STARK GROUP

TAX IMPACT REPORT 2023

1 AUGUST 2022 – 31 JULY 2023

BEST PARTNER FOR SUSTAINABLE BUILDING

STARK Group is a leading business-to-business distributor of heavy building materials to the construction industry in the Nordics, Germany, Austria and UK, with a strategic focus on serving small- and medium-sized enterprises.

We bridge the gap between our suppliers and customers and add value through quality products and materials, sound advice, and superior logistic solutions and distribution.

Our united strength enables us to source products and building materials internationally to deliver value in the local communities across our 7 European markets.

As a leading building materials distributor in Europe, STARK Group has a responsibility to address current global challenges and act on them, which is why we are committed to building a more sustainable tomorrow.

Our sustainability framework ensures that relevant programmes are in place to boost social, economic, and environmental sustainability while actively supporting our growth and improving employee pride and engagement.

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The Tax Impact Report serves as our means of demonstrating to stakeholders how we fulfil our responsibilities.

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ABOUT THIS REPORT

In this report, we explain our approach to what we believe is sound tax governance and the actions that we are taking.

We will elaborate on the principles set out in STARK Group's public tax policy and the underlying strategy and organisation designed to ensure a responsible tax practice. Furthermore, we elaborate on the procedures implemented into our business in order to ensure compliance with tax laws, including timely filing of tax returns and due payment of taxes.

Finally, we present an overview of STARK Group's total tax contributions as well as country-by-country tax contributions to where we do business. The overview will include both the taxes paid by STARK Group (taxes borne) as well as the taxes we are responsible for collecting and paying to the tax authorities on behalf of others (taxes collected).

KEY TAX MANAGEMENT TOPICS

STARK Group aims to proactively manage tax risks and has formal procedures in place for this purpose.

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INTRODUCTION

This section includes a message from the Senior Director of Group Tax and provides an overview of our key action points related to responsible tax practices during the financial year.

IN THIS SECTION

MESSAGE FROM THE SENIOR DIRECTOR OF GROUP TAX

RESPONSIBLE TAX PRACTICES

I am pleased to present our Tax Impact Report 2023 as part of our holistic approach to sustainability.

The purpose of this report is to provide the reader with a thorough comprehension of STARK Group's tax footprint and the distribution of our tax contributions.

The Tax Impact Report serves as our means of demonstrating to stakeholders how we fulfil our responsibilities. As a company, we acknowledge our responsibility to contribute to societies, with taxes playing a crucial role in forging a better and more sustainable world. Consequently, tax payments are not merely a managed cost but also a strategic means for us to build the future by helping others build theirs.

We have implemented a public Tax Policy outlining our approach to managing our tax affairs. This includes our approach to both tax compliance and tax planning, as well as our governance. Our tax risk management and tax control framework underscores our commitment to transparency and emphasises the significance STARK Group places on responsible tax practices.

In our financial year 2022/23, we renewed both our public and internal operational tax policy and made further adjustments to our tax control framework.

The overall ambition for our tax management is to ensure that we pay the right amount of taxes at the right time and in the right places across all our markets. We have formal procedures and an appropriate tax control framework in place to proactively manage tax risks. In the financial year 2022/23, we issued 226 tax controls, of which 217 passed without any remarks and only six controls with a minor remark.

Our Tax Impact Report stands as a proactive initiative, showcasing our dedication to responsible tax practices. We firmly anticipate a growing demand for sustainable, transparent and fair tax behaviour, and we are determined to be forerunners, pushing this development in all our markets.

EMIL BJØRK HARTMANN
Senior Director of Group Tax at STARK Group.

THE YEAR IN REVIEW

STARK Group is committed to publishing information about our actions taken to fulfil our tax responsibilities. This commitment to transparency mirrors the previous year's Tax Impact Report and aligns with GRI 207: TAX 2019.

In this financial year 2022/23, we present the key action points initiated during the year to demonstrate our ongoing commitment to transparency and responsible tax practices.

