering retailer and distributor Tröger & Entenmann Group. In addition, the Group acquired roofing and façade specialist Dach & Wand Handels GmbH, thereby expanding its platform into the Austrian market.

CONSOLIDATING THE MARKET FOR THE BENEFIT OF SUPPLIERS AND CRAFTSMEN

STARK Group plays an important role as a consolidator of fragmented markets for retail and distribution of heavy building materials. By acquiring new businesses, the Group adds capabilities, while becoming a more attractive partner for its customers and suppliers.

Having a dense network of branches, shops and distribution centres in a geography with a population of 120 million, STARK Group offers effective distribution, customer feedback and market-leading insights, while providing advice on market developments to suppliers, who also grow through acquisitions or grow with STARK Group.

Professional craftsmen benefit from physical presence/ branch density, competitive pricing, availability, improved credit facilities and the Group's investments in logistics, digital solutions, and other services.

BUSINESS MODEL

Key resources

Products
More than 280,000 SKU numbers sourced and sold.

Partnerships
Trusted relationships with 275k craftsmen, 10k suppliers and the industry at large.

People
More than 12k employees with backgrounds as craftsmen, retailers, distributors etc.

Expertise & knowledge
Continuous training of our employees and more than 125 years of heritage.

Brand & reputation
Suite of leading brands acknowledged by craftsmen and the industry at large.

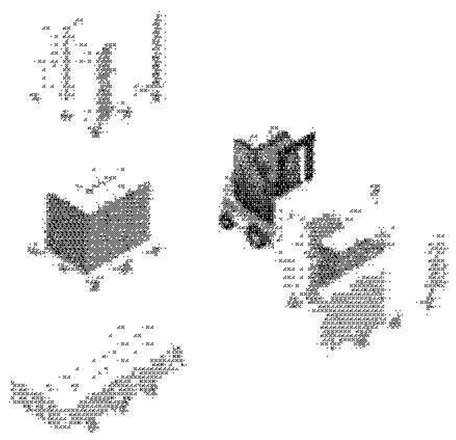
Business activities

SOURCE

Scale in sourcing
Leverage scale to secure availability and ensure competitive prices.

Break pallets
Break truckloads from manufacturers into smaller quantities and mix needed at construction sites.

Warehousing
Keep safety/buffer stock.



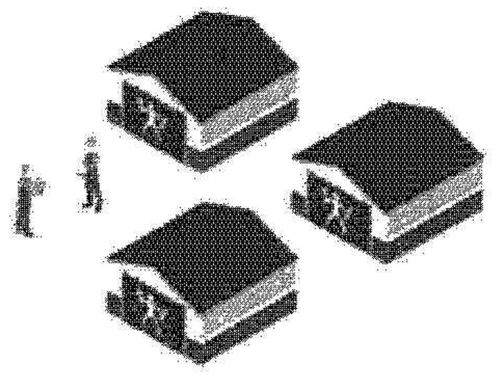
SELL

Product availability
Offer right assortment and in-full availability within short timeframe.

Network with broad coverage
Located close to construction sites to reduce craftsmen's time spent on procuring.

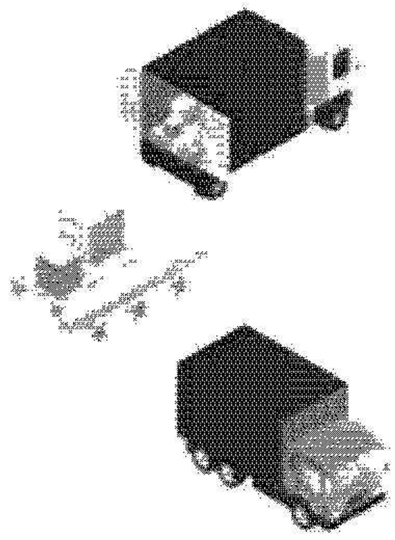
Sales facilitation
Provision of projects and bidding planning services.

Customer consultations and credit
Act as sales force for manufacturers for long tail of SME customers. Advise customers and bridge the liquidity gap by offering credit.



DISTRIBUTE

Efficient distribution
Manage complex distribution of heavy and fragile materials with modified trucks and direct delivery capabilities.



Value creation

Cities of tomorrow
More and better houses, office spaces and renovated buildings for high quality of life and sustainable cities.

Efficient sector
Reduced complexity when distributing heavy building materials procured in different mixes for delivery within a short timeframe.

Customer value
Advise, service and credit for professional craftsmen.

Great place to work
Career opportunities in an engaging and safe work environment for a brand that employees take pride in.

Shareholder value
Competitive total returns through above average market growth and value creation.

SUSTAINABILITY

STARK Group works in support of a future of zero carbon emissions from the construction industry.

Being a proud signatory to the UN Global Compact, STARK Group is mindful of how its business impacts environmentally, socially, and economically sustainable developments.

Most prominent is the Group's commitment to the Science Based Target initiative and the UN Business Ambition for 1.5°C, which was signed in 2021.

Consequently, the Group works to reduce emissions by 42% from its operations (scope 1-2) and 12.3% from purchased goods, transport and distribution, use of sold products and end-life-treatment of sold products etc. (scope 3) by 2030. The overall ambition is to reduce emissions to net zero by 2050 at the latest.

ENVIRONMENTAL: CLIMATE ACTION, CIRCULARITY, AND ECOSYSTEM PROTECTION

STARK Group's 2030 science-based carbon reduction targets were approved by the Science Based Targets Initiative (SBTi) in February 2022. This shows that the Group's carbon targets and efforts are aligned with what science says is necessary to limit the global temperature rise to 1.5°C. The approval of the Group's 2030 targets was an important step on our sustainability journey.

This is a commitment that the Group will work to decarbonise the way it operates. It has a solid plan to meet its interim goals in 2024 and 2030, as outlined in its roadmap, and is determined to reach net zero by 2050.

In 2021/22, the Group reduced its scope 1 and 2 emissions by 22% from the 2020 baseline. 45% of its electricity consumption was sourced from renewables through the purchase of renewable electricity certificates in Germany, Finland, and Norway. Furthermore, the Group continued the transition from conventional lighting to LED, improved efficiency ventilation systems and a continued transition away from gas and oil heating systems. In 2021/22, STARK Group reduced total kWh energy consumption per mEUR revenue by 34%.

Following the reduction of emissions, STARK Group achieved interest savings on its ESG-linked loan of EUR 0.6 million in 2021/22. The interest savings achieved through the ESG Margin ratchet were assigned to the conversion of natural gas and oil heating systems to electric heat pumps to ensure further progress towards the Group's target to net zero.

The Group reduced waste by 2% from a 2020 baseline and absolute waste amounts by 578 tonnes, primarily driven by initiatives to reuse packaging, selling surplus products through new partnerships, as well as training warehouse staff in resource efficiency. The percentage of total waste segregated for recycling increased in all business units except for STARK Deutschland which holds the highest recycling rate of 88%. In Neumann Bygg, great efforts made to increase recycling resulted in an increase from 16% to more than 50%.

During 2021/22, we have further expanded our training programme of sustainability specialists in Sweden and Denmark and initiated a sustainability ambassador programme in Germany and Finland. By the end of our financial year, 250 employees, equal to 2% of all employees, had been fully trained as sustainability specialists.

A total of 17 sustainability events were held across the business units for the purpose of promoting products with sustainable value such as low carbon products, fewer hazardous chemicals, eco-labelled and circular products.

In 2021/22, over 89% of all timber and timber-based products in stocked assortment in STARK Danmark and Neumann Bygg were FSCR or PEFC-certified and made up over 94% of the total sales of timber based products. Similarly, in STARK Danmark, the share of third-party eco-labelled SKUs comprised 28% of the stocked assortment and represented roughly half of the total sale of stocked assortment.

SUSTAINABILITY

SOCIAL:
SAFE, ENGAGED AND INCLUSIVE

As a workplace, STARK Group works to ensure equal treatment and opportunities for all employees. The Group takes pride in belonging to a community that supports the inclusion of all people, regardless of gender, age, ethnicity, ability, sexual orientation, faith or religion.

STARK Group has launched a Diversity and Inclusion Council with quarterly meetings, and Diversity, Equity, and Inclusion was a key topic at management, Board and HR meetings throughout the year. In addition, STARK Group completed the UN Global Compact Target Gender equality accelerator program, and the D&I Council is now working to implement the Women's Empowerment Principles and to strengthen our contribution to SDG 5.5.

As of 31 July 2022, women constituted 25% of our employees, a 3 percentage point increase compared to 2020/21, and accounted for 16% of our management positions. At STARK Group level, the Executive Management Team's gender balance was 50/50. The Board of Directors of STARK Group A/S consisted of 20% women (one out of five). The Group continuously works to adjust the gender balance.

Employee engagement remained at a high level of 74, with an overall participation rate of 83%.

The health and safety of people is a key priority for STARK Group. During the year, the Group joined the Vision Zero campaign via the Danish Vision Zero Council. The updated Health and Safety strategy is based on Vision Zero and the introduction of a number of new KPIs that makes it possible to measure and support a strong Health and Safety culture. In 2021/22, the rate of occupational injuries decreased from 8.8 to 7.9 injuries per 1 million hours worked.

GOVERNANCE:
RESPONSIBLE BUSINESS ETHICS

STARK is committed to upholding a high standard of responsible business conduct, sustainable procurement, and high data ethics to meet the expectations of society and the wider ecosystem we are a part of.

All new contracts entered into in the past year have undergone and passed the product integrity evaluation, and all targeted suppliers have signed legal terms and conditions, including for compliance with STARK Group's Code of Conduct.

This year, we have implemented a Supplier Code of Conduct to clarify our minimum requirements and ambitions towards our suppliers across the supply chain, covering both direct and indirect spend. We also piloted an extended ESG screening of our suppliers using an external partner as a foundation for our further due diligence work.

We are committed to pay our fair share of taxes in all the markets where we conduct business, as we strongly believe that taxes constitute an important contribution to society in the countries in which we operate. We are presently developing a Tax Impact Report where our total tax contributions will be presented, including a breakdown of our tax contributions by type and jurisdiction.

SUSTAINABILITY REPORT 2022

STARK Group's sustainability activities are further elaborated upon in the separate Sustainability report 2022:

starkgroup.dk/newsroom/publications

The report serves as the baseline for STARK Group's annual Communications on the Progress to the UN Global Compact, and as the statutory statement on corporate social responsibility and the underrepresented gender in accordance with the EU Directive 2014/95/EU and Sections 99a, 99b and 99d of the Danish Financial Statements Act.

RISK MANAGEMENT

STARK Group considers risk management a critical component of its decision-making and ability to create value over time.

RISK MANAGEMENT

Risk management forms an integral part of STARK Group's operations and decision-making process, and aims to create and safeguard business value, secure continuity of operations and ensure the safety of our people.

STARK Group´s Enterprise Risk Management process is designed to identify and manage uncertainties and risks affecting the Group and its business units in the global marketplace. Integrated with the Internal Control framework, the aim is to identify, prioritise and manage key risks at all levels of the business to support the Group in better decision making, proper allocation of resources and better and faster utilisation of opportunities as they arise.

Identified potential risks are addressed directly with business unit management, so that relevant mitigating actions can be implemented to safeguard our strategic objectives and avoid disruptions or safety concerns in day-to-day operations.

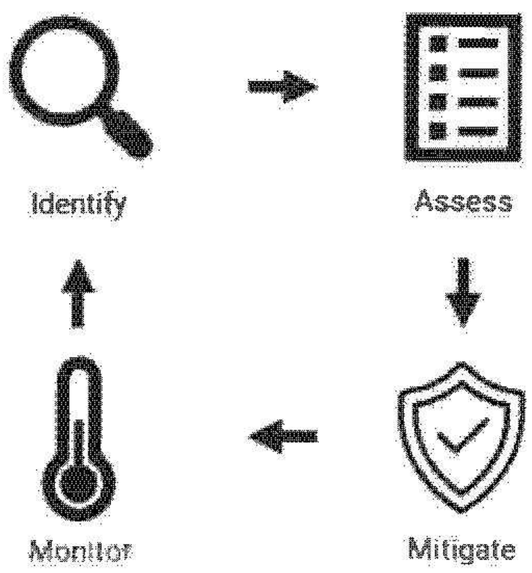
RISK GOVERNANCE

The responsibility for the governance of risks lies with the Board of Directors. On behalf of the Board of Directors, the Audit Committee monitors the effectiveness of the Group's risk management setup and evaluates the design framework and governance.

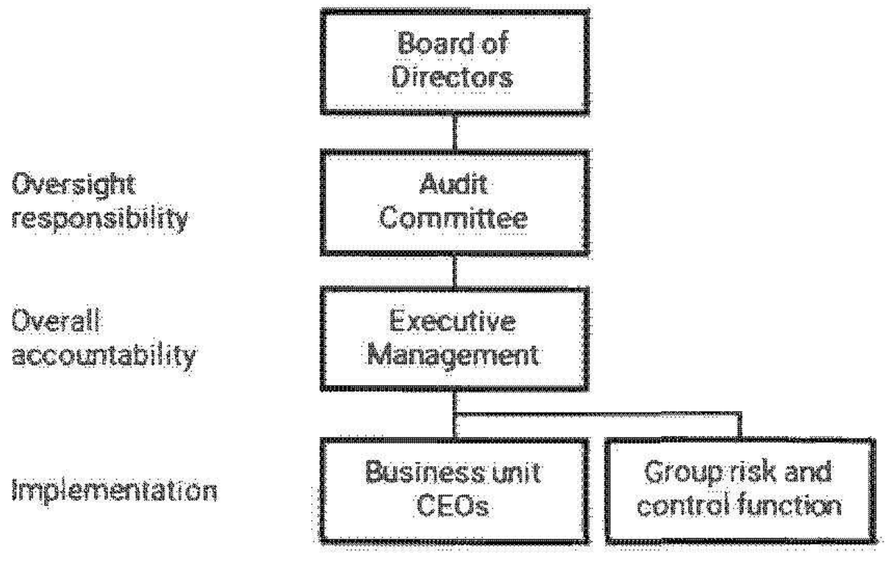
The Executive Management is accountable for the operational part of risk management, headed by the individual business unit CEOs, who are responsible for the implementation of the Group´s Risk Management Policy and Internal Controls framework.

