STARK GROUP

ANNUAL REPORT HIGHLIGHTS 2023

1 AUGUST 2022 – 31 JULY 2023

WE BUILD OUR FUTURE BY HELPING OTHERS BUILD THEIRS

STARK Group is on a remarkable growth journey that has delivered 20% CAGR net sales growth from 2020-2023.

After several years of stagnation, the Group announced a strategic and financial turnaround in 2017 that has delivered solid business results. Within just five years, the business has quadrupled, employees are engaged, customer Net Promoter Score is record-high, and gross margin and EBITDA improve year-on-year.

STARK Group's winning recipe has its outset in a quest to support its customers, the tradespeople, in making hard work and their working lives as easy as can be.

The Group's key customers are small and medium-sized enterprises (SMEs), as it focuses on the Renovation, Maintenance, and Improvement (RMI) segment of the industry, which demonstrates greater resilience compared to the new-build market. The SME tradespeople are particularly attractive to the Group as they work across cities and hence value the dense branch network, effective distribution, broad range and guaranteed assortment, and services that STARK Group delivers.

The Group's goal is to win and consolidate the attractive market for trading and distributing heavy building materials in Europe. Originating as a Nordic business, STARK Group has successfully grown its market share and deepened its customer relations while fuelling growth through 30 acquisitions in the past five years. The acquisitions include bolt-on acquisitions and market entries to specialist areas such as tiles, civil engineering and roofing and façade, as well as expansion into new geographical markets, including the UK, Austria, and Germany, which accounts for one-third of building materials traded in Europe.

Today, STARK Group is a leader of its industry in Europe, with ample opportunities for further profitable growth.

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How do you navigate a business through extraordinarily busy days through challenging markets and back to more normal ones?

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Acquisitions have fuelled STARK Group's remarkable net sales growth of CAGR 20% since 2020. In the past financial year, the Group added six acquisitions, including a market entry to the UK. How does it integrate new businesses into its platform?

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OUR STRATEGY

In 2023, STARK Group has conducted a strategy review. Which were the new initiatives added to secure a continued ambitious plan to enhance the business?

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ABOUT THIS REPORT

The Annual Report Highlights 2023 presents a comprehensive overview of our underlying business and performance.

STARK Group has in recent years grown significantly, both organically and through acquisitions. Acquisitions made in the past financial year include Saint-Gobain Building Distribution Ltd. in the UK and several others. While the acquisitions have strengthened our business, they have also complicated a comparison of reported numbers in the annual report and, hence, reduced the transparency of STARK Group's underlying business performance.

In this document we present our reported results (pages 11-17) and pro forma numbers to facilitate comparative analysis of our performance. Reported and pro forma numbers disregard the change in ownership structure in 2021, when CVC Capital Partners became owners of STARK Group.

A seperate statutory annual report has been released.

01 IN BRIEF

What is the state of the business?
In the past financial year, STARK Group navigated from extraordinarily good times to more challenging ones. Financial performance was solid, and the Group took important steps to strengthen its business. These include six acquisitions - most notably a market entry to the UK, an accelerated investment programme, and a continued push at the forefront of sustainability.

IN THIS SECTION

STARK GROUP AT A GLANCE

Mission

WE BUILD OUR FUTURE BY HELPING OTHERS BUILD THEIRS

Net sales **€7BN**	CAGR Growth 2020-23 **+20%**
Engagement Score **74**	Customer Net Promotor Score **56**

HARD WORK MADE EASIER

The Group lives and breathes to remove hassle and make life easier for the more than 450,000 tradespeople that are its customers. It aims at bringing everything they need within easy reach. It empowers its colleagues to offer eye-level service in a flash. And it uses its size to tradespeople's advantage.

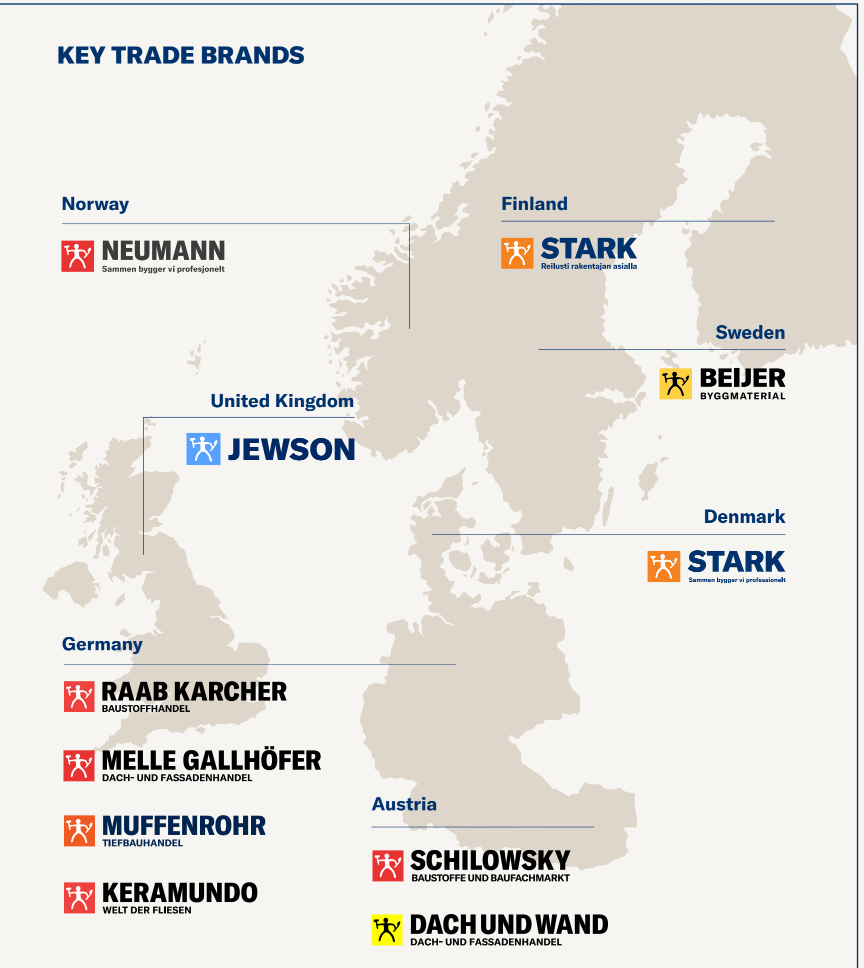
This has made STARK Group a market-leading builders' merchant and distributor of heavy building materials in Europe.

BUILT FOR GROWTH

STARK Group is on an ambitious growth journey that combines organic and acquisitional growth. In the financial year 2023, the Group acquired six businesses, including Saint-Gobain Building Distribution Ltd. in the UK. The Group has quadrupled its business over the past five years.

	2022		2023
SME customers	**275,000**	→	**450,000**
Employees	**11,000**	→	**20,000**
Branches	**550**	→	**1,150**
Suppliers	**10,000**	→	**15,000**

KEY TRADE BRANDS



SØREN P. OLESEN

Group CEO,
STARK Group A/S

LETTER FROM THE CEO

NAVIGATING A WATERSHED YEAR

How do you navigate a business through extraordinarily busy days and back to more normal ones? Business schools are working on articles and white papers, while we experience it first-hand.

The past three years have been both challenging and exciting. Our financial year 2022 was extraordinary in every sense of the word. Commercially and financially, we were busy like never before. The past financial year marked a watershed year. Activity levels and hence financial results pivoted early in our first half year, followed by a decline late in the second half.

So, how did we manage to navigate these challenges? We did well, I believe.

Our Annual Report Highlights 2023 present net sales of EUR 7 billion, which is 17.7% up on last year, and adjusted EBITDA of EUR 456 million – is only 4.7% short of our 2022 results, which were out of the ordinary.

These numbers include the results of five months of operations from our major acquisition of Saint-Gobain Building Distribution Ltd. in the United Kingdom. The UK business contributed EUR 1.2 billion to our net sales, but only EUR 31 million to EBITDA. Our business case is to turn around this business, which has been underperforming for several years, just like we did after we acquired STARK Deutschland in 2019.

We have a solid track record of turning businesses around and getting them back on track for growth and improved profitability.

In the past year, our financial performance in the Nordics, Germany and Austria fell slightly compared to last year, which was extraordinary. Comparing this past financial year to 2021 that to some extent was a more "normal" year, our business in the Nordics, Germany and Austria delivered another great year at 16.1% net sales growth and a margin improvement of 0.4 pp. to 7.2%.

> "Activity levels and hence financial results pivoted early in our first half year, followed by a decline late in the second half."

MANAGED FOR PROFITABILITY AND FUTURE GROWTH

So how do we manage our business from extraordinarily good times back to more normal ones? We manage our business for profitability, while positioning ourselves for future growth. This is not easy, but having engaged employees and an experienced management team in place has allowed us to act resolutely.
We are mainly exposed to the Renovation, Maintenance,

Continues →

and Improvement (RMI) segment of our industry, which gives us more resilience to the new-build market and benefits from the increasingly important market for energy efficiency enhancement. That offers some cushion, but the overall development in the construction industry still impacts our business.

Starting early in the financial year, we planned for a drop in activity levels in the second half of our financial year. Taking out cost and accelerating our sales efforts have sustained our profitability and led to market share gains across our business.

In the second half, the drop in total markets exceeded the decrease in activity levels we had planned for, and the visibility of when markets will recover remains low.

While we continue to manage for profitability, we maintain an ambitious and offensive approach to winning market share and accelerating profitability and growth once market recovery sets in.