RENEWED PUBLIC TAX POLICY

Our Public Tax Policy has been renewed with the goal of further simplificatation, removing elements, and emphasising our core principles and statements. This approach aligns with our commitment to clarity and transparency.

RENEWED OPERATIONAL TAX POLICY

A new Operational Tax Policy has been introduced throughout the organisation to further clarify our tax responsibilities and principles expected from employees at all levels with an impact on our tax footprint. This helps everyone in the organisation to understand their own role in responsible tax practices.

TAX RISK MANAGEMENT

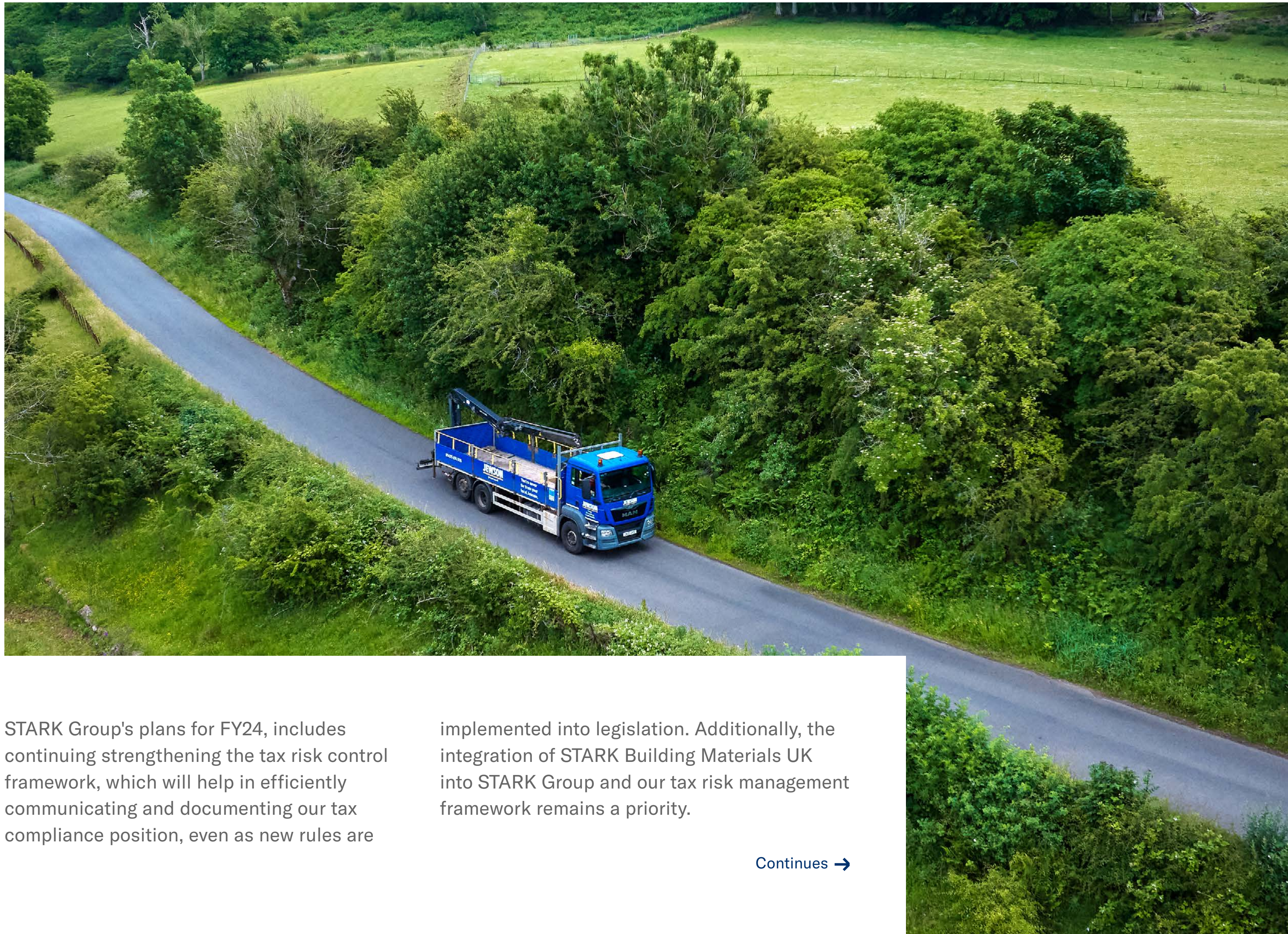
The tax risk management framework has been adjusted and new tax controls have been established to collect accurate data for reporting purpose and enhance transparency for our stakeholders.

