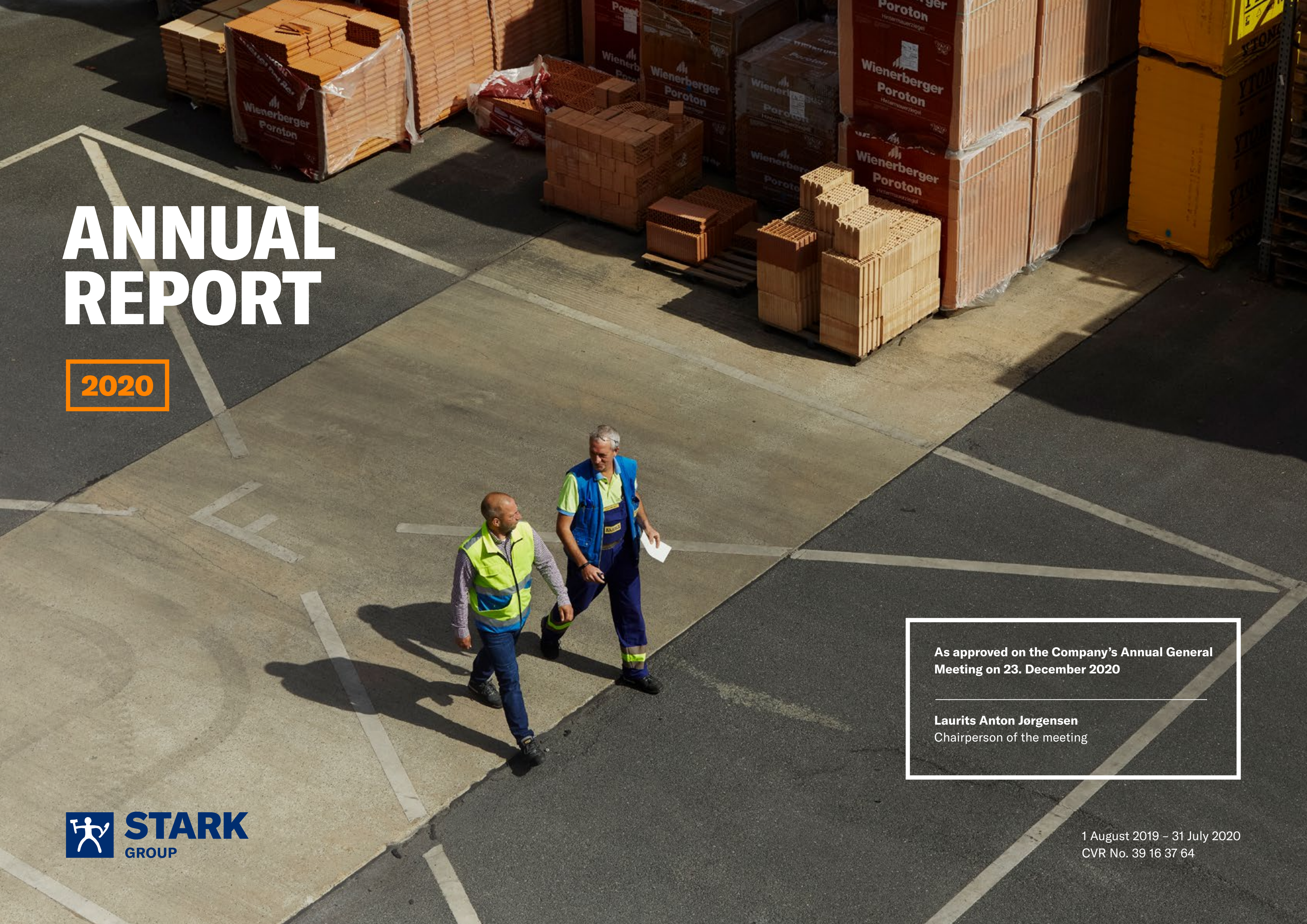


ANNUAL REPORT

2020

As approved on the Company's Annual General Meeting on 23. December 2020

Laurits Anton Jørgensen
Chairperson of the meeting

STARK GROUP

1 August 2019 – 31 July 2020
CVR No. 39 16 37 64

WE BUILD OUR FUTURE BY HELPING OTHERS BUILD THEIRS

TRUST BUILDS THE FUTURE

CONTENTS

MANAGEMENT'S REVIEW

The Annual Report of STARK ApS (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.

FINANCIAL STATEMENTS

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 STARK Group's control, may cause actual developments and results to differ materially from expectations contained in the Annual Report.

Learn more about STARK Group.
Watch our brand movie here.

→ starkgroup.dk/about-us

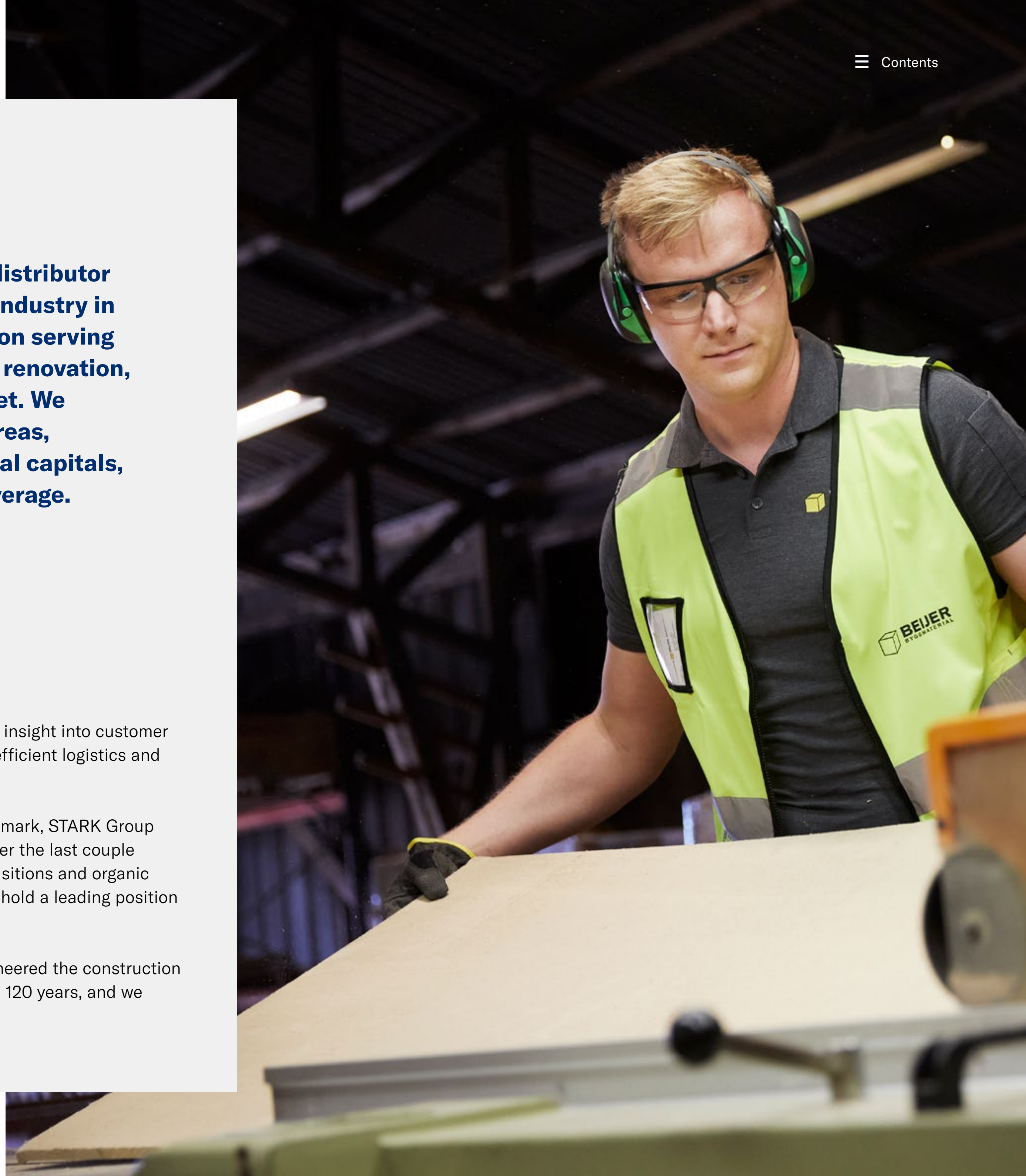
WHO WE ARE

STARK Group is a leading business-to-business distributor of heavy building materials for the construction industry 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. We have 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.

We bridge the gap between suppliers and customers by playing a critical role in a complex value chain. For our more than 235,000 customers, we provide a deep, competitively priced product range, essential technical product expertise as well as logistical support, offered through our densely populated distribution network. Our strength as a group also gives us a critical role in assisting ~10,000 suppliers in gaining cost-efficient access to the large and growing, but fragmented SME market while we simultaneously provide key value-added services such as deep insight into customer purchasing patterns, efficient logistics and aftersales care.

Headquartered in Denmark, STARK Group has doubled in size over the last couple of years through acquisitions and organic growth, and today, we hold a leading position in all our markets.

STARK Group has pioneered the construction industry for more than 120 years, and we continue to do so.



AT A GLANCE

#1

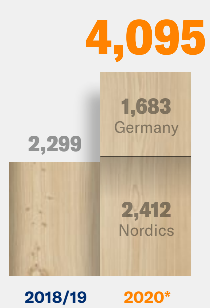
We have a leading #1 or #2 position in our principal markets**

+10,000

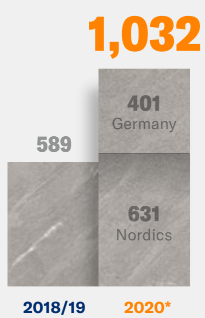
Employees

422

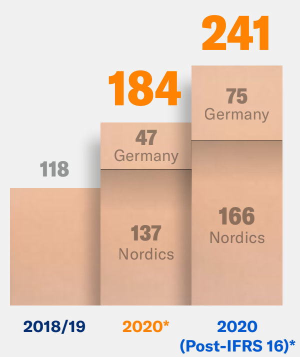
Locations



Net sales (EURm)



Adjusted gross profit (EURm)***



Adjusted EBITDA (EURm)***

* Figures for Germany cover 10 months of operations ** Regional market position in Norway *** As defined on p. 10 Financial Highlights

MESSAGE FROM THE CEO

STARK Group has delivered a strong performance in a year defined by major events impacting our company.

I have the deepest respect for our local teams who have delivered on our strategy with great discipline while treading new ground along the way.

We completed our transformative acquisition of Saint Gobain Building Distribution Deutschland and added several bolt-on acquisitions in the Nordics during the year. With such a strong track record of accretive acquisitions, we believe we are well positioned to engage in further synergistic acquisitions in the markets we serve. Our nationwide scale and infrastructure, strong business model, performance culture and strategy allow us to realise synergies in acquisitions within a relatively short time frame.

In the spring of 2020, the Covid-19 pandemic shut down economies globally resulting in severe uncertainty. Our main focus areas throughout this crisis have been the health and safety of our people and customers and to protect the business and operations of the Group. Our performance through the pandemic has confirmed the strengths of our strategy and the importance of a decentralised business model and culture of employee engagement all the way from our corporate headquarters to local branches.

The achievements in the past year are testament to the fact that having the right people and the right strategy is key to obtaining strong results.

STRONG EARNINGS PERFORMANCE

Our business performance was solid, and we delivered 2.5% organic revenue growth, adjusted for currency effects and acquisitions. Reported net sales came to EUR 4,095 million and we continue to win SME customers. In line with the strategy, we improved on our adjusted gross margin for the Nordics from 25.6% to 26.2% thanks to better sourcing, smarter pricing, and economies of scale. Germany delivered a gross margin of 23.8%.

Based on topline growth and improved gross margins, combined with continued cost control, we achieved adjusted EBITDA growth of 16.0% and lifted adjusted EBITDA to EUR 137 million in the Nordics, all before implementation of IFRS 16. For the Group, adjusted EBITDA was EUR 184 million (EUR 241 million post-IFRS 16).

ENTERING THE GERMAN MARKET

The addressable market for distribution of heavy building materials is developing towards larger scale. But in order to succeed, you need to be anchored in the local community with a wide range of readily available products and services for the local professional builder. With the transformative acquisition of what is now STARK Deutschland, we gained scale and moved closer to both suppliers and customers in one of the biggest European business-to-business markets for heavy building materials.

We can now source larger quantities from our suppliers and provide them with a logistical gateway to the large Northern European markets in Denmark, Sweden, Finland, Norway and Germany. At the same time, we can offer our customers even more competitive pricing and terms. In short, the acquisition has:

- doubled our distribution network to 422 locations and increased the number of full-time employees to more than 10,000,
- doubled our business volumes and boosted our economies of scale potential, and
- given us a strong foothold in one of Europe's largest building materials markets, which is characterised by consistent demand and significant resilience through economic downturns, particularly in the RMI end-market.

I am pleased and proud that we have successfully completed the carve out and integration of STARK Deutschland in less than 12 months. This was only possible because our German and Nordic teams worked closely together with great enthusiasm and commitment to making the integration a success. Undoubtedly, things were also made easier by the fact that this was a merger of equals – two companies built on similar cultures rooted in a long-standing tradition for high quality craftmanship.

We want to be Germany's leading supplier for the construction industry. Germany has always been a natural market for Danish companies – and for us, it is our second home market. With a sector leading STARK Group Net Promoter Score of 46 as of September 2020 and high employee engagement as evidenced by a GELx top quartile benchmark score of 74 compared to an average of 71 for a global peer group within the industry, we have the foundation to make that happen

NORDIC EXPANSION

We completed three acquisitions in the Nordics and a fourth is currently pending authority clearance – and we saw good traction in extracting synergies from these add-ons. We originate from the Nordics, and while we already have an attractive position in these markets with a large share of revenue originating from faster growing urban areas, we continue to explore opportunities to expand our network.

THE COVID-19 PANDEMIC

COVID-19 has had severe effects on industries, companies and employees around the world, and I am both relieved and extremely proud of our organisation's ability to navigate through the huge challenges that we have all faced since March 2020.

> “WE BELIEVE WE ARE WELL POSITIONED TO ENGAGE IN FURTHER SYNERGISTIC ACQUISITIONS IN THE MARKETS WE SERVE.

Our 10,000 employees have been working hard and under difficult conditions throughout this unprecedented crisis, in shifts and at all hours of the day, to keep our branches open and enabling them to serve a society-critical function and help our customers maintain business momentum. We have had ~60,000 daily orders and every day, I have been reassured by the truly remarkable, professional manner in which our local management teams and employees have conducted themselves, fully aware of the responsibility they have as frontline staff.

SUSTAINABILITY STARTS WITHIN OUR COMPANY

As a leading heavy building materials distributor in Northern Europe, we have a responsibility to address current global challenges and to act on them. We therefore commit to source our products responsibly, drive efficient and safe operations and enable our customers to make informed decisions on sustainable alternatives. I am proud that in February 2020 we opened the first building materials branch in Denmark built entirely using sustainable solutions, and where our customers have access to sustainable products and advisory services. We expect demand for sustainable solutions to increase, and we are determined to be front runners in that development in all our markets.

BUILDING OUR FUTURE BY HELPING OTHERS BUILD THEIRS

Looking back at our performance in the past financial year, I am confident as never before that we will remain a trusted, down to earth and hands-on partner for our suppliers and customers in the years ahead. Strong local leaders and responsible employees will help us to successfully execute our strategy, underlining how the right people can deliver great performance and make a strong contribution in a joint quest to build our future by helping others build theirs.

SØREN P. OLESEN
CEO STARK GROUP

OUR SEGMENTS

STARK Group's operations are located in the Nordics and Germany, which represent our 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. In the financial year ended 31 July 2020, the Nordics represented 58.9 per cent (54.1 per cent Pro Forma) of STARK's net sales.

The Nordics
58.9%
of 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. In the financial year ended 31 July 2020, Germany represented 41.1 per cent (45.9 per cent Pro Forma) of STARK's net sales.

Germany
41.1%
of net sales

OUR SEGMENTS

We are a leading player in Northern Europe with critical scale advantage. Our network is strategically located with dense coverage of faster growing urban areas.