A Group Risk and control function validates the implementation and ensures proper and complete reporting to the Audit Committee on status, mitigations, and newly identified risks.

RISK MANAGEMENT CYCLE



RISK GOVERNANCE MODEL



KEY RISKS

Some risks could have a significant impact on STARK Group's future operations. The Group monitors such key risks more closely to assess and mitigate their impact.

ECONOMIC DOWNTURN

Impact
Rising inflation, interest rates and growing geopolitical uncertainty creating faster-than-expected economic decline might adversely impact customer demand in the builders' merchant industry. This may jeopardise the Group´s operational strategic plans and targeted market growth.

Mitigation
The Executive Management closely monitors market conditions with intelligence provided by the Group's business development department and finance teams. Each business unit's management team holds in-depth meetings with Executive Management to further provide operational insights and assess current market developments. Economic contingency plans for cost-out initiatives have been designed and developed to take recent market situations into account. The Group aims to enhance its resilience towards economic downturns through a continued focus on sales to the core customer segment of small and medium-sized professional craftsmen within the RMI market.

SUPPLY CHAIN DISRUPTION AND PRICING MANAGEMENT

Impact
Supply chain disruptions due to conflicts, shortages of products, restrictions of trade, adverse weather conditions, energy restrictions, logistics disruption or other external factors might impact suppliers, logistics and STARK Group´s business units and thereby result in product availability problems, delivery issues and rapid price increases. The Group might not successfully be able to manage prices of commodities and other sourced goods quickly enough during volatile periods, which could potentially result in margin decline or loss of competitive offerings and market share.

Mitigation
During recent unstable and disruptive periods, STARK Group Sourcing and business units have worked closely with suppliers and logistics partners to address situations as they arise and to mitigate the related risks in the best way possible.
The Group aims to maintain an adequate number of alternative suppliers, to support both product availability and product price development and to secure undisturbed business continuity and product availability for our customers.

By continuously improving the pricing processes and increasing automation, STARK Group has reduced response time as well as simplifying the price adjustment processes. During volatile periods, increased internal inventory monitoring and consistent vendor communication is key to managing an effective pricing process and prevent margin deterioration and supply shortages.

INFORMATION SYSTEMS AND CYBER RISK

Impact
The Group relies on business-unit-specific systems and applications to operate efficiently. This carries an inherent risk of system error, human error, data breaches and other interruptions that may impact STARK Group financially and operationally. The threat to the Group´s cybersecurity and data security continues to be a key risk area and a cyber-attack could result in an extended period of downtime. Operational disruptions or vulnerabilities in key information systems could significantly affect the Group's ability to carry out daily operational business processes and servicing customers.

Mitigation
STARK Group's IT function continuously seeks to minimise the above risks by revising strategy, governance, and development plans. The Group invests in employee training, additional relevant internal competences, governance, and technological measures to curb the cyber threat and increase overall resilience and compliance with information security standards. The Group IT Advisory board and the Information Security Governance Committee are charged with the oversight responsibility of STARK Group's IT risk management and with monitoring progress according to plans.

DATA ETHICS

At STARK Group, we embrace digitalisation and the world of opportunities it brings. We are committed to high ethical standards when handling, using, and processing data and to support appropriate safeguards for protecting data at hand and constantly strengthen our information security level.

ETHICAL USE OF DATA

We acknowledge that data privacy and protection is a fundamental human right. Data is an important business asset for STARK Group, and we aim for high ethical standards when handling, using, and processing data. We continuously gather data on customers, employees, and vendors, but we have no intention to trade data.

We have processes in place to protect data in order to avoid unwanted disclosure that may harm STARK Group's business operations, our partners or other stakeholders. STARK Group does not presently have a data ethics policy but plan to implement one during 2022/23. Presently, our data processing agreement guideline sets clear requirements for third-party vendors and stakeholders to comply with data protection and ethics.

PERSONAL DATA PROTECTION

The privacy of individuals is important to us, and we continuously strive to adapt our processes to comply with privacy regulations to ensure data confidentiality and integrity.

STARK GROUP processes personal data related to its employees, customers, and suppliers. This use of personal data is governed by our "Records Management and Personal Data Protection Policy". This Policy is, in turn, supported by a continuously developed and amended range of guidelines, processes and standard communication material developed by STARK Group to support all its Business Units. All data, whether personal or business data, is protected by robust security features.

STARK Group has, moreover, an annual GDPR activity plan which addresses topics to steadily enhance awareness training and compliance levels across the entire Group.

Our principles
STARK Group is committed to supporting appropriate safeguards for protecting data at hand and constantly strengthening our information security level.

Our ambitions
To ensure confidentiality, integrity and availability of data

Targets
100% of assigned employees have completed "personal Data Protection" e-learning training

Supporting Policies
IT Policy and Records Management and Personal Data Protection Policy

Sustainable development goal
16 Peace, justice and strong institutions

During 2021/22, this included the roll-out of tools to facilitate risk assessment, e.g., in relation to Data Processing Agreements, awareness campaigns through posters and Town Hall meetings, implementation of an access management procedure, specialist training, e.g., in Privacy by Design and Default as well as regular GDPR community meetings.

The STARK GDPR community consists of subject matter experts from functional areas such as Legal and IT, who are responsible for promoting and safeguarding our Policy.

DATA ETHICS

INFORMATION SECURITY

STARK Group is committed to supporting appropriate safeguards for protecting information assets' confidentiality, integrity, and availability to support and defend the business from various information security risks. STARK Group recognizes that cyberattacks have the potential to ultimately disrupt all our business activity. Therefore, STARK Group has initiated a multiannual Information Security Program.

At STARK Group, we embrace digitalisation and the world of opportunities it brings. We are committed to high ethical standards when handling, using, and processing data and to support appropriate safeguards for protecting data at hand and constantly strengthen our information security level.

During 2021/22, STARK Group has successfully engaged in the first phase of the Information Security Program, including substantial investments in cutting-edge information security technologies, thereby reducing costs, improving efficiency, and enhancing effectiveness. Implementation has been successful across STARK Group following robust collaborations with partners.

The overarching Information Security Strategy ensures continuous progress and guidance for internal and external activities protecting our information assets, thereby significantly improving the overall information security.

STARK Group will continuously strengthen our information security posture and promote information security resilience to defend our business.

E-LEARNING AND AWARENESS CAMPAIGNS

Awareness campaigns during 2021/22 included identifying personal data, Data Breaches, Data Subject Requests, and handling and deleting unstructured data. The eLearning module, "Personal Data Protection" has during 2021/22 been assigned to 56% of the total workforce, and the completion rate is currently above 93%.

CONTROLS

STARK Group is committed to supporting appropriate safeguards for protecting data at hand and constantly strengthening our information security level. All received Data Subject Requests have been responded to within the legal deadline of thirty days. Our yearly audit of general IT controls has been performed by Deloitte. During 2022 we have introduced a comprehensive Information Security Framework, which included a new Information Security Policy, cyber security awareness campaigns and optimised process for continuous security monitoring.

EXECUTIVE MANAGEMENT



SØREN P. OLESEN

GROUP CEO

Born in 1967, Danish nationality

Søren P. Olesen was appointed CEO of STARK Group in November 2016. Previously, he held the position as CEO of STARK Danmark (2014-2016). Søren P. Olesen joined the Group from a position as CEO of Flügger Group A/S (2007-2013). Søren P. Olesen holds a Master of Arts (Econ) from Limburg Rijksuniversiteit, the Netherlands, and a Master of Science in Economics from Aalborg University, Denmark.

Selected board positions

Søren P. Olesen holds board positions in Hempel A/S, and Industriens Arbejdsgivere i Danmark.



SISSE FJELSTED RASMUSSEN

GROUP CFO

Born in 1967, Danish nationality

Sisse Fjelsted Rasmussen joined STARK Group in 2018 as Chief Financial Officer (CFO). Previously, she held the position as CFO of Scandinavian Tobacco Group (2008-2018). Sisse Fjelsted Rasmussen holds a master's degree in Business Economics and Auditing from Copenhagen Business School and has worked as state-authorised public accountant.

Selected board positions

Sisse Fjelsted Rasmussen holds board positions in Demant A/S and Conscia A/S.

CONSOLIDATED FINANCIAL STATEMENTS 2022

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

Management's Statement 29
Independent auditor's report 30
Income Statement 32
Comprehensive Income 33
Statement of Financial Position 34
Statement of Changes in Equity 36
Cash Flow Statement 37

NOTES – CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF REPORTING
1.1 Basis of reporting 38
1.2 Group accounting policies 39
1.3 Key accounting estimates and judgements 40

2 INCOME STATEMENT
2.1 Segment analysis 43
2.2 Net sales 44
2.3 Staff costs 45
2.4 Depreciation and amortisation of non-current assets 46
2.5 Financial expenses, net 46
2.6 Income tax 47

3 INVESTED CAPITAL
3.1 Acquisitions of businesses 48
3.2 Goodwill 50
3.3 Other intangible assets 52
3.4 Tangible non-current assets 54
3.5 Leases 56

4 WORKING CAPITAL AND PROVISIONS
4.1 Inventories 58
4.2 Trade receivables 59
4.3 Provisions 61

5 CAPITAL STRUCTURE AND FINANCING
5.1 Share capital and share premium 62
5.2 Dividend 62
5.3 Borrowings 63
5.4 Financial instruments, risk management policies 64

6 OTHER FINANCIAL NOTES
6.1 Deferred tax assets and liabilities 67
6.2 Employee benefit obligations 68
6.3 Cash flow, adjustments and reversals 71
6.4 Cash flow, changes in working capital 71
6.5 Contingent liabilities 71
6.6 Fee to statutory auditors 72
6.7 Securities 72
6.8 Related parties 72
6.9 Subsequent events 73
6.10 List of Group companies 74

MANAGEMENT'S STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and the Executive Management have today considered and adopted the Annual Report of STARK Group A/S for the financial year 1 August 2021 to 31 July 2022.

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union and the Financial Statements of the Parent company have been prepared in accordance with the Danish Financial Statements Act. The Consolidated Financial Statements and the Financial Statements of the Parent company have furthermore been prepared in accordance with additional Danish disclosure requirements. Management's Review has been prepared in accordance with Danish disclosure requirements.

In our opinion, the Consolidated Financial Statements and the Financial Statements of the Parent company give a true and fair view of the financial position as of 31 July 2022 of the Group and the Parent company and of the results of the Group and the Parent company operations and of the Group's cash flow for the financial year 1 August 2021 – 31 July 2022.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent company, and the results for the year and of the financial position of the Group and the Parent company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent company.

We recommend that the annual report be approved at the Annual General Meeting.

Frederiksberg, 10 November 2022.

Board of Directors

Søren Vestergaard-Poulsen (Chair)

Christoffer Helsengreen Sjøqvist (Vice-chair)

Philip Bendorff Røpcke

Søren P. Olesen

Sisse Fjelsted Rasmussen

Executive Management

Søren P. Olesen
Group CEO

Sisse Fjelsted Rasmussen
Group CFO

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF STARK GROUP A/S

Opinion
We have audited the Consolidated Financial Statements and the Financial Statements of the Parent company STARK Group A/S for the period 1 August 2021 - 31 July 2022, which comprise the income statement, balance sheet, statement of changes in equity and notes including significant accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the Financial Statements of the Parent Company are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 July 2022, and of the results of its operations and cash flows for the period 1 August 2021 - 31 July 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Further, in our opinion, the Financial Statements of the Parent company give a true and fair view of the Parent's financial position at 31 July 2022, and of the results of its operations for the period 1 August 2021 - 31 July 2022 in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Consolidated Financial Statements and the Financial Statements of the Parent company " section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Consolidated Financial Statements and the Financial Statements of the Parent company does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements and the Financial Statements of the Parent company, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Consolidated Financial Statements and the Financial Statements of the Parent company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the Consolidated Financial Statements and the Financial Statements of the Parent company and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.

Management's responsibilities for the Consolidated Financial Statements and the Financial Statements of the Parent company
Management is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act as well as the preparation of the Financial Statements of the Parent company that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of the Consolidated Financial Statements and the Financial Statements of the Parent company that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT

In preparing the Consolidated Financial Statements and the Financial Statements of the Parent company, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing The Consolidated Financial Statements and the Financial Statements of the Parent company unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Consolidated Financial Statements and the Financial Statements of the Parent company

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements and the Financial Statements of the Parent company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Consolidated Financial Statements and the Financial Statements of the Parent company.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Financial Statements of the Parent company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Consolidated Financial Statements and the Financial Statements of the Parent company, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements and the Financial Statements of the Parent company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements and the Financial Statements of the Parent company, including the disclosures in the notes, and whether the Consolidated Financial Statements and the Financial Statements of the Parent company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 10 November 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kim Takata Mücke
State-Authorised Public Accountant
Identification No (MNE) mne10944

Anette Beltrão-Primdahl
State-Authorised Public Accountant
Identification No (MNE) mne45854

INCOME STATEMENT

EUR million	Note	2021/22	2020/21
Net sales	2.2	5,995	1,474
Cost of sales		(4,454)	(1,098)
Gross Profit		**1,541**	**376**
Staff costs	2.3	(707)	(171)
Other external operating expenses		(375)	(104)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**459**	**101**
Depreciation and amortisation of non-current assets	2.4	(171)	(37)
Earnings before interest and tax (EBIT)		**288**	**64**
Financial expenses, net	2.5	(102)	(24)
Earnings before tax		**186**	**40**
Income tax	2.6	(54)	(18)
Net earnings		**132**	**22**
Net earnings is attributable to:			
Shareholders in Stark Group A/S		127	21
Non-controlling interests		5	1
Total		**132**	**22**

See notes to the financial statements.