EFFICIENCY AND ACCURACY

We have updated the tax reporting packages for our business units, with the aim of making the year-end tax reporting more efficient, lean, and error-free.

In addition, we made a significant investment by entering the United Kingdom through the acquisition of Saint Gobain Building Distribution Ltd., now STARK Building Materials UK Ltd. This acquisition, our largest to date, demands considerable efforts to integrate into the Group's tax procedures and align with reporting standards.

Overall, our efforts during FY23 underscores STARK Group's dedication to responsible tax practices, transparency, and adapting to changing regulatory environments. It reflects a commitment to aligning our tax strategy with its broader corporate goals and ensuring that all stakeholders are well-informed about our tax-related activities.



STARK Group's plans for FY24, includes continuing strengthening the tax risk control framework, which will help in efficiently communicating and documenting our tax compliance position, even as new rules are implemented into legislation. Additionally, the integration of STARK Building Materials UK into STARK Group and our tax risk management framework remains a priority.

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ANNUAL RISK ASSESSMENT

In FY23, we remained focused on the Group's overall tax compliance position, including identifying potential risks of non-compliance.

A key contributor to this work is our tax risk management framework, supported by a risk & compliance management software (Impero) to control our ongoing business' tax procedures as well as our recurring tax work conducted in connection with our annual audit procedures performed by external group auditors.

We issued 226 tax controls concerning FY23 of which 217 passed without any remarks and only 6 controls with minor remark. Minor remarks are deemed as such when the underlying issue has not had any significant impact on our tax procedures or tax contributions.

Of the remaining controls due, two controls were flagged as not performed/overdue and finally one was still pending. To ensure no material exposures may be hidden in not performed/overdue controls, notifications of non-performance are automatically issued to the person responsible for performing the control, asking them to submit sufficient answers to close the control. As a second layer of support, any not performed/overdue controls will automatically be flagged in the Risk Report issued to the local Management and the Senior Director of Group Internal Controls & ERM to engage the entire organisation on having all controls closed.

Finally, these Risk Reports are shared with our external auditors in connection with our annual audit procedures. Combined, these procedures ensure a high level of comfort with our control framework.

Based on our findings from our control framework during FY23, we plan to further strengthen our tax risk control framework during FY24 by identifying and implementing additional relevant tax controls, adjusting and aligning existing controls with the current compliance environment as well as reducing the number of minor issues or not performed/overdue controls.

In addition to our Tax risks managed via our Control Framework, we remain attentive on the pace of legislative tax development and the increased reporting obligations, which we consider to present one of our key tax challenges in future years.

This is partly due to recent new tax rules, which in our view, leaves room for substantial uncertainty when it comes to accurate interpretation and partly due to the increasing amount of reporting obligations which is not yet matched with easily affordable automated systems to comply. This year, substantial efforts have been dedicated to preparing for the new BEPS II rules as well as CBAM and this will continue requiring significant resources during FY24.

02 OUR APPROACH

This section includes our approach to what we believe is sound tax governance and the actions that we are taking.

IN THIS SECTION

APPROACH AND GOVERNANCE

REPORTING STANDARD

At STARK Group, we support the development of a well-defined standard for public tax reporting. Public reporting on tax matters promotes trust and will enable stakeholders to make informed decisions and enable fact-based dialogues on the global tax landscape.