> **"Over recent years, we have quadrupled our net sales through organic and acquisitional growth, and we have increased our gross margin and adjusted EBITDA margin by harvesting sourcing synergies and leveraging our size. We are well positioned in the marketplace, our customers appreciate what we do, we continue winning market shares, and our organisational health is sound."**

In the past year, we concluded a strategy review of our business and drew up a plan for the period to 2027. The timing of our initiatives may be adjusted depending on how our markets perform, but we will continue to invest in our business to grow our share and deepen our customer relations organically while fueling growth through acquisitions. Going forward, more acquisitions are to come. We will continue to have a strong efficiency drive and have in the past year initiated a digitisation journey aimed at making our business processes more efficient and providing smarter, value-adding services to our customers. We will continue to leverage scale benefits from sourcing synergies, building digital solutions to scale, and a structured approach to sharing best practices across markets. In addition, we will work diligently to become the best partner for sustainable building by managing our business to high ESG standards and making sustainability a commercial success for the benefit of tradespeople and the entire construction industry.

AMPLE OPPORTUNITIES, IRRESPECTIVE OF HOW MARKETS DEVELOP

The past year's acquisition of Saint-Gobain Building Distribution Ltd. in the UK added close to 50% business volume and made us a leader in Europe. Turning around STARK UK is a huge opportunity.

The beauty of STARK in the UK is that we have ample opportunity to make it a better business to benefit our customers, colleagues, and owners, irrespective of how the market develops.

HOW WILL MARKETS DEVELOP?

Here is my thinking about our near-term future: We are likely facing times that financially will be tougher than what we experienced in the most recent financial year. Interest rate chocks have adverse impact on our business, but chocks are by nature a passing phase.

Challenging macroeconomics and geopolitical unrest are likely here to stay. Still, the impact on the construction industry will decrease as market fundamentals, including population growth, urbanisation, as well as energy efficiency and sustainability, call for continued new-build and renovation of housing, office spaces, and community buildings.

The current turmoil impacts the phasing of construction activities but not the deficit of housing and demand for building and construction work.

We look back at a year of normalisation after unprecedentedly good years for the construction industry and for builders' merchants and distributors. Throughout these recent years, we have focused on strengthening our business and will continue to do so.

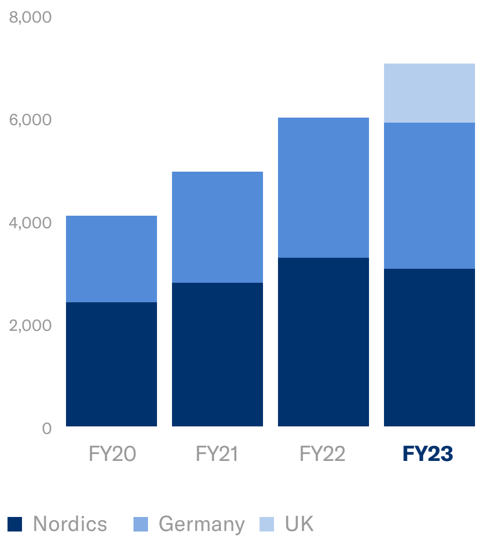
Financially, we have quadrupled our net sales through organic and acquisitional growth, and we have increased our gross margin and adjusted EBITDA margin by harvesting sourcing synergies and leveraging our size. We are well positioned in the marketplace, our customers appreciate what we do, we continue winning market shares, and our organisational health is sound.

We cannot change the overall markets, but we will continue to respond swiftly to market changes and investing in our business to act as a consolidator of our markets. I remain firmly confident about the strength of our business, whatever the future may bring.

SØREN P. OLESEN
CEO, STARK Group

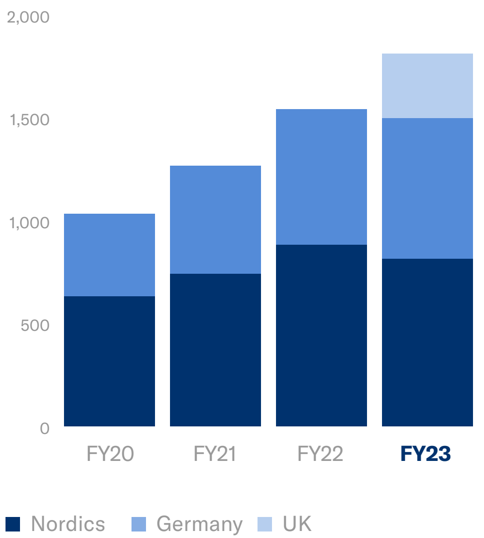
FINANCIAL HIGHLIGHTS

NET SALES
EUR Million



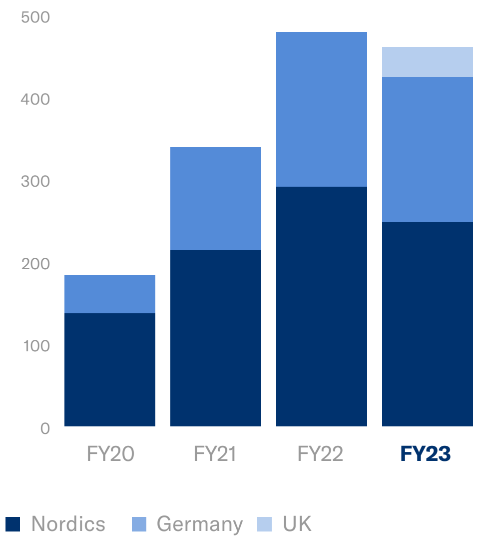
Net sales grew by **17.7%** to **EUR 7,054 million**. An extraordinary 2022 and a resilient first half of the year were followed by relatively soft markets. Acquisitions including STARK in the UK contributed significantly. Organic growth excluding acquisitions and currency impact was negative at **6.5%**

GROSS PROFIT
EUR Million



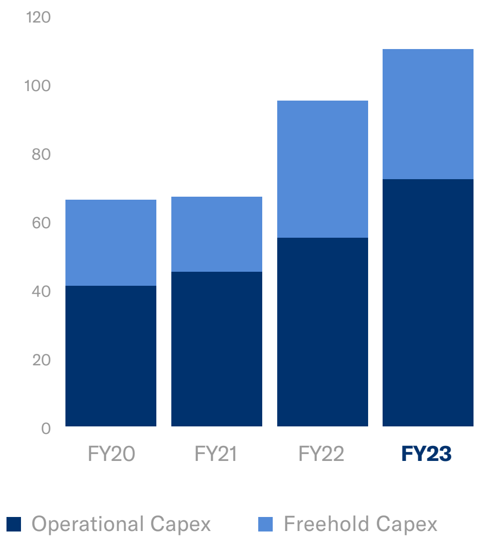
Gross profit grew by **17.5%** to **EUR 1,811 million** driven by growth in net sales. Effective price management and the Group's size vis-à-vis suppliers cushioned against price volatility, inflation, and declining activity levels in the second half of the year. Gross margin stood at **25.7%**.

ADJUSTED EBITDA
EUR Million



Adjusted EBITDA was **EUR 456 million**, a decrease of **4.7%**. After closing an extraordinary financial year in 2022, we managed for lower activity levels, diligently executing cost reductions to mitigate inflationary pressure and align operations to current activity levels. However, this did not fully compensate for the actual drop in activity levels. Reported EBITDA ended at **EUR 391 million**.

CAPEX
EUR Million



Total Capex was **EUR 108 million**. Freehold Capex stood at EUR 37 million (down by EUR 2 million) due to continued investments in a select number of strategic locations and properties. Operational Capex increased mainly due to investments in a digital programme, which is intended to replace the Group's digital infrastructure with an up-to-date foundation for digitising key business processes.

KEY EVENTS

MARKET ENTRY TO THE UK THROUGH A TRANSFORMATIONAL ACQUISITION

The Group achieved a milestone in its growth strategy in December 2022 when entering the UK market for building materials through the acquisition of Saint-Gobain Building Distribution Ltd. The business case aims at turning around an underperforming, significant UK builders' merchant with a strong heritage in a market that is challenging but has strong market fundamentals. The country's housing stock is amongst the oldest in Northern Europe, and its population is projected to grow by 1.6% to 68.7 million in 2027. This will increase the need for new-build and renovations of the existing housing stock.

The business operates 600 branches and distribution centres in the UK under leading brands, including Jewson in the UK and JP Corry in Northern Ireland.

On 1 March, following a swift two-and-a-half month closing process from Saint-Gobain UK Ltd., John Carter was appointed new CEO of the new company STARK Building Materials UK Ltd. (STARK UK) and a member of STARK Group's Executive Committee. John Carter has been in the building materials merchant and distribution industry for more than 40 years. His career includes serving as CEO of the current market leader in the UK.

When the Group took over the business, its financial performance was on a downward trend. A strategic and financial turnaround was announced early under STARK Group ownership, and a new strategy plan was developed over the summer. The business has undertaken a significant strategic shift from being centrally led to moving responsibility and accountability back to branches and focusing the business and strategic initiatives on professional trades peoples' needs.

The acquisition added approx. EUR 2.7 billion to STARK Group's annual pro forma net sales. In the financial year, net sales amounted to EUR 1,153 million with EBITDA at EUR 31 million for the five months included in this report.

EXPANDING ITS TILES SPECIALIST BUSINESS

STARK Group made a total of six acquisitions during the financial year. The UK transaction was transformational, whereas four others were bolt-on acquisitions in the generalist space and one supported the specialist strategy. The acquisition of FagFlis in Norway and FF Kakel AB in Sweden enhanced the Group's leading positions in the specialist area of tiles. FagFlis covers the whole of Norway through 13 owned and 12 franchise branches, while in Sweden, FF Kakel has branches in Stockholm, Gothenburg, and Uppsala, which are three of Sweden's four largest cities.