COMPREHENSIVE INCOME

EUR million	Note	2021/22	2020/21
Net earnings		**132**	**22**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of foreign operations		**6**	(7)
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on retirement benefit plans	6.2	**23**	(4)
Tax on actuarial gain/(loss) on retirement benefit plans	6.2	**(6)**	1
Other comprehensive income/(loss)		**23**	**(10)**
Total comprehensive income/(loss)		**155**	**12**
Total comprehensive income is attributable to:			
Shareholders in Stark Group A/S		**150**	11
Non-controlling interests		**5**	1
Total		**155**	**12**

See notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	Note	31 July 2022	31 July 2021
Non-current assets			
Goodwill	3.2	**810**	769
Other intangible assets	3.3	**996**	961
Total intangible non-current assets		**1,806**	**1,730**
Property	3.4	**732**	700
Plant and equipment	3.4	**122**	81
Non-currents assets under construction	3.4	**46**	52
Right of use assets	3.5	**553**	465
Total tangible non-current assets		**1,453**	**1,298**
Investment in a joint venture		**1**	1
Total financial non-current assets		**1**	**1**
Total non-current assets		**3,260**	**3,029**
Current assets			
Inventories	4.1	**813**	553
Trade receivables	4.2	**569**	491
Corporate tax receivables		**5**	-
Other receivables		**22**	21
Prepayments		**12**	7
Cash and cash equivalents		**261**	330
Total current assets		**1,682**	**1,402**
TOTAL ASSETS		**4,942**	**4,431**

See notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES

EUR million	Note	31 July 2022	31 July 2021
Equity			
Share capital	5.1	2	1
Reserves		679	530
Equity, shareholders in STARK Group A/S		**681**	**531**
Non-controlling interests		11	10
Total equity		**692**	**541**
Non-current liabilities			
Leasing liabilities	3.5	472	398
Deferred tax liabilities	6.1	312	301
Provisions	4.3	32	27
Employee benefit obligations	6.2	92	113
Loans from related parties	5.3 / 6.8	1,790	1,707
Borrowings	5.3	16	11
Total non-current liabilities		**2,714**	**2,557**
Current liabilities			
Leasing liabilities	3.5	84	65
Provisions	4.3	8	10
Loans from related parties	5.3 / 6.8	5	6
Borrowings	5.3	27	16
Payables to related parties	5.4	31	37
Trade payables		1,096	931
Corporate tax payables		31	35
Other liabilities		254	233
Total current liabilities		**1,536**	**1,333**
Total liabilities		**4,250**	**3,890**
TOTAL EQUITY AND LIABILITIES		**4,942**	**4,431**

See notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Reserves: Trans-lation reserve	Reserves: Retained earnings	**Equity, share-holders in STARK Group A/S**	Non-controlling interests	**Total equity**
Balance as of 1 August 2021	**1**	**(7)**	**537**	**531**	**10**	**541**
Comprehensive income/(loss):						
Net earnings	-	-	127	127	5	132
Other comprehensive income/(loss)	-	6	17	23	-	23
Comprehensive income/(loss)	**-**	**6**	**144**	**150**	**5**	**155**
Non-cash capital increase	1	-	(1)	-	-	-
Dividend paid	-	-	-	-	(4)	(4)
Balance as of 31 July 2022	**2**	**(1)**	**680**	**681**	**11**	**692**
Capitalisation upon incorporation in cash as of 16 December 2020	1	-	-	1	-	1
Tax-exempt group contribution in cash	-	-	519	519	-	519
Business acquisitions	-	-	-	-	9	9
Comprehensive income/(loss):						
Net earnings	-	-	21	21	1	22
Other comprehensive income/(loss)	-	(7)	(3)	(10)	-	(10)
Comprehensive income/(loss)	**-**	**(7)**	**18**	**11**	**1**	**12**
Balance as of 31 July 2021	**1**	**(7)**	**537**	**531**	**10**	**541**

CASH FLOW STATEMENT

EUR million	Note	2021/22	2020/21
Net earnings		**132**	**22**
Adjustments and reversals, non-cash	6.3	**331**	79
Changes in working capital	6.4	**(88)**	215
(Decrease)/increase in provisions and other liabilities		**(3)**	(6)
Cash flow from operating activities before financial items and tax		**372**	**310**
Interest paid		**(67)**	(6)
Tax paid		**(75)**	(4)
Cash flow from operating activities		**230**	**300**
Cash flow from investing activities			
Acquisition of businesses (net of cash acquired)	3.1	**(189)**	(2,152)
Purchases of property, plant and equipment		**(71)**	(16)
Proceeds from sale of land, property, plant and equipment		**15**	-
Purchases of intangible assets		**(24)**	(5)
Cash flow from investing activities		**(269)**	**(2,173)**
Free cash flow		**(39)**	**(1,873)**
Cash flow from financing activities			
Repayment of borrowings	5.3	**(2)**	-
Proceeds from loans from related parties	5.3	**58**	1,696
Proceeds from equity contributions	5.1	**-**	520
Payment of dividend to minority interests		**(4)**	-
Repayment of leasing liabilities	5.3	**(77)**	(14)
Cash flow from financing activities		**(25)**	**2,202**
Net cash (used)/generated		**(64)**	**329**
Effects of exchange rate changes		**(5)**	1
Net increase/(decrease) in cash and cash equivalents		**(69)**	**330**
Cash, cash equivalents, beginning balance		**330**	-
Cash and cash equivalents, ending balance		**261**	**330**

See notes to the financial statements.

1.1 BASIS OF REPORTING

Overview of business
The Group was established on 16 December 2020. The Group completed the acquisition of STARK Group as of 4 May 2021.

STARK Group is a leading business-to-business ("B2B") distributor focusing mainly on customers in the resilient and structurally growing renovation, maintenance and improvement ("RMI") end-markets within the greater construction sector across Northern Europe. The business is divided into two segments: "Nordics" (Denmark, Sweden, Finland and Norway) and "Germany" (Germany and Austria).

Comparative figures
The comparative figures in the Consolidated Financial Statements cover the period 16 December 2020 – 31 July 2021 as the Group's first accounting year and where the income statement includes operating activities from 4 May 2021, whereby the income statement represents approx. 3 months of operations.

Basis of reporting
The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and additional Danish requirements in accordance with the Danish Financial Statement Act (Class Large C).

Management has assessed the impact of new or amended and revised accounting standards and interpretations (IFRSs) issued by the IASB and IFRSs endorsed by the European Union effective on or after 1 August 2021. It is assessed that application of amendments effective from 1 August 2021 has not had a material impact on the consolidated financial statements for 2021/22. Furthermore, Management does not anticipate any significant impact on future periods from the adoption of these amendments.

The Consolidated Financial Statements have been prepared on a going concern basis and under the historical cost convention as modified by the revaluation of certain financial assets and certain financial liabilities that are measured at fair value.

Applying materiality
The consolidated financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. The transactions are presented in classes of similar items in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes.

Management provides specific disclosures required by IFRS unless the information is not applicable or is considered immaterial to the decision making of the primary users of these financial statements.

1.2 GROUP ACCOUNTING POLICIES

A summary of the principal accounting policies applied by the Group in the preparation of the consolidated financial statements is set out below and together with the notes to which they relate. The descriptions of accounting policies in the notes form part of the overall description of the accounting policies.

Consolidation
The Consolidated Financial Statements include the results of the Company and its subsidiary undertakings and its share of the results of its joint venture, see note 6.10 for list of subsidiaries.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries are deconsolidated from the date that control ceases.

Intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated in the consolidated figures.

Foreign currencies
The Consolidated Financial Statements are presented in Euros which is the presentation currency of the Group. Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the companies operate (the "functional currency").

Transactions in foreign currencies are translated to the functional currency using the exchange rates at transaction date. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency at the rate prevailing on the balance sheet date. All differences are recognised in the consolidated income statement.

The assets and liabilities of subsidiaries having other functional currencies than Euro are translated into Euros at exchange rates prevailing at the balance sheet date. Income statement items are translated at average exchange rates for the accounting year. Exchange differences arising are recognised in the consolidated statement of comprehensive income and are included in the translation reserve. The relevant parts of the translation reserve is related to subsidiaries and will be recognised in the income statement when a subsidiary is sold or closed down.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Impairment of assets
Assets that have an indefinite useful life, such as goodwill and certain trade names, are not subject to amortisation or depreciation and are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation or depreciation and assets under construction are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is in most cases based on the discounted present value of the future cash flows expected to arise from the cash generating unit to which the asset relates, or from the individual asset or asset group.

Cash flow statement
The consolidated statement of cash flows shows cash flows from operating, investing and financing activities, and the Group's cash and cash equivalents at the beginning and end of the year. Cash flow from operating activities is compiled using the indirect method starting with the net result for the year adjusted for noncash items, received and paid financial items, corporate income tax paid and change in working capital. Cash flow from investing activities comprises payments relating to the acquisition and sale of companies and noncontrolling interests, intangible assets, and property, plant and equipment. Cash flow from financing activities comprises proceeds from borrowings, repayment of principal on interest-bearing debt, repayment of lease liabilities, payment of dividends, proceeds from share issues, and the purchase and sale of treasury stock. Cash and cash equivalents comprises cash at bank deposits due on demand. Cash flows in foreign currencies are translated to EUR at the average exchange rate for the respective years.

OTHER SPECIFIC ACCOUNTING POLICIES WITHOUT A NOTE REFERENCE

Cost of sales
Cost of sales includes costs for the goods sold and consumed in order to obtain net sales for the year. The Group enters into arrangements with certain vendors providing purchase rebates. These purchase rebates are recognized when earned and are recorded initially as a reduction in the cost price for the inventory resulting in a reduction in cost of sales when the related product is sold.

Other external expenses
Other external expenses comprise operating expenses such as sales, marketing and distribution costs, costs related to infrastructure and logistics, and corporate costs.

Other operating income and expenses
Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and property, plant and equipment.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks. Bank overdrafts are shown within borrowings in current liabilities to the extent that there is no legal right of offset and/or no practice of net settlement with cash balances. Cash, which is not freely available to the Group, is disclosed as restricted cash.

Trade payables
Trade payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.3 KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, management makes various accounting judgements and estimates that form the basis of presentation, recognition and measurement of the Group's assets, liabilities, income and expenses.

The judgements and estimates made are based on historical experience and other factors that management assesses to be reliable, but that, by nature, are associated with uncertainty and unpredictability and may therefore prove incomplete or incorrect. Should these judgements or estimates prove incorrect there may be an impact on the following year's Consolidated Financial Statements.

The Group believes that the judgements and estimates that have been applied in these Consolidated Financial Statements will not give rise to a material impact within the next financial year. The judgements or estimates are reviewed on an ongoing basis.

ACQUISITIONS OF BUSINESSES AND ACTIVITIES

Assessment of type of transaction (judgement)
In connection with an acquisition, STARK Group uses its judgment to determine whether the transaction is a business combination by applying the definition in IFRS 3 Business combinations. A transaction is determined as a business combination when the assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. If the assets acquired do not constitute a business, the transaction is recognized as a purchase of individual assets.

Identification of assets and liabilities (judgement)
As part of an acquisition, an assessment of fair value of the identifiable assets, liabilities and contingent liabilities is carried out.

On recognition of assets and liabilities from a business combination, management judgements are required in identifying assets, liabilities and contingent liabilities.

Purchase price allocations (estimates)
When STARK Group applies the acquisition method to business combinations, by its nature this involves estimates on assessing the fair value of identifiable assets and liabilities. The assessment of the fair value of customer relations and trade names are based on a number of estimates regarding WACC and expected cash flows which have a significant impact on the fair value and the resulting goodwill or bargain purchase gain from the acquisition.

Customer relations and trade names (estimates)
The valuation of the intangible assets is based on the following methods:

- Trade names: the relief-from-royalty method. It has been assessed that the trade names in the Group each has a strong market position and that their lives are considered indefinite. Consequently, trade names are not amortised but are subject to annual impairment testing.

- Customer relations: the multi-period excess earnings method (MEEM), in which the value of customer relations is estimated based on the residual earnings after fair returns on all other assets employed are deducted from the business unit's after-tax earnings.

Properties (estimates)
Estimation of fair value of properties is based on the normalized earnings model, which requires management estimates related to required rate of return and the applicable market rent.

Please refer to note 3.1.

Other acquired assets and liabilities
The fair value of the acquired finished goods is determined on the basis of expected selling prices to be obtained in the course of normal business operations less expected costs to execute the sale, and less a reasonable profit on the sales effort.

Receivables are measured at the fair value of the amounts that are expected to be received less expected costs for collection.

Liabilities are measured at the present value of the amounts that are required for settling the liabilities. The Group's incremental borrowing rate is applied for discounting purposes.