STARK GERMANY

GERMANY STARK DEUTSCHLAND

215	#1	2,046	4,695
Number of locations	5-8% market share	Net revenue (EURm) (Pro Forma)	Employees

DÄMMISOL®

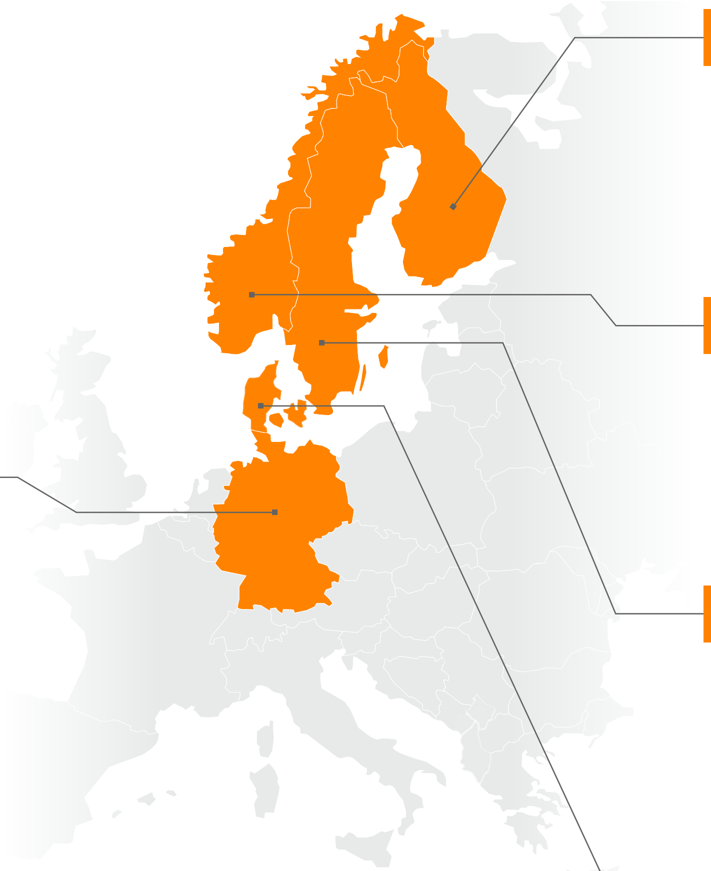
RAAB KARCHER Handwerker-Fachmarkt

KERAMUNDO Welt der Fliesen

SAXONIA BAUSTOFFE

KLUWE IHR BAUFACHHÄNDLER

MUFFENROHR TIEFBAUHANDEL



All market data and information stated in this report are company estimates based on multiple sources, including information obtained from industry publications or reports.

Employees as of 31 July 2020

STARK NORDICS

FINLAND STARK Reilusti rakentajan asialla

28	#2	571	931
Number of locations	18-21% market share	Net revenue (EURm)	Employees

NORWAY NEUMANN Sammen bygger vi profesjonelt

15	#1*	134	277
Number of locations	3-5% market share	Net revenue (EURm)	Employees

* no. 1 position reflecting regional market position in Bergen, Tromsø and Kristiansand

SWEDEN BEIJER BYGGMATERIAL

84	#1	702	1,800
Number of locations	10-13% market share	Net revenue (EURm)	Employees

DENMARK STARK Sammen bygger vi professionelt

80	#1	1,005	2,290
Number of locations	22-25% market share	Net revenue (EURm)	Employees

FINANCIAL HIGHLIGHTS

EUR million	2019/20[2]	2018/19	2017/18[1]
Income Statement			
Net sales	4,095	2,299	790
Gross profit	1,030	585	204
EBITDA pre-IFRS 16[4]	138	92	44
Adjusted EBITDA pre-IFRS 16[5]	184	118	54
EBITDA	195	92	44
Adjusted EBITDA[5]	241	118	54
Depreciation and amortisation of non-current assets	(102)	(41)	(13)
EBIT	194	51	31
Financial items, net	(86)	(52)	(19)
Result before tax	108	(1)	12
Result for the year	93	(3)	5
Balance sheet			
Total assets	3,051	1,990	1,994
Intangible non-current assets	556	543	535
Tangible non-current assets	1,162	705	689
Equity	323	150	174
Investments in property, plant and equipment	54	46	13
Operational CAPEX, total[6]	45	31	-
Operational CAPEX, base/maintenance[7]	29	15	-
Operational CAPEX, development[8]	16	16	-

EUR million	2019/20[2]	2018/19	2017/18[1]
Cash flow			
Cash flow from operating activities	309	90	192
Cash flow from investing activities	(254)	(78)	(1.073)
Total cash flow	165	(10)	191
Underlying free cash flow[9]	139	87	-
Key ratios[3]			
Net sales growth	78.1%	-	-
Organic net sales growth[10]	2.5%	-	-
Gross profit growth	76.1%	-	-
Gross profit margin	25.2%	25.4%	-
Adjusted EBITDA pre-IFRS 16 margin	4.5%	5.1%	-
Adjusted EBITDA pre-IFRS 16 growth	55.6%	-	-
Organic EBITDA pre-IFRS 16 growth[11]	18.0%	-	-
EBITDA margin	4.8%	4.0%	-
Adjusted EBITDA margin	5.9%	5.1%	-

1. 2017/18 includes 4 months of operating activities only, from the acquisition of Stark Group as of 29 March 2018 until 31 July 2018.
2. 2019/20 includes 10 months of operating activities for Stark Deutschland from the acquisition on 1 October 2019.
3. The Key ratios have, where relevant, been prepared in accordance with the guidelines issued by the CFA Society Denmark.
4. EBITDA pre-IFRS 16 shows EBITDA before application of the IFRS 16 standard with leasing costs included as part of operating expenses.
5. 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.
6. 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.
7. Base/maintenance CAPEX relates to maintaining the normal operations of the business.
8. Development CAPEX relates to expansion of the business to improve earnings capability or secure compliance.
9. Underlying free cash flow is defined as adjusted EBITDA pre-IFRS 16 minus operational CAPEX.
10. Organic net sales growth is defined as growth in net sales excluding impact from currencies and acquisitions.
11. Organic EBITDA growth is defined as growth in adjusted EBITDA excluding impact from currencies and acquisitions.

BUSINESS REVIEW

2019/20 has been an extraordinary financial year, which delivered strong underlying financial performance, while being impacted by major events.

The transformational acquisition of STARK Deutschland in Germany has fundamentally changed the financials by almost doubling net sales and related expenses in the income statement. At the same time, significant non-recurring costs have been incurred in the year related to integration, restructuring and strategic alignment of the new business unit. In the financial year 2019/20 Stark Deutschland is included with 10 months of operations and no comparisons, reflecting the ownership period. In addition to the German acquisition, the Group completed three bolt-on acquisitions in Sweden and Denmark. These have all been successfully integrated during the year and have also incurred non-recurring integration and restructuring costs.

Since the spring of 2020, the outbreak of Covid-19 has resulted in lower planning visibility and increased uncertainty. We have so far not experienced any material negative impact on our financial performance or been subject to branch closures or similar government-imposed restrictions as our business is considered critical infrastructure.

Alongside the successful integration efforts and navigating the uncertainty from Covid-19, the Group generated strong underlying financial performance fuelled by continued successful execution of our strategy with focus on the SME customers.

To provide a more accurate view of STARK Group's underlying performance, adjusted figures excluding non-recurring items have been prepared. The adjusted figures are presented below and exclude the following:

2019/20
- M&A related costs including integration, restructuring and strategy alignment activities
- Other restructuring activities
- Other non-recurring items

2018/19
- M&A related costs including integration, restructuring and strategy alignment activities
- Non-recurring costs related to implementation of new strategy
- Other non-recurring items

In addition, the implementation of IFRS 16 "Leases" in 2019/20, with initial recognition of right of use assets and leasing liabilities as of 1 August 2019 with the addition of the right of use assets and leasing liabilities recognised upon the acquisition of STARK Deutschland as of 1 October 2019, has had a significant impact on the reported figures.

The following table presents the impact of the above adjustments and implementation of IFRS 16:

Adjusted Income Statement	2019/20				2018/19		
EUR million	Reported	Non-recurring items	Adjusted	▲%	Reported	Non-recurring items	Adjusted
Net sales	4,095		4,095	78.1%	2,299		2,299
Cost of sales	(3,065)	(2)	(3,063)	79.1%	(1,714)	(4)	(1,710)
Gross profit	1,030	(2)	1,032	75.2%	585	(4)	589
Gross profit margin %	25.1%		25.2%	-0.4pp	25.4%		25.6%
Operating expenses[1]	(892)	(44)	(848)	80.0%	(493)	(22)	(471)
EBITDA pre-IFRS 16	**138**	**(46)**	**184**	**55.6%**	**92**	**(26)**	**118**
EBITDA margin %	3.4%		4.5%	-0.6pp	4.0%		5.1%
IFRS 16 impact	57		57				
EBITDA post-IFRS 16	**195**	**(46)**	**241**				
EBITDA margin %	4.8%		5.9%				

1. Operating expenses consists of "other external operating expenses" and "staff costs".

BUSINESS REVIEW

The performance was substantially impacted by the German acquisition, which was a main driver for the significant growth on all parameters compared to last year. To manage the business more effectively following the acquisition, the Group has implemented a new operating structure and related changes in the segment reporting into Germany and the Nordics. The adjusted income statement by segments has been prepared to further illustrate the underlying performance of the Group.

Organic growth figures for net sales have been included in the following review of the income statement, financial position and cash flow to present the underlying performance of the Group after adjusting for currency changes, acquisitions and non-recurring items. Acquisition effects are estimated based on the performance of the acquired businesses in the 12 months preceding the acquisition date.

INCOME STATEMENT

Net sales

Net sales grew by 78.1% to EUR 4,095m in 2019/20, driven mainly by the acquisition and integration of the German business with 10 months of operations. Adjusting for acquisitions and currency changes, STARK Group delivered total organic growth of 2.5%.

In the Nordics, net sales grew by 4.9% in 2019/20 fuelled by good underlying performance and the impact of three bolt-on acquisitions in Sweden and Denmark. The growth in fixed currencies was 5.9% as the SEK and NOK continued to devalue against the EUR. Organic growth in the Nordics was 2.2% driven by strong underlying sales momentum with the SME customers in Denmark and Sweden partly offset by negative impact from terminated large accounts in Denmark and Finland as part of the strategic focus on profitable growth from the SMEs.

Overall, the successful execution of the strategy continued to support the growth.

The German business generated a very satisfactory development in net sales with an estimated organic growth of close to 3% in the ownership period. The strategy alignment supported an already positive trajectory in the German business.

Gross profit and gross margin

Adjusted gross profit grew by 75.2% to EUR 1,032m in 2019/20 mainly attributable to the acquisition and integration of the German business with 10 months of operations. The adjusted gross margin decreased by 0.4pp due to the inclusion of the German business with a slightly lower margin caused partly by a higher share of direct sales compared to the Nordics.

In the Nordics, adjusted gross profit grew by 7.2% resulting in an adjusted gross margin uplift of 0.5pp in 2019/20. The positive development was driven by the increase in net sales as well as continued focus on effective price management, strategic sourcing initiatives with support from own brands and positive customer mix from the higher share of SMEs. In addition, the strong growth in Sweden supported by acquisitions contributed positively to the margin development as the Swedish market operates with higher gross margins compared to the rest of the Nordics.

The gross profit in Germany was EUR 401m corresponding to a gross margin of 23.8%.

Operating expenses

Adjusted operating expenses increased by 80.0% to EUR 848m attributable to the acquisition of the German business and further impacted by the three bolt-on acquisitions completed in the year as well as run-rate impact from last year's acquisitions in Sweden. The Group displayed good control of operating expenses with tight management of all costs, particularly during the period of lower visibility caused by the Covid-19 pandemic. The underlying growth in expenses adjusted for acquisitions was very modest as a reflection of the strict cost focus.

In the Nordics, adjusted operating expenses increased by 4.8% to EUR 494m. Excluding the impact of acquisitions, the Nordic business' operating expenses were largely kept flat as a result of the disciplined cost awareness and supported by corporate overhead synergies from the German acquisition.

Adjusted Income Statement by Segment

	Nordics			Germany[1]
EUR million	2019/20	2018/19	▲%	2019/20
Net sales	2,412	2,299	4.9%	1,683
Cost of sales	(1,781)	(1,710)	4.2%	(1,282)
Gross profit	631	589	7.2%	401
Gross profit margin %	26.2%	25.6%	0.5pp	23.8%
Operating expenses[2]	(494)	(471)	4.8%	(354)
Adjusted EBITDA pre-IFRS 16	**137**	**118**	**16.0%**	**47**
EBITDA margin %	5.7%	5.1%	0.5pp	2.8%
IFRS 16 impact	29			28
Adjusted EBITDA post-IFRS 16	**166**			**75**
EBITDA margin %	6.9%			4.4%

1. Germany included with 10 months of operations.
2. Operating expenses consists of "other external operating expenses" and "staff costs".

BUSINESS REVIEW

Adjusted operating expenses were EUR 354m in Germany.

The Group has not had any Research & Development costs during the year ended 31 July 2020.

EBITDA

Total adjusted EBITDA excluding impact from the implementation of IFRS 16 grew by 55.6% to EUR 184m in 2019/20 including 10 months of operations in Germany.

In the Nordics, adjusted EBITDA before IFRS 16 increased by 16.0% to EUR 137m as a result of strong net sales growth, improvements in gross margin and effective management of operating expenses.

Adjusted EBITDA before IFRS 16 for the German business amounted to EUR 47m.

Reported EBITDA for the year amounts to EUR 195m and is impacted positively by the implementation of IFRS 16, whereby rental and leasing costs amounting to EUR 57m are no longer included as operating expenses, but instead reported as depreciation and financing costs.

Depreciation and amortisation

Depreciation and amortisation increased to EUR 102m in 2019/20 compared to EUR 41m in 2018/19. A significant part of this increase was due to the implementation of IFRS 16, which requires depreciation of right of use assets. Depreciation and amortisation of right of use assets was EUR 51m in 2019/20 compared to zero the year before (given that 2019/20 was the first year of implementation of IFRS 16). In addition, the inclusion of 10 months of operations for Germany added EUR 7m to depreciation and amortisation. In general, the total depreciation and amortisation of non-current assets is impacted by effect from fair value reassessment of tangible assets and recognition of intangible assets in acquired businesses. This effect stems from the acquisition of STARK Group in March 2018. In 2018/19 the approximate effect of additional amortisation on recognised intangible assets and depreciation of reassessed fair value on tangible assets amounted to EUR 21m and the Group estimates a similar level in 2019/20.

Bargain purchase gain from the acquisition of STARK Deutschland

As a result of the fair value assessment of the components in the opening balance sheet for STARK Deutschland, the Group has recognised negative goodwill of EUR 101m from the acquisition as of 1 October 2019. As required by IFRS, this amount has been recognised as a bargain purchase gain in the income statement.

Financial items, net

Net financial expenses were EUR 86m in 2019/20 compared to EUR 52m in 2018/19. IFRS 16-related interest expenses were EUR 13m compared to zero the year before, and the financing of the German acquisition added EUR 10m of interest expenses.

During the year, the single shareholder LSF10 Wolverine Investments S.C.A. refinanced a major part of the external debt and as a result, capitalised borrowing costs of EUR 11m were expensed in 2019/20 as a one-time cost. Going forward, the Group's interest expenses on a comparable basis will be lower as a result of the refinancing.

Taxes

Tax for the year 2019/20 amounted to EUR 15m compared to EUR 2m in 2018/19, and the effective tax rate in 2019/20 was 13%. The tax rate was positively impacted by the non-taxable bargain purchase gain from the acquisition of STARK Deutschland and partly offset by negative impact from limitation of interest deduction in Denmark and non- deductible M&A costs.

STATEMENT OF FINANCIAL POSITION

Intangible assets

Total intangible non-current assets amounted to EUR 556m as of 31 July 2020 (31 July 2019: EUR 543m) and consisted primarily of goodwill, trade names and customer relations from the acquisition of STARK Group in March 2018. The impairment test of intangible non-current assets did not result in any impairment.

As mentioned above, the acquisition of STARK Deutschland resulted in the identification of negative goodwill and no intangible non-current assets have been identified and recognised as part of the allocation of the purchase price.

Tangible assets

Total tangible non-current assets amounted to EUR 1,162m as of 31 July 2020 (31 July 2019: EUR 705m). The amount was primarily related to properties, which amounted to EUR 676m (31 July 2019: EUR 647m). In addition, the implementation of IFRS 16 added EUR 351m as right of use assets.

During the year, the Group completed a sales/leaseback transaction, which included two distribution centres, one in Denmark and one in Sweden, which were sold and leased back. The resulting proceeds to the Group amounted to EUR 35m.

In Germany, the Group transferred a portfolio of properties at a value of EUR 56m equal to book value to the pension trust established by STARK Deutschland. The Group has recognised the properties as plan assets of the pension trust.

Working capital

Net working capital for the Group increased by EUR 54m to EUR (96)m as of 31 July 2020 (31 July 2019: EUR (150)m). The increase was driven by the addition of STARK Deutschland, which came into the Group with a different net working capital structure compared to the existing business. During the year, the underlying cash flow from net working capital has been very positive mainly driven by trade and other payables and partly fuelled by a

BUSINESS REVIEW

strong sales momentum with resulting faster inventory turns.

Equity
Equity increased by EUR 173m to EUR 323m as of 31 July 2020 (31 July 2019: EUR 150m). The increase was mainly driven by the result for the year of EUR 93m, a capital increase from partial conversion into equity of a previous shareholder loan of EUR 61m and inclusion of non-controlling interests related to STARK Deutschland of EUR 8m.

The equity ratio was 10.6% as of 31 July 2020 (31 July 2019: 7.5%).

The Company and its subsidiaries did not acquire any of its own shares during the year ended 31 July 2020, and the Company and its subsidiaries do not hold own shares as of 31 July 2020.

Net interest-bearing debt
As of 31 July 2020, net interest-bearing debt amounted to EUR 699m (31 July 2019: EUR 736m), mainly related to payables to related parties and partly offset by cash and cash equivalents of EUR 346m (31 July 2019: EUR 181m).

CASH FLOW STATEMENT

Operating activities
Operating activities generated a positive cash flow of EUR 309m in 2019/20 (2018/19: EUR 90m). The high operating cash flow and positive development compared to 2018/19 was partly driven by a strong result for the year positively impacted by the addition of the German business, strong working capital performance and a positive effect from IFRS 16 of EUR 45m, which is now being presented as financing activities.