Historically, the Group's strongest position has been in the general market for building materials. Since the acquisition of German tile specialist Keramundo in 2019, specialist areas such as tiles have played an increasingly important role in the growth strategy. Being the leading German tiles specialist, Keramundo has a broad offering including its leading own brand, Terralis. During the year, Keramundo was named Germany's Best Retailer in the Tiles Markets category for the fourth year in a row.

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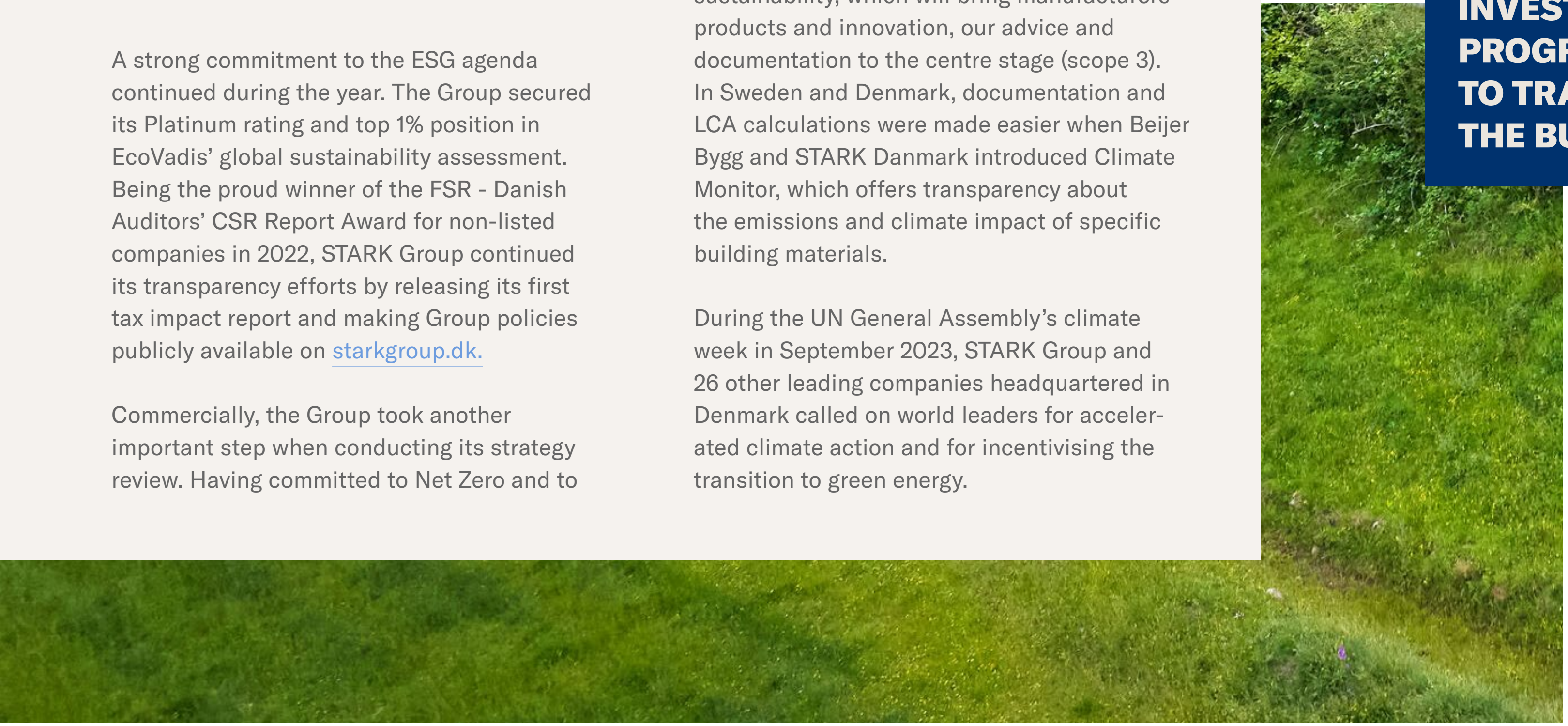
PUSHING AT THE FOREFRONT OF SUSTAINABILITY

A strong commitment to the ESG agenda continued during the year. The Group secured its Platinum rating and top 1% position in EcoVadis' global sustainability assessment. Being the proud winner of the FSR - Danish Auditors' CSR Report Award for non-listed companies in 2022, STARK Group continued its transparency efforts by releasing its first tax impact report and making Group policies publicly available on starkgroup.dk.

Commercially, the Group took another important step when conducting its strategy review. Having committed to Net Zero and to decreasing emissions from its own operations (scopes 1 and 2), STARK Group's strategy expanded its commitment to commercialising sustainability, which will bring manufacturers' products and innovation, our advice and documentation to the centre stage (scope 3). In Sweden and Denmark, documentation and LCA calculations were made easier when Beijer Bygg and STARK Danmark introduced Climate Monitor, which offers transparency about the emissions and climate impact of specific building materials.

During the UN General Assembly's climate week in September 2023, STARK Group and 26 other leading companies headquartered in Denmark called on world leaders for accelerated climate action and for incentivising the transition to green energy.



ACCELERATED INVESTMENT PROGRAMME TO TRANSFORM THE BUSINESS

The Group continued its accelerated investment programme to transform its business. In addition to six acquisitions, including STARK in the UK, the Group initiated a comprehensive digital programme, and invested in opening and refurbishing branches, including Hisings Backa in Gothenburg. This 20,000 sqm. branch and distribution centre in Western Sweden is Beijer's largest and most ambitious investment to date. It will be followed by a lighthub for 30,000 lightside products scheduled to open in the Greater Stockholm area in 2024.

The digital programme is intended to replace the digital infrastructure in the Nordics by establishing a modern digital platform that will make key business processes more efficient, while providing value-adding services that will solve essential customer pain points.

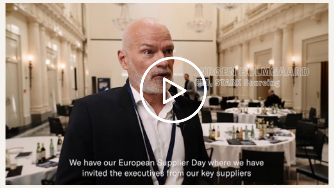
AWARDED BUILDERS' MERCHANT OF THE YEAR

The Group was recognised by the building materials industry when it was named builders' merchant of the year in Sweden, the UK, and Germany. In Sweden, Beijer was given the award by the trade media Market and Stockholm Business School for its financial results, customer experience, brand strength, market position, innovation capabilities and sustainability commitment. In the UK, Jewson was awarded National Merchant of the Year at the BMJ Industry Awards. German tiles specialist Keramundo was awarded Germany's best tiles specialist retailer for the fourth consecutive year.

SUPPLIER ENGAGEMENT

STARK Sourcing expanded its European Supplier Programme. More members joined the programme that is the only one of its magnitude and importance in the industry. Established in 2020, the European Supplier Programme has since evolved into a platform for sharing updates on market developments and participating in working groups on sector-specific topics, including its Sustainability Round Table. In June 2023, members of the European Supplier Programme discussed the Future of Big Cities and trends and future demands in urban construction where growth is significantly stronger and new regulation and customer demand emerge first.

LEARN MORE

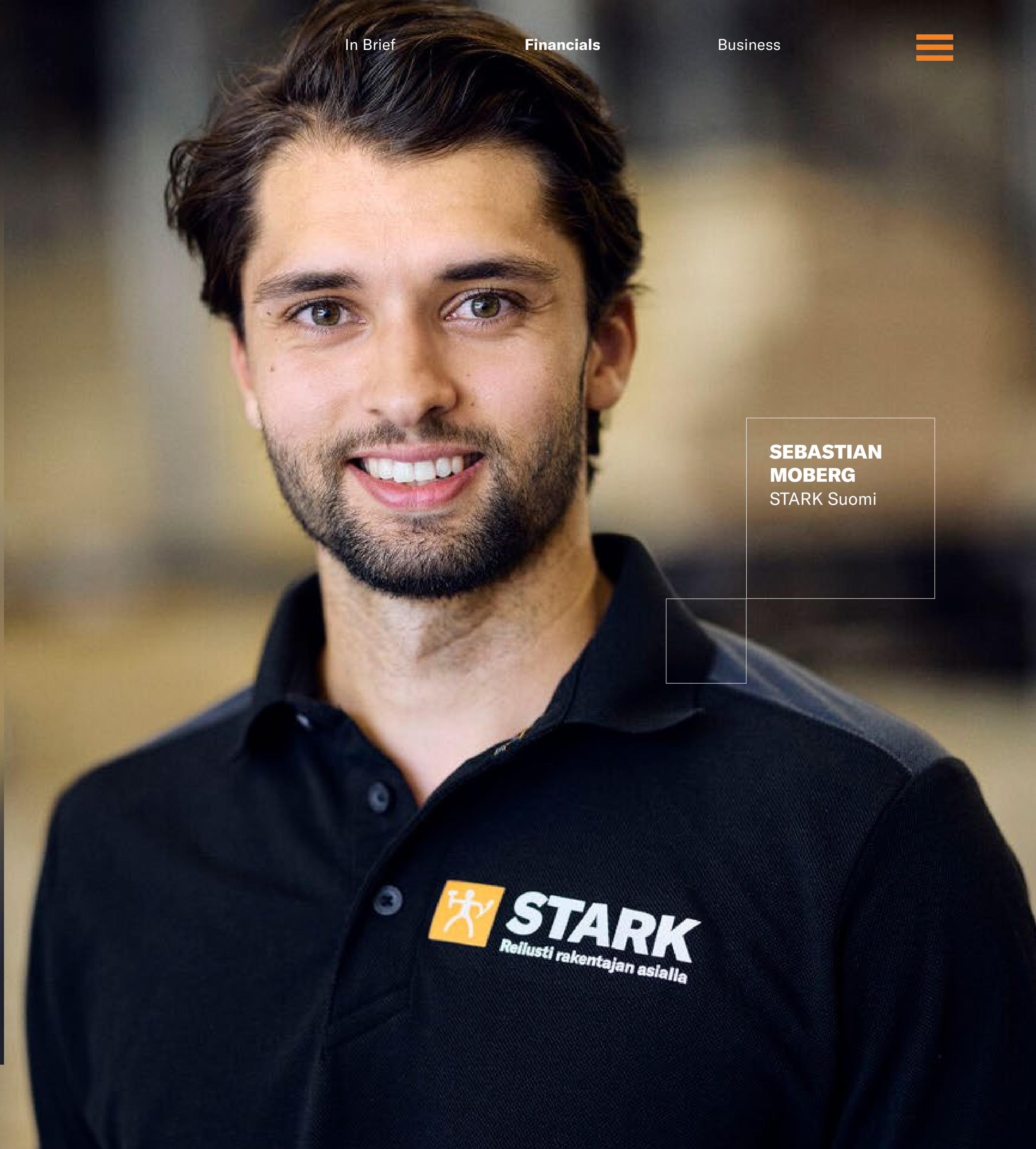


SEE VIDEO

02 FINANCIALS

How did the business perform financially? STARK Group delivered another record-high net sales, a gross margin that stood, and an adjusted EBITDA slightly below the extraordinary previous year. In only five years, the Group has quadrupled its size and improved its profitability.