1.3 KEY ACCOUNTING ESTIMATES AND JUDGEMENTS - CONTINUED

GROUP AS LESSEE

Determining the lease term of contracts with renewal options (estimate)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Group has several lease contracts that include extension options.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or whether to terminate the lease. With due consideration to the Group's location plans and strategy, the Group considers all relevant factors that create an economic incentive for it to exercise the renewal option or to let the leases expire. Unless contractually obligated, the Group never estimates lease lengths of more than ten years. The estimated lease term is reassessed at each reporting date.

INVENTORY

Valuation of inventory (estimate)

Provisions are made against slow-moving, obsolete and damaged inventories for which the net realisable value is estimated to be less than the cost. The risk of obsolescence of slow-moving inventory is assessed by comparing the level of inventory held to future sales projected on the basis of historical experience. The actual realisable value of inventory may differ materially from the estimated value on which the provision is based.

The Group has recognised provisions in respect of inventory balances of EUR 61m as of 31 July 2022 (31 July 2021: EUR 49m), see note 4.1.

ACCOUNTS RECEIVABLE

Valuation - expected credit losses (estimate)

Provision is made for expected credit losses in respect of the Group's trade and other receivables, which are estimated to occur if a customer subsequently is unable to pay. In connection with the assessment of whether the Group's provisions for expected credit losses are sufficient, management analyses accounts receivable and estimates lifetime expected credit losses applying a provision matrix as defined in the accounting policy for trade receivables by reference to past default experience and analysis of the current financial position, including historical credit losses, customer credit worthiness, current economic trends and changes in customer payment terms and also takes into account the extent to which protection is provided for through credit insurance arrangements. If customers' financial conditions were to deteriorate compared to the assumed trends, it may be necessary to recognise further credit losses in future periods.

The Group has a provision for expected credit losses of EUR 27m as of 31 July 2022 (31 July 2021: EUR 21m), see note 4.2.

TRADE PAYABLES

Assessment of supplier rebates (estimates)

The Group enters into agreements with many of its vendors that provide rebates. Many of these agreements apply to purchases in a calendar year rather than the Group's financial year.

Under certain agreements, the rebate increases as a proportion of purchases as higher quantities or values of purchases are made. The Group adjusts the cost of purchases to reflect estimated rebates receivable, which can depend on the projected volume, value and mix of purchases from a vendor through to the end of the qualifying period. Actual rebates receivable from vendors may differ materially from the estimates on which the cost of purchases is based.

1.3 KEY ACCOUNTING ESTIMATES AND JUDGEMENTS - CONTINUED

PROVISIONS

Provisions for legal claims and environmental restoration (judgement)

Provisions for legal claims and environmental restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is more likely than not that an outflow of resources will be required to settle the obligation, and when the amount can be reliably estimated. Such provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money. The Group has provided EUR 40m as of 31 July 2022 (31 July 2021: EUR 37m) to cover for the described risks and claims in addition to other provisions as presented in note 4.3.

EXPECTED USEFUL LIFE AND RESIDUAL VALUE FOR NON-CURRENT ASSETS

Useful life is initially assessed when the assets are acquired and is estimated individually in each case.

Amortisation and depreciation of non-current assets is based upon an expected useful life for the assets and an estimated residual value.

Management reassesses expected useful life and the residual value on an on-going basis. When changing the amortisation or depreciation due to a change in the useful life and/or residual value, the effect on depreciation is recognised prospectively as a change in accounting estimates.

Management has generally determined that trade names have indefinite lives. The reasonableness of this determination is reassessed annually.

Customer relations are amortised over 15 years based upon historical experience, market trends and strong relationships between STARK Group and the customers.

NON-CURRENT ASSETS – IMPAIRMENT TESTING

Intangible assets such as goodwill and intangible assets with indefinite lives are annually tested for impairment, whereas intangible assets and tangible assets in use with definite useful lives are tested for impairment only if there is any indication of impairment.

The Group performs the impairment test based on a discounted cashflow model, where assets are allocated to the smallest possible cash generating units (CGUs).

CGUs (judgement)

The CGU determination involves judgement and is based on the smallest identifiable cash generating units. Group management monitor performance at business unit level, and hence the individual business units are identified as the smallest identifiable cash generating units.

Discounted cashflows (estimates)

The expected future cash flows are based on budgets and forecasts for the Group based on Management's expectations and target plans based on current market conditions and future growth expectations. The key factors used in calculating the value are revenue, costs of goods sold (COGS), operating expenses (OPEX), EBITDA, working capital, capital expenditures (CAPEX) and discount rate.

The impairment test did not result in any recognition of impairment losses as of 31 July 2022 and 2021, see note 3.2.

EMPLOYEE BENEFIT PLANS

Valuation of defined benefit plans (estimates)

The value of the defined benefit plans is based on valuations from external actuaries. The valuation is based on a number of actuarial assumptions, including discount rates, expected return on plan assets, expected growth in wages and salaries, mortality and retirement benefits. See note 6.2.

2.1 SEGMENT ANALYSIS

EUR million	Nordics	Germany	**Total**	Nordics	Germany	**Total**
Income statement		2021/22			2020/21	
Net sales	3,277	2,718	5,995	818	656	1,474
Cost of sales	(2,395)	(2,059)	(4,454)	(596)	(502)	(1,098)
Gross Profit	**882**	**659**	**1,541**	**222**	**154**	**376**
Staff costs	(398)	(309)	(707)	(98)	(73)	(171)
Other external operating expenses	(197)	(178)	(375)	(56)	(48)	(104)
amortisation (EBITDA)	**287**	**172**	**459**	**68**	**33**	**101**
Depreciation and amortisation of non-current assets	(101)	(70)	(171)	(22)	(15)	(37)
Earnings before interest and tax (EBIT)	**186**	**102**	**288**	**46**	**18**	**64**
Financial expenses			(102)			(24)
Result before tax	**186**	**102**	**186**			**40**
Tax for the period			(54)			(18)
Result for the period	**186**	**102**	**132**			**22**

Capital expenditures by segment		2021/22			2020/21	
Property, plant and equipment	40	31	71	9	7	16
Intangible assets	21	3	24	4	1	5
Total capital expenditures by segment	**61**	**34**	**95**	**13**	**8**	**21**

Assets and liabilities by segment		31 July 2022			31 July 2021	
Segment non-current assets	2,035	1,221	3,256	1,969	1,055	3,024
Segment current assets	772	647	1,419	625	445	1,070
Segment liabilities	(1,572)	(809)	(2,381)	(1,424)	(676)	(2,100)
Net liabilities not allocated			(24)			(43)
Net assets	**1,235**	**1,059**	**2,270**	**1,170**	**824**	**1,951**
Net debt			(1,578)			(1,410)
Total equity			**692**			**541**

Specification of total assets		31 July 2022			31 July 2021	
Segment non-current assets	2,035	1,221	3,256	1,969	1,055	3,024
Segment current assets	772	647	1,419	625	445	1,070
Assets not allocated, non-current			5			5
Assets not allocated, current			1			2
Cash and cash equivalents included in net debt			261			330
Total assets			**4,942**	**2,594**	**1,500**	**4,431**

The operating structure and related segments have been defined based on how management manages and controls the business. This structure is used in the internal reporting framework for the Board of Directors, and the operating segments are regularly reviewed by the Board of Directors to decide how to best allocate resources and manage performance. The operating segments derive their net sales from a single business activity, the distribution of building materials.

2.2 NET SALES

EUR million	2021/22	2020/21
Sale of goods	5,995	1,474
Total net sales	**5,995**	**1,474**

The net sales in Denmark, which is the domicile market of the Group amounted to EUR 1,362m in 2021/22 (2020/21: EUR 335m).

§ ACCOUNTING POLICIES

Net sales

The Group derives its revenues from contracts with customers for the transfer of goods at a point in time. Net sales comprise the fair value of consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Net sales from the sale of goods for resale and finished goods is recognised in the income statement when control of the goods has transferred to the customer, being when the goods are delivered to the buyer and the amount of net sales can be measured reliably.

Net sales is recorded net of returns, discounts and value added taxes.

2.3 STAFF COSTS

EUR million	2021/22	2020/21
Salary and wages	582	143
Pensions - contribution plans	27	6
Pensions - defined benefit plans	5	2
Other expenses for social security	93	20
Total staff costs	**707**	**171**

Compensation for the Executive Management of the Group:		
Salary and wages	5	1
Pensions - contribution plans	0	0
Other expenses for social security	0	0
Total compensation paid to the Executive Management	**5**	**1**

The members of the Executive Management as well as other employees are entitled to a cash bonus based on fulfilment of pre-defined financial and non-financial targets.

The Board of Directors has not received any fee.

The Group has not established share-based incentive programs.

	2021/22	2020/21
Average number of fulltime employees	11,932	11,117
Number of employees at the end of the financial period	13,059	11,389

§ ACCOUNTING POLICIES

Staff expenses

Staff expenses comprise wages and salaries as well as other payroll expenses. Salaries and wages, social security contributions, holiday and sick leave, bonuses and other monetary and non-monetary benefits are recognised in the year in which the employees render the associated services. Bonus for eligible personnel is recognised based on the estimated or agreed bonus as of year-end calculated in accordance with the agreed bonus schemes.

The average number of employees is calculated as average of the number of employees at the end of each month.

2.4 DEPRECIATION AND AMORTISATION OF NON-CURRENT ASSETS

EUR million	2021/22	2020/21
Intangible assets	45	9
Buildings	15	4
Fixtures, fittings, tools and equipment	27	6
Right of use assets	84	18
Total depreciation and amortisation of non-current assets	**171**	**37**

§ ACCOUNTING POLICIES

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment including depreciation of right of use assets.

2.5 FINANCIAL EXPENSES, NET

EUR million	2021/22	2020/21
Financial expenses		
Interests on loans from related parties	70	17
Interests on loans from third party	8	2
Net interest employee benefit obligations	(1)	(1)
Foreign exchange losses	11	2
Leases interest (IFRS16)	14	4
Total financial expenses	**102**	**24**

§ ACCOUNTING POLICIES

Financial expenses

Financial expenses are recognised in the income statement at the amounts relating to the relevant financial year applying the effective interest rate method.

2.6 INCOME TAX

EUR million	2021/22	2020/21
Current tax	60	21
Deferred tax	(5)	(3)
Adjustment of current tax regarding previous years	3	-
Adjustment of deferred tax regarding previous years	(4)	-
Total income tax for the period	**54**	**18**
Tax on items charged/(credited) to the statement of other comprehensive income:		
Deferred tax charge/(credit) on actuarial gain/loss on retirement benefit plans	6	(1)
Total tax on items charged/(credited) to other comprehensive income	**6**	**(1)**
Tax reconciliation:	**%**	**%**
Corporation tax rate in Denmark	22%	22%
Adjustment of calculated tax in foreign Group entities relative to 22%	3%	3%
Non-deductible and non-taxable items	2%	8%
Non-deductible interest expenses	3%	12%
Adjustment relating to prior year	-1%	0%
Tax rate on profit before tax	**29%**	**45%**

§ ACCOUNTING POLICIES

Taxation

The tax expense included in the consolidated income statement consists of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date. Tax expense is recognised in the consolidated income statement except to the extent that it relates to items recognised in the consolidated statement of comprehensive income or directly in the consolidated statement of changes in equity.

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax prepayments.

Tax receivables and liabilities are offset to the extent that there is legal right to set-off, and items are expected to be settled net or simultaneously.

3.1 ACQUISITIONS OF BUSINESSES

In the beginning of March 2021, STARK Group signed an agreement to acquire 100% of the shares in Melle Gallhöfer, which is a leading German specialist distributor of roofing and façade building materials with an annual net sales of EUR 326m and annual EBITDA of around EUR 20m. The agreement was approved by the relevant authorities at the end of October 2021 and the closing and takeover was effective as of 29 October 2021 from which date Melle Gallhöfer is included in the consolidated financial statements of the Group.

The acquisition of Melle Gallhöfer will support STARK Deutschland's position as a market leader within distribution of building materials, including roofing and facade materials through more than 250 branches and distribution centres across all of Germany.

During the financial year 2020/21, the Group also signed agreements to acquire three companies in Sweden, Kakeldaxgruppen AB, Centro Kakel & Klinker AB and AB Knut Lindgren. Closing was completed as of 1 September 2021 for the two tiles companies and as of 1 October 2021 for AB Knut Lundgren. Total annual net sales for these businesses is around EUR 54m with an annual EBITDA of around EUR 2m.

During 2021/22, the Group has signed and closed eleven contracts to acquire Sotenäs Trävaru AB, Angered Byggvaror AB and 100% Proffs AB in Sweden, a business from HOK-Elanto Liiketoiminta Oy in Finland and Lieblein Baustoffe GmbH, Ludwig Pfeiffer Hoch- und Tiefbau GmbH and Tröger & Entenmann Group in Germany, Treprodukter Øst in Norway, XL-Byg Allinge and Arnum Rør in Denmark, and Dach & Wand in Austria. Total annual net sales for these businesses is around EUR 314m with an annual EBITDA of around EUR 21m.

The 15 closed acquisitions with a total annual net sales of around EUR 694m and a total annual EBITDA of around EUR 43m, will increase the Group's geographic coverage in the Nordic countries and Germany and with the acquisition of Dach & Wand, STARK Group enters a new market and gains a strong foothold in the Austrian market for distribution of building materials.

Following recognition of acquired identifiable assets and liabilities at their fair values, the goodwill related to the acquisitions in 2021/22 is totally measured at EUR 44m. The recognised goodwill represents primarily the value of the staff and expected synergies from combining the acquired entities with the existing STARK Group activities. The goodwill is not deductible for tax purposes.