Investing activities
Investing activities during the year amounted to a net cash out flow of EUR 254m (2018/19: an outflow of EUR 78m) with EUR 227m related to business acquisitions and net EUR 27m related to tangible and intangible non-current assets. Acquisition outflow mainly related to the acquisition of STARK Deutschland.

Financing activities
Net cash flow from financing activities amounted to an inflow of EUR 112m (2018/19: an outflow of EUR 20m). During 2019/20, a few loans with the single shareholder LSF10 Wolverine Investments S.C.A. were changed to reflect external refinancing on better terms, which resulted in a net repayment of EUR 101m. Going forward, this will reduce the interest expenses for the Group. To finance the German acquisition, a new shareholder loan of EUR 203m was established in addition to two smaller loans of in total EUR 49m.

The Group paid EUR 45m in instalments on leasing debt during the year.

OUTLOOK 2020/21

On the back of a strong performance in 2019/20, the Group is well positioned to deliver another solid performance in 2020/21, which will also be positively impacted by two additional months of performance from STARK Deutschland, which was only included for 10 months in 2019/20, since the acquisition was completed on October 1, 2019.

We acknowledge that the pandemic increases uncertainty and lowers the visibility in respect of future market developments.

The pandemic remains a concern for us as it impacts our people and our customers. Their health and safety are our first priority, and we have adjusted our business processes etc. accordingly in order to ensure that we can continue to operate and meet the solid demand driven by an increased level of activity especially among the SME customers in our markets.

Based on the current market conditions, we believe we can continue to drive organic growth of net sales and adjusted EBITDA in 2020/21 as we continue to see good performance from the execution of our well proven strategy over the past years in the Nordics and now also in Germany, where we see good results from the renewed focus and strategy alignment.

The Group will continue to pursue relevant and value creating M&A opportunities arising from the consolidation of the Nordic and the German market.

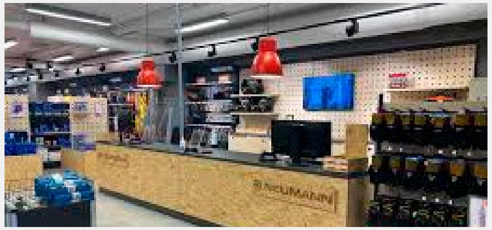
For 2020/21 the Group expects to deliver:

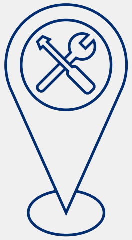
- Reported net sales growth in the low to mid 10s% range
- Adjusted EBITDA post-IFRS 16 growth in the mid 20s% range

The expected growth includes the impact from the additional 2 months of performance from the German business.

The outlook for 2020/2021 is necessarily based upon a number of 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.

KEY EVENTS 2019/20





STARK RENTAL CONCEPT GREW WITH EIGHT LOCATIONS

During 2019/20, STARK Suomi added equipment rental services in two new locations in the Helsinki area and STARK Danmark opened rental services in six new locations. Rental services are now available in 25 locations in Denmark and 4 locations in Finland.

NEW BRANCH IN FINNSNES, NORWAY, AMID CORONA LOCKDOWN

In May, Neumann Bygg AS opened a newly refurbished branch in Finnsnes, in northern Norway. Since June, sales have grown by 42% YoY.

BEIJER BYGG IN SWEDEN LAUNCHED NEW CUSTOMER CLUB

Beijer Loyalty Club has grown to become the biggest loyalty club for professional craftsmen in Sweden with more than 10,000 SME customers enrolled. In the Swedish Customer Club Report 2019, it was named the best customer club for professional craftsmen.

THE FIRST SUSTAINABLE BUILDERS' MERCHANT IN DENMARK

In February 2020, STARK Danmark opened the first sustainable builders' merchant in the country, serving both professional builders and non-account customers with a broad assortment of sustainable products as well as advisory services related to sustainability in construction.

NEW AMBITIOUS PARTNERSHIP WITH EUROPEAN SUPPLIERS

In January 2020, STARK Group's central sourcing function, STARK Sourcing, launched a new ambitious partnership with trusted European suppliers. Under the headline "Winning together", STARK Sourcing aims to create a forum of knowledge sharing and discussion of analysis and trends in the industry in order to enhance customer loyalty and retention.

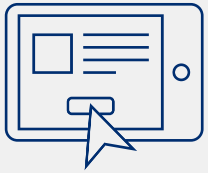
KEY EVENTS 19/20

FIRST NON-STOP BUILDING MATERIALS BRANCH IN FINLAND

STARK Suomi opened the country's first 24/7 builders' merchant. The new store and its product range are designed to serve the specific needs of professional builders working at odd hours. This is especially relevant in faster growing urban areas where high activity requires effective usage of all hours throughout a working day.

COMPLETION OF THE ACQUISITION OF SAINT-GOBAIN BUILDING DISTRIBUTION DEUTSCHLAND GMBH

STARK Group completed the acquisition of Saint-Gobain Building Distribution Deutschland GmbH in October 2019 and after merging it with STARK Group's existing portfolio of building materials distribution companies now spans five countries.

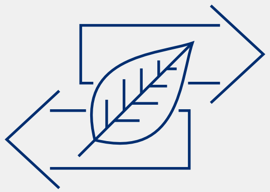


NEW E-COMMERCE PLATFORM IN GERMANY

STARK Deutschland is preparing launch of a new eCommerce platform, which will potentially reach 125,000 existing and new customers. The platform will create transparency across online and offline channels and improve the purchasing process for all German customers.

AGREEMENT TO ACQUIRE XL-BYG JENS SCHULTZ IN DENMARK

STARK signed an agreement to acquire the builders' merchant XL-Byg Jens Schultz A/S, which is a leading player in the southern part of Funen, Denmark. The transaction is pending authority clearances, expected February 2021.



STARK GROUP IN THE DANISH GOVERNMENT CLIMATE PARTNERSHIP FOR TRADE

STARK Group became a member of the Danish Government's Climate Partnership for Trade, one of 13 partnerships representing all industries of Danish businesses working together to reach the ambitious goal of reducing greenhouse gas emissions in Denmark by 70 per cent by 2030.

ACQUISITION OF SJAKK A/S IN DENMARK

With the acquisition of SJAKK A/S, a regional builders' merchant in Denmark, STARK expanded its geographical footprint to the mid- and eastern parts of Jutland, Denmark.

ACQUISITION OF KARL EKESJÖÖ AND POG WOODY BYGGHANDEL IN SWEDEN

The acquisition of Karl Ekesiöö Bygghandel AB and PoG Woody Bygghandel AB in the Stockholm area and southern Sweden added eight branches and one distribution centre bringing combined annual net sales of approximately EUR 69 million to the Group.

STRATEGIC PRIORITIES

STARK Group's mission is to be the most trusted business-to-business distributor of heavy building materials in Northern Europe.

We consistently strive to use our united strength as a group to deliver local value. Our strategy builds on seven pillars of operational excellence:

1. SME focus – we want to be the preferred partner to SME customers
2. Customer promise – we are 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

OUR CUSTOMERS

We focus on SME customers in the resilient and structurally growing RMI end-market within the greater construction sector in Northern Europe. We design our branches, offer our products, and deliver our services with the specific needs of masons, painters, carpenters, bricklayers and other building and construction companies with fewer than 50 employees in mind. SMEs account for approximately 60% of the industry gross profit pool in the Nordics & Germany, offer the best gross margin and are expected to outgrow the market. Many of our facilities are in faster growing urban areas, particularly in and around national capitals and other cities, where our customers benefit from a densely populated distribution network.

OUR SERVICES

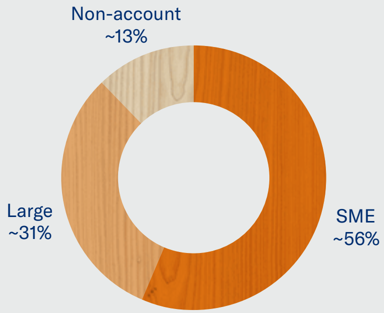
Backed by economies of scale in procurement, our technical expertise and deep product knowledge, we are able to service our customers with a deep and competitively priced product range readily available through a "one-stop shop" with trained and professional sales staff providing expert advice. Our superior logistics setup and more than 400 branches in five countries ensure that the right products and building materials are delivered on time, when, where and how our customers need them.

We play a critical role within a complex value chain. We help suppliers overcome distribution complexity within their supply chain by sourcing high volumes of materials and quickly and effectively distributing these materials to a fragmented customer base that suppliers would not otherwise be able to efficiently penetrate.

OPERATIONAL EXCELLENCE

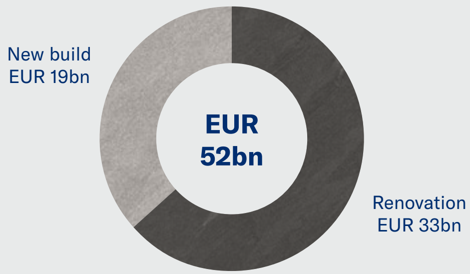
In recent years, we have reduced sourcing and operational costs, built a more efficient distribution network, divested specialised

Focusing on the SME customer



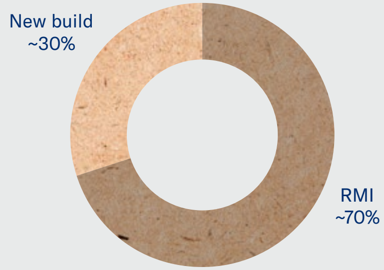
Net sales in 2019/20 split by customer type

Total heavy building materials market



Selected European markets by end-market

Addressing the resilient RMI end-market



Gross profit split in 2019/20 by end-market

All market data and information stated in this report are company estimates based on multiple sources, including information obtained from industry publications or reports.

STRATEGIC PRIORITIES

business-to-consumer businesses and streamlined our leadership structure by enhancing local decision-making and accountability. Our corporate functions have been scaled down from 260 FTEs in 2017 to 35 FTEs as of 31 July 2020 in order to operate efficiently and as close to the customer as possible. We have also focused on positioning our own-branded, higher-margin products.

On this basis, we will continue to pursue operational excellence and have set a clear path for further growth and enhanced profitability in the Nordics and for leveraging our 'Nordic' model in the recently acquired German business. As such, long-term growth and value creation will derive from three key sources:

1. Resilient market exposure and market share gains
2. Margin improvement from our SME focus, sourcing at scale and smart pricing, ongoing cost optimisation and cash release from working capital optimisation
3. Consolidation of fragmented markets through organic growth and strategic acquisitions

We have made clear strategic choices building on our 120+ years of heritage and with significant potential to unlock further value:

GEOGRAPHIES

Operating in Northern Europe's most attractive markets - the Nordics and Germany

- Leading national or regional positions in all our core markets in the Nordics and Germany
- Solid market fundamentals with the most favourable macroeconomic environment and stable political culture in Europe
- Focus on densifying our position in higher-growth urban areas through organic growth and bolt-on acquisitions

MARKETS

Facilitate cyclical resilience from high exposure to the RMI end-market

- Approximately 70% of our gross profit stems from the RMI end-market that has a long-standing track record of stable and resilient growth
- Expected RMI end-market growth of 4-4.5% in 2019-2024
- Positive market development is reinforced by increasing demand for environmentally driven renovations and staycation/nesting

CUSTOMERS

Trusted partner to professional SME customers and craftsmen, an attractive and growing customer segment

- The largest and fastest growing customer segment
- Structural change from do it yourself (DIY) to do it for me (DIFM) favours SMEs
- Other growth drivers include national stimulus packages and environmental improvements
- Sector-leading NPS of 46 as of September 2020 and high customer loyalty

PRODUCTS

Specialised focus on heavy building materials

- We remain true to our 120+ years of heritage by being one of the top European business-to-business distributors of heavy materials
- Complex infrastructure requirements
- Less dependency and higher margins by expansion of own-branded products

BUILDING STRENGTH THROUGH ACQUISITIONS

Our markets hold significant growth opportunities, and we have a strong track record of synergistic acquisitions across fragmented markets in Northern Europe.

In 2019/20, we continued to grow by acquisitions allowing us to tap into faster growing urban areas in existing markets, to enter our substantial new market, Germany, and to further explore synergies and scale benefits. Our M&A strategy is well defined with three distinct elements:

1. Build clusters in attractive growth regions and increase branch density
2. Acquire regional champions to strengthen positioning
3. Expand assortment in existing strong product categories

In **Germany**, we completed the transformative acquisition of Saint Gobain Building Distribution Deutschland GmbH, now STARK Deutschland, adding annual net sales of EUR 2 billion, more than doubling our number of branches and almost doubling our number of employees. STARK Deutschland is the market-leading business-to-business heavy building materials distribution company in Germany with a comprehensive footprint across the nation and with a regional stronghold in the fast growing Berlin area. The business situation in STARK Deutschland was at completion of the acquisition similar to the business in the Nordics two years prior with a historical underperformance and unclear strategic direction from the previous owner, since the German distribution company was not part of their core business. We see great potential in replicating the Nordic success by leveraging the “STARK way” strategy and have already seen good results from the first year of executing the strategy with a renewed focus on profitable growth through offerings to the SME customers.

In **Sweden**, we acquired two businesses, Karl Ekesiöö Bygghandel AB and PoG Woody Bygghandel AB, with combined annual net sales of approximately EUR 69 million. Karl Ekesiöö Bygghandel AB operates two branches in the metro-area of Stockholm in attractive locations. PoG Woody Bygghandel AB is a regional player operating six branches including a distribution centre in southern Sweden, which is an important growth area. Both companies have been successfully integrated with good traction on sourcing synergies while cost synergies have been executed ahead of plan, driven by the reduction of overheads as well as the merger of two distribution centres in southern Sweden and two branches in the Stockholm area.

In **Denmark**, we acquired activities and selected net assets from SJAKK A/S which has a strong local position in mid- and eastern Jutland and mainly serving professional customers. The integration is progressing as planned with cost-base reductions driven by sourcing synergies and streamlining of back-office functions. Furthermore, in February 2020, we announced an agreement to acquire the four branches of XL-Byg Jens Schultz A/S, a leading player in the southern part of Funen. Closing is pending necessary authority clearances, which is expected by February 2021.

Contents

BUILDING STRENGTH THROUGH ACQUISITIONS

ACQUISITIONS IN 2019/20

SAINT GOBAIN BUILDING DISTRIBUTION DEUTSCHLAND GMBH, RE-BRANDED STARK DEUTSCHLAND

Closing and consolidation date
1 October 2019

Locations
217

FTEs 4,700

Strategic rationale
Become a leading distributor of heavy building materials in Northern Europe; realise significant synergies.

POG WOODY BYGGHANDEL AB, RE-BRANDED BEIJER BYGGMATERIAL

Closing and consolidation date
1 October 2019

Locations
6

FTEs 98

Strategic rationale
Become market leader in an important growth centre for the industry.

KARL EKESIÖÖ BYGGHANDEL AB, RE-BRANDED BEIJER BYGGMATERIAL

Closing and consolidation date
2 September 2019

Locations
2

FTEs 52

Strategic rationale
Strengthen presence in attractive locations with substantial building activity.

SJAKK A/S, RE-BRANDED STARK

Closing and consolidation date
21 January 2020

Locations
2

FTEs 64

Strategic rationale
Consolidate leading position in important growth region, SME focus.

XL-BYG JENS SCHULTZ A/S

Announced in February 2020, pending authority clearance.

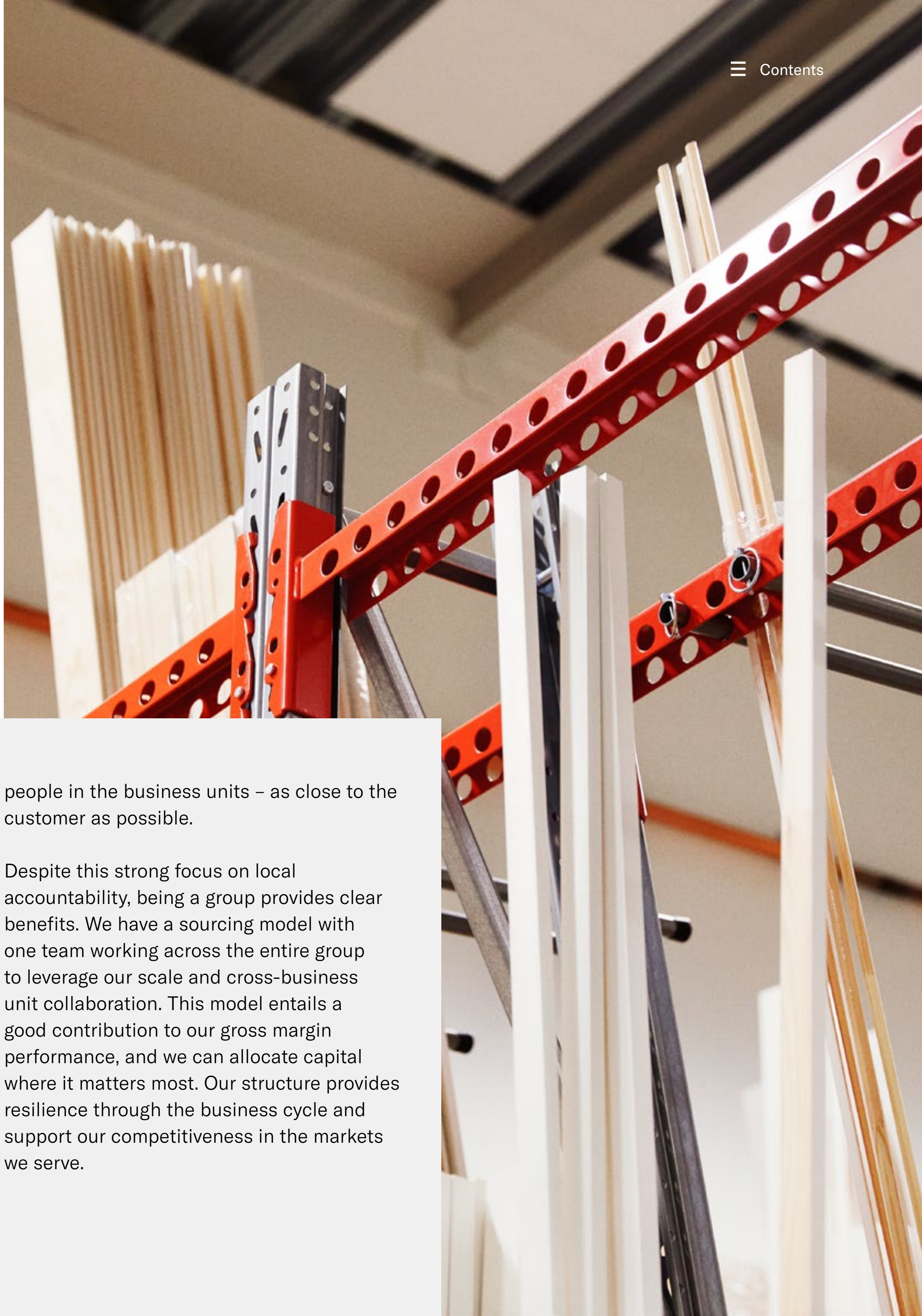
Locations
4

FTEs 112

Strategic rationale
Build local presence and grow SME segment.