We aspire to elevate both our approach to tax transparency and those of the industry, thereby enhancing the quality of transparent tax reporting.

The Global Sustainability Standards Board (GSSB) of the Global Reporting Initiative (GRI) has defined a set of global standards for sustainability reporting designed to be used by companies to report their impacts on the economy, environment and society as a whole. One of the standards, GRI 207: TAX 2019, focuses specifically on taxes as part of the sustainability strategy. The standard is applicable from 1 January 2021, and we have decided to use the GRI 207-standard as inspiration for our Tax Impact Report.

In line with common practice, some data might be aggregated or omitted when it is either not relevant, not material, or sensitive and confidential. In such instances, we clarify the specifics of the omitted information and explain the exclusion.

TAX POLICY OBJECTIVES

The overall ambition for our tax management is to ensure that we pay the right amount of taxes at the right time and in the right place. This encapsulates our concept of sound tax governance. We pay our fair share of taxes across all markets in which we operate, as we believe our approach to tax and associated tax contributions constitute a vital part of being a responsible and transparent company.

Our public tax policy is founded on this ambition, and its main purpose is to provide clear guidance on STARK Group's approach to tax which all employees are expected to follow. Our tax policy is focused on i) prescribing a strong compliance culture, ii) communicating a clear governance structure, iii) setting out our views on key tax management topics and iv) ensuring a basis for an open and transparent dialogue with stakeholders.

For FY23, this involved a continous effort to advance and refine our public Tax Policy and Tax Transparency Report. We diligently work to ensure that our stakeholders understand and trust our vision for tax within STARK Group.

APPROACH TO TAX COMPLIANCE

An essential aspect of our tax compliance is the expectation that all our tax returns and filings must be submitted correctly and accurately by the applicable deadlines in each country and have filing obligations.

STARK Group considers the tax laws of all countries in which we operate to be equally important and does, therefore, not rank or prioritise such laws. The Group aims to have a competitive tax charge within the context of our commercial operations while at the same time contributing to the societies in which we do business. This means tax planning will be considered but only if based on sound commercial rationale and not for artificial arrangements.

When applying our interpretation of tax laws, we consider both the letter and the spirit of the law. This means that we take reasonable steps to determine the intention of the legislation, and we interpret tax rules consistent with that intention in light of the statutory language and relevant, contemporaneous legislative history.

The above approach and principles have been applied throughout the year and proved a supporting foundation for the structuring and planning of our business acquisitions and restructurings.

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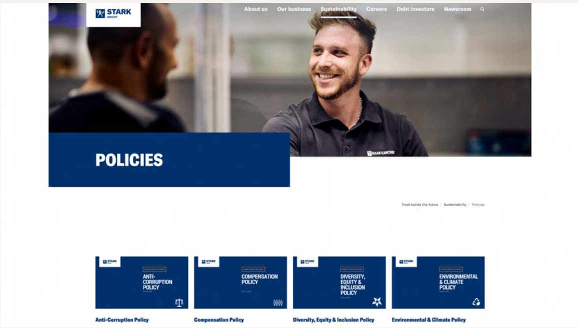


FIND ALL OUR POLICIES ON OUR WEBSITE

Policies relevant to external stakeholders are updated annually in connection with the double materiality assessment and are published on our website

STARKGROUP.DK/SUSTAINABILITY/POLICIES

SUSTAINABILITY REPORT 2023

STARK Group's sustainability activities are further elaborated upon in the separate Sustainability Report 2023. The report serves as the baseline for STARK Group's annual Communications on the Progress to the UN Global Compact, and as the statutory statement on corporate social responsibility, the underrepresented gender and statement of the company's policy on data ethics in accordance with the EU Directive 2014/95/EU (§99a, b, d and 107d).