The acquisitions in total contribute with EUR 457m and EUR 31m to the Net sales and EBITDA, respectively.

Transaction and acquisition costs incurred in 2021/22 amounts to EUR 6m which are recognised as part of Other external operating expenses

In 2021/22, the Group also signed a contract to acquire Konz in Germany. With the acquisition of Konz, STARK Group strengthens its foothold in two fast-growing growth areas in Europe's largest market for heavy building materials, Stuttgart and Dresden. The acquisition was closed as of 1 August 2022 and will be included in the consolidated financial statements in 2022/23 and onwards. The consideration for Konz amounts to EUR 41m and is financed with existing available facilities. Konz has an annual net sales of approx. EUR 110m and an EBITDA of around EUR 4m.

The initial accounting is not yet completed, why disclosures of the fair value of assets acquired and other disclosures required by IFRS 3 Business Combinations cannot be provided. The acquisition implies a business combination, and the Group is currently in the process of determining the purchase price allocation.

In November 2022, STARK Group has signed an agreement to acquire Norwegian FagFlis, Norway's leading distributor and retailer of ceramic tiles for professional craftsmen, as well as the Swedish FF Kakel. FagFlis and FF Kakel have an annual turnover of approx. EUR 63m and an annual EBITDA of around EUR 9m. The consideration amounts to EUR 42m and will be financed with existing facilities. Closing is expected to take place in December 2022.

3.1 ACQUISITIONS OF BUSINESSES - CONTINUED

The fair values of the identifiable assets and liabilities acquired as of the acquisition dates and the consideration for the acquisitions closed and taken over during 2021/22 are as follows:

			2021/22		2020/21
EUR million	Nordic	Gallhöfer	Other Germany[1]	Total	Total
Customer relationships	10	22	15	**47**	446
Trade names	-	7	3	**10**	490
Other intangible assets	-	1	1	**2**	32
Property, plant and equipment	9	15	27	**51**	833
Right of use assets	37	35	15	**87**	468
Inventories	21	35	27	**83**	553
Receivables	16	15	21	**52**	537
Cash and cash equivalents	2	1	-	**3**	175
Trade and other payables	(24)	(12)	(25)	**(61)**	(1,009)
Borrowings	(1)	(0)	(16)	**(17)**	(28)
Employee benefit obligations	-	(0)	(0)	**(0)**	(112)
Leasing obligations	(35)	(35)	(15)	**(85)**	(463)
Deferred tax	(2)	(8)	(5)	**(15)**	(305)
Tax payable	(0)	(4)	(0)	**(4)**	(18)
Provisions	(0)	(2)	(2)	**(4)**	(35)
Non-controlling interests	-	-	-	-	(8)
Total	**33**	**70**	**46**	**148**	**1,556**
Goodwill arising	25	-	19	**44**	771
Consideration	**58**	**70**	**65**	**192**	**2,327**
The net outflow of cash in respect of the purchase of businesses is as follows:					
Total consideration as cash payment	58	70	65	**192**	2,327
Cash and cash equivalents acquired	(2)	(1)	-	**(3)**	(175)
Net cash outflow	**56**	**69**	**65**	**189**	**2,152**

1. Other Germany includes Austria.

§ ACCOUNTING POLICIES

Business combinations

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. Deferred tax is calculated on fair value adjustments. Acquisition related costs are expensed.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, negative goodwill, the difference is recognised directly in the consolidated income statement as "Bargain purchase gain".

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year beyond the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Changes in estimates of contingent consideration that reflect additional information received in the measurement period are adjusted retrospectively. Other changes in estimates of contingent consideration are generally recognised in the income statement.

3.2 GOODWILL

EUR million	2021/22	2020/21
Cost at the beginning of the period	769	-
Business acquisitions	44	771
Exchange rate adjustment	(3)	(2)
Cost at the end of the period	810	769
Impairment losses at the beginning of the period	-	-
Impairment charge for the period	-	-
Accumulated impairment losses at the end of the period	-	-
Carrying amount at the end of the period	**810**	**769**

The carrying amount of goodwill by cash generating unit (CGU) is as follows:	31 July 2022	31 July 2021
Germany	261	251
Austria	9	-
Denmark	225	228
Sweden	191	172
Finland	94	94
Norway	30	24
Group	**810**	**769**

Impairment review of goodwill and trade names with indefinite lives
Goodwill and intangible assets acquired have been allocated to the individual cash generating units or aggregated cash generating units (together "CGUs"), which are deemed to be the smallest identifiable group of assets generating independent cash inflows. CGUs have been aggregated in the disclosure above at a geographical level. Impairment reviews were performed for each individual CGU as of 31 July 2022.

The relevant inputs to the value-in-use calculations of each CGU were:

- Cash flow forecasts for year one to five are derived from the most recent approved strategic plan. The strategic plan is developed based on analysis of sales, markets and costs at a geographical level. Consideration is given to past events, expected market development, competition and macroeconomic trends. Long-term growth rate of 1.5 percent was applied for all countries for the years beyond year five.
- The cash flow per CGU is discounted using risk-adjusted, pre-tax discount rate, calculated by reference to the weighted average cost of capital ("WACC"). The discount rate per CGU is as follows:

Germany	10.0%
Austria	11.8%
Denmark	9.5%
Sweden	9.4%
Finland	9.7%
Norway	10.0%

The impairment review did not result in impairment charges.

3.2 GOODWILL - CONTINUED

Management has performed a sensitivity analysis across all CGUs, which have goodwill and acquired intangible assets, using reasonably possible changes in the following key impairment review assumptions: compound average net sales growth rate, pre-tax discount rate and long-term growth rate, keeping all other assumptions constant. With an increase in discount rate of 1%, a decrease in compound average net sales growth rate of 1% or a decrease in the long-term growth rate of 1%, the sensitivity testing did not identify any need for impairment.

In light of the current macro-economic situation with an increased risk of recession, the Group has performed additional scenario analysis. The analysis models a 10% decline in EBITDA versus the current long-term financial plan and also considers the above-mentioned sensitivity changes. The analysis confirms that even in this scenario, there is no need for impairment.

§ ACCOUNTING POLICIES

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill on acquisitions of subsidiary undertakings is included within intangible assets. Goodwill is allocated to cash generating units or aggregations of cash generating units (together "CGUs"). CGUs are independent sources of income streams and represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. The Group considers that a CGU is a business unit because independent cash flows cannot be identified below this level.

Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. For goodwill impairment testing purposes, no CGU is larger than the operating segments determined in accordance with IFRS 8 "Operating Segments".

The recoverable amount of goodwill and acquired trade names with indefinite life is assessed on the basis of the value in use estimate for CGUs to which they are attributed. Where carrying value exceeds the recoverable amount, an impairment loss is recognised with a charge included in the consolidated income statement.

3.3 OTHER INTANGIBLE ASSETS

2021/22 EUR million	Trade names	Customer relation-ships	Software	Total
Cost at the beginning of the period	489	445	36	970
Business acquisitions	10	47	2	59
Additions	-	-	24	24
Disposals	-	-	0	0
Transfers	-	-	2	2
Exchange rate adjustment	(2)	(3)	-	(5)
Cost at the end of the period	497	489	64	1,050
Amortisation and impairment at the beginning of the period	-	(7)	(2)	(9)
Amortisation for the period	-	(32)	(13)	(45)
Exchange rate adjustment	-	0	-	0
Amortisation and impairment at the end of the period	-	(39)	(15)	(54)
Carrying amount at the end of the period	**497**	**450**	**49**	**996**

2020/21 EUR million	Trade names	Customer relation-ships	Software	Total
Cost at the beginning of the period	-	-	-	-
Business acquisitions	490	446	32	968
Additions	-	-	5	5
Disposals	-	-	(1)	(1)
Exchange rate adjustment	(1)	(1)	-	(2)
Cost at the end of the period	489	445	36	970
Amortisation and impairment at the beginning of the period	-	-	-	-
Amortisation for the period	-	(7)	(2)	(9)
Exchange rate adjustment	-	-	-	-
Amortisation and impairment at the end of the period	-	(7)	(2)	(9)
Carrying amount at the end of the period	**489**	**438**	**34**	**961**

Trade names with indefinite lives can be specified as follows per business unit:	31 July 2022	31 July 2021
Germany	**209**	202
Austria	**3**	-
Denmark	**128**	128
Sweden	**91**	93
Finland	**66**	66
Total	**497**	**489**

3.3 OTHER INTANGIBLE ASSETS – CONTINUED

The Group has determined that the trade names recognized with a value on the consolidated balance sheet have an indefinite life, subject to annual impairment testing, see note 3.2.

The Group continues to invest in retaining brand awareness and thereby expects to maintain the value of the trade names.

§ ACCOUNTING POLICIES

Other intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Intangible assets, primarily trade names and customer relationships, acquired as part of a business combination are capitalised separately from goodwill and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method for intangible assets.

Trade names with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication of impairment.

Software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses. Costs include software licences, consulting costs attributable to the development, design and implementation of the software and internal costs directly attributable to the development, design and implementation of the software. Costs in respect of training and data conversion are expensed as incurred.

The cost of the intangible assets is amortised and charged to the consolidated income statement over their estimated useful lives as follows:

Customer relationships	15 years
Software	3 - 5 years

3.4 TANGIBLE NON-CURRENT ASSETS

2021/22 EUR million	Property	Plant & equipment	Non-current assets under construction	Total
Cost at the beginning of the period	704	87	52	843
Business acquisitions	40	11	1	52
Additions	11	21	39	71
Disposals	(12)	(1)	(0)	(13)
Transfers	7	37	(46)	(2)
Exchange rate adjustment	1	0	(0)	1
Cost at the end of the period	751	155	46	952
Depreciation at the beginning of the period	(4)	(6)	-	(10)
Depreciation for the period	(15)	(27)	-	(42)
Disposals	0	0	-	0
Exchange rate adjustment	(0)	(0)	-	(0)
Depreciation at the end of the period	(19)	(33)	-	(52)
Carrying amount at the end of the period	**732**	**122**	**46**	**900**

2020/21 EUR million	Property	Plant & equipment	Non-current assets under construction	Total
Cost at the beginning of the period	-	-	-	-
Business acquisitions	707	82	44	833
Additions	-	4	12	16
Disposals	-	-	(1)	(1)
Transfers	1	1	(2)	-
Exchange rate adjustment	(4)	-	(1)	(5)
Cost at the end of the period	704	87	52	843
Depreciation at the beginning of the period	-	-	-	-
Depreciation for the period	(4)	(6)	-	(10)
Disposals	-	-	-	-
Exchange rate adjustment	-	-	-	-
Depreciation at the end of the period	(4)	(6)	-	(10)
Carrying amount at the end of the period	**700**	**81**	**52**	**833**

3.4 TANGIBLE NON-CURRENT ASSETS - CONTINUED

§ ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses. Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. Interest expenses on loans raised for financing the construction of property, plant and equipment and which are related to the period of construction are recognised in the consolidated income statement when incurred.

Depreciation based on cost is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Office buildings	up to 50 years
Commercial buildings and office premises in connection herewith	up to 25 years
Plant and equipment	3 - 10 years

Properties under construction are not depreciated.

At the balance sheet date, an assessment is made of the residual values, useful life left and amortisation pattern. Changes are accounted for as changes in accounting estimates.

Gains and losses on disposals or retirements are recognised in the consolidated income statement as other operating expenses or income.

3.5 LEASES

RIGHT OF USE ASSETS

2021/22 EUR million	Land and buildings	Other equipment	Total
Cost at the beginning of the period	426	57	483
Business acquisitions	77	10	87
Additions	38	19	57
Disposals	(2)	(1)	(3)
Additions due to revised lease terms	32	0	32
Exchange rate adjustment	(2)	(1)	(3)
Cost at the end of the period	569	84	653
Depreciation and impairment at the beginning of the period	(14)	(4)	(18)
Depreciation for the period	(63)	(21)	(84)
Disposals	1	1	2
Exchange rate adjustment	0	0	0
Amortisation and impairment at the end of the period	(76)	(24)	(100)
Carrying amount at the end of the period	**493**	**60**	**553**

2020/21 EUR million	Land and buildings	Other equipment	Total
Cost at the beginning of the period	-	-	-
Business acquisitions	415	53	468
Additions	7	4	11
Disposals	-	-	-
Additions due to revised lease terms	5	-	5
Exchange rate adjustment	(1)	-	(1)
Cost at the end of the period	426	57	483
Depreciation and impairment at the beginning of the period	-	-	-
Depreciation for the period	(14)	(4)	(18)
Disposals	-	-	-
Exchange rate adjustment	-	-	-
Amortisation and impairment at the end of the period	(14)	(4)	(18)
Carrying amount at the end of the period	**412**	**53**	**465**

Right-of-use assets and related leasing liabilities derive from the Group being lessee in leasing arrangements from especially leasing land and buildings representing stores used in the Group's business units.

3.5 LEASES - CONTINUED

LEASING LIABILITY

EUR million	2021/22	2020/21
Less than 1 year	101	81
Between 1 and 5 years	306	263
More than 5 years	233	235
Undiscounted leasing liability as of 31 July	**640**	**579**
Current	84	65
Non-current	472	398
Discounted leasing liability as of 31 July	**556**	**463**
Amounts recognized in the statement of cash flows:		
Repayment of liabilities	77	14
Interest	14	4
Short term, low value and variable leases included in cash flows from operations	12	4
Total cash outflow for leases	**103**	**22**

In 2021/22, short term, low value and variable leases have been expensed as other external operating costs with EUR 12m (2020/21: EUR 4m).