OUR ROLE IN THE VALUE CHAIN

From our position as a leading business-to-business distributor serving the Nordic and German RMI end-markets in the wider construction industry, we provide key infrastructure services, linking customers with suppliers, while playing a critical role in a complex value chain focusing on heavy-side building materials, such as plasterboards, insulating materials, steels, bricks and tiles.



We source internationally at competitive prices and turn economies of scale into local business benefits in the way we manage our supply chain relations, operate our business and engage with our customers.

Distributing products from suppliers to the customers in a smooth and efficient manner can be a highly complex task that suppliers often will not engage in themselves. In addition, many of these suppliers lack the large-scale distribution networks and logistics capabilities required to distribute these products efficiently and cost effectively. In addition, professional customers will often have a need for a wide assortment of products from different suppliers, making connections with individual suppliers inefficient and costly. Besides availability of the product itself, these professional customers often demand a high degree of technical knowledge, convenient and frequent access to sales and service staff, extensive post-sales service and flexible delivery options.

STARK Group plays a vital role in bridging the gap between suppliers and customers by aggregating products and services and facilitating their distribution across the value chain. At group level we set the strategic direction, drive performance, and ensure that best practice is shared, while accountability, activities and costs are allocated to the people in the business units – as close to the customer as possible.

Despite this strong focus on local accountability, being a group provides clear benefits. We have a sourcing model with one team working across the entire group to leverage our scale and cross-business unit collaboration. This model entails a good contribution to our gross margin performance, and we can allocate capital where it matters most. Our structure provides resilience through the business cycle and support our competitiveness in the markets we serve.

OUR ROLE IN THE VALUE CHAIN

THE ROLES OF BUILDING MATERIAL DISTRIBUTORS THAT FOCUS ON HEAVY BUILDING MATERIALS

Key elements of the role of the distributor include sourcing at high volumes from multiple suppliers to ensure the right product offering, taking ownership and physical possession of products (warehousing), breaking pallets and repackaging according to customers' needs, and then selling and physically transporting goods to a large and geographically dispersed base of customers.

SUPPLIERS → CUSTOMERS

ACTIVITY	DESCRIPTION
Scale in sourcing	Leveraging scale to reduce prices
Breaking pallets	Full pallets or truckloads broken into smaller offered product quantities
Warehousing	Keeping safety/buffer stock ensuring availability of products
Distribution	Specialised distribution with the use of distribution centers, modified trucks and direct delivery capabilities
Product availability	Timeline and scope of construction projects often unpredictable, requiring ad product availability. Can offer direct distribution to construction site
Network with broad coverage	Network with broad coverage in close proximity to construction sites
Sales facilitation	Provision of projects and bidding planning services
Customer consultation	Offer expertise and technical advice to craftsmen, and guidance on alternatives. Acts as sales force for the manufacturers for a long tail of SME customers
Coordination	Arranging logistics, ensuring reliable delivery, consolidating orders, etc.
Credit	Bridging of the liquidity gap by offering credit

MEGATRENDS

Our business is impacted by certain structural growth drivers that transcend industries, markets, and geographies – megatrends.

Megatrends are patterns of economic, social, political, environmental, or behavioural changes with an actual or potential global reach and transformative impact. They are defining the framework for our business and will often entail a demand for new products or processes.

DEMOGRAPHICS AND URBANISATION

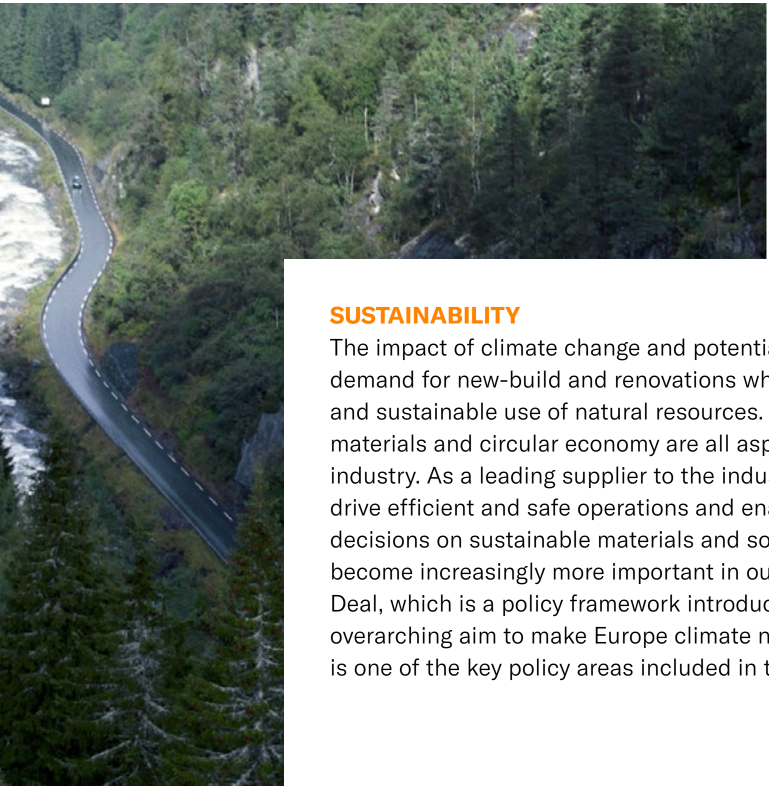
The world's population is growing, and key urban areas in the Nordics and Germany are experiencing an ongoing housing deficit with population growth rates often well above country averages. It is estimated that we will be 10 billion people on the planet in 2050, with two thirds of the world population living in cities. This requires more housing, office space and renovations to accommodate inhabitants who expect a comfortable and convenient life. STARK is well-positioned to benefit from such trends, given our strong footprint in key metropolitan areas – and the RMI end-market is core to our business.

↑10BN

It is estimated that we will be 10 billion people on earth in 2050

STAYCATION AND NESTING

Following COVID-19 and related travel restrictions, consumers have spent more time at home, driving increased home improvement activity and specifically increasing demand in the RMI end-market. Further, increasing sustainability awareness among our customers could further impact staycation and nesting trends and therefore increase RMI activity driving RMI end-market growth in the short to medium term.



SUSTAINABILITY

The impact of climate change and potential resource scarcity has fostered a demand for new-build and renovations which consider low energy consumption and sustainable use of natural resources. Green transition, sustainable building materials and circular economy are all aspects of a sustainable construction industry. As a leading supplier to the industry, we source our products responsibly, drive efficient and safe operations and enable our customers to make informed decisions on sustainable materials and solutions. We believe that these factors will become increasingly more important in our markets. One example is the EU Green Deal, which is a policy framework introduced by the European Commission with the overarching aim to make Europe climate neutral by 2050. The construction sector is one of the key policy areas included in the framework.

DIGITALISATION

Digitalisation is not a technical evolution but rather a social revolution driven by citizens and customers. It is changing the way we live, work, and communicate. In parts of the construction industry, digitalisation is still in its infancy and primarily relates to process optimisation, but we expect that a strategic digital transformation will mature over the coming years. To become the preferred digital partner for our customers we must be at the forefront of technological customer demand while at the same time securing high quality, security and stability in our IT infrastructure. Our digital solutions for sourcing, warehousing, consulting, ordering, delivery, payment and administration already enable and support our core business proposition and we have the scale and capabilities to capitalise on a potential acceleration of e-commerce.

SUSTAINABILITY

As a leading heavy building materials supplier, we aim to contribute to the solution of current and future environmental and social challenges by sourcing our products responsibly, drive efficient and safe operations and enable our customers to make informed decisions on sustainable construction.

The full corporate social responsibility statement of STARK ApS as required by the EU Directive 2014/95/EU and Sections 99a and 99b of the Danish Financial Statements Act can be found here **starkgroup.dk/newsroom/publications**

STARK Group's core values, Decency, Passion and Pride, support sustainable performance by focusing on how we interact with the world around us. We have supplemented our values with a Code of Conduct to provide more practical guiding principles for daily behaviour. It applies to all employees, temporary personnel, agents, contractors, and suppliers. The Code of Conduct was implemented in STARK Deutschland in 2020 and has been distributed to all new suppliers.

OUR SUSTAINABILITY FRAMEWORK

Our sustainability framework ensures that material issues, which can be risk-related as well as business opportunities, are identified and addressed with relevant policies, targets, and actions and that all employees and business partners understand the commercial relevance and necessity of integrated sustainability in business operations.

We have established a Sustainability Advisory Board consisting of the STARK Group CEO, the CEOs of each of the five business units, the CEO of STARK Sourcing, the Group CFO, Chief Strategy Officer, Chief Human Resources Officer, General Counsel, Head of Communications and Head of Sustainability.

The main role of the advisory board is to define the sustainability framework and set targets to ensure a common direction to work towards integrated sustainability in all business operations.

In 2020, we have set new and ambitious sustainability targets which have now been integrated into the Group's business strategy for the period 2020-2024.

MATERIALITY AND SUSTAINABILITY PROGRAMMES

Our materiality assessment covers the entire value chain, which we manage in three sections; Our Products, covering activities in the supply chain, Our Operations, covering our own activities with direct impacts, and Our Market, covering downstream activities such as construction, use and end-of-use. In defining our material issues, we also consider the principles of the UN Global Compact and how we can contribute to the Sustainable Development Goals.

Ten material issues have been identified. Five of them are within our operations, three in our supply chain and two in our downstream value chain. We have also identified key risks in each part of the value chain. The material issues form the basis of our ten sustainability programmes, KPIs and targets described in detail in our Sustainability Report 2019/20. Progress against these targets is reported in our Sustainability Report.

UN SUSTAINABLE DEVELOPMENT GOALS

In STARK Group, we support a wide range of the Sustainable Development Goals (SDG), focusing mainly on SDG 15 – Life on land, and SDG 12 – Responsible consumption and production. As a leading supplier of heavy building materials, primarily originating directly from natural resources (wood, stone, sand, metal, oil) sustainable use of the earth's resources is a necessity for securing long-term access to materials. In addition, we positively impact SDG 4 and SDG 10 by offering internships and apprenticeships and ensuring equal treatment and opportunities for all.

SUSTAINABILITY

	OUR PRODUCTS	OUR OPERATIONS	OUR MARKET
Value chain and ambitions	Better product from trusted suppliers in order to meet customer and societal expectations, both now and for the future	To be an efficient and trusted distributor, partner and employer of choice in the industry, ensuring long-term sustainability	To be the preferred partner for sustainable construction, supporting development towards a more sustainable future
Material issues	RAW MATERIALS EXCAVATION → PRODUCTION →	STARK GROUP SOURCING → STARK GROUP DISTRIBUTION CENTRES → STARK GROUP BRANCHES → STARK GROUP LOGISTICS →	CONSTRUCTION SITES → COMPLETED BUILDING → END-USE
Sustainability programmes	Product quality and integrity Responsible sourcing Ethical behaviour and human rights	Environmental efficiency Health and safety Employee engagement Diversity and inclusion Competence development	Promoting sustainable products Educative partner and corporate citizen
UN SDG targets	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND	4 QUALITY EDUCATION 5 GENDER EQUALITY 10 REDUCED INEQUALITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND 17 PARTNERSHIPS FOR THE GOALS

SUSTAINABILITY

OUR PRODUCTS

Being a leading retailer and distributor of heavy-side building materials in Northern Europe, we source a large variety of products on a global scale. We are committed to supplying safe, reliable and robust products to our customers and to procuring products from financially healthy, reliable sources that trade ethically and responsibly, demonstrating anti-corruptive policies. We work with our suppliers, NGOs and authorities to encourage sustainable practices and accelerate the green transition in order to maintain excellent standards of product quality and safety without jeopardising ecosystems and society in the long term.

OUR OPERATIONS

People

As a workplace, we ensure equal treatment and opportunities for all employees. We take pride in belonging to a community that comprises different genders, ages, ethnicities, disabilities, sexual orientations, faiths and religions. Women constitute 22% of our employees and account for 14% of our management positions. At STARK Group level, the Executive Committee consists of 30% women (3 out of 10) and the Group Management Team's gender balance is 50/50. The Executive Board of STARK ApS consist of 25% women (2 out of 8). We continuously work to adjust the gender balance of the company.

The health and safety of our people are key priorities for STARK Group. We aim to create an accident-free workplace, and we are committed to continuous improvements in health, safety and well-being throughout our operations.

Employee training and competence is a mix of supervised practising in our stores, training classes and courses, and e-learning programs undertaken through the corporate e-learning system. Health, safety and sustainability issues make up a significant part of the onboarding programme, as these issues support our cooperate values and are key contributors to our long-term success.

STARK Group's employees have a high engagement level, as evidenced by STARK Group's results in its GELx* surveys, most recently measured in November 2020, where STARK achieved a top quartile benchmark score of 74 compared to the average of 71 for other comparable businesses.

Environment & Climate

We are committed to running environmentally efficient operations that minimise carbon emissions and waste in order to reduce negative impacts on the environment and climate. Our carbon targets will from 2021 be science-based in order to ensure that the Group's reduction targets are consistent with what according to science is necessary to limit global warming in line with the Paris agreement. Our new targets will during the 2021 be submitted to SBTi for validation. If, contrary to expectations, our greenhouse gas emission targets do not meet the SBTi criteria validation, we will adjust the targets accordingly.

*) GELx is a Global Employee & Leadership Index tool measuring employee satisfaction, motivation, and loyalty scores. Index ranging from -100 to 100 and calculated by subtracting the percentage of detractors from percentage of promoters.

OUR MARKET

To address the global challenges, including climate change, increasing consumption and disposal of resources, and the depletion of nature and biodiversity, STARK Group is constantly looking for sustainable alternatives in all product categories to support and promote the distribution of sustainable and eco-labelled products, support the development of sustainable construction and make it easier for our customers to make informed choices.

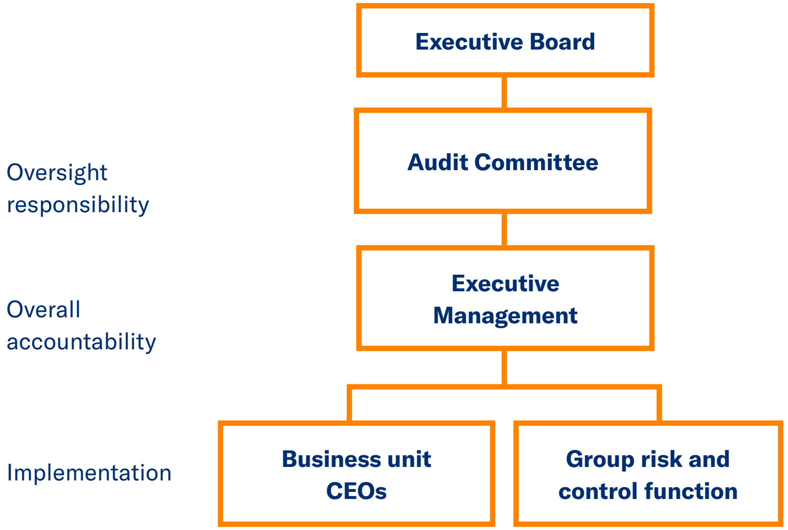
One of the largest barriers to sustainability in the construction industry is craftsmen's limited knowledge of sustainable alternatives and requirements. STARK Group aims to lower this barrier by widening the assortment of eco-labelled products and providing relevant product knowledge of sustainable alternatives, as well as ensuring correct and efficient product documentation. Where commercially relevant, we are active in sustainability networks and open to collaborating in partnerships that promote sustainability and circularity.

RISK MANAGEMENT

We consider risk management a critical component of our decision-making and STARK Group's ability to create value over time.