STARKGROUP.DK/PUBLICATIONS

TAX RISK MANAGEMENT

STARK Group aims to proactively manage tax risks and has formal procedures in place for this purpose. These procedures are based on i) maintaining an appropriate tax control framework, ii) having a system in place for identifying and controlling tax risks and iii) monitoring and continuously improving the tax control framework. We believe that having a tax control framework is key to ensuring timely detection, correct measurement and control of tax risks.

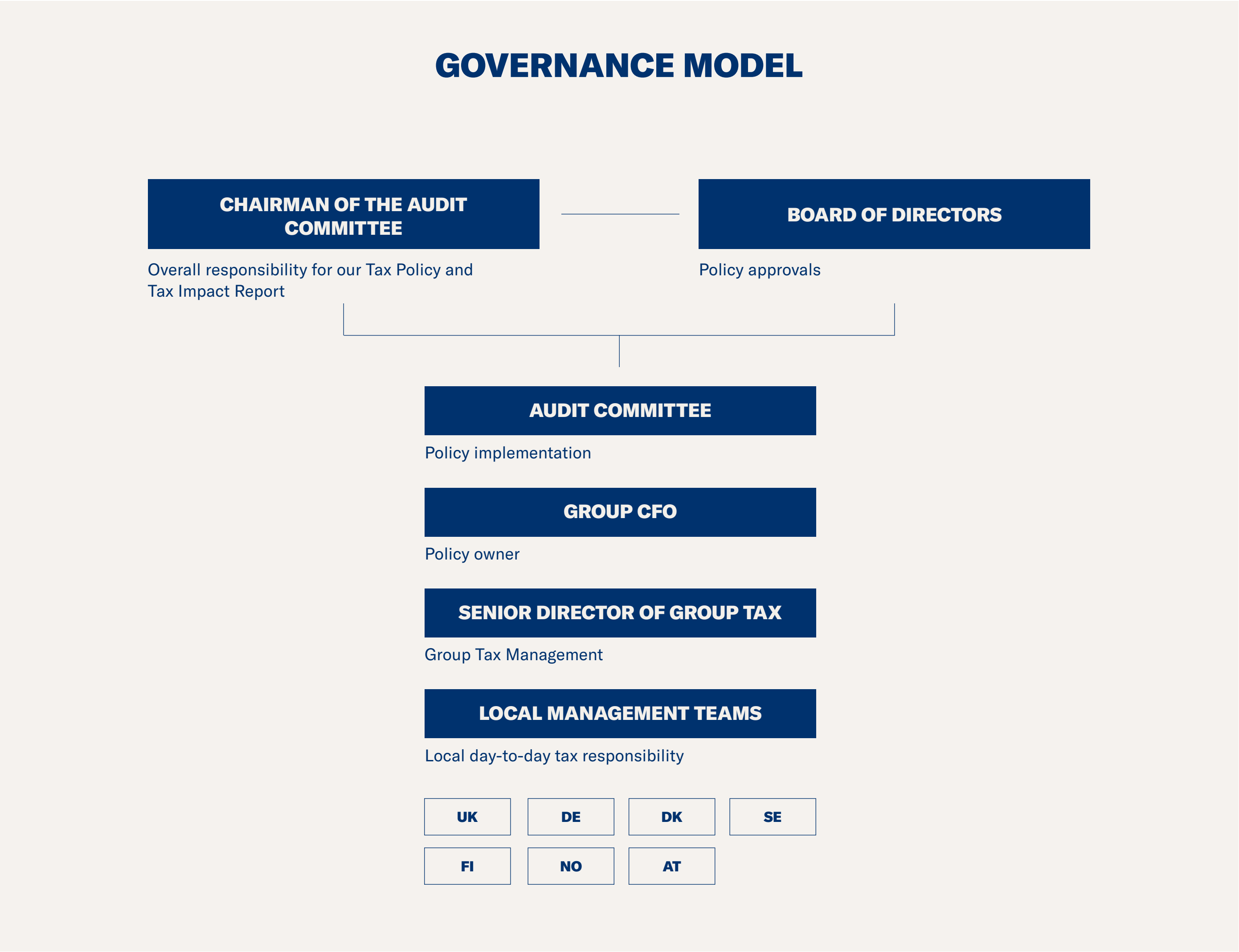
A range of specified controls are included and designed in our tax control framework. Such controls may include, but are not limited to, controls related to ensuring that all tax return filings and tax payments are made in a timely manner, confirming that all decisions impacting our total tax contributions have genuine business purposes, and that any tax planning is deemed to be within the spirit of the law when subject to legislative interpretation.