§ ACCOUNTING POLICIES

Right of use lease assets and lease liabilities

The Group recognises a right of use asset and a lease liability at the commencement date for all lease agreements that the Group has entered into as lessee. Right of use assets consist primarily of property and equipment, except short-term leases and leases of low value assets.

The lease liability is initially measured at the present value of the future lease payments, discounted using the incremental borrowing rate for the individual lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest and by reducing the carrying amount to reflect the lease payments made. Further, lease liabilities are changed when re-measurements are needed with a corresponding adjustment to the related right of use asset.

Gains or losses from a lease modification, not accounted for as a separate lease, is recognised in profit and loss.

The initial right of use assets comprise the amount of the initial measurement of the lease liability, lease payments made at or before the commencement day, initial direct costs and costs to restore the underlying asset at the end of the lease period. The right of use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

The right of use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset according to the straight-line method. Property leases normally have a lease term of up to 20 years, whereas leases of plant and equipment normally have lease term of up to 10 years. Property leases may include extension options with the intention of securing flexibility in the lease. Extensions options are included in the lease term if the extension option is reasonably certain to be exercised.

For short-term leases and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within "other external operating expenses".

4.1 INVENTORIES

EUR million	31 July 2022	31 July 2021
Trading goods	874	602
Provision for excess and obsolete goods	(61)	(49)
Total inventories	**813**	**553**

In 2021/22, inventory purchases of EUR 4,454m has been expensed (2020/21: EUR 1,098m).

§ ACCOUNTING POLICIES

Inventories

Inventories, which comprise goods purchased for resale, are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("FIFO") method. The cost of goods purchased for resale includes import and custom duties, transport and handling costs, freight and packing costs and other attributable costs less supplier rebates. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions are made against slow-moving, obsolete and damaged inventories for which the net realisable value is estimated to be less than the cost. The risk of obsolescence of slow-moving inventory is assessed by comparing the level of inventory held to estimated future sales on the basis of historical experience.

4.2 TRADE RECEIVABLES

EUR million	31 July 2022	31 July 2021
Trade receivables		
Trade receivables, gross	596	512
Provision for expected credit losses	(27)	(21)
Net Trade receivables	**569**	**491**
Of this, due after more than 1 year	-	-

Trade and other receivables have been aged with respect to the payment terms specified in the terms and conditions established with customers as follows:		
Amounts not yet due	491	439
Past due not more than one month	73	44
Past due more than one month and less than two months	2	3
Past due more than two months and less than three months	1	-
Past due more than three months and less than six months	1	4
Past due more than six months	1	1
As of 31 July	**569**	**491**

Movements in the provision for expected credit losses are as follows:	2021/22	2020/21
Provision at the beginning of the period	(21)	-
Business acquisitions	(2)	(20)
Net charge for the period	(9)	(4)
Utilised in the period	5	3
As of 31 July	**(27)**	**(21)**

The Group is utilizing a trade receivable factoring agreement covering a facility for a total of EUR 100m of which EUR 64m was utilised at the balance sheet date (31 July 2021: EUR 48m). The agreements expire unless extended on 22 October 2024. The Group has no obligations on the sold receivables.

4.2 TRADE RECEIVABLES - CONTINUED

31 July 2022 EUR million	Gross carrying amount	Expected credit loss
Specification of provision for expected credit losses:		
Amounts not yet due	493	(2)
Past due not more than one month	81	(8)
Past due more than one month and less than two months	4	(2)
Past due more than two months and less than three months	3	(2)
Past due more than three months and less than six months	1	(0)
Past due more than six months	14	(13)
As of 31 July 2022	**596**	**(27)**

31 July 2021 EUR million	Gross carrying amount	Expected credit loss
Specification of provision for expected credit losses:		
Amounts not yet due	451	(2)
Past due not more than one month	45	(6)
Past due more than one month and less than two months	4	(3)
Past due more than two months and less than three months	0	(0)
Past due more than three months and less than six months	5	(4)
Past due more than six months	7	(6)
As of 31 July 2021	**512**	**(21)**

Provisions for expected credit losses are based on the simplified expected credit loss model. Credit loss provisions on individual receivables are provided for when objective indications of credit losses occur such as customer bankruptcy and uncertainty about the customers' ability and/or willingness to pay, etc. In addition to this, allowances for expected credit losses are made on the remaining trade receivables based on a simplified approach.

§ ACCOUNTING POLICIES

Trade receivables

Trade receivables are non-interest bearing and are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for expected credit losses.

The Group measures the provision for expected credit losses at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The estimate also takes into account the extent to which protection is provided through customer insurance arrangements.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivable is over two years past due, whichever occurs earlier. None of the trade receivables that have been written off are subject to enforcement activities.

4.3 PROVISIONS

2021/22 EUR million	Environmental and Legal	Restructuring	Other provisions	Total
Provision as of 1 August 2021	9	6	22	37
Business acquisitions	2	1	1	4
Utilised in the period	-	(4)	(2)	(6)
Charge/(credit) for the period	-	4	2	6
Unused amounts reversed during the period	-	(1)	-	(1)
Provision as of 31 July 2022	**11**	**6**	**23**	**40**

2020/21 EUR million	Environmental and Legal	Restructuring	Other provisions	Total
Provision as of 16 December 2020	-	-	-	-
Business acquisitions	9	3	23	35
Utilised in the period	-	(1)	(3)	(4)
Charge/(credit) for the period	-	4	3	7
Unused amounts reversed during the period	-	-	(1)	(1)
Provision as of 31 July 2021	**9**	**6**	**22**	**37**

Other provisions can be specified as follows:	31 July 2022	31 July 2021
Dilapidation costs	5	2
Warranty commitments	3	4
Miscellaneous	15	16
Total other provisions	**23**	**22**

Maturity of provisions are expected to be:		
Within 1 year	8	10
Between 1 and 5 years	9	8
Over 5 years	23	19
Total provisions	**40**	**37**

The Environmental provision is related to risks for potential claims on properties.

Restructuring includes provisions for staff redundancy costs as well as expected unavoidable losses from onerous lease obligations from closed branches. In determining the provision for onerous leases, the cash flows have been discounted on a pre-tax basis using appropriate incremental borrowing rates.

Other provisions include warranty and separation costs relating to businesses disposed of and dilapidations on leased properties.

§ ACCOUNTING POLICIES

Provisions

Provisions are recognised when, in consequence of an event that occurred before or on the balance sheet date, the Group has a legal or constructive obligation, and it is probable that economic benefits must be given up settling the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

5.1 SHARE CAPITAL AND SHARE PREMIUM

EUR million	Number of shares	Share capital	Share premium	Total
Changes in share capital and share premium for 2021/22:				
Balance as of 1 August 2021	40,000	1	0	1
Non-cash capital increase	14,960,000	1	-	1
Balance as of 31 July 2022	**15,000,000**	**2**	**0**	**2**
Changes in share capital and share premium for 2020/21:				
Incorporation - 16 December 2020	40,000	1	0	1
Balance as of 31 July 2021	**40,000**	**1**	**0**	**1**

Subscribed capital
On 16 December 2020, the Company was incorporated with a subscribed and fully paid-up capital amounting to DKK 40,000.

On 30 April 2021, the sole shareholder granted a tax-exempt group contribution amounting to EUR 519m.

On 15 December 2021, the Company made a non-cash capital increase (bonus shares) of DKK 14,960,000 to DKK 15,000,000.

5.2 DIVIDEND

No dividends have been paid during the financial year to the shareholder in STARK Group A/S and no dividends are proposed to be distributed of the net earnings for 2021/22.

5.3 BORROWINGS

Maturity analysis of borrowings

EUR million	31 July 2022	31 July 2021
Current		
Bank loans	10	-
Loans from non-controlling interests	17	16
Loans from related parties	5	6
Current total	**32**	**22**
Non-current		
Bank loans	16	11
Loans from related parties	1,790	1,707
Non-current total	**1,806**	**1,718**
Total borrowings	**1,838**	**1,740**
Within 1 year	22	22
Between 1 and 5 years	7	2
After 5 years	1,799	1,716
Carrying amount	**1,828**	**1,740**

Changes in assets and liabilities from financing activities

2021/22 EUR million	1 Aug. 2021	Cash flows	Acquisitions	Other non-cash[1]	31 July 2022
Bank loans	11	(2)	17	-	26
Loans from related parties	1,713	47	-	35	1,795
Leasing liabilities	463	(77)	85	85	556
Loans from non-controlling interests	16	-	-	1	17
Total change from financing activities	**2,203**	**(32)**	**102**	**121**	**2,394**

1 Other non-cash includes accrued interest of EUR 35m on loans from related parties, new leasing contracts amounting to EUR 57m and re-measurements of EUR 32m.

2020/21 EUR million	16 Dec. 2020	Cash flows	Acquisitions	Other non-cash[2]	31 July 2021
Bank loans	-		12	(1)	11
Loans from related parties	-	1,696	-	17	1,713
Leasing liabilities	-	(14)	463	14	463
Loans from non-controlling interests	-	-	16	-	16
Total change from financing activities	**-**	**1,682**	**491**	**30**	**2,203**

2 Other non-cash includes accrued interest of EUR 17m on loans from related parties, new leasing contracts amounting to EUR 11m and re-measurements of EUR 5m

§ ACCOUNTING POLICIES

Borrowings

Interest-bearing loans from related parties and credit institutions and overdrafts are initially recorded at fair value, net of attributable transaction costs.

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between proceeds and redemption value being recognised in the consolidated income statement over the period of the borrowings on an effective interest basis.

5.4 FINANCIAL INSTRUMENTS, RISK MANAGEMENT POLICIES

Risk management
As a result of its operations, investments and financing the Group is exposed to changes in exchange and interest rates. The Group's financial management is exclusively aimed at the management of financial risks related to finance. Thus, it is the Group's policy not to engage in speculation in financial risks.

Capital Risk Management
The Group's sources of funding currently comprise equity contributed by the sole shareholder and cash flows generated by operations, loans from related parties and borrowings from banks. The Group's capital management is reflected in the financing arrangements as set out in note 5.3 and note 6.8 and in the specifications in these notes.

Liquidity Risks
The Group maintains a policy of ensuring sufficient borrowing headroom to finance all investments and capital expenditures included in the strategic plan, with an additional contingent safety margin. The Group substantially manages its liquidity needs with cash flow from operations and to achieve effective management of the Group's cash, cash pooling is used. The Group's liquidity reserves consist of cash and an undrawn credit facility.

Currency risks
The Group's currency risk is limited since costs of wages and purchases of supplies are largely incurred in the same currency as sales are generated. Currency risks are primarily related to international purchases and to a limited extent, sale of goods in foreign currencies. The Group's exposure to currency risk is substantially consistent with the geographic allocation of net assets as set out in note 2.1.

The Group is subject to translation risk when results of subsidiaries are translated into EUR. Translation risk is not hedged with financial contracts. Currently translation risk is primarily related to DKK, SEK and NOK.

It is the Group's policy to actively monitor the impact of exchange rate changes on the results and the Group's financial position. The Group does not engage in speculative currency transactions.

Credit risk
Financial counterparty risk is reduced by only entering into transactions or arrangements with financial counterparties that have a satisfactory credit quality. Furthermore, maximum credit limits for each financial counterparty applies.

The Group has no material risks relating to an individual customer or business partner. The Group's policy for accepting credit risks means that all major customers and other partners are credit rated continuously.

The Group's credit risk is related to accounts receivable, other receivables and cash. The maximum credit risk related to receivables and cash correspond to the balance sheet values recognised. All cash balances are held with reputable financial institutions. Significant outstanding and overdue balances are reviewed on a regular basis and resulting actions are put in place on a timely basis.

In some cases, protection is provided through credit insurance arrangements.

Interest rate risk
Fluctuating interest rates influence the Group's income statement and the present value of future cash flows resulting from changes in interest rates. The objective of actively managing the Group's interest rate exposure is to maintain the interest rate risk at a known and acceptable level and to minimise the Group's borrowing costs.

5.4 FINANCIAL INSTRUMENTS, RISK MANAGEMENT POLICIES – CONTINUED

Financial instruments

The carrying amount of financial instruments by category:

EUR million	31 July 2022	31 July 2021
Financial assets		
Trade receivables	**569**	491
Other receivables	**22**	21
Cash and cash equivalents	**261**	330
Financial assets at amortised cost	**852**	**842**
Financial liabilities		
Payables to related parties	**(31)**	(37)
Trade and other payables	**(1,350)**	(1,164)
Less: Tax and social security	**43**	38
Less: Payroll accruals	**10**	11
Net trade and other payables (current)	**(1,328)**	**(1,152)**
Loans from related parties	**(1,795)**	(1,713)
Borrowings	**(43)**	(27)
Leasing liabilities	**(556)**	(463)
Financial liabilities at amortised cost	**(3,722)**	**(3,355)**

Maturity at fair value on the financial liabilities is as follows:

EUR million	Trade and other payables (current)	Loans from related parties	Borrowings	Leasing liabilities	Interest	Total
31 July 2022						
Due in less than one year	(1,328)	(10)	(27)	(84)	(58)	**(1,507)**
Due in two to five years	-	-	(7)	(263)	(205)	**(475)**
Due in over five years	-	(1,818)	(9)	(209)	(229)	**(2,265)**
Total	**(1,328)**	**(1,828)**	**(43)**	**(556)**	**(492)**	**(4,247)**
31 July 2021						
Due in less than one year	(1,152)	(11)	(16)	(65)	(62)	(1,306)
Due in two to five years	-	-	(2)	(222)	(226)	(450)
Due in over five years	-	(1,738)	(9)	(176)	(374)	(2,297)
Total	**(1,152)**	**(1,749)**	**(27)**	**(463)**	**(662)**	**(4,053)**

The future interest for borrowings and payables to related parties have been estimated using the current interest rates.