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

We employ and continuously develop an Enterprise-Wide Risk Management (ERM) process in conjunction with our internal control framework to identify, assess and mitigate the risks faced at group level and in each of our business units. Findings are reported to management on an ongoing basis and form the basis of the continued development of STARK Group's risk management process, which aims to enable us to reach our strategic objectives and avoid disruptions or safety concerns in daily operations.



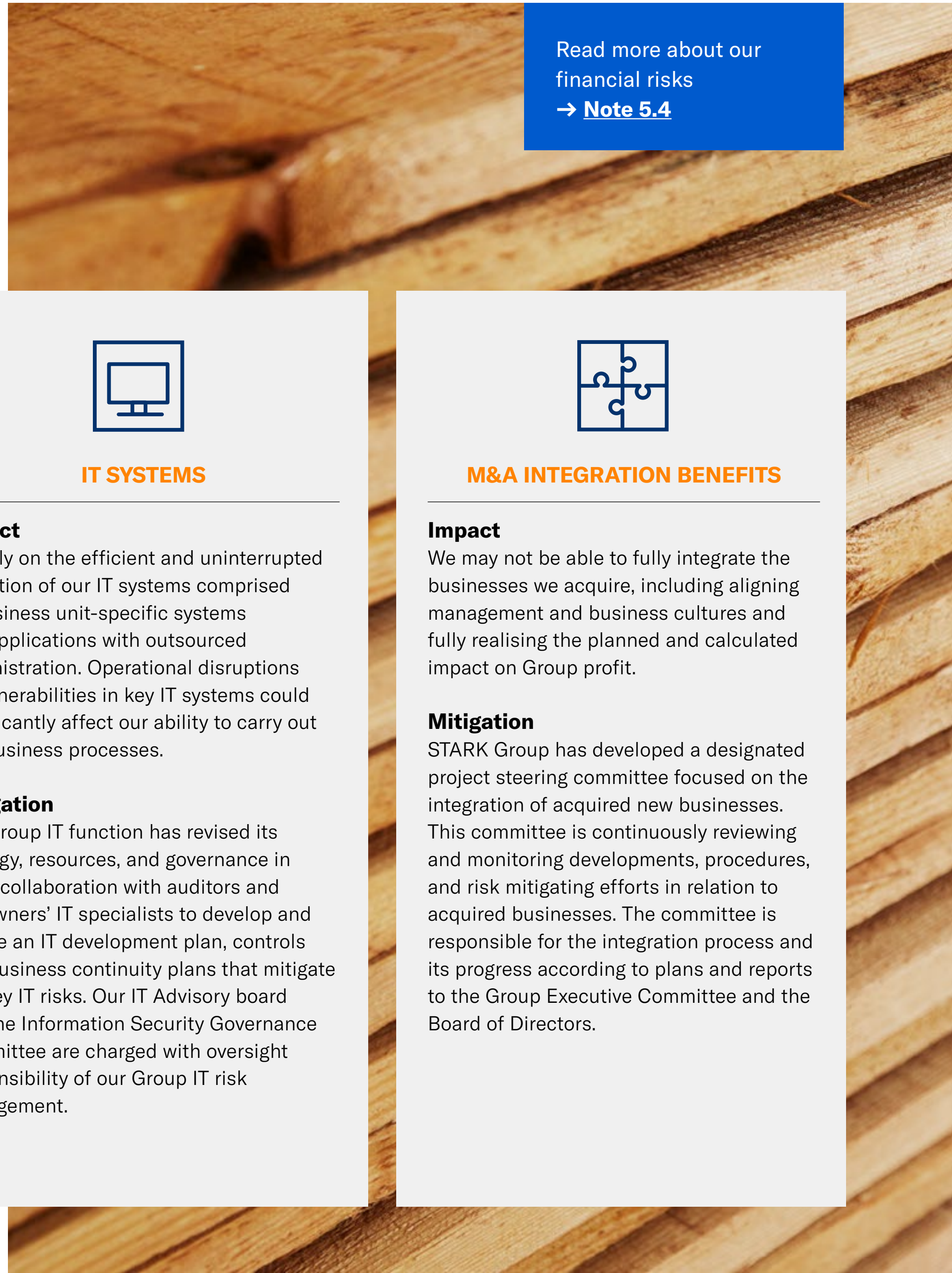
RISK GOVERNANCE

We have adopted the STARK Group Risk Management Policy, which defines the responsibilities related to risk management across all organisational levels – from strategic decisions by the Executive Board to our employees' conduct as part of our day-to-day operations. To support and supplement the policy, we have introduced various functional and area-specific policies, guidelines and manuals, which outline the principles and procedures for area-specific risk controls and mitigation efforts.

The Executive Board has charged the Audit Committee with the oversight responsibility for the Group's risk management. Overall accountability for risk management lies with the Executive Management, whereas the individual business units are responsible for the implementation of the Group's Risk Management Policy, the ERM process and internal controls. The business unit leaders are supported by the Group risk and control function.

RISK MANAGEMENT

KEY RISKS



Read more about our financial risks
→ Note 5.4

We monitor and act on developments in STARK Group's key risks to mitigate the impact on our business.

ECONOMIC DOWNTURN

Impact
Increasing geopolitical uncertainty and faster-than-expected economic decline may negatively impact customer demand in the builders' merchant industry in our markets. This may jeopardise our targeted profit and growth.

Mitigation
The Board of Directors and the Executive Committee monitor market developments based on intelligence provided by our business development and finance teams as well as through in-depth reviews and deep dives with each business management team on a continuous basis. Economic contingency plans for cost-out initiatives have been designed and executed promptly where needed, and we have kept our focus on sales to small and medium-sized professional builders to improve our resilience towards economic downturns.

COVID-19

Impact
The Covid-19 pandemic and its impact on the health and operating capabilities of our employees, customers, suppliers and other stakeholders remain uncertain even though the pandemic has not had a significant effect on our operations to date.

Mitigation
During early spring of 2020, we implemented employee and customer precautionary and safety procedures across all operations and branches in the Nordics and Germany. With continuous Executive Management monitoring of the effectiveness of our mitigating actions, we adjust our actions appropriately to keep up with the changes in the threat and to abide to all local regulations and actions. Efforts to mitigate the impact of Covid-19 and ensuring the health and safety of the employees and customers continue to be the highest focus to management.

IT SYSTEMS

Impact
We rely on the efficient and uninterrupted operation of our IT systems comprised of business unit-specific systems and applications with outsourced administration. Operational disruptions or vulnerabilities in key IT systems could significantly affect our ability to carry out key business processes.

Mitigation
Our Group IT function has revised its strategy, resources, and governance in close collaboration with auditors and our owners' IT specialists to develop and secure an IT development plan, controls and business continuity plans that mitigate our key IT risks. Our IT Advisory board and the Information Security Governance Committee are charged with oversight responsibility of our Group IT risk management.

M&A INTEGRATION BENEFITS

Impact
We may not be able to fully integrate the businesses we acquire, including aligning management and business cultures and fully realising the planned and calculated impact on Group profit.

Mitigation
STARK Group has developed a designated project steering committee focused on the integration of acquired new businesses. This committee is continuously reviewing and monitoring developments, procedures, and risk mitigating efforts in relation to acquired businesses. The committee is responsible for the integration process and its progress according to plans and reports to the Group Executive Committee and the Board of Directors.

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 Denmark (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 Art (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, Svendsen Sport 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 (2008-2018). Sisse Fjelsted Rasmussen has 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 Co-Ro Holding A/S, TV2/Danmark A/S, and the Confederation of Danish Industry's committee for taxation policy.

EXECUTIVE BOARD STARK APS

Søren Peschardt Olesen
Sisse Fjelsted Rasmussen
Lene Kjærbo Groth
Laurits Anton Jørgensen
Kambiz Nourbakhsh
Patrick Armel Leon Lebreton
Savvas Savvidis
Valentyn Makarenko

* Position in STARK Group A/S, a 100% owned subsidiary of STARK ApS

FINANCIAL STATEMENTS

2020

STARK GROUP

CONTENTS

MANAGEMENT'S STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Executive Board have today considered and adopted the Annual Report of STARK ApS for the financial year 1 August 2019 to 31 July 2020.

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 2020 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 2019/20.

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 Consolidated Financial Statements and the Financial Statements of the Parent company be approved at the Annual General Meeting.

Frederiksberg, 23 December 2020

Søren Peschardt Olesen

Sisse Fjelsted Rasmussen

Lene Kjærbo Groth

Laurits Anton Jørgensen

Kambiz Nourbakhsh

Patrick Armel Leon Lebreton

Savvas Savvidis

Valentyn Makarenko

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF STARK APS

Opinion
We have audited the Consolidated Financial Statements and the Financial Statements of the Parent company STARK ApS for the financial year 1 August 2019 - 31 July 2020, 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 2020, and of the results of its operations and cash flows for the financial year 1 August 2019 - 31 July 2020 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 2020, and of the results of its operations for the financial year 1 August 2019 - 31 July 2020 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 and the Parent in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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.

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.

INDEPENDENT AUDITOR'S REPORT

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, 23 December 2020

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	2019/20	2018/19
Net sales	2.2	4,095	2,299
Cost of sales		(3,065)	(1,714)
Gross profit		**1,030**	**585**
Other external operating expenses		(289)	(183)
Staff costs	2.3	(546)	(310)
Earnings before interest, tax, depreciation and amortisation (EBITDA) (non-IFRS)		**195**	**92**
Depreciation and amortisation of non-current assets	2.4	(102)	(41)
Bargain purchase gain	3.1	101	-
Earnings before interest and tax (EBIT)		**194**	**51**
Financial income	2.5	3	-
Financial expenses	2.5	(89)	(52)
Result before tax		**108**	**(1)**
Tax for the year	2.6	(15)	(2)
Result for the year		**93**	**(3)**
Total result for the year is attributable to:			
Shareholders in STARK ApS		92	(3)
Non-controlling interests		1	-
Total		**93**	**(3)**

COMPREHENSIVE INCOME

EUR million	Note	2019/20	2018/19
Result for the year		**93**	**(3)**
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of foreign operations		5	(13)
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on retirement benefit plans	6.2	5	(9)
Tax on actuarial gain/(loss) on retirement benefit plans	6.2	(2)	1
Other comprehensive income/(loss) for the year		**8**	**(21)**
Total comprehensive income/(loss) for the year		**101**	**(24)**
Total comprehensive income is attributable to:			
Shareholders in STARK ApS		100	(24)
Non-controlling interests		1	-
Total		**101**	**(24)**

STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	Note	31 July 2020	31 July 2019	1 August 2018
Non-current assets				
Goodwill	3.2	286	277	265
Other intangible assets	3.3	270	266	270
Total intangible non-current assets		**556**	**543**	**535**
Property	3.4	676	647	639
Plant and equipment	3.4	103	42	31
Non-currents assets under construction	3.4	32	16	19
Right of use assets	3.5	351	–	–
Total tangible non-current assets		**1,162**	**705**	**689**
Investment in a joint venture		1	1	1
Receivables from related parties		24	26	17
Deferred tax assets	6.1	19	–	13
Total financial non-current assets		**44**	**27**	**31**
Total non-current assets		**1,762**	**1,275**	**1,255**
Current assets				
Inventories	4.1	488	280	273
Trade receivables	4.2	424	231	231
Corporate tax receivables		–	1	1
Other receivables		21	15	29
Prepayments		10	7	11
Cash and cash equivalents		346	181	191
Total current assets		**1,289**	**715**	**736**
Assets held for sale		–	–	3
TOTAL ASSETS		**3,051**	**1,990**	**1,994**

EQUITY AND LIABILITIES

EUR million	Note	31 July 2020	31 July 2019	1 August 2018
Equity				
Share capital	5.1	1	1	1
Share premium	5.1	235	174	174
Reserves		78	(25)	(1)
Equity, shareholders in STARK ApS		**314**	**150**	**174**
Non-controlling interests		9	–	–
Total equity		**323**	**150**	**174**
Non-current liabilities				
Leasing liabilities	3.5	300	–	–
Deferred tax liabilities	6.1	122	131	149
Provisions	4.3	19	7	5
Employee benefit obligations	6.2	90	61	52
Borrowings	5.3	11	8	6
Payables to related parties	6.8	765	935	928
Total non-current liabilities		**1,307**	**1,142**	**1,140**
Current liabilities				
Leasing liabilities	3.5	54	–	–
Provisions	4.3	19	6	12
Borrowings	5.3	16	–	–
Payables to related parties	6.8	277	–	–
Trade payables		824	539	541
Corporate tax payables		16	9	11
Other liabilities		215	144	116
Total current liabilities		**1,421**	**698**	**680**
Total liabilities		**2,728**	**1,840**	**1,820**
TOTAL EQUITY AND LIABILITIES		**3,051**	**1,990**	**1,994**

STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Share premium	Translation reserve	Retained earnings	Equity, shareholders in STARK ApS	Non-controlling interests	Total equity
Equity as of 1 August 2018	**1**	**174**	**1**	**(2)**	**174**	**-**	**174**
Changes in equity for 2018/19:							
Result for the year	-	-	-	(3)	(3)	-	(3)
Other comprehensive income/(loss)	-	-	(13)	(8)	(21)	-	(21)
Comprehensive income/(loss)	**-**	**-**	**(13)**	**(11)**	**(24)**	**-**	**(24)**
Equity as of 31 July 2019	**1**	**174**	**(12)**	**(13)**	**150**	**-**	**150**
Equity as of 1 August 2019	**1**	**174**	**(12)**	**(13)**	**150**	**-**	**150**
Impact from adopting IFRS 16	-	-	-	3	3	-	3
Equity as of 1 August 2019 restated	**1**	**174**	**(12)**	**(10)**	**153**	**-**	**153**
Changes in equity for 2019/20:							
Acquisition of non-controlling interests	-	-	-	-	-	8	8
Capital increase	0	61	-	-	61	-	61
Result for the year	-	-	-	92	92	1	93
Other comprehensive income/(loss)	-	-	5	3	8	-	8
Comprehensive income/(loss)	**-**	**61**	**5**	**95**	**161**	**9**	**170**
Equity as of 31 July 2020	**1**	**235**	**(7)**	**85**	**314**	**9**	**323**

CASH FLOW STATEMENT

EUR million	Note	2020/19	2018/19
Result for the year		**93**	**(3)**
Adjustments and reversals	6.3	102	95
Changes in working capital	6.4	193	40
(Decrease)/increase in provisions and other liabilities		1	(3)
Cash flow from operating activities before financial items and tax		389	129
Interest paid		(67)	(33)
Tax paid		(13)	(6)
Cash flow from operating activities		**309**	**90**
Cash flow from investing activities			
Acquisition of businesses (net of cash acquired)	3.1	(227)	(28)
Purchases of property, plant and equipment		(54)	(46)
Proceeds from sale of land, property, plant and equipment		39	3
Purchase of intangible assets		(12)	(7)
Cash flow from investing activities		**(254)**	**(78)**
Free cash flow (non-IFRS)		**55**	**12**

EUR million	Note	2020/19	2018/19
Cash flow from financing activities			
Proceeds from borrowings	5.3	3	–
Repayment of borrowings	5.3	–	(2)
Proceeds from loans from related parties	5.3	255	1
Repayments of loans from related parties	5.3	(101)	(19)
Repayment of leasing liabilities	5.3	(45)	–
Cash flow from financing activities		**112**	**(20)**
Net cash (used)/generated		**167**	**(8)**
Effects of exchange rate changes		(2)	(2)
Net increase/(decrease) in cash and cash equivalents		**165**	**(10)**
Cash, cash equivalents at the beginning of the year		181	191
Cash and cash equivalents at the end of the year		**346**	**181**

NOTES
– CONSOLIDATED FINANCIAL STATEMENTS

1.1 BASIS OF REPORTING

Overview of business
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 Denmark, Sweden, Finland and Norway (the “Nordics”) and Germany (collectively with the Nordics, “Northern Europe”).

STARK ApS has its registered office at C.F. Richs Vej 115, DK-2000 Frederiksberg, Denmark, and is incorporated in Denmark as a Danish private limited liability company under the laws of Denmark.

Basis of reporting
These Consolidated Financial Statements for the year ended 31 July 2020 are the first consolidated financial statements prepared by the Group. In previous years, STARK ApS did not prepare consolidated financial statements by applying the exemption rule in the Danish Financial Statements Act, section 112.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and additional disclosure requirements in the Danish Financial Statements Act for reporting class C – large companies.

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 are presented in million Euros, which is the presentation currency of the Group.

First-time adoption of IFRS
The Consolidated Financial Statements, for the year ended 31 July 2020, are the first the Group has prepared in accordance with IFRS.

Accordingly, the Group has prepared the Consolidated Financial Statements that comply with IFRS applicable as of 31 July 2020, together with the comparative period data for the year ended 31 July 2019. In preparing the Consolidated Financial Statements, the Group's opening statement of financial position was prepared as of 1 August 2018, the Group's date of transition to IFRS.

The Group has applied the following exemption:

- As the parent became a first-time adopter later than its subsidiaries, in the parent's consolidated financial statements, the assets and liabilities of the subsidiaries must be measured at the same amounts as in the subsidiaries financial statements (after adjusting for consolidation and equity accounting adjustments and for the effects of the business combination in which the entity acquired the subsidiary).