IN THIS SECTION



SEBASTIAN MOBERG
STARK Suomi

FINANCIAL OVERVIEW

EUR million	2022/23[3]	2021/22	2020/21[2]	2019/20[1]
INCOME STATEMENT				
Net sales	7,054	5,995	4,949	4,095
Gross profit	1,811	1,541	1,266	1,030
EBITDA	391	459	307	195
Adjusted EBITDA[5]	456	479	339	241
BALANCE SHEET AND CASH FLOW				
Cash flow from operating activities before financial items and taxes	434	372	312	389
Changes in working capital	36	(88)	(10)	193
Capital expenditure (Capex), total[6]	108	95	67	54
Operational Capex, total[7]	71	55	45	45
Operational Capex, base[8]	38	32	29	29
Operational Capex, development[9]	33	23	16	16
KEY RATIOS[4]				
Net sales growth	17.7%	21.2%	20.9%	78.1%
Organic net sales growth[10]	(6.5%)	11.3%	9.3%	2.5%
Gross profit growth	17.5%	21.7%	22.9%	76.1%
Gross profit margin	25.7%	25.7%	25.6%	25.2%
EBITDA margin	5.5%	7.7%	6.2%	4.8%
Adjusted EBITDA margin	6.5%	8.0%	6.9%	5.9%

1. 2019/20 includes 10 months of operating activities for STARK Deutschland from the acquisition on October 1 2019 and the effect of the implementation of IFRS 16. The implementation of IFRS 16 increased EBITDA by EUR 57m.
2. 2020/21 includes 12 months of operating activities for STARK Deutschland.
3. 2022/23 includes 5 months of operating activities for STARK UK from the acquisition on 28 February 2023.
4. The financial ratios have been prepared in accordance with the guidelines issued by the CFA Society Denmark, where relevant.
5. Adjusted EBITDA is defined as EBITDA excluding non-recurring items.
6. Capital expenditure (Capex) consists of investments in property, plant and equipment and investments in intangible assets (IT software).
7. Operational Capex is related to the ordinary business operations and excludes Freehold CAPEX. Freehold Capex includes investments in new land/properties as well as upgrades/refurbishments to existing ones.
8. Base Capex relates to maintaining the ordinary business operations.
9. Development CAPEX relates to expansion of the business to improve earnings capabilities or secure compliance.
10 Organic net sales growth is defined as growth in net sales excluding impact from currencies and acquisitions.

FINANCIAL REVIEW

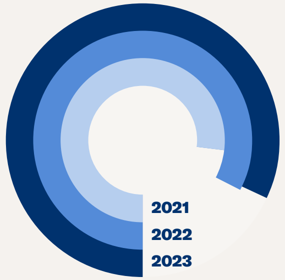
GROUP

STARK Group delivered another solid performance in the 2022/23 financial year. Facing market headwinds from interest rate shock and the integration of another significant acquisition in the UK, the Group delivered a net sales increase of 17.7% and an adjusted EBITDA which was only 4.7% short of the previous year, which was extraordinary.

Compared to 2021 that was a less extraordinary than the previous year, the Group delivered market share gain and a net sales increase of 42.5%. The gross margin improved by 0.1 pp. to 25.7% and adjusted EBITDA increased by 35.9% to EUR 461 million.

NET SALES
EURm

EBITDA
EURm



During the past year, net sales grew by 17.7% to EUR 7,054 million (EUR 5,995 million in the previous year). Acquisitions contributed positively while lower activity levels and currency translations had a negative impact.

In the first half of the financial year, total markets and activity levels showed resilience, and price inflation continued to support growth. From the latter part of the third quarter, overall markets softened as activity levels declined. During the period, price inflation decreased and deflation impacted several categories.

Acquisitions including Saint-Gobain Building Distribution Ltd. in the UK contributed to net sales. This more than offset the negative impact from reduced activity levels and deflation on several categories in the second half of the financial year and a negative impact from currency translation from Swedish and Norwegian Kroner. Organic growth was negative at 6.5%.

GROSS PROFIT AND GROSS MARGIN

Gross profit increased by 17.5% to EUR 1,811 million due to growth in net sales which was supported by acquisitions. Gross margin was stable at 25.7%.

ADJUSTED INCOME STATEMENT

EUR milion	2022/23	2021/22	2020/21	2019/20
Net sales	7,054	5,995	4,949	4,458
Cost of sales	(5,243)	(4,454)	(3,681)	(3,337)
Gross profit	1,811	1,541	1,268	1,121
Gross profit margin %	25.7%	25.7%	25.6%	25.1%
Staff costs	(885)	(718)	(632)	(577)
Other external operating expenses	(470)	(344)	(297)	(285)
Total operating expenses	(1,355)	(1,062)	(929)	(862)
EBITDA	**456**	**479**	**339**	**259**
EBITDA margin %	6.5%	8.0%	6.8%	5.8%

To better understand the underlying performance an adjusted summary income statement with comparisons for STARK Group has been included above.
The income statement has been adjusted to exclude non-recurring items, mainly related to acquisitions and integration of acquisitions as well as restructuring activities.
To supplement the adjusted income statements, adjusted segment summary income statements for the 3 segments, Nordics, Germany & Austria and United Kingdom (UK), have also been included.

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Sustaining the gross margin was a challenge due to the lower activity levels and continued inflation in several categories during the first half of the financial year and deflation in several categories in the second half. The Group maintained its focus on effective price and inventory management, strategic sourcing initiatives with support from own brands and growing the share of sales to SME customers to safeguard margins.

The acquisitions of Saint-Gobain Building Distribution Ltd. in the UK, and FagFlis and FF Kakel in Norway and Sweden supported the gross margin as they operate at slightly higher gross margin levels.

Currency impact was negative at 1.3% for the year. Organic growth in gross profit was negative at 7.6%.

OPERATING EXPENSES

Operating expenses were under control during the financial year thanks to a persistent focus on cost discipline. To mitigate anticipated lower activity levels and inflation on the cost base, the Group reduced operating expenses. However, this was not enough to offset the impact from actual lower activity levels and the impact of acquisitions.

Adjusted staff costs increased by 23.2% to EUR 885 million (EUR 718 million in the previous year) due to an impact from acquisitions of 27.1%. Currency translations impacted staff costs by minus 1.3%. On an organic basis, staff costs decreased by 2.7%.

The reduction of organic staff costs was driven by cost-out measures and lower costs for variable components such as employee bonuses and partially offset by wage inflation/union agreed tariff increases and strategic investments driving higher FTEs in selected staff categories.

Adjusted other operating expenses increased by 36.7% to EUR 470 million. Acquistions impacted operating expenses by 40.9%. Currency translations contributed a negative 0.8%. Organic development was negative at 3.6%, driven mainly by cost-out measures and to a lesser degree variable costs that change with activity levels. The savings were offset by normal inflation across cost categories.

Total adjusted operating expenses increased by 27.6% to EUR 1,355 million.

EBITDA

Adjusted EBITDA decreased by 4.7% to EUR 456 million (EUR 479 million in the previous year). While higher net sales contributed positively to EBITDA, this was not enough to offset the significant negative impact from, in particular, higher operating costs related to new acquisitions and the impact from activity levels and, hence, net sales that were lower than anticipated in the second half of the financial year.

CAPITAL EXPENDITURE (CAPEX)

During the financial year, the Group continued its accelerated investment programme and expanded its branch network to support growth.

Total capital expenditure was EUR 108 million, of which EUR 71 million was related to operational Capex and EUR 37 million was related to freehold investments. The level for operational Capex was EUR 16 million higher than last year, driven mainly by increased investments in digital solutions and IT security and impact from the UK.

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

In addition to the investments, the Group divested properties and other assets during the year with a total positive cash impact of EUR 14 million.

FINANCIAL REVIEW BY SEGMENTS

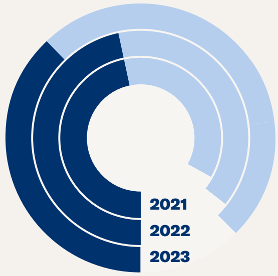
NORDICS

The Nordic business delivered another year of strong performance. The 2023 financial performance was softer follwing the previous year's extraordinary commercial and financial results.

Compared to 2021 that was a less extraordinary year, the Nordic business delivered market share gain and a net sales increase of 9.5%. Gross margin improved by 0.2 pp. to 26.7%, and EBITDA increased by 15.9%.