Fair value is considered to be equal to or approximate the carrying amounts of the various loans and payables.

5.4 FINANCIAL INSTRUMENTS, RISK MANAGEMENT POLICIES – CONTINUED

§ ACCOUNTING POLICIES

Financial instruments

A financial instrument is any contract that gives rise to a financial asset, a financial liability or equity instrument.

Financial assets and financial liabilities are recognised in the Consolidated statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. The Group's financial instruments comprise trade and other receivables (including amounts owed by related parties), derivative financial instruments, cash and cash equivalents, trade and other payables (including amounts owed to related parties) and borrowings.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade and other receivables.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

6.1 DEFERRED TAX ASSETS AND LIABILITIES

EUR million	2021/22	2020/21
Balance at the beginning of the period	301	-
Business acquisitions	15	305
Recognised in the income statement regarding current year	(5)	(3)
Recognised in other comprehensive income	6	(1)
Adjustment of deferred tax regarding previous years	(4)	-
Exchange rate adjustment	(1)	-
Balance at the end of the period	**312**	**301**

EUR million	31 July 2022	31 July 2021
Deferred tax relates to:		
Intangible assets	235	229
Property, plant and equipment	242	210
Pensions	(4)	(12)
Inventory	(7)	(7)
IFRS 16 leasing liabilities	(143)	(112)
Other assets and liabilities	(11)	(7)
Total	**312**	**301**

The Group has an unrecognised deferred tax asset of EUR 3m relating to tax loss carry forwards where the timing of possible future utilization is not certain. The related tax losses can be carried forward indefinitely.

§ ACCOUNTING POLICIES

Deferred tax

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to the consolidated statement of changes in equity or the consolidated statement of comprehensive income, in which case the deferred tax is recognised in equity, or other comprehensive income, respectively.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

6.2 EMPLOYEE BENEFIT OBLIGATIONS

The Group has entered into pension plans with those of the Group's employees who are eligible. The Group has entered into both defined contribution plans and defined benefit plans.

Defined contribution plans
The Group finances the plans by paying premiums to an independent insurance company that is responsible for the pension obligations. Once the pension contributions to the defined contribution plans have been paid, the Group has no further pension obligation to current or retired employees.

Defined benefit plans
The Group operates defined benefit plans with employees of the Group´s subsidiaries in Germany and Sweden.

FINANCIAL IMPACT OF PLANS

EUR million	2021/22	2020/21
Analysis of liability in the consolidated statement of financial position		
Fair value of plan assets	47	45
Present value of defined benefit obligations	(139)	(158)
Net liability recognised in the consolidated statement of financial position	**(92)**	**(113)**
Analysis of total expense recognised in the consolidated income statement		
Current service cost	(5)	(1)
Past service cost and gain from settlements	-	-
Charged to staff costs	**(5)**	**(1)**
Interest on pension liabilities	(2)	(1)
Other	3	2
Credited/(charged) to finance costs	**1**	**1**
Total expense recognised in the consolidated income statement	**(4)**	**-**
Analysis of amount recognised in the consolidated statement of comprehensive income		
Actuarial gain/(loss)	23	(4)
Taxation	(6)	1
Total amount recognised in the consolidated statement of comprehensive income	**17**	**(3)**

6.2 EMPLOYEE BENEFIT OBLIGATIONS - CONTINUED

EUR million	2021/22	2020/21
Fair value of plan assets		
At the beginning of the period	45	-
Business acquisitions	-	44
Other	3	2
Employer's contributions	(2)	(1)
Fair value gain on plan assets	1	-
As of 31 July	**47**	**45**
Present value of defined benefit obligations		
At the beginning of the period	(158)	-
Business acquisitions	-	(156)
Current service cost	(5)	(1)
Interest cost	(2)	(1)
Benefits paid	3	4
Actuarial gain/(loss) - demographic assumptions	23	(4)
Actuarial gain/(loss) - financial assumptions	(1)	-
Currency translation	1	-
As of 31 July	**(139)**	**(158)**

	31 July 2022	31 July 2021
Analysis of present value of defined benefit obligations		
Amounts arising from wholly unfunded plans	(62)	(69)
Amounts arising from plans that are wholly or partly funded	(77)	(89)
Total	**(139)**	**(158)**
Analysis of present/fair value of plan assets		
Property	47	45
Total	**47**	**45**

The actuarial calculations as of 31 July 2022 are based on the following assumptions:

	Germany	Sweden
Discount rate	2.79%	3.40%
Rate of inflation	2.50%	2.80%
Increases to pensions in payment	2.50%	3.80%
Increase in salary	2.10%	3.80%
Current pensioners	1,120	762
Future pensioners	774	601

6.2 EMPLOYEE BENEFIT OBLIGATIONS - CONTINUED

Sensitivity analysis

The Group considers that the most sensitive assumptions are the discount rate, inflation and life expectancy. Below presented as a weighted view across the active benefit plans.

- A change in discount rate of +/- 0.25% respectively would impact the defined benefit obligation by -4% or +5% respectively.
- A change in the inflation rate of +/-0.25% respectively would impact the defined benefit obligation by +3% or -3% respectively.
- Changing expectations for the number of years of life after retirement with 1 year would increase the defined benefit obligation by 5%.

§ ACCOUNTING POLICIES

Post-employment obligations

Contributions to defined contribution pension plans and other post-retirement benefits are charged to the income statement as incurred. For defined benefit plans, obligations are measured at discounted present value (using the projected unit credit method) whilst plan assets are recorded at fair value. The operating and financing costs of such plans are recognised separately in the consolidated income statement; service costs are spread systematically over the expected service lives of employees and financing costs are recognised in the periods in which they arise.

Actuarial gains and losses are recognised immediately in the consolidated statement of other comprehensive income. Payments to defined contribution schemes are recognised as an expense as they fall due.

Where a plan shows a surplus funding, the asset recognised is limited to the present value of any amount which the Group expects to recover by way of refunds or a reduction in future contributions.

6.3 CASH FLOW, ADJUSTMENTS AND REVERSALS

EUR million	2021/22	2020/21
Financial expenses, net	102	24
Depreciation and amortisation	171	37
Gain from sale of properties and equipment	(2)	-
Change in provisions	6	-
Income tax	54	18
Adjustments and reversals, non-cash	**331**	**79**

6.4 CASH FLOW, CHANGES IN WORKING CAPITAL

EUR million	2021/22	2020/21
(Increase) / decrease in inventories	(177)	(2)
(Increase) / decrease in trade and other receivables	(32)	15
Increase / (decrease) in trade and other payables	121	202
Changes in working capital	**(88)**	**215**

6.5 CONTINGENT LIABILITIES

As part of the Group's ordinary operations, the Group is involved in various legal proceedings and disputes. The outcome of these legal cases is not expected to have a material significance for the Group's financial position.

§ ACCOUNTING POLICIES

Contingent liabilities

A contingent liability is disclosed when the Group identifies a possible obligation that arises from past events and where the existence will be confirmed only by one or more uncertain future events outside the Group's control, it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably.

Contingent liabilities are disclosed based on the best estimate of the expenditure required to settle the potential obligation at the end of the reporting period.

6.6 FEE TO STATUTORY AUDITORS

EUR million	Deloitte	Other audit firms	2021/22 Total	Deloitte	Other audit firms	2020/21 Total
Statutory audit	1	1	2	1	0	1
Assurance engagements	0	0	0	0	0	0
Tax advisory	0	0	0	0	0	0
Other services	0	0	0	0	0	0
Total fee to statutory auditors	**1**	**1**	**2**	**1**	**0**	**1**

6.7 SECURITIES

The shareholdings in the major group companies have been pledged as security for the external financing obtained by the single shareholder Winterfell Financing S.à r.l. and the same major group companies are jointly and several liable for the Term loan B amounting to EUR 1,345m and the Senior Revolving Credit facilities agreement with lenders up to EUR 200m.

The Senior Revolving Credit facilities were not drawn as of 31 July 2022.

As of 31 July 2022, the Group had pledged properties with a book value of EUR 21m as security for the secured bank loans.

6.8 RELATED PARTIES

The Group has most of its financing from related parties with the single shareholder Winterfell Financing S.à r.l. The financing consists of several loans which to a certain extent mirrors the conditions and maturities of the external financing managed in the shareholder company. The borrowers are Stark Group A/S (EUR 628m), Winterfell Sweden AB (EUR 450m) and Winterfell Germany GmbH (EUR 734m). In general, the financing consists of longer-term financing with varying interest. In 2021/22 the weighted average interest rate on the financing with related parties was 3.6%. Interest is paid on a portion of the debt and accrues on the rest. Interest expensed in the financial period amounted to EUR 70m.

Related parties are considered to be the parent company Winterfell Financing S.à r.l. and its subsidiaries. Reference is made to the list of group companies in note 6.10.

Other related parties with significant influence over STARK Group A/S comprise Winterfell Financing S.à r.l., Winterfell S.à r.l., Winterfell Investments S.à r.l., Winterfell Holdings S.à r.l., Winterfell ManCo I S.A., Winterfell ManCo II S.A., Winterfell Topco S.à r.l. and the Company's Board of Managers. Furthermore, transactions with the respective companies' Boards of Directors, Supervisory Boards and senior employees and their immediate family members are included. Related parties also include companies where the mentioned persons have significant interests.

Remuneration to key management personnel is disclosed in note 2.3.

Controlling interest
The ultimate shareholders of the company are limited partnerships with CVC Capital Partners VII Limited acting as General Partner.

6.9 SUBSEQUENT EVENTS

In April 2022, the Group signed a contract to acquire Konz in Germany. With the acquisition of Konz, STARK Group strengthens its foothold in two fast-growing growth areas in Europe's largest market for heavy building materials, Stuttgart and Dresden. The acquisition was closed as of 1 August 2022 and will be included in the consolidated financial statements in 2022/23 and onwards. The consideration for Konz amounts to EUR 41m and is financed with existing available facilities. Konz has an annual net sales of approx. EUR 110m and an EBITDA of around EUR 4m.

In November 2022, STARK Group has signed an agreement to acquire Norwegian FagFlis, Norway's leading distributor and retailer of ceramic tiles for professional craftsmen, as well as the Swedish FF Kakel. FagFlis and FF Kakel have an annual turnover of approx. EUR 63m and an annual EBITDA of around EUR 9m. The consideration amounts to EUR 42m and will be financed with existing facilities. Closing is expected to take place in December 2022.

6.10 LIST OF GROUP COMPANIES

Name	Registered office	Voting and ownership share
Parent:		
STARK Group ApS	Frederiksberg, Denmark	
Subsidiaries:		
Denmark and Greenland:		
LSF10 Wolverine BidCo ApS	Frederiksberg, Denmark	100%
STARK Sourcing A/S	Frederiksberg, Denmark	100%
STARK Danmark A/S	Aarhus, Denmark	100%
Electro Energy A/S	Albertslund, Denmark	100%
Arnum Rør ApS	Haderslev, Denmark	100%
Stark Kalaallit Nunaat A/S	Nuuk, Greenland	100%
Germany:		
Winterfell Germany GmbH	Offenbach, Germany	100%
Stark Group Holding Germany GmbH	Frankfurt, Germany	100%
Stark Deutschland GmbH	Offenbach, Germany	100%
Melle Gallhöfer Dach GmbH	Neus, Germany	100%
Fliesen Discount GmbH	Berlin, Germany	100%
Dr. Sporkenbach GmbH	Magdeburg, Germany	100%
Muffenrohr Tiefbauhandel GmbH	Ottersweier, Germany	100%
Platten Peter Fliesenzentrum Nord GmbH	Münster, Germany	100%
Dämmisol Baustoffe GmbH	Berlin, Germany	94.94%
Saxonia Baustoffe GmbH	Dresden, Germany	87.50%
Sporkenbach GbR	Magdeburg, Germany	80.95%
Balzer Group[1]		
Balzer Verwaltungsgesellschaft mbH	Marburg, Germany	67.40%
Chr. Balzer GmbH & Co. KG	Marburg, Germany	67.34%
Austria:		
STARK Group Holding Austria GmbH	Eberstalzell, Austria	100%
Dach und Wand handels GmbH	Eberstalzell, Austria	100%
Sweden:		
Winterfell Sweden AB	Stockholm, Sweden	100%
DT Holding (Sweden) AB	Stockholm, Sweden	100%
Beijer Byggmaterial AB	Stockholm, Sweden	100%
Vagn Jensens Byggkomponenter AB	Trelleborg, Sweden	100%
Kakeldax i Sverige AB	Stockholm, Sweden	100%
Centro Kakel & Klinker AB	Stockholm, Sweden	100%
100 Procent Proffs Bandhagen AB	Stockholm, Sweden	100%
100 Procent Proffs Rotebro AB	Stockholm, Sweden	100%
BraByggare Sverige AB	Stockholm, Sweden	50%
Vivaldi AB	Stockholm, Sweden	51%
Lund Sandby 6:45 AB	Malmö, Sweden	100%
Sierra-Stark HoldCo AB	Sollentuna, Sweden	100%
Finland:		
Stark Suomi Oy Espoo, Finland 100%	Espoo, Finland	100%
Norway:		
Neumann Bygg AS	Oslo, Norway	100%
Stark Norway Propco AS	Bergen, Norway	100%
Margrethe Jørgensen Vei 6 AS	Bergen, Norway	100%

1 The companies in the Balzer Group are owned through both vertical and horizontal ownerships and in total, the Group owns approximately 50% and as such is deemed to have controlling influence. In this overview only the two top entities of the Balzer Group are included. The Balzer Group in total comprises 8 entities. Measured on net sales, the Balzer group represents about 5% of the total German business.