- The effects of IFRS adoption for the consolidated income statement and statement of financial position, and a reconciliation between net earnings according to previous DK GAAP and IFRS from the parent separate financial statements to the consolidated financial statements, are presented in the following table:

EUR million	31 July 2019	1 August 2018
Total equity under DK GAAP (Parent)	182	192
Consolidation effects	(32)	(18)
Total equity under IFRS (Group)	**150**	**174**

EUR million	2018/19
Net earnings for the year under DK GAAP (Parent)	(10)
Consolidation effects	7
Comprehensive income for the year under IFRS (Group)	**(3)**

The consolidation effects are a result of consolidating the subsidiaries and the parent company.

ADOPTION OF NEW AND AMENDED IFRS STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR

Impact of new accounting standards
The Group has adopted the following new or amended standards and interpretations from 1 August 2019:

I. IFRS 16 Leases
IFRS 16 replaces IAS 17 “Leases” and will change the accounting treatment of leases that were previously treated as operating leases. IFRS 16 requires all leases, where the Group is the lessee, regardless of type and with few exceptions, to be recognised in the balance sheet as an asset with a related liability. The lease payments, previously

1.1 BASIS OF REPORTING
– CONTINUED

accounted for as operating expenses, will be split into an interest cost and a repayment of the lease liabilities. The lease assets – referred to as right of use assets – will be depreciated over the shorter of useful life and the term of the lease contract. Previously, the annual costs relating to operating leases were recognised as a single expense amount in the income statement.

As of 1 August 2019, the Group has implemented IFRS 16 using the modified retrospective approach. Lease liabilities have been measured at the present value of the remaining lease payment using the incremental borrowing rate. Right of use assets have been measured at an amount equal to the leasing liabilities adjusted for prepayments and restoration cost where there is an obligation to refurbish properties at end of the lease period.

The implementation of IFRS 16 as of 1 August 2019 have resulted in the recognition of right of use assets of EUR 119m and a lease liability of around EUR 117m. In addition, other assets have decreased by EUR 2m and provisions have decreased by EUR 3m resulting in an Equity impact of EUR 3m.

The 2018/19 comparative figures have been reported according to IAS 17 and have not been restated to reflect IFRS 16.

The following practical expedients have been applied when implementing IFRS 16:

- Assets considered as short-term and low value leases (below EUR 7k) have not been recognised under IFRS 16. Short-term leases are defined as leases with a remaining contract period of 12 months or less from initial recognition
- A single discount rate has been applied to appropriate groups of leases with similar characteristics
- Existing assessment of whether leases are onerous have been applied

Lease expenses in the income statement include short-term and low value leases mainly related to IT and office equipment. Costs relating to short-term and low value leases recognised in the income statement in 2019/20 amounted to EUR 7m.

The Group has performed a detailed impact assessment of IFRS 16. The assessment includes certain management estimates with the most significant being the estimated discount rate and the expected number of years for contracts including prolongation options for especially contracts related to leasing of land and buildings. The Group has used its incremental borrowing rate as basis for determining the discount rate. The discount rate has been estimated to 5% p.a. in the Nordics and 4.25% p.a. in Germany in average and has been applied to contracts when the rate implicit in the lease contract was not known. The expected number of years for the leasing contracts with prolongation options is

Lease liabilities reconcilliation	EURm
Operating lease commitments as of 31 July 2019	116
Discounted using incremental borrowing rate	(24)
Short-term and low-value leases recognised in P&L	(7)
Adjustments as a result of different treatment of extension and termination terms and variable payments	32
Leasing liabilities recognised as of 1 August 2019	**117**

estimated for each contract based upon the Group's location strategy plans and local expectations.

The above table provides a reconciliation of the reported operating lease commitments as of 31 July 2019 and leasing liabilities recognised in the opening balance sheet as of 1 August 2019. For the financial year 2019/20, EBITDA is improved with EUR 57m, and depreciation is increased by 51m resulting in an improvement of EBIT of EUR 6m and an increase in financial cost of EUR 13m.

II. IFRIC 23: Uncertainty over Income Tax Treatments clarifies the accounting for uncertainties in income taxes
The Group has adopted IFRIC 23 for the first time in 2019/20. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
- If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
- If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

The implementation of IFRIC 23 had no impact on the opening balance sheet as of 1 August 2019 and has only had a minor impact on the tax expense for the year.

Impact of other changes
Apart from the implementation of IFRS 16 and IFRIC 23, the implemented Standards, Improvements, Amendments and Interpretations are not expected to have any significant impact on the financials or the Group's

1.2 GROUP ACCOUNTING POLICIES

§ 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. The accounting policies have been applied consistently throughout the years except for implementation of IFRS 16 and IFRIC 23.

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 on consolidation.

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 foreign subsidiaries denominated in foreign currencies 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. Such 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 accrued as earned and are recorded initially as a reduction in 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.

Joint ventures
A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The result and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method.

1.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

accounting policies, as they cover areas that are not material and/or relevant for the Group.

Standards issued but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are expected to have no impact on the Group` s consolidated financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

In applying the Group's accounting policies, various transactions and balances are assessed using estimates and assumptions. Management bases its estimates on historical experience and various other assumptions that are held to be reasonable under the circumstances. Should these estimates or assumptions prove incorrect there may be an impact on the following year's Consolidated Financial Statements. The Group believes that the estimates and assumptions that have been applied in these Consolidated Financial Statements will not give rise to a material impact within the next financial year. The estimates and underlying assumptions are reviewed on an ongoing basis.

JUDGEMENTS
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal options – Group as lessee
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 whether or not to exercise the option to renew or 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.

ESTIMATES AND ASSUMPTIONS
Management has made significant estimates and assumptions in the following areas:

Vendor rebates
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.

Inventory provisions
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 45m as of 31 July 2020 (EUR 19m as of 31 July 2019), see note 4.1.

Expected credit losses
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 21m as of 31 July 2020 (EUR 9m as of 31 July 2019), see note 4.2.

Provisions for legal claims and environmental restoration
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 38m as of 31 July 2020 (EUR 13m as of 31 July 2019) to cover for the described risks and claims in addition to other provisions as presented in note 4.3.

1.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

Expected useful life and residual value for non-current assets
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.

Acquisition of STARK Deutschland
As part of the acquisition of STARK Deutschland, an assessment of fair value of the identifiable assets, liabilities and contingent liabilities was carried out resulting in a negative goodwill of EUR 101m, which has been recognised as a bargain purchase gain in the income statement. This assessment was based on available data at hand as well as management estimates and assumptions at the take-over date (1 October 2019) assessed based on the information available as of 31 July 2020 on facts and circumstances that existed on the acquisition date, see note 3.1.

Impairment of non-current assets
The Group has performed the annual impairment test for non-current assets with indefinite life including CGU determination. The WACC and management estimates and assumptions about the future performance of the identified CGUs have been applied to determine the need for impairment. The impairment tests did not result in any recognition of impairment losses as of 31 July 2020 (31 July 2019: EUR 0m), see note 3.2.

2.1 SEGMENT ANALYSIS

EUR million	2019/20 Nordics	2019/20 Germany[1]	2019/20 Total	2018/19 Total
Income statement				
Net sales	2,412	1,683	4,095	2,299
Cost of sales	(1,783)	(1,282)	(3,065)	(1,714)
Gross Profit	**629**	**401**	**1.030**	**585**
Other external operating expenses	(156)	(133)	(289)	(183)
Staff costs	(323)	(223)	(546)	(310)
Earnings before interest, tax, depreciation and amortisation (EBITDA) (non-IFRS)	**150**	**45**	**195**	**92**
EBITDA pre-IFRS 16 (non-IFRS)	**121**	**17**	**138**	**92**
Depreciation and amortisation of non-current assets	(70)	(32)	(102)	(41)
Bargain purchase gain			101	-
Earnings before interest and tax (EBIT)	**80**	**13**	**194**	**51**
Financial income			3	-
Financial expenses			(89)	(52)
Result before tax			**108**	**(1)**
Tax for the year			(15)	(2)
Result for the year			**93**	**(3)**
Capital expenditures by segment				
Property, plant and equipment	32	22	54	46
Intangible assets	10	2	12	7
Total capital expenditures by segment	**42**	**24**	**66**	**53**

1. Germany included with 10 months of operations from the acquisition date.

EUR million	31 July 2020 Nordics	31 July 2020 Germany	31 July 2020 Total	31 July 2019 Total
Assets and liabilities by segment				
Segment non-current assets	1,411	319	1,730	1,245
Segment current assets	524	413	937	533
Segment liabilities	(1,137)	(509)	(1,646)	(879)
Net assets not allocated			1	(13)
Net assets	**798**	**223**	**1,022**	**886**
Net debt			(699)	(736)
Total equity			**323**	**150**
Specification of total assets				
Segment non-current assets	1,411	319	1,730	1,245
Segment current assets	524	413	937	533
Assets not allocated, non-current			8	4
Assets not allocated, current			6	1
Assets included in net debt			370	207
Total assets	**1,935**	**732**	**3,051**	**1,990**

Following the acquisition of STARK Deutschland, a new operating structure and related segments have been defined based on how management manages and controls the business. This structure is also used in the internal reporting framework for the Executive Board, and the operating segments are regularly reviewed by the Executive Board 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	2019/20	2018/19
Sale of goods	4,095	2,299
Total net sales	**4,095**	**2,299**

The net sales in Denmark, which is the domicile market of the Group amounted to EUR 1,005m in 2019/20 (2018/19: EUR 952m).

§ 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	2019/20	2018/19
Salary and wages	446	256
Pensions – contribution plans	21	21
Pensions – defined benefit plans	5	3
Other expenses for social security	74	30
Total staff costs	**546**	**310**
Compensation of the Executive Board of the Group:		
Salary and wages	5	3
Pensions – contribution plans	0	0
Other expenses for social security	0	0
Total compensation paid to the Executive Board	**5**	**3**

Some of the members of the Executive Board are entitled to a cash bonus based on fulfilment of pre-defined financial and non-financial targets. In 2019/20 the bonus to the Executive Board amounted to EUR 3m (2018/19 EUR 1m).

The Group has not established share-based incentive programs.

	2019/20	2018/19
Average number of fulltime employees	9,577	5,519
Number of employees at the end of the financial period	11,047	5,762

§ 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 key management 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	2019/20	2018/19
Intangible assets	16	14
Buildings	17	16
Fixtures, fittings, tools and equipment	18	11
Right of use assets	51	–
Total depreciation and amortisation of non-current assets	**102**	**41**

No impairment losses have been recognised in 2019/20 and 2018/19.

§ 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.

2.5 FINANCIAL INCOME AND EXPENSES

EUR million	2019/20	2018/19
Financial income		
Foreign exchange gains	2	–
Other financial income	1	–
Total financial income	**3**	**–**
Financial expenses		
Interests on loans from related parties	69	43
Foreign exchange losses	–	3
Leases interest (IFRS 16)	13	–
Other interest expenses	5	4
Other financial expenses	2	2
Total financial expenses	**89**	**52**

§ ACCOUNTING POLICIES

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the relevant financial year.

2.6 TAX FOR THE YEAR

EUR million	2019/20	2018/19
Current tax	16	8
Deferred tax	3	(1)
Adjustment of current tax regarding previous years	–	(2)
Adjustment of deffered tax regarding previous years	(4)	(1)
Adjustment of deferred tax due to changes in tax rates	–	(2)
Total income tax for the period	**15**	**2**
Tax on items (charged)/credited to the statement of other comprehensive income:		
Deferred tax (charge)/credit on actuarial gain/loss on retirement benefit plans	2	(1)
Total tax on items (charged)/credited to other comprehensive income	**2**	**(1)**
Tax reconciliation:		
Corporation tax rate in Denmark	22%	22%
Adjustment of calculated tax in foreign Group entities relative to 22%	0%	n.a.
Non-deductible and non-taxable income	-18%	n.a.
Non-deductible expenses interest	10%	n.a.
Adjustment relating to prior year	-1%	n.a.
Reduction of corporate tax rates	0%	n.a.
Tax rate on profit before tax	**13%**	**n.a.**

§ 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 by 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 on taxable incomes for prior years.

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 AQUISITIONS OF BUSINESSES

The Group entered into an agreement with Compagnie de Saint Gobain SA on 20 May 2019, to acquire Saint Gobain Building Distribution Deutschland GmbH ("SGBDD"), which is a leading builders' merchant in Germany with a regional stronghold in the fast growing Berlin area. These authorities approved the agreement in September 2019 and the closing and takeover of SGBDD was effective as of 1 October 2019 from which date STARK Deutschland is included in the consolidated financial statements of the Group. In the 10 months included in the financial year, the German operations contributed with EUR 1.7bn net sales, EBITDA of EUR 45m and profit before tax of EUR 4m. In case the German operations had been included with 12 months of operations for the financial year from 1 August 2019 to 31 July 2020, the Group estimates that they would have contributed with approximately EUR 2bn of net sales, EBITDA of EUR 64m and a profit before tax of EUR 13m.

In 2019/20, the Group also acquired the two builders merchant chains Karl Ekesiöö Bygghandel AB and PoG Woody Bygghandel AB, who in total are operating eight branches in Sweden. In the 12 months preceding the acquisition date, we estimate that net sales were EUR 16m for Karl Ekesiöö Bygghandel AB and EUR 43m for PoG Woody Bygghandel AB and with combined profit before tax of close to zero.

In 2019/20, the Group has acquired the business and selected net assets from SJAKK A/S in Denmark adding an estimated EUR 21m to annual net sales with an impact on profit before tax of close to zero.

As of February 5, 2020, the Group announced the agreement to acquire the four stores of XL-Byg Jens Schultz A/S in Denmark, which has two stores on Funen and two stores on the surrounding islands. The transaction is subject to approval from the authorities and has not yet been completed.

The fair values of the assets and liabilities acquired and the consideration for the acquisitions are as follows on the acquisition date:

	2019/20	2019/20	2019/20	2018/19
EUR million	**Germany**	**Other**	**Total**	**Total**
Customer relationships	-	5	5	4
Trade names	-	-	-	2
Other	2	-	2	-
Property, plant and equipment	175	4	179	7
Right of use assets	173	37	210	-
Inventories	204	9	213	7
Receivables	203	8	211	11
Cash and cash equivalents	54	-	54	5
Trade and other payables	(159)	(9)	(168)	(13)
Borrowings	(16)	-	(16)	(5)
Employee benefit obligations	(86)	-	(86)	-
Leasing obligations	(173)	(37)	(210)	-
Deferred tax	19	(1)	18	(2)
Tax payable	(3)	1	(2)	-
Provisions	(26)	-	(26)	-
Non-controlling interests	(8)	-	(8)	-
Total	**359**	**17**	**376**	**16**
Goodwill arising	-	6	6	17
Bargain purchase gain arising	(101)	-	(101)	-
Consideration	**258**	**23**	**281**	**33**
The net outflow of cash in respect of the purchase of businesses is as follows:				
Total consideration as cash payment	258	23	281	33
Cash and cash equivalents acquired	(54)	-	(54)	(5)
Net cash outflow	**204**	**23**	**227**	**28**

3.1 AQUISITIONS OF BUSINESSES
– CONTINUED

The acquisition of STARK Deutschland has resulted in a negative goodwill of 101m, which in accordance with IFRS has been recognised in the consolidated income statement as a bargain purchase gain. The bargain purchase gain is assessed to have arisen due to the low historical financial performance of the acquired entity combined with the investments initiated by the Group in implementing a new product strategy, operating model and other strategic and operational initiatives. As a result of the purchase price allocation showing a bargain purchase gain, the Group has carefully assessed the identification of underlying assets, liabilities and contingent liabilities, and has concluded that all relevant assets and liabilities have been recognised at their fair values, and that the acquisition has in fact resulted in a bargain purchase gain.

The goodwill arising from the other acquisitions is attributable to the workforce and the anticipated profitability and synergies of the acquisitions going forward. The recognised goodwill is not tax deductible.

Transaction costs of EUR 12m were expensed for the acquisition of SGBDD and EUR 2m for the other acquisitions. The amounts are included in other external operating expenses with EUR 7m in 2019/20 and EUR 7m in 2018/19.

§ 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	2019/20	2018/19
Cost at the beginning of the year	277	265
Business acquisitions	6	17
Exchange rate adjustment	3	(5)
Cost at the end of the year	286	277
Impairment losses at the beginning of the year	–	–
Impairment charge for the year	–	–
Accumulated impairment losses at the end of the year	–	–
Carrying amount at the end of the year	**286**	**277**

The carrying amount of goodwill by cash generating unit (CGU) is as follows:

	31 July 2020	31 July 2019	1 August 2018
Denmark	105	104	104
Sweden	117	107	95
Norway	18	20	20
Finland	46	46	46
Group	**286**	**277**	**265**

Impairment review of goodwill and trade names

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 at year end.

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

- Cash flow forecasts for year one to three are derived from the most recent Board 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. The forecast for year four and five represents an estimate of "mid-cycle" trading performance for the CGU based on historical analysis. Long-term growth rate of 2 percent was applied for all countries.

- 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"), which ranges from 9.0 percent to 9.7 percent.

The impairment review did not result in impairment charges.

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.