Our focus on tax controls is an ongoing process, and we will continuously seek to improve the effectiveness of our framework, which also for FY23 led to the introduction of several new tax controls and adjustment of existing controls intended to strengthen our ability to monitor and document compliance.

GOVERNANCE STRUCTURE

The Chairman of the Audit Committee and member of the Board of Directors is accountable for the Group's tax affairs while the Group CFO is responsible for the Group's tax risk management. Together, they oversee that our Tax Policy is implemented and adhered to.

The Senior Director of Group Tax is responsible for the Group's tax management and supports our subsidiaries, who handle the day-to-day compliance and tax matters.



STAKEHOLDER MANAGEMENT

OPEN AND TRANSPARENT DIALOGUE

The tax authorities pertinent to our markets stand as integral stakeholders. STARK Group places significant emphasis on cultivating a relationship with the tax authorities based on mutual respect, transparency and trust. We are open and transparent with the tax authorities, and we acknowledge and value their support as an essential component of our business framework.

Relevant employees are obliged to establish and maintain a constructive working relationship with governments on all aspects of taxation and to engage in equally constructive dialogues with such governments.

We wish to push the ongoing legislative development towards fair, easy and transparent tax compliance procedures and obligations, allowing businesses to make fair tax contributions using a minimum of resources in order to enable them to focus on the commercial development of their businesses which is the fundamental backbone to generating additional tax revenue.

Examples hereof can involve commentaries, business insights and opinions on new tax legislation proposals often shared through our advisory network, as well as our contribution to and participation in political tax forums.

In addition to the above, STARK Group is also committed to considering our other key stakeholders when defining our tax transparency agenda. Among other key stakeholders, we appreciate input from our employees, customers, investors, lenders and suppliers.

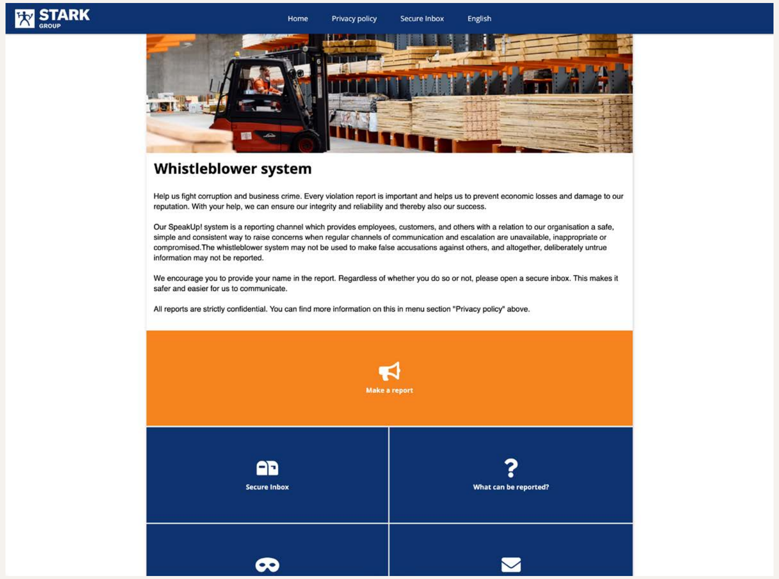
The public debate on transparent tax reporting continued in FY23, and as many key stakeholders of STARK Group participate in this debate, we follow these developments closely and used them as a driver and source of inspiration for developing our own (this) Tax Impact Report.

WHISTLEBLOWER SYSTEM