PARENT COMPANY FINANCIAL STATEMENTS 2022

STARK GROUP A/S

CONTENTS

PARENT COMPANY FINANCIAL STATEMENTS

Income Statement 77
Statement of Financial Position 78
Statement of Changes in Equity 80

NOTES – PARENT COMPANY FINANCIAL STATEMENTS

1 BASIS OF REPORTING
1.1 Basis for reporting 81
1.2 Accounting policies 82

2 INCOME STATEMENT
2.1 Net sales 83
2.2 Staff costs 83
2.3 Financial items 84
2.4 Tax for the period 84

3 INVESTED CAPITAL
3.1 Goodwill 85
3.2 Investments in subsidiaries 85

5 CAPITAL STRUCTURE AND FINANCING
5.1 Share capital and share premium 86
5.2 Payables to related parties 86
5.3 Proposed distribution of profit 86

6 OTHER FINANCIAL NOTES
6.1 Contingent liabilities 87
6.2 Securities 87
6.3 Related parties 87
6.4 Subsequent events 88

INCOME STATEMENT

EUR million	Note	2021/22	2020/21
Net sales	2.1	19	6
Gross Profit		**19**	**6**
Staff costs	2.2	(14)	(4)
Other external operating expenses		(9)	(16)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**(4)**	**(14)**
Amortisation of goodwill		(0)	(0)
Earnings before interest and tax (EBIT)		**(4)**	**(14)**
Dividend from investments in subsidiaries		60	-
Financial income	2.3	2	-
Financial expenses	2.3	(53)	(7)
Earnings before tax		**5**	**(21)**
Income tax	2.4	8	0
Net earnings	5.3	**13**	**(21)**

STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	Note	31 July 2022	31 July 2021
Non-current assets			
Goodwill	3.1	5	5
Total intangible non-current assets		**5**	**5**
Investments in subsidiaries	3.2	2,621	2,611
Total financial non-current assets		**2,621**	**2,611**
Total non-current assets		**2,626**	**2,616**
Current assets			
Deferred tax		1	0
Receivables from related parties		126	5
Corporate tax receivables		12	0
Other receivables		1	0
Cash and cash equivalents		190	89
Total current assets		**330**	**94**
TOTAL ASSETS		**2,956**	**2,710**

STATEMENT OF FINANCIAL POSITION

EQUITY AND LIABILITIES

EUR million	Note	31 July 2022	31 July 2021
Equity			
Share capital	5.1	2	1
Share premium	5.1	0	0
Retained earnings		510	498
Total equity		**512**	**499**
Non-current liabilities			
Payables to related parties	5.2	2,116	628
Total non-current liabilities		**2,116**	**628**
Current liabilities			
Payables to related parties	5.2	316	1,563
Trade payables		2	3
Other liabilities		10	17
Total current liabilities		**328**	**1,583**
Total liabilities		**2,444**	**2,211**
TOTAL EQUITY AND LIABILITIES		**2,956**	**2,710**

STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Share premium	Retained earnings	**Total equity**
Equity as of 1 August 2021	**1**	**0**	**498**	**499**
Changes in equity for 2021/22:				
Non-cash capital increase	1	-	(1)	-
Net earnings	-	-	13	13
Equity as of 31 July 2022	**2**	**0**	**510**	**512**
Equity as of 16 December 2020	-	-	-	-
Changes in equity for 2020/21:				
Capitalisation upon incorporation	1	0	-	1
Tax-exempt group contribution	-	-	519	519
Net earnings	-	-	(21)	(21)
Equity as of 31 July 2021	**1**	**0**	**498**	**499**

1.1 BASIS OF REPORTING

Basis of reporting
The Financial Statements of STARK Group A/S have been prepared in accordance with the provisions of the Danish Financial Statements Act for reporting class C – large companies.

The Financial Statements are presented in million Euros, which is the presentation currency of the Company.

In compliance with section 86(4) of the Danish Financial Statements Act, the Company has not presented cash flow statement on a stand-alone basis. Reference is made to the consolidated cash flow statement of the Company and its subsidiaries presented on page 37.

Comparative figures
The comparative figures cover the period 16 December 2020-31 July 2021 as the company's first accounting year and where the income statement includes operating activities from May, whereby the income statement represents approximately 3 months of operations.

1.2 ACCOUNTING POLICIES

Recognition and measurement
The Financial Statements have been prepared under the historical cost method.

Income in the form of dividends are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement consider predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Foreign currencies
Transactions in foreign currencies are translated to the functional currency using the exchange rates at transaction date. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency at the rate prevailing on the balance sheet date. All differences are recognised in the income statement.

Net sales
Service fee from subsidiaries is recognised over the service period.

Other external operating expenses
Other external expenses comprise operating expenses such as administration and professional services expenses.

Financial income and expenses
Financial income and expenses comprise interest realised and unrealised exchange gains and losses as well as interest surcharge and interest reimbursements under the Danish Tax Prepayment Scheme.

Tax on result for the year
The Company is subject to the Danish rules for compulsory joint taxation with the Group's Danish Subsidiaries. Danish subsidiaries are included in joint taxation from the time they are acquired or incorporated by a Danish Group company until the date that control is no longer effective. The Company is administration company of the Danish joint taxation group and, consequently, settles all payments of corporation tax with the tax authorities.

The current Danish corporation tax is allocated by settling joint taxation contributions between the jointly taxed companies in proportion to their taxable income. In connection with this, companies with tax losses receive joint taxation contributions from companies that have been able to utilize this loss to reduce their own tax profit/loss.

The tax for the year, consisting of current corporate income tax, the year's joint tax contribution and change in deferred taxes - including as a result of a change in tax rate - are recognised in the income statement with the part attributable to the profit for the year and directly to equity with the part that can is attributable to entries directly in equity. The Company is subject to the Danish Tax Prepayment Scheme. Interest reimbursement and interest surcharge have been recognised in financial income and expenses.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition.

The cost of goodwill is amortised in the income statement over the useful live which is estimated to 10 years.

Investments in subsidiaries
Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write down is made to this lower value.

Prepayments
Prepayments comprise costs incurred relating to subsequent financial years.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held at call with banks.

Borrowings
Interest-bearing loans from group enterprises are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between proceeds and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Current tax receivables and payables
Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Surcharges or refunds under the on-account taxation scheme are recognised in the income statement in financial income and expenses

Equity
Proposed dividend for the financial year is presented as a separate item in equity.

Liabilities
Liabilities have been measured at amortised cost, which corresponds to nominal value.

2.1 NET SALES

EUR million	2021/22	2020/21
Service fees from subsidiaries	19	6
Total net sales	**19**	**6**

2.2 STAFF COSTS

EUR million	2021/22	2020/21
Salary and wages	13	4
Pensions - contribution plans	1	0
Other expenses for social security	0	0
Total staff costs	**14**	**4**
Compensation for the Executive Management:		
Salary and wages	5	1
Pensions - contribution plans	0	0
Other expenses for social security	0	0
Total compensation paid to the Executive Management	**5**	**1**

The members of the Executive Management as well as other employees are entitled to a cash bonus based on fulfilment of pre-defined financial and non-financial targets.

The Board of Directors has not received any fee.

The Company has not established share-based incentive programs.

Average number of fulltime employees	2021/22	2020/21
Average number of fulltime employees	47	49

2.3 FINANCIAL ITEMS

EUR million	2021/22	2020/21
Financial income		
Interests received from related parties	2	-
Total financial income	2	-
Financial expenses		
Interests on loans from related parties	47	6
Foreign exchange losses	1	1
Other interest expenses	5	0
Total financial expenses	53	7

2.4 INCOME TAX

EUR million	2021/22	2020/21
Current tax	7	0
Deferred tax	1	0
Adjustment of current tax regarding previous years	0	-
Total income tax	8	0

3.1 GOODWILL

EUR million	2021/22	2020/21
Cost at the beginning of the period	5	-
Additions	-	5
Cost at the end of the period	5	5
Impairment losses at the beginning of the period	(0)	-
Impairment charge for the period	(0)	(0)
Accumulated impairment losses at the end of the period	(0)	(0)
Carrying amount at the end of the period	**5**	**5**

3.2 INVESTMENTS IN SUBSIDIARIES

EUR million	2021/22	2020/21
Cost at the beginning of the period	2,611	-
Additions	10	2,611
Cost at the end of the period	2,621	2,611
Impairment losses at the beginning of the period	-	-
Impairment charge for the period	-	-
Accumulated impairment losses at the end of the period	-	-
Carrying amount at the end of the period	**2,621**	**2,611**

Investments in subsidiaries as of 31 July 2022 are specified as follows:

Company	Registered office	Voting and ownership share
Winterfell Sweden AB	Stockholm, Sweden	100%
Winterfell Germany GmbH	Frankfurt, Germany	100%
Stark Danmark A/S	Viby J, Denmark	100%
Stark Suomi Oy	Espoo, Finland	100%
Neumann Bygg AS	Oslo, Norway	100%
LSF10 Wolverine Bidco ApS	Frederiksberg, Denmark	100%
Stark Group Holding Austria GmbH	Eberstalzell, Austria	100%

5.1 SHARE CAPITAL AND SHARE PREMIUM

EUR million	Number of shares	Share capital	Share premium	Total
Changes in equity for 2021/22:				
Balance as of 1 August 2021	40,000	1	0	1
Non-cash capital increase	14,960,000	1	-	1
Balance as of 31 July 2022	**15,000,000**	**2**	**0**	**2**
Changes in equity for 2020/21:				
Incorporation - 16 December 2020 - paid in cash	40,000	1	0	1
Balance as of 31 July 2021	**40,000**	**1**	**0**	**1**

5.2 PAYABLES TO RELATED PARTIES

EUR million	31 July 2022	31 July 2021
Maturity analysis of payables to related parties		
Within 1 year	316	1,563
Between 1 and 5 years	1,488	-
After 5 years	628	628
Carrying amount	**2,432**	**2,191**

5.3 PROPOSED DISTRIBUTION OF PROFIT

EUR million	2021/22	2020/21
Proposed distribution of profit:		
Dividend	-	-
Retained earnings	13	(21)
Total	**13**	**(21)**

6.1 CONTINGENT LIABILITIES

The Company is administration company of the Danish joint taxation group. As a management company, the Company assumes unlimited and joint liability for Danish company taxes for the Danish companies included in the joint taxation. The total known net tax liability of jointly taxed companies on corporation taxes is EUR 21m as of July 31, 2022.

Any subsequent corrections of joint taxation income could result in the Company's liability amounting to a larger amount.

Stark Group A/S have operating lease contracts with a contingent liability as of 31 July 2022 of less than EUR 1m. The maturity is 1-3 years.

6.2 SECURITIES

The shares in the major subsidiaries with a carrying amount of EUR 2,611m have been pledged as security for external financing obtained by the single shareholder Winterfell Financing S.à r.l. and the same major subsidiaries are jointly and several liable for a Term loan B amounting to EUR 1,345m and Senior Revolving Credit facilities agreement with lenders up to EUR 200m. The Senior Revolving Credit facilities were not drawn as of 31 July 2022.

6.3 RELATED PARTIES

On 4 May 2021 Stark Group A/S utilized a EUR 628 shareholder loan provided by the parent company, Winterfell Financing S.à r.l. The Loan is a subordinated loan. The loan will mature on 4 May 2028. Interest on the loan is set to reflect an arm's length transaction. Interest expensed in the financial year amounts to EUR 21m (2020/21: EUR 6m).

Controlling interest
Winterfell Financing S.à r.l., 20, avenue Monterey, Luxembourg is the parent company and owns 100% of the share capital of the Company. The ultimate shareholders of the company are limited partnerships with CVC Capital Partners VII Limited acting as General Partner.

The Group's related parties with significant influence comprise Winterfell Financing S.à r.l., Winterfell S.à r.l. and the Company's Board of Managers. Furthermore, transactions with the respective companies' Boards of Directors, Supervisory Boards and senior employees and their immediate family members are included. Related parties also include companies where the mentioned persons have significant interests.

There have been no transactions with the Board of Directors, Executive Management, significant shareholders, group enterprises or other related parties, except for intercompany transactions and regular salaries and bonus to the Executive Management as disclosed in note 2.2. All transactions are made on an arm's length basis and, according to the Danish Financial Statements Act §98c, 7, they are not disclosed.

The Company and its subsidiaries are included in the consolidated financial statements of Winterfell Topco S.à r.l. which can be obtained at the following address:

Winterfell Topco S.à r.l.
20, avenue Monterey
L-2163 Luxembourg
R.C.S. Luxembourg: B 250.784

6.4 SUBSEQUENT EVENTS

No events have occurred after the balance sheet date that materially affect the Company's financial statements.

COMPANY INFORMATION

Company	STARK Group A/S C.F. Richs Vej 115 2000 Frederiksberg Denmark CVR No. 41 95 27 25 Financial year: 1 August – 31 July Incorporated: 16 December 2020 Current financial period: 1 August 2021 – 31 July 2022 2nd financial year
Executive Management	Søren P. Olesen (CEO) Sisse Fjelsted Rasmussen (CFO)
Board of Directors	Søren Vestergaard-Poulsen (chair) Christoffer Helsengreen Sjöqvist (vice-chair) Philip Bendorff Røpcke Søren P. Olesen Sisse Fjelsted Rasmussen
Auditor	Deloitte Statsautoriseret Revisionspartnerselskab
Annual General Meeting	2 December 2022

STARK
GROUP

STARK Group A/S
C.F. Richs Vej 115
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Denmark