§ 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 intangible assets 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

2019/20 EUR million	Trade names	Customer relation-ships	Software	Total
Cost at the beginning of the year	107	159	19	285
Business acquisitions	–	5	2	7
Additions	–	–	12	12
Transfers	–	–	3	3
Exchange rate adjustment	1	1	–	2
Cost at the end of the year	108	165	36	309
Amortisation and impairment at the beginning of the year	–	(14)	(5)	(19)
Amortisation for the year	–	(12)	(4)	(16)
Transfers	–	–	(4)	(4)
Amortisation and impairment at the end of the year	–	(26)	(13)	(39)
Carrying amount at the end of the year	**108**	**139**	**23**	**270**

2018/19 EUR million	Trade names	Customer relation-ships	Software	Total
Cost at the beginning of the year	106	157	12	275
Business acquisitions	2	4	–	6
Additions	–	–	7	7
Exchange rate adjustment	(1)	(2)	–	(3)
Cost at the end of the year	107	159	19	285
Amortisation and impairment at the beginning of the year	–	(4)	(1)	(5)
Amortisation for the year	–	(10)	(4)	(14)
Amortisation and impairment at the end of the year	–	(14)	(5)	(19)
Carrying amount at the end of the year	**107**	**145**	**14**	**266**
Carrying amount as of 1 August 2018	**106**	**153**	**11**	**270**

Trade names can be specified as follows:

Trade names	31 July 2020	31 July 2019	1 August 2018
STARK, Denmark	46	46	46
STARK, Finland	28	28	28
BEIJER, Sweden	34	33	32
Total	**108**	**107**	**106**

The Group has determined that its trade names have an indefinite life, subject to annual impairment testing. The Group has been operating profitable businesses in Denmark, Finland and Sweden under the STARK and BEIJER names, respectively, for many years and continues to invest in retaining brand awareness and maintain the value of the trade names.

3.3 OTHER INTANGIBLE ASSETS
– CONTINUED

§ 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.

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 operating costs in the consolidated income statement over their estimated useful lives as follows:

Customer relationships	4 – 15 years
Software	3 – 5 years

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

3.4 TANGIBLE NON-CURRENT ASSETS

2019/20 EUR million	Property	Plant & equipment	Non-current assets under con-struction	Total
Cost at the beginning of the year	667	57	16	740
Business acquisitions	119	57	3	179
Additions	16	16	22	54
Disposals	(95)	(2)	-	(97)
Transfers	1	7	(10)	(2)
Exchange rate adjustment	5	(1)	1	5
Cost at the end of the year	713	134	32	879
Depreciation at the beginning of the year	(20)	(15)	-	(35)
Depreciation for the year	(17)	(18)	-	(35)
Disposals	1	-	-	1
Transfers	-	3	-	3
Exchange rate adjustment	(1)	(1)	-	(2)
Depreciation at the end of the year	(37)	(31)	-	(68)
Carrying amount at the end of the year	**676**	**103**	**32**	**811**

2018/19 EUR million	Property	Plant & equipment	Non-current assets under con-struction	Total
Cost at the beginning of the year	643	34	19	696
Business acquisitions	3	4	-	7
Additions	16	11	19	46
Disposals	(1)	-	-	(1)
Transfers	15	9	(22)	2
Exchange rate adjustment	(9)	(1)	-	(10)
Cost at the end of the year	667	57	16	740
Depreciation at the beginning of the year	(4)	(3)	-	(7)
Depreciation for the year	(16)	(11)	-	(27)
Transfers	-	(1)	-	(1)
Depreciation at the end of the period	(20)	(15)	-	(35)
Carrying amount at the end of the year	**647**	**42**	**16**	**705**
Carrying amount as of 1 August 2018	**639**	**31**	**19**	**689**

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, machinery 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 35 years
Commercial buildings and office premises in connection herewith	up to 25 years
Plant and equipment	3 – 10 years

Property 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

2019/20 EUR million	Land and buildings	Other equipment	Total
Cost at the beginning of the year	–	–	–
Initial recognition on 1 August 2019 from adopting IFRS 16	95	24	119
Business acquisitions	186	24	210
Additions	57	14	71
Disposals	–	–	–
Exchange rate adjustment	2	–	2
Cost at the end of the year	340	62	402
Depreciation and impairment at the beginning of the year	–	–	–
Depreciation for the year	(35)	(16)	(51)
Disposals	–	–	–
Exchange rate adjustment	–	–	–
Amortisation and impairment at the end of the year	(35)	(16)	(51)
Carrying amount at the end of the year	**305**	**46**	**351**

In 2019/20, short term and low value leases have been expensed as other external operating costs with EUR 7m.

LEASING LIABILITY

EUR million	2019/20
Less than 1 year	60
Between 1 and 5 years	217
More than 5 years	240
Undiscounted leasing liability as of 31 July	**517**
Current	54
Non-current	300
Discounted leasing liability as of 31 July	**354**
Amounts recognised in the statement of cash flows	
Repayment of liabilities	45
Interest	13
Short term, low value and variable leases	7
Total cash outflow for leases	**65**

During 2019/20 the Group completed 3 sale and lease back transactions in Denmark, Sweden, and Germany. The gain/loss from these transactions are immaterial.

Future minimum lease payments on short term, low value and variable leases amount to EUR 11m as of 31 July 2020.

3.5 LEASES
– CONTINUED

§ ACCOUNTING POLICIES

Right of use lease assets and lease liabilities (applicable from 1 August 2019)

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 which previously were classified as operating leases under IAS 17, 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 asset 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”.

3.6 OPERATING LEASES (UNDER IAS 17)

The Group leases property and equipment. The lease terms are typically for terms of between 1 and 5 years, with the possibility of renewal or purchase at the end of the period. Some leases include contingent rent, but the amounts are not material for the Group. Until 31 July 2019 such leases were accounted for as operating leases.

With effect from 1 August 2019, the Group has implemented IFRS 16 where obligations under the leasing contracts are recognised in the statement of financial position as a leasing liability. See note 3.5. The transition to IFRS was based on the modified retrospective method whereby comparative figures have not been restated.

Future minimum lease payments under non-cancellable leases were:

EUR million	31 July 2019	1 August 2018
Due within one year	27	22
Due in two to five years	61	51
Due after 5 years	28	14
Total minimum lease commitments	**116**	**87**

§ ACCOUNTING POLICIES

Leases (applicable until 1 August 2019)

Leases with terms in which the Group assumes substantially all the risks and rewards of ownership (finance leases) on inception were recognised in the statement of financial position at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an approximated value as the discount rate. Assets recognised as finance leases were depreciated and impaired under the same policies as determined for the other fixed assets of the Group.

The related lease obligation was capitalised and recognised in the statement of financial position under debt, and the interest element on the lease payments was charged over the lease term to the consolidated income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the lease term.

4.1 INVENTORIES

EUR million	31 July 2020	31 July 2019	1 August 2018
Trading goods	533	299	294
Provision for excess and obsolete goods	(45)	(19)	(21)
Total inventories	**488**	**280**	**273**

§ 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 2020	31 July 2019	1 August 2018
Trade receivables			
Trade receivables, gross	445	240	242
Provision for expected credit losses	(21)	(9)	(11)
Trade receivables, net	**424**	**231**	**231**
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:	390	202	199
Amounts not yet due	27	24	27
Past due not more than one month	2	3	2
Past due more than one month and less than two months	1	1	1
Past due more than two months and less than three months	1	–	1
Past due more than three months and less than six months	3	1	1
Past due more than six months	–	–	–
As of 31 July	**424**	**231**	**231**

EUR million	2019/20	2018/19
Movements in the provision expected credit debt losses are as follows:		
As of 1 August	(9)	(11)
Business acquisitions	(11)	–
Net charge for the period	(3)	(1)
Utilised in the period	2	3
As of 31 July	**(21)**	**(9)**

4.2 TRADE RECEIVABLES
– CONTINUED

EUR million	Expected default rate	2019/20 Gross carrying amount	2019/20 Expected credit loss	2019/18 Gross carrying amount	2019/18 Expected credit loss
Specification of provision for expected credit losses:					
Amounts not yet due	0.1-0.5%	391	(1)	205	–
Past due not more than one month	3-26%	31	(4)	24	(1)
Past due more than one month and less than two months	20-51%	4	(2)	2	–
Past due more than two months and less than three months	40-70%	2	(1)	1	–
Past due more than three months and less than six months	64-84%	2	(1)	–	–
Past due more than six months	80-94%	15	(12)	8	(8)
Amounts individually determined to be impaired		–	–	–	–
As of 31 July		**445**	**(21)**	**240**	**(9)**

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 July 2020 and the corresponding historical credit losses experienced within this period as well as evaluation of customers' payment profiles on a forward looking basis.

§ 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

EUR million	Environ-mental and Legal	Restruc-turing	Other provisions	Total
2019/20				
Provision at the beginning of the year	1	2	10	13
Initial recognition on 1 August 2019 from adopting IFRS 16	–	–	(3)	(3)
Business acquisitions	6	7	13	26
Utilised in the year	–	(4)	(1)	(5)
Charge/(credit) for the year	–	7	–	7
Unused amounts reversed during the year	–	–	–	–
Provision at the end of the year	**7**	**12**	**19**	**38**
2018/19				
Provision at the beginning of the year	2	2	13	17
Utilised in the year	(1)	(2)	(2)	(5)
Charge/(credit) for the year	–	2	(1)	1
Unused amounts reversed during the year	–	–	–	–
Provision at the end of the year	**1**	**2**	**10**	**13**

EUR million	31 July 2020	31 July 2019	1 August 2018
Other provisions can be specified as follows:			
Dilapidation costs	6	4	5
Warranty commitments	2	2	2
Miscellaneous	11	4	6
Total other provisions	**19**	**10**	**13**
Maturity of provisions are expected to be:			
Within 1 year	19	6	12
Between 1 and 5 years	19	7	5
Total provisions	**38**	**13**	**17**

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.

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

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
Ordinary shares	10,000,000	1	174	175
Balance as of 1 August 2018	**10,000,000**	**1**	**174**	**175**
Balance as of 31 July 2019	**10,000,000**	**1**	**174**	**175**
Changes in equity for 2019/20:				
Capital increase without issue of shares	1,000,000	0	61	61
Balance as of 31 July 2020	**11,000,000**	**1**	**235**	**236**

Shares
The share capital consists of 11,000,000 shares of a nominal value of DKK 1. No shares carry any special rights. All shares are authorised, issued and fully paid.

Share premium
On 15 January 2020 the single shareholder, LSF10 Wolverine Investments S.C.A. converted a subordinated Profit Participation Loan for a nominal amount of EUR 250m into a new subordinated interest-bearing loan and the remaining EUR 61m into equity as a capital increase with issuance of 1,000,000 new shares with a nominal value of DKK 1.

The total share premium amounts to EUR 235m. Contribution in cash or in kind made as share premium in connection with the subscription of a particular class of shares is booked as share premium relating to such class of shares (Share Premium). The Share Premium is available for distribution of dividends according to Danish company law without any restrictions.

5.2 DIVIDEND

No dividends have been paid during the years ending 31 July 2020 and 31 July 2019.

5.3 BORROWINGS

Maturity analysis of borrowings

EUR million	31 July 2020	31 July 2019	1 August 2018
Current			
Loans from non-controlling interests	16	–	–
Current	**16**	**–**	**–**
Non-current			
Bank loans	11	8	6
Non-current	**11**	**8**	**6**
Total borrowings	**27**	**8**	**6**
Within 1 year	16	–	–
Between 1 and 5 years	2	2	–
After 5 years	9	6	6
Carrying amount	**27**	**8**	**6**

5.3 BORROWINGS
– CONTINUED

Changes in assets and liabilities from financing activities

2019/20 EUR million	1 August 2019	IFRS 16	Cash flows	Acquisi-tions	Other[1]	31 July 2020
Bank loans	(8)	–	(3)	–	–	(11)
Loans from related parties	(935)	–	(151)	–	44	(1,042)
Leasing liabilities	–	(117)	45	(210)	(72)	(354)
Loans from non-controlling interests	–	–	–	(16)	–	(16)
Loans to related parties	26	–	(3)	–	1	24
Total assets and liabilities from financing activities	**(917)**	**(117)**	**(112)**	**(226)**	**(27)**	**(1,399)**

1. Other consists primarily of EUR 61m from conversion of loan from related parties to equity, EUR (17)m from increase in accrued interests and EUR (71)m from additions and remeasurements of lease liabilities.

2019/18 EUR million	1 August 2018	Cash flows	Acquisi-tions	Other[2]	31 July 2019
Bank loans	(6)	2	(5)	1	(8)
Loans from related parties	(928)	8	–	(15)	(935)
Loans to related parties	17	10	–	(1)	26
Total assets and liabilities from financing activities	**(917)**	**20**	**(5)**	**(15)**	**(917)**

2. Other consists primarily of increase in accrued interests.

§ 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 cash flows generated by operations, shareholder loans and to a limited extent borrowings from banks and mortgage lenders. 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 invoiced. 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.

The Group is subject to translation risk when results of subsidiaries are translated into EUR. Translation risk is not hedged with financial contracts.

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 financial assets corresponds 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 interest rate profile of the Group's net debt is set out in the following tables:

EUR million	Floating	Fixed	Total
31 July 2020:			
EUR, DKK and SEK	(269)	(439)	(708)
Other currencies	9	–	9
Total	**(260)**	**(439)**	**(699)**
31 July 2019:			
EUR, DKK and SEK	(77)	(668)	(745)
Other currencies	9	–	9
Total	**(68)**	**(668)**	**(736)**
31 August 2018:			
EUR, DKK and SEK	(77)	(661)	(738)
Other currencies	12	–	12
Total	**(65)**	**(661)**	**(726)**

5.4 FINANCIAL INSTRUMENTS, RISK MANAGEMENT POLICIES – CONTINUED

Financial instruments
The carrying amount of financial instruments by category:

EUR million	31 July 2020	31 July 2019	1 August 2018
Financial assets			
Trade receivables	424	231	231
Other receivables	21	15	29
Cash and cash equivalents	346	181	191
Receivables from related parties	24	26	17
Financial assets at amortised costs	**814**	**453**	**468**
Financial liabilities			
Trade payables and other liabilities	(1,039)	(683)	(657)
Less: Tax and social security	42	37	33
Less: Payroll accruals	48	33	36
Net trade and other payables (current)	**(949)**	**(613)**	**(588)**
Payables to related parties (note 6.8)	(1,042)	(935)	(928)
Borrowings (note 5.3)	(27)	(8)	(6)
Financial liabilities at amortised cost	**(2,019)**	**(1,556)**	**(1,522)**

Maturity of the financial liabilities is as follows:

EUR million	Trade and other payables	Debt	Interest on debt	Total
31 July 2020				
Due in less than one year	(949)	(293)	(34)	(1,276)
Due in two to five years	–	(2)	(134)	(136)
Due in over five years	–	(774)	(78)	(852)
Total	**(949)**	**(1,069)**	**(246)**	**(2,263)**
31 July 2019				
Due in less than one year	(613)	–	(26)	(639)
Due in two to five years	–	–	(101)	(101)
Due in over five years	–	(943)	(127)	(1,070)
Total	**(613)**	**(943)**	**(254)**	**(1,810)**
1 August 2018				
Due in less than one year	(588)	–	(26)	(614)
Due in two to five years	–	–	(101)	(101)
Due in over five years	–	(934)	(231)	(1,165)
Total	**(588)**	**(934)**	**(358)**	**(1,880)**

The finance expenses for borrowings and payables to related parties have been estimated using the current interest rates. In 2018/19, part of the finance expenses for payables to related parties were estimated using the expected yield for the Profit Participation Loan. In 2019/20, this loan has been converted to equity and a new subordinated shareholder loan.

Fair value is considered to be equal to or approximate the carrying amount 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	31 July 2020	31 July 2019	1 August 2018
Deferred tax assets	19	-	13
Deferred tax liabilities	(122)	(131)	(149)
Total	**(103)**	**(131)**	**(136)**
Deferred tax relates to:			
Intangible assets	(50)	(55)	(57)
Property, plant and equipment	(74)	(83)	(86)
Pensions	6	6	6
Inventory	5	3	4
Tax losses carried forward	2	-	-
Other liabilities	8	(2)	(3)
Total	**(103)**	**(131)**	**(136)**

The Group has an unrecognised deferred tax asset of EUR 5m (31 July 2019: EUR 5m) relating to tax loss carry forwards where the timing of future utilization is not certain. In addition, the Group has an unrecognised deferred tax asset of EUR 10m related to temporary differences, which are not expected to be utilized in the foreseeable future.

§ 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

Financial impact of plans

EUR million	2019/20	2018/19
Analysis of liability in the consolidated statement of financial position		
Fair value of plan assets	56	9
Present value of defined benefit obligations	(146)	(70)
Net deficit recognised in the consolidated statement of financial position	**(90)**	**(61)**

As of 1 August 2018 the net deficit of EUR (52)m consisted of EUR 9m fair value of plan assets and EUR (61)m present value of defined benefit obligations.

EUR million	2019/20	2018/19
Analysis of total expense recognised in the consolidated income statement		
Current service cost	(5)	(3)
Past service cost and gain from settlements	–	–
Charged to staff costs	**(5)**	**(3)**
Interest on pension liabilities	(2)	(2)
(Credited)/charged to finance costs	**(2)**	**(2)**
Total expense recognised in the consolidated income statement	**(7)**	**(5)**
Analysis of amount recognised in the consolidated statement of comprehensive income		
Actuarial gain/(loss)	5	(9)
Taxation	(2)	1
Total amount recognised in the consolidated statement of comprehensive income	**3**	**(8)**
Fair value of plan assets		
As of 1 August	9	9
Returns on plan assets (excluding amouts included in net interest expense)	–	–
Employer's contributions	56	–
Participants' contributions	1	–
Sales of plan assets	(8)	–
Currency translation	(2)	–
As of 31 July	**56**	**9**
Actual returns on plan assets	**–**	**–**

The Group has entered into pensions 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. In 2019/20 the Group changed the plan in Norway to a defined contribution plan.