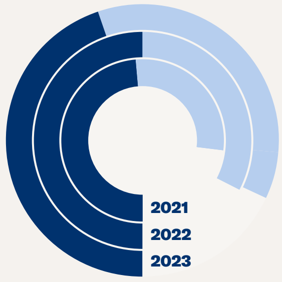
SHARE OF GROUP NET SALES

EURm



SHARE OF GROUP EBITDA

EURm



■ Nordics ■ Other segments

During the past year, reported net sales were EUR 3,057 million, a decline of 6.7% due to lower activity levels and a negative currency impact from Swedish and Norwegian Kroner by 2.9% . Acquisitions in Sweden, Norway, and Denmark were positive contributors to net sales by 2.3% but did not offset the effect of the lower activity levels and the negative currency impact. Organic net sales were 6.2% lower than in the previous year.

The acquisition of the tiles specialists FagFlis and FF Kakel contributed positively to gross profit but did not offset the negative impact of deflation on several other categories. The gross margin was 26.7% (26.9% in the previous year). Gross profit ended at EUR 815 million, a decline of EUR 67 milllion compared to the previous year.

To mitigate the anticipated lower activity levels and the impact of inflation on the cost base, operating expenses were reduced by EUR 25 million to EUR 566 million. The reduction in operating expenses did not fully offset the actual decrease in net sales and gross profit. EBITDA was EUR 248 million (EUR 291 million in the previous year), leaving the EBITDA margin at 8.1%.

ADJUSTED SEGMENT INCOME STATEMENT – NORDICS

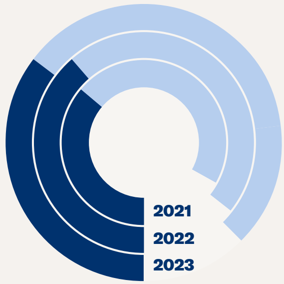
EUR milion	**2022/23**	2021/22	2020/21	2019/20
Net sales	3,057	3,277	2,792	2,412
Cost of sales	(2,242)	(2,395)	(2,052)	(1,781)
Gross profit	815	882	740	631
Gross profit margin %	26.7%	26.9%	26.5%	26.2%
Staff costs	(378)	(398)	(364)	(317)
Other external operating expenses	(189)	(193)	(162)	(148)
Total operating expenses	(566)	(591)	(526)	(465)
EBITDA	**249**	**291**	**214**	**166**
EBITDA margin %	8.1%	8.9%	7.7%	6.9%

GERMANY & AUSTRIA

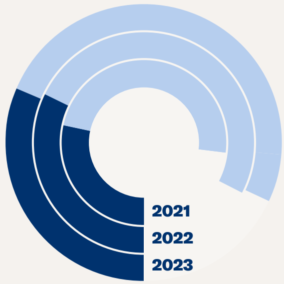
The German & Austrian business has been on a journey of many acquisitions. Compared with the previous year's extraordinary commercial and financial results, the business grew its net sales from acquisitions, but recorded slightly lower earnings.

Compared to 2021 that was a less extraordinary year, the German & Austrian business delivered a net sales increase of 31.8%. The gross margin was 0.7 pp. lower at 24.0%. Nevertheless, EBITDA increased by 40.8%.

SHARE OF GROUP NET SALES
EURm



SHARE OF GROUP EBITDA
EURm



■ Germany & Austria ■ Other segments

Reported net sales were EUR 2,844 million, a net increase of 4.6%. Acquisitions completed in 2022/23 contributed 12% to net sales. These increases were partly offset by reduced activity levels, particularly in the second half of the financial year. Organic growth was negative at 7.3%.

Deflation in several categories and the impact of acquisitions with below-average gross margins contributed slightly negatively to the gross margin of 24.0% (24.2% in previous years). This decline and the lower activity levels were offset by the impact of acquisitions. Gross profit grew by EUR 24 million (3.7%) to EUR 683 million.

Mitigating the effect of lower activity levels and inflation on the cost base, operating expenses were reduced by 3.4% for the year. This was more than offset by the impact of acquisitions, which had a first-year negative impact on the cost base and a slightly dilutive impact on earnings. Operating expenses increased by EUR 36 million to EUR 507 million. EBITDA was EUR 176 million (EUR 188 million in previous year), leaving the EBITDA margin at 6.2%.

ADJUSTED SEGMENT INCOME STATEMENT – GERMANY & AUSTRIA

EUR milion	**2022/23**	2021/22	2020/21	2019/20
Net sales	2,844	2,718	2,157	2,046
Cost of sales	(2,161)	(2,059)	(1,629)	(1,556)
Gross profit	683	659	528	490
Gross profit margin %	24.0%	24.2%	24.5%	23.9%
Staff costs	(344)	(320)	(268)	(260)
Other external operating expenses	(163)	(151)	(135)	(137)
Total operating expenses	(507)	(471)	(403)	(397)
EBITDA	**176**	**188**	**125**	**93**
EBITDA margin %	6.2%	6.9%	5.8%	4.5%

UNITED KINGDOM

The UK business was acquired during the year and contributed with five months of operational performance. The business is among the market leaders in the UK and has been underperforming financially for several years. The business case is to turn around the business.

ADJUSTED SEGMENT INCOME STATEMENT – UNITED KINGDOM

5 MONTHS OF UK OPERATION
(MAR23-JUL23)

EUR milion	**2022/23**
Net sales	1.153
Cost of sales	(840)
Gross profit	313
Gross profit margin %	27.1%
Staff costs	(163)
Other external operating expenses	(119)
Total operating expenses	(282)
EBITDA	**31**
EBITDA margin %	2.7%

Net sales were EUR 1,153 million for the five-month period recognised in the report. Net sales were adversely impacted by reduced activity levels and deflation in several categories. Indicative organic growth for the period was negative at 5% compared to the proforma net sales in the same period of the previous year.

The gross margin was 27.1% and the gross profit was EUR 313 million. Gross profit was under pressure from the reduced activity levels and pressure on gross margins. Indicative organic impact was negative at 10% versus the pro forma gross profit from the same period of the previous year.

Operating expenses were EUR 282m in the five-month period. Several restructuring activities have been initiated to reduce operating expenses going forward. EBITDA was EUR 31 million, leaving the EBITDA margin at a low 2.7%.

OUTLOOK 2023/24

For the coming financial year 2023/24, we will be navigating in an environment where visibility is significantly reduced and impacted by macroeconomic instability, increased and volatile interest rate levels and potential ongoing market uncertainty across our segments.

In the long term, management continues to see positive demographic developments, a persisting need to update and renovate the housing stocks as well as governmental focus on energy renovations and sustainable building, which will support the market and business dynamics and drive consistent growth.

For the coming year 2023/24, the Group expects a slightly declining organic top line due to continued soft markets in the first half of the year versus very strong comparisons. In the second half of the year, management assumes that the markets will return to a slow but steady growth.

Development in prices is expected to stabilise during the first half of the year. Volumes are expected to be soft in the first half of the year and replaced with a slightly growing trend from late Q3.

On a reported basis, the top line will be supported by full-year run-rate effects from acquisitions made in 2022/23, especially the additional 7 months of operations from STARK UK.

For EBITDA, the Group expects a negative underlying development for 2023/24 driven mainly by the continued weakness in the total markets. Adjusted EBITDA will be positively impacted by 7 additional months of operations in STARK UK as well as the ongoing turnaround, which, however, will also drive exceptional costs for integration and restructuring activities. The Group expects to be able to partially offset inflation on the cost base, particularly in terms of labour cost reductions through FTE reductions in line with activity and through efficiency measures and synergies from acquired businesses.

Including acquisitions completed up to the date of this report, the Group expects to deliver the following for 2023/24:

Reported net sales in the range of
8.0-8.6
EUR billion

Adjusted ebitda in the range of
420-470
EUR million

03 BUSINESS

How did the business evolve?
In the past financial year, STARK Group conducted a strategy review to future-proof its business towards 2027. Through 10 programmes, the Group wants to make hard work easier for its customers. Being the best partner for building sustainably became an integral part of the strategy.

IN THIS SECTION

CAROLINE KENNEDY
JEWSON

STRATEGY

Being a European leader, STARK Group aims to consolidate the fragmented markets for the distribution of heavy building materials.

The Group operates within an industry that is instrumental in building and renovating cities and communities for the future. The continuing population growth calls for more housing, office space and community buildings to accommodate people expecting high quality of life as well as more energy-efficient and sustainable cities and communities.

STARK Group is a distributor of heavy building materials that are used for building and renovating houses, offices spaces, community buildings, and infrastructure.

It plays a crucial role in effectively connecting manufacturers of building materials with tradespeople. The Group sources more than 400,000 SKUs at scale from more than 15,000 suppliers, advises manufacturers about market developments and customer feedback, and makes products available to tradespeople from its densely knitted network of 1,150 warehouses and distribution centres, branches and shops located close to building sites.

More than 450,000 tradespeople buy from STARK Group to obtain ease of procuring, advice, documentation, credit, and effective distribution.

The business model on page 22 outlines the role of the Group, its key resources, and the value created.

CONSOLIDATING THE MARKET

STARK Group's goal is to win and consolidate the attractive market for trading and distributing heavy building materials in Europe.

The Group has organised and endeavours to grow its share and deepen its customer relations organically while fuelling growth through acquisitions.

A strong efficiency drive is supported by a decentralised operating model that leaves decision-making powers and accountability at branch level close to the customers, in combination with stringent performance management. In addition, the Group leverages scale benefits from sourcing synergies, building digital solutions to scale, and a structured approach to sharing best practice across markets.

Managing a significant property portfolio actively, allows the Group to hone and invest in its network with market-leading sales and branch concepts as well as in enhanced distribution capabilities.

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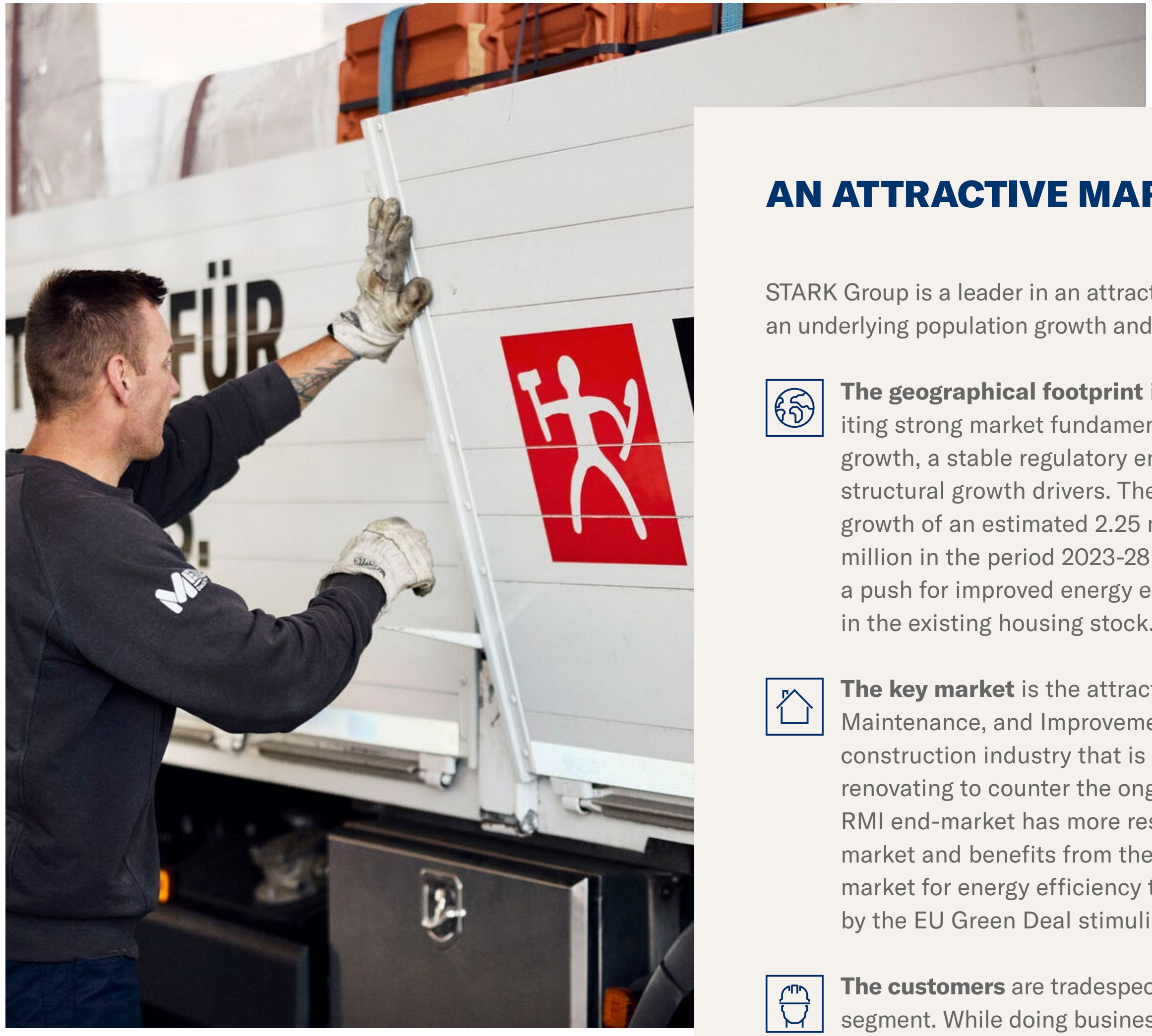

AN ATTRACTIVE MARKET

STARK Group is a leader in an attractive market that is fuelled by an underlying population growth and an ongoing housing deficit.

The geographical footprint is in a stable region exhibiting strong market fundamentals including stable GDP growth, a stable regulatory environment and compelling structural growth drivers. These include a population growth of an estimated 2.25 million people (1.2%) to 191 million in the period 2023-28 and urbanisation as well as a push for improved energy efficiency and sustainability in the existing housing stock.

The key market is the attractive Renovation, Maintenance, and Improvement (RMI) segment of the construction industry that is instrumental in building and renovating to counter the ongoing housing deficit. The RMI end-market has more resilience to the new-build market and benefits from the increasingly important market for energy efficiency that is being further fueled by the EU Green Deal stimuli package.

The customers are tradespeople working in the RMI segment. While doing business across all customer segments, the Group has its main foothold with small and medium-sized enterprises (SMEs) (1-50 employees) that mainly engage in small and medium-sized RMI projects or as subcontractors. The segment is attractive because SME tradespeople work across cities and hence value the dense branch network, effective distribution, broad and guaranteed assortment, and services that STARK Group delivers.

WINNING BY MAKING HARD WORK EASIER

STARK Group's newly reviewed strategy plan towards 2027 outlines how it intends to grow its share and deepen customer relations, drive efficiency, and manage its assets to future-proof the business. The Group is on a quest to support tradespeople in making hard work and their working lives as easy as can be:

- By moving **CLOSER** to tradespeople
- By acting **SMARTER** when with tradespeople
- By growing **STRONGER** to the benefit of tradespeople

while extending its industry leadership in ESG and sustainability.

The strategy plan builds on ten pillars. Towards 2027, the Group's plan is to:

MOVE CLOSER

To win the local zone by building more trusted relationships and enhancing its range, service offering and network.

1. *SME focus*: aim to win SME customers, actively reduce churn, and do more business with existing customers.
2. *Customer promise*: aim to offer great availability and On Time In Full (OTIF) delivery while expanding offering in must win categories, such as tiles, energy efficiency and light building supplies.
3. *Best branches*: aim to hone its network through high proximity and market-leading branch concepts, enhanced logistics capabilities and lighthubs that offer above-branch logistics with superior ranging and availability.

ACT SMARTER

To offer great customer experience by bringing power from smart digital, people and pricing solutions from business units into the local zone.

4. *Digital in everything we do*: aim to establish a modern digital foundation that makes key processes more effective, frees up time, and provides smarter, value-adding services that solve essential customer pain points.
5. *Empowering people*: aim to organise for local responsibility and accountability, work smartly with efficiency and performance, and ensure that the Group has capable and engaged people serving our customers.
6. *Smart pricing*: aim to secure best prices and pricing consistency tailored for individual customers while enhancing automated pricing practices through improved use of data and AI.

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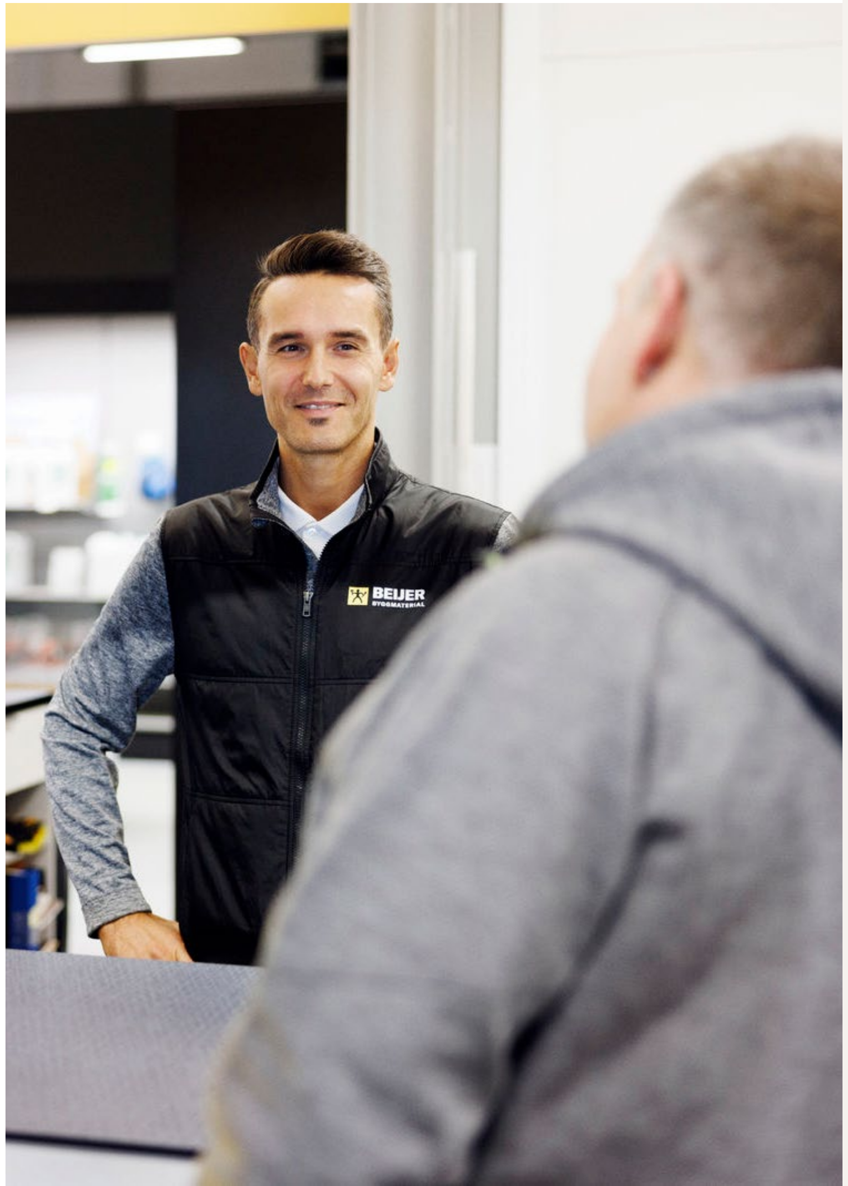

STRATEGY REVIEW IN THE YEAR

In the spring of 2023, STARK Group conducted a strategy review to future-proof its plan towards 2027. During the previous years when business performance was out of the ordinary, the Group had accelerated its growth and strategy implementation, in particular in the Nordics.