6.2 EMPLOYEE BENEFIT OBLIGATIONS
– CONTINUED

EUR million	2019/20	2018/19
Present value of defined benefit obligations		
As of 1 August	(70)	(61)
Business acquisitions	(86)	–
Current service cost	(5)	(3)
Interest cost	(2)	(2)
Benefits paid	5	2
Settlement	9	–
Actuarial gain/(loss) – demografic assumptions	9	(8)
Actuarial gain/(loss) – financial assumptions	(4)	(1)
Currency translation	(2)	3
As of 31 July	**(146)**	**(70)**

EUR million	31 July 2020	31 July 2019	1 August 2018
Analysis of present value of defined benefit obligations			
Amounts arising from wholly unfunded plans	(65)	(60)	(51)
Amounts arising from plans that are wholly or partly funded	(81)	(10)	(10)
Total	**(146)**	**(70)**	**(61)**
Analysis of present/fair value of plan assets			
Property	56	1	1
Loans	–	2	2
Bonds	–	4	4
Cash at bank	–	1	1
Shares and other alternative investments	–	1	1
Total	**56**	**9**	**9**
The actuarial calculations at the consolidated statement of financial position date are based on the following assumptions[1]:			
Discount rate	1.17%	1.71%	2.71%
Rate of inflation	1.00%	1.90%	2.00%
Increases to pensions in payment	1.45%	1.90%	2.00%
Increase in salary	2.28%	2.87%	2.87%
Current pensioners	1,951	799	752
Future pensioners	1,361	607	602

1. Weighted average for Germany and Sweden.

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

§ 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	2019/20	2018/19
Financial items, net	86	52
Depreciation and amortisation	102	41
Bargain purchase gain	(101)	–
Tax	15	2
Adjustments and reversals	**102**	**95**

6.4 CASH FLOW, CHANGES IN WORKING CAPITAL

EUR million	2019/20	2018/19
(Increase)/decrease in inventories	6	(4)
(Increase)/decrease in trade and other receivables	17	21
(Increase)/decrease in trade and other payables	170	23
Changes in working capital	**193**	**40**

6.5 CONTINGENT LIABILITIES

The Group is involved in various legal proceedings. The outcome of the pending legal cases is not expected to have material significance for the Group's financial position.

Danish group companies are jointly and severally liable for the tax on the jointly taxed incomes of STARK ApS and other Danish group companies. The total amount of corporation tax payable for the year is disclosed in note 2.6. STARK ApS is the management company for joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Group's liability.

§ 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	2019/20	2018/19
Statutory audit	2	1
Assurance engagements	–	–
Tax advisory	–	–
Other services	1	–
Total fee to statutory auditors	**3**	**1**

6.7 SECURITIES

The shareholdings in the major group companies have been pledged as security for external financing in the single shareholder LSF10 Wolverine Investments S.C.A. and the same major group companies are jointly and several liable for Senior Secured Notes and a Term loan B amounting to EUR 832m (31 July 2019: EUR 515m, 1 August 2018: EUR 515m) and Senior Revolving Credit facilities agreement with lenders up to EUR 142m (31 July 2019: EUR 100m, 1 August 2018: EUR 100m). The Senior Revolving Credit facilities were not drawn as of 31 July 2020.

As of 31 July 2020, the Group had pledged properties with a book value of EUR 21m as security for the secured bank loans (31 July 2019: EUR 15m, 1 August 2018: EUR 15m).

6.8 RELATED PARTIES

Transactions

EUR million	2019/20	2018/19
LSF10 Wolverine Investments S.C.A		
Interest expense	(69)	(43)

Outstanding balances

EUR million	31 July 2020	31 July 2019	1 August 2018
LSF10 Wolverine Investments S.C.A			
Receivables	13	15	17
Payables	1,042	935	928
LSF10 Wolverine MIP WE S.à r.l.			
Receivables	11	11	0
Maturity analysis of payables to related parties			
Within 1 year	277	-	-
Between 1 and 5 years	-	-	-
After 5 years	765	935	928
Carrying amount	**1,042**	**935**	**928**

The Group has most of its financing from related parties with the single shareholder LSF10 Wolverine Investments S.C.A. 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. In general, the financing consists of longer-term financing with varying interest rates and shorter-term financing as set out in the table. In 2019/20 the weighted average interest rate on the financing with related parties was 3.1%.

Related parties are considered to be the parent company LSF10 Wolverine Investments S.C.A and Stark Group A/S and it's subsidiaries and associates. Reference is made to the list of group companies in note 6.10.

Other related parties with significant influence over STARK ApS comprise LSF10 Wolverine GP S.à r.l., LSF10 Wolverine Holdings S.à r.l., LSF10 Wolverine Midco S.à r.l., LSF10 Wolverine Topco S.à r.l., SGM Investments 1 S.A., SGM Investments 2 S.A., LSF10 Wolverine MIP WE S.à r.l., Lone Star Capital Investments S.à r.l., LSF10 Wolverine Investments Limited and the Company's Board of Managers. Furthermore, transactions with the respective companies' Executive Boards, Supervisory Boards and senior employees and their immediate family members are included. Related parties also include companies where the mentioned persons have significant interests.

Controlling interest

LSF10 Wolverine Investments S.C.A, 33 Rue du Puits Romain, L-8070 Bertrange Luxembourg is the parent company and owns 100% of the share capital of the Company. Lone Star Management Co. X, Ltd is the ultimate controlling entity. Ultimately, Mr. John Patrick Grayken controls 94.1% of the share capital and the voting rights and has significant influence.

6.9 SUBSEQUENT EVENTS

As of August 30, 2020, the Group engaged in a substantial sales/leaseback transaction of properties in Sweden. A total portfolio of 37 properties were included in the transaction with net proceeds for the Group of approximately EUR 128m. The sold properties will be recognised in accordance with IFRS 16 as right of use assets and leasing liabilities.

Subsequent to the Balace Sheet date, shareholder loan of EUR 172m was redeemed on 17 September 2020. The redemption was financed with existing available cash.

6.10 LIST OF GROUP COMPANIES

Name	Registered office	Voting & ownership share
Parent:		
STARK ApS	Frederiksberg, Denmark	
Subsidiaries:		
Denmark & Greenland		
STARK Group A/S	Frederiksberg, Denmark	100%
STARK Danmark A/S	Viby J, Denmark	100%
Electro Energy A/S	Albertslund, Denmark	100%
Hobro Ny Trælast A/S	Hobro, Denmark	100%
Stark Kalaallit Nunaat A/S	Nuuk, Greenland	100%
Germany		
Stark Group Holding Germany GmbH	Frankfurt, Germany	100%
Stark Deutchland GmbH	Offenbach, 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%
Balzer Verwaltungsgesellschaft mbH	Marburg, Germany	67.40%
Chr. Balzer GmbH & Co. KG	Marburg, Germany	67.34%
Sporkenbach GbR	Magdeburg, Germany	80.95%

Name	Registered office	Voting & ownership share
Subsidiaries:		
Sweden		
DT Holding (Sweden) AB	Sollentuna, Sweden	100%
Beijer Byggmaterial AB	Sollentuna, Sweden	100%
Vagn Jensens Byggkomponenter AB	Trelleborg, Sweden	100%
KB Näringen 8:4	Stockholm, Sweden	100%
KB Hugglärnet	Stockholm, Sweden	100%
Vivaldi AB	Stockholm, Sweden	51%
Lund Sandby 6:45 AB	Sollentuna, Sweden	100%
Sierra-Stark HoldCo AB	Sollentuna, Sweden	100%
Fastighetsbolaget Sigurd-Sierra	Stockholm, Sweden	100%
Beijer Byggmaterial i Uppsala AB	Sollentuna, Sweden	100%
Finland		
Stark Suomi Oy	Espoo, Finland	100%
Norway		
Neumann Bygg AS	Oslo, Norway	100%
Stark Norway Propco AS	Oslo, Norway	100%
Margrethe Jørgensens Vei 6 AS	Oslo, Norway	100%

PARENT COMPANY FINANCIAL STATEMENTS
– STARK APS

INCOME STATEMENT

EUR million	Note	2019/20	2018/19
Dividends received from subsidiary	2.1	82	35
Net revenue		**82**	**35**
Other external operating expenses		(0)	(0)
Other operating expenses		(0)	(1)
Operating profit		**82**	**34**
Financial income	2.2	3	6
Financial expenses	2.2	(62)	(52)
Result before tax		**23**	**(12)**
Tax for the year	2.4	2	2
Result for the year		**25**	**(10)**
Proposed distribution of profit:			
Retained earnings		25	(10)
Total		**25**	**(10)**

STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	Note	2019/20	2018/19
Financial non-current assets			
Investments in subsidiaries	3.1	1,080	1,076
Receivable from related parties	5.1	67	89
Total financial non-current assets		**1,147**	**1,165**
Total non-current assets		**1,147**	**1,165**
Current assets			
Receivable from related parties	5.1	14	3
Prepayments	4.1	2	2
Cash and cash equivalents		0	0
Total current assets		**16**	**5**
TOTAL ASSETS		**1,163**	**1,170**

EQUITY AND LIABILITIES

EUR million	Note	2019/20	2018/19
Equity			
Share capital	5.2	1	1
Share premium	5.2	235	173
Retained earnings		32	8
Total equity		**268**	**182**
Non-current liabilities			
Payables to related parties	5.3	610	983
Total non-current liabilities		**610**	**983**
Current liabilities			
Payables to related parties	5.3	277	0
Trade payables		2	0
Corporate tax payables		6	5
Total current liabilities		**285**	**5**
Total liabilities		**895**	**988**
TOTAL EQUITY AND LIABILITIES		**1,163**	**1,170**

STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Share premium	Retained earnings	Total equity
Equity as of 1 August 2018	**1**	**174**	**17**	**192**
Result for the year	–	–	(10)	(10)
Equity as of 31 July 2019	**1**	**174**	**7**	**182**
Equity as of 1 August 2019	**1**	**174**	**7**	**182**
Capital increase	0	61	–	61
Result for the year	–	–	25	25
Equity as of 31 July 2020	**1**	**235**	**32**	**268**

PARENT COMPANY NOTES
– STARK APS

1.1 BASIS OF REPORTING

Basis of Preparation

The Financial Statements of STARK ApS have been prepared in accordance with with the provisions of the Danish Financial Statements Act for reporting class C – middlesized companies.

The accounting policies applied remain unchanged from last year.

The Financial Statements are presented in million Euros, which is the presentation currency of the Company.

1.2 ACCOUNTING POLICIES

§ ACCOUNTING POLICIES

Recognition and measurement
The Financial Statements have been prepared under the historical cost method.

Revenues 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 take into account 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
The revenue comprises of dividend received from subsidiaries during the financial year.

Other external operating expenses
Other external expenses comprise operating expenses such as administration and professional services expenses.

Other operating expenses
Other external expenses comprise insurance costs and other administration costs.

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 of 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.

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 related parties 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 pro-
ceeds and redemption value being recognised in the consolidated 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 REVENUE

EUR million	2019/20	2018/19
Dividends received from subsidiary	82	35
Total net revenue	**82**	**35**

2.2 FINANCIAL INCOME AND EXPENSES

EUR million	2019/20	2018/19
Foreign exchange gains	2	2
Interest income from related parties	1	4
Total financial income	**3**	**6**
Foreign exchange losses	–	(5)
Interest on loans from related parties	(62)	(47)
Total financial expenses	**(62)**	**(52)**

2.3 STAFF COSTS

The Company has no employees as of 31 July 2020.

2.4 TAX FOR THE YEAR

EUR million	2019/20	2018/19
Tax income due to Joint-taxation distribution	2	2
Total income tax for the period	**2**	**2**

3.1 INVESTMENT IN SUBSIDIARIES

EUR million	2019/20	2018/19
Cost as of 1 August	1,076	1,084
Exchange rate adjustment	4	(1)
Additions and adjustments	–	(7)
Cost as of 31 July	**1,080**	**1,076**
Value adjustments as of 1 August	0	0
Value adjustments as of 31 July	0	0
Total investments in subsidiaries	**1,080**	**1,076**

Name	Registered office	Voting & ownership share
STARK Group A/S	Frederiksberg, Denmark	100%

4.1 PREPAYMENTS

EUR million	2019/20	2018/19
Prepaid insurance	2	2
Total prepayments	**2**	**2**

5.1 RECEIVABLES FROM RELATED PARTIES

EUR million	2019/20	2018/19
Balance at the beginning of the period	92	76
Additions	34	55
Repayments	(45)	(39)
Balance at the end of the year	**81**	**92**

5.2 SHARE CAPITAL AND SHARE PREMIUM

Reference is made to note 5.1 in the Consolidated Financial Statements.

5.3 PAYABLES TO RELATED PARTIES

EUR million	2019/20	2018/19
Due within 1 year	277	–
Due between 1 and 5 years	–	–
Due after 5 years	610	983
Total payables to related parties	**887**	**983**

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 6m as of July 31, 2020. Any subsequent corrections of joint taxation income could result in the Company's liability amounting to a larger amount.

Shares in subsidiaries with a carrying amount of EUR 1,080m have been pledged as security for bond debt and Term B Loan amounting to EUR 832m (31 July 2019: EUR 515m) in the Parent Company, LSF10 Wolverine Investments S.C.A and Revolving Credit facilities agreement with lenders up to EUR 142m (31 July 2019: EUR 100m). As of 31 July 2020 no draw was made on the Revolving Credit facilities. In addition, the Company is jointly and several liable for the above debt.

6.2 RELATED PARTIES

Controlling interest
LSF10 Wolverine Investments S.C.A, 33 Rue du Puits Romain, L-8070 Bertrange Luxembourg is the parent company and owns 100% of the share capital of the Company. Lone Star Management Co. X, Ltd is the ultimate controlling entity. Ultimately, Mr. John Patrick Grayken controls 94.1% of the share capital and the voting rights and has significant influence.

The Group's related parties with significant influence comprise LSF10 Wolverine GP S.à r.l., LSF10 Wolverine Holdings S.à r.l., LSF10 Wolverine Midco S.à r.l., LSF10 Wolverine Topco S.à r.l., SGM Investments 1 S.A., SGM Investments 2 S.A., LSF10 Wolverine MIP WE S.à r.l., Lone Star Capital Investments S.à r.l., LSF10 Wolverine Investments Limited and the Company's Board of Managers.

Furthermore, transactions with the respective companies' Executive Boards, 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 Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions. All transactions are made on an arm's length basis and, according to the Danish Financial Statements Act §98c, 7, they are not disclosed.

6.3 SUBSEQUENT EVENTS

Subsequent to the Balance Sheet date, shareholder loans of EUR 172m was redeemed on 17 September 2020. The redemption was financed with dividend received from Stark Group A/S.

COMPANY INFORMATION

Company

STARK ApS
C.F. Richs Vej 115
DK-2000 Frederiksberg
Denmark

CVR No. 39 16 37 64

Financial year: 1 August – 31 July

Incorporated: 14 December 2017

3rd financial year

Executive Board

Søren Peschardt Olesen
Sisse Fjelsted Rasmussen
Lene Kjærbo Groth
Laurits Anton Jørgensen
Kambiz Nourbakhsh
Patrick Armel Leon Lebreton
Savvas Savvidis
Valentyn Makarenko

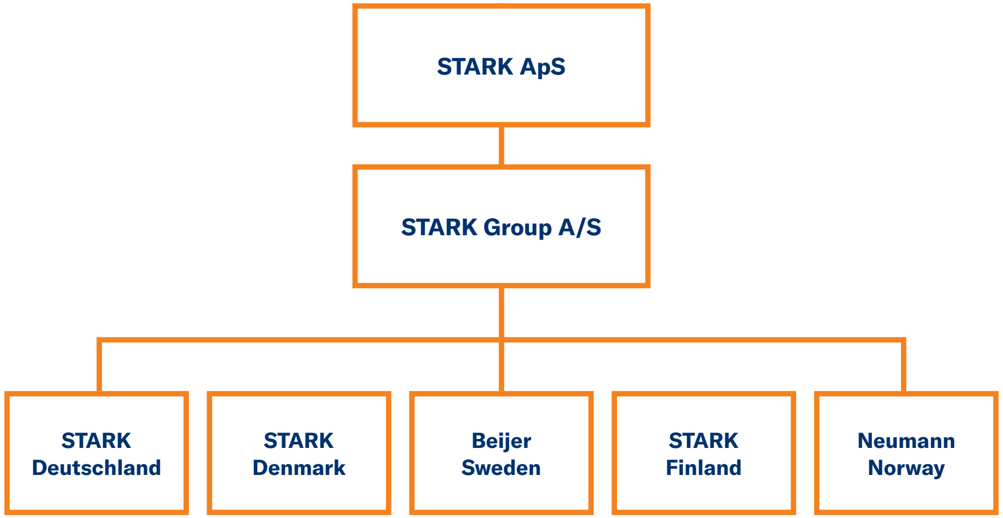
Auditor

Deloitte
Statsautoriseret Revisionspartnerselskab

Annual General Meeting

23 December 2020

TOGETHER WE ARE STARK GROUP



Simplified group overview - refer to list of group companies in note 6.10 for additional details.

STARK
GROUP

STARK ApS
C. F. Richs Vej 115
2000 Frederiksberg
Denmark