New strategic initiatives were added to the strategy to secure a continued ambitious plan for enhancing the Group's strategy and its business in the Nordics which had applied the Group's winning recipe the longest.

The Group has followed a three-staged approach when building leading positions for its businesses in their markets:

1 Kicking-off strategic and financial turnarounds
2 Implementing key operating concepts
3 Advancing commercial mindsets

STARK Group's businesses in the Nordics announced their turnarounds in 2017 and are today, advancing their commercial mindsets while implementing key operating concepts.

STARK Deutschland joined the Group in late 2019, announced its turnaround soon after and is currently in the process of implementing key operating concepts.

STARK UK joined in 2023 and has announced a strategic and financial turnaround.

WE MAKE HARD WORK EASIER

MOVING CLOSER

To win the local zone by building more trusted relationships and enhancing its range, service offering and network.

01 SME FOCUS

02 CUSTOMER PROMISE

03 BEST BRANCHES, PROXIMITY & LOGISTICS

ACTING SMARTER

To offer great customer experience by bringing power from smart digital, people and pricing solutions from business units into the local zone.

04 DIGITAL, IN EVERYTHING WE DO

05 EMPOWER PEOPLE EFFICIENTLY

06 SMART PRICING

GROWING STRONGER

To bring benefits to tradespeople from working with Europe's strongest Group by gaining sourcing synergies, consolidating our industry, and reinvest-ing in our business.

07 EUROPE'S #1 SOURCING CHANNEL

08 M&A LEADERSHIP

09 COMMERCIAL REAL ESTATE

LEADING ON SUSTAINABILITY

To become the best partner for sustainable building by managing the business to high ESG standards and making sustainability a commercial success to the benefit of tradespeople and a net zero future.

10 BEST PARTNER FOR SUSTAINABLE BUILDING

GROW STRONGER

To bring benefits to tradespeople from working with Europe's strongest Group by gaining sourcing synergies, consolidating our industry, and reinvesting in our business.

7. *Europe's #1 sourcing channel*: aim to leverage our scale and buying power to regain margin from suppliers, chase synergies and roll out a rejigged Own Brand offering.
8. *M&A leadership*: aim to consolidate our industry to secure scale benefits to tradespeople, build local proximity in growth zones and fuel must-win category plays.
9. *Commercial real estate*: aim to manage our property portfolio actively to secure operational excellence and reinvest in our business and branch network.

LEAD ON SUSTAINABILITY

To become the best partner for sustainable building by managing the business to high ESG standards and mak-ing sustainability a commercial success to the benefit of tradespeople and a net zero future.

10. *Best partner for sustainable building:* aim at making carbon data on products available to customers and expanding the eco-labelled, low-carbon and energy-efficiency product range while enhancing our sustainability advisory, documentation and carbon-efficient distribution services.

By leading on sustainability and successfully moving close, acting smarter and getting stronger, STARK Group will not only grow its business and consolidate its indus-try. It is the Group's firm belief that this will also create a ripple effect giving its customers and the industry greater efficiency and empowering them to take an active part in the transition to emissions-free building, to the benefit of employees who will have more career opportunities and a great place to work, to the benefit of communities in which we operate, and to the benefit our planet when climate action and decent social and governance standards are being pushed for and become part of every business' license to operate.

BUSINESS MODEL

KEY RESOURCES

Products
More than 400,000 SKU numbers sourced and sold

Partnerships
Trusted relationships with +450,000 tradespeople, 15,000 suppliers and the building industry at large

People
More than 20,000 employees with backgrounds as tradespeople, retailers, distributors etc.

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

Brand & reputation
Suite of leading brands acknowledged by tradespeople and the building industry at large

BUSINESS ACTIVITIES

SOURCE

Scale in sourcing
Leverage scale to secure availability, product integrity and competitive prices

Breaking pallets
Break truckloads from manufacturers into smaller quantities and mix needed at building sites ensuring an efficient low-carbon logistics

Warehousing
Efficient distribution from manufacturers to network of large warehouses and branches that keep buffer stock for tradespeople

SELL

Network with broad coverage
Located close to building sites to reduce tradespeople's time spent on procuring

Product availability
Offer the right product mix and full availability within short timeframe on time in full. This includes a market leading assortment of materials to fulfill energy efficiency and LCA requirements

Sales facilitation
Provision of projects and bidding planning services

Customer consultations and credit
Offer deep customer and market insights and act as sales force for manufacturers for long tail of SME customers. Ensure competitive pricing and advice to customers about products, sustainability etc. Bridge the liquidity gap by offering credit

Product documentation
Provide market leading product documentation to fulfill national and sustainability scheme requirements

DISTRIBUTE

Efficient distribution
Manage complex distribution of heavy and fragile materials with modified trucks and direct delivery capabilities. Ensure access to and availability of materials close to building sites with efficient low-carbon logistics solutions

VALUE CREATED

Net zero cities of tomorrow
More and better housing, office spaces and renovated and energy-efficient buildings for high quality of life and sustainable communities and cities

Efficient building industry
Reduced complexity, more speed and best prices when distributing heavy building materials procured in different mixes for delivery within a short timeframe

Customer value
Advise, service and credit for professional tradespeople

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

Shareholder value
Competitive total returns through high ESG performance and above average market growth and value creation

SUSTAINABILITY

STARK Group works with high business integrity in support of a net zero future.

The Group works to reduce emissions in line with the Group's approved Science Based Targets by 42% in scope 1 & 2 and 12.3% in scope 3 by 2030. The overall ambition is to reduce emissions to net zero by 2050 at the latest.

Being a signatory to the UN Global Compact, STARK Group is committed to upholding the ten principles within environment, human rights, labour rights and anti-corruption throughout all business activities. This has been further strengthened through the 2023 strategy review, which has cemented the Group's ambition to be the best partner for sustainable building. Reaching this ambition entails two focus areas: maintaining high ESG performance and making sustainability a commercial success.

In 2022/23, the European sustainability reporting standards of the emerging EU Corporate Sustainability Reporting Directive have been integrated into the Group sustainability framework using double materiality as the foundation.

Continues →

Sustainability overview	2022/23	2021/22	2020/21	2019/20
CARBON				Baseline
GHG Scope 1&2 (absolute tCO_2e)[1]	93,992	98,173	99,381	116,586
GHG Scope 1 (absolute tCO_2e)[1]	80,989	82,721	83,793	87,245
GHG Scope 2 (absolute tCO_2e)[1]	13,003	15,452	15,588	29,341
WASTE				
Total waste (t/mEUR net sales)[2]	5.2	5.1	5.3	6.7
HEALTH AND SAFETY				
Injury rate (per 1 million worked hrs)	5.6	7.9	8.8	8.0
Lost workday rate (per 1 million worked hrs)	52.7	81.2	64.3	64.3
EMPLOYEE ENGAGEMENT				
STARK Group Employee engagement survey score (satisfaction & motivation):	74	74	74	75
Employee engagement survey score (loyalty):	80	80	83	–
STARK Group Participation rate (%):	82	83	81	91
DIVERSITY AND INCLUSION				
% women (total)	21	25	22	22
% of management positions held by women	15	16	16	15
% of women in Executive management team	50	50	50	50

1. Baseline has been restated to include M&As according to our
2. Fixed currency rates as of baseline year 2020 accounting principles.

SUSTAINABILITY REPORT 2023

STARK Group's sustainability activities are further elaborated upon in the separate Sustainability Report 2023. 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, the underrepresented gender and statement of the company's policy on data ethics in accordance with the EU Directive 2014/95/EU (§99a, b, d and 107d).

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E ENVIRONMENT

Progress on climate action, circularity, and ecosystem protection

STARK Group's 2030 science-based carbon reduction targets are a clear commitment that the Group will continue to work to decarbonise the way it operates across the value chain. STARK Group has a solid roadmap to meet its interim goals for 2024 and 2030 and is determined to reach net zero by 2050 despite high growth rates through acquisitions.

In 2022/23, STARK Group, including the newly acquired UK market, reduced scope 1 and 2 emissions by 19.4% from the 2020 baseline. The reduction was driven by the continued sourcing of renewable electricity, comprising 65% of total electricity consumption.

Furthermore, the Group continued the transition away from diesel forklift trucks to electric and from gas and oil heating systems to district heating and electric heat pumps. Despite the increased electrification of energy systems and transport fleet, electricity consumption decreased by 6% from the 2020 baseline. Following the reduction of emissions, STARK Group achieved interest savings on its ESG-linked loan of EUR 1 million in 2022/23.

STARK Group reduced waste to 5.2 tonnes per million EUR net sales, corresponding to a reduction of 21% since 2020. This reduction was primarily driven by the Nordics that achieved a 16% reduction in absolute waste. The percentage of total waste segregated for recycling decreased to 67% due to lower waste recycling rates in STARK UK. Best practice sharing across markets will be utilised to leverage waste recycling potentials in STARK UK.

During 2022/23, STARK Group expanded its sustainability specialists' training programme in Denmark and Sweden and initiated Sustainability Ambassador Programmes in Germany and Finland. A total of 520 employees, equal to 2.5% of the Group's employees, have been trained as sustainability specialists. A sustainability training programme will be launched in the UK during 2023/24.

In 2023, STARK Group launched a new digital climate tool for customer product carbon reporting in Denmark and Sweden. The climate monitor provides customers and end-users with an overview of product climate impact, making it easier to assess and compare product carbon data and identify lower-impact alternatives for building life cycle assessments (LCAs). The tool is planned for launch across all markets within the next years to support customers in making informed decisions regarding product carbon impact. The Group expects this to impact its scope 3 reduction plans significantly.

In 2022/23, the sales of third-party certified eco-labelled products increased in all Nordic markets. FSC and PEFC-certified timber-based products comprised 78-95% of total timber sales in Finland, Denmark, Sweden, and Norway. Similarly, the share of sales of third-party eco-labelled products in stocked assortment contributed to 25-73% of sales between its Nordic markets.

Accounting principles will be streamlined to report a Group number in 2023/24. As penetration levels of eco-labelled products are relatively low in the UK market, the Group sees considerable potential for promoting such products in its newest market. However, it is expected that average Group percentages will drop significantly.

81% of the branches were environmentally certified. STARK Deutschland, Beijer Byggmaterial and 521 STARK UK branches are all certified to ISO 14001, while Neumann Bygg is certified under the Eco-Lighthouse certification system.

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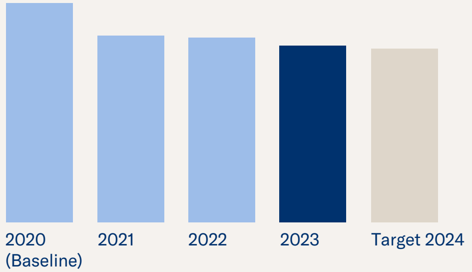
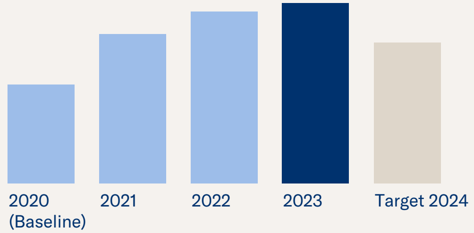
CARBON SCOPE 1 & 2[1]

Absolute tCO2e



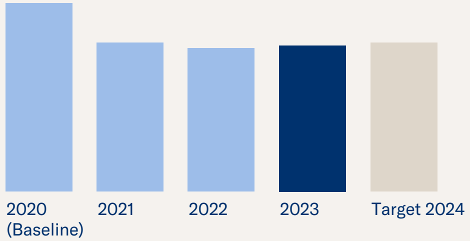
RENEWABLE ELECTRICITY SOURCED[1]

Percentage



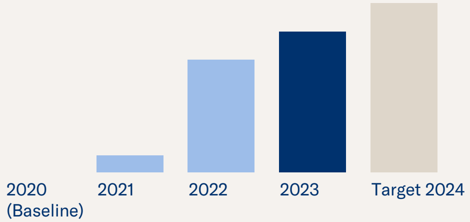
WASTE INTENSITY FROM OPERATIONS[1]

Total waste (t/meur)



SUSTAINABILITY SPECIALISTS

% of total employees



1 Baseline has been restated to include M&As according to our accounting principles (page. 68 in the Sustainability Report 2023). 2020/21 and 2021/22 with interpolated UK data.

SOCIAL

Our focus on a safe, engaged and inclusive workforce

STARK Group is committed to being a safe and inclusive company with a highly engaged and competent workforce. It is a core belief that social sustainability fosters engagement, which is crucial for STARK Group to deliver on its strategic goals and maintain customer loyalty.

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, sexual orientation, faith or religion.

In 2022/23, STARK Group published a Diversity, Equity & Inclusion Policy as a foundation for all guidelines and procedures. This policy was written with support from the STARK DE&I Council and concrete targets and initiatives have been determined to achieve progress and eliminate risks.

On 31 July 2023, women constituted 21% of total employees, a 1pp decline from the 2020 baseline and a 4pp reduction from the previous year. This decrease is due to the acquisition of STARK UK, where women make up 17% of the total headcount. Across the Group, 15% of management positions are held by women. The Executive Committee comprises 29% women, a 4pp increase compared to the previous year.

The Executive Management Team's gender balance was 50/50. The Board of Directors of STARK Group A/S consists of 20% women. The Group is committed to improving the gender balance.

Employee engagement remained at a high level of 74 compared to the industry average of 72. The participation rate was 82%. During 2022/23, 37,652 training hours were completed, equivalent to 3.1 hours of training per employee.

Health and safety is a key priority for STARK Group. In 2022/23, the rate of occupational injuries decreased from 7.9 to 5.6 injuries per 1 million hours worked from a 2020 baseline. High safety standards in STARK UK drive these reductions, as well as improved governance, continued focus on root cause analysis and involvement from recently established Health & Safety steering committees.

A total of 21% of STARK Group's branches are ISO 45001 certified, including three Danish, three UK, and 207 German branches. The reduction compared to last year, when 40% of its branches were certified, is due to new acquisitions of uncertified branches. In 2024, STARK Suomi plans to obtain ISO 45001 and ISO 14001 certifications for all branches.

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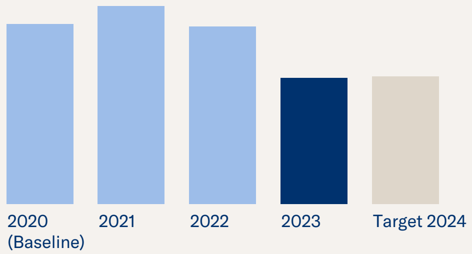
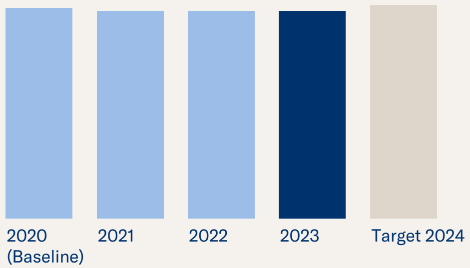
INJURY RATE

per million hours



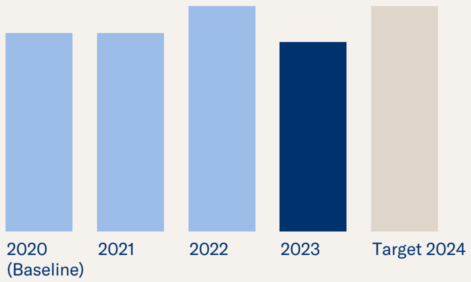
EMPLOYEE ENGAGEMENT

Satisfaction and motivation score



GENDER BALANCE

% women



GOVERNANCE

Our responsible business ethics

STARK Group is committed to upholding high standards of responsible business conduct, sustainable procurement and high data ethics to meet the expectations of stakeholders and the greater society.

The Group is committed to sourcing products from financially healthy, reliable partners that trade ethically and responsibly without compromising on labour rights, human rights or the environment. Its size and close relationships with trusted suppliers allow the Group to drive sustainable development in the supply chain by improving supplier ESG performance through knowledge sharing, clear expectations, and screening processes.

All new contracts entered in 2022/23 have undergone and passed the product integrity evaluation as part of an updated environmental and human rights due diligence process, and all targeted suppliers have signed legal terms and conditions, including compliance with STARK Group's Supplier Code of Conduct, since its implementation.

In 2022/23, the Group integrated a third-party ESG screening to view supplier ESG risk scores alongside financial risks. The average ESG risk score per spend (excluding suppliers to STARK UK) was 2.4 (medium risk) out of 5.

Four percent of the supplier spend falls within the "High Risk" category. A common cause of "High Risk" is a lack of ESG risk screening assessment data. Therefore, The Group continuously work with its suppliers and risk assessment providers to improve ESG efforts and data quality and will use ESG risk screening to prioritise its efforts.

In 2022/23, a total of 32 whistleblower cases have been reported through the confidential and anonymous whistleblower system SpeakUp! Three cases resulted in disciplinary actions.

The STARK Group executive remuneration has since 2021 been linked to STARK Group's sustainability performance. During 2022/23, sustainability was linked to a third-party sustainability rating by EcoVadis, which scores performance within Environment, Labour & Human Rights, Ethics, Sustainable Procurement and Carbon Management. Carbon reductions are included as a significant part of the EcoVadis rating. In 2023/24, the executive remuneration will be linked to the Group's scope 3 data foundation and reduction roadmap.

TAX IMPACT REPORT 2023

Responsible business ethics

In 2022/23 the Group adopted a public Tax Policy and published a Tax Impact Report to show stakeholders how the Group fulfil its responsibilities. Combined with the its values and Code of Conduct, the Tax Impact Report presents the Group's approach to responsible tax affairs and contributions to the local markets where we operate.

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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 of STARK Group's risk management efforts 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.

RISK GOVERNANCE

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 Inter-nal Controls framework. A Group risk and control function validates the implementation, monitors trends and findings within the control framework and ensures proper and complete reporting to the Audit Committee on status, mitigations, and newly identified risks.

ECONOMIC DOWNTURN

Impact

Rising inflation, higher 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, finance and sourcing teams. Each business unit's management team holds in-depth meetings with the Executive Management to further provide operational insights and assess current market developments. Economic contingency plans for various scenarios have been designed and specific initiatives activated 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 tradespeople 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 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 simplified 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 disruptions 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 cyberatack 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. These bodies work to proactively safeguard the Group's operational efficiency and protect against potential financial and operational impacts stemming from IT-related disruptions.

EXECUTIVE MANAGEMENT

SØREN P. OLESEN

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

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 A/S (2008-2018). Sisse Fjelsted Rasmussen holds a master's degree in Business Economics and Auditing from Copenhagen Business School and is a state-authorised public accountant.

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

STARK GROUP

STARK Group A/S
C. F. Richs Vej 115
2000 Frederiksberg
Denmark
CVR 41952725

starkgroup.dk
+45 8252 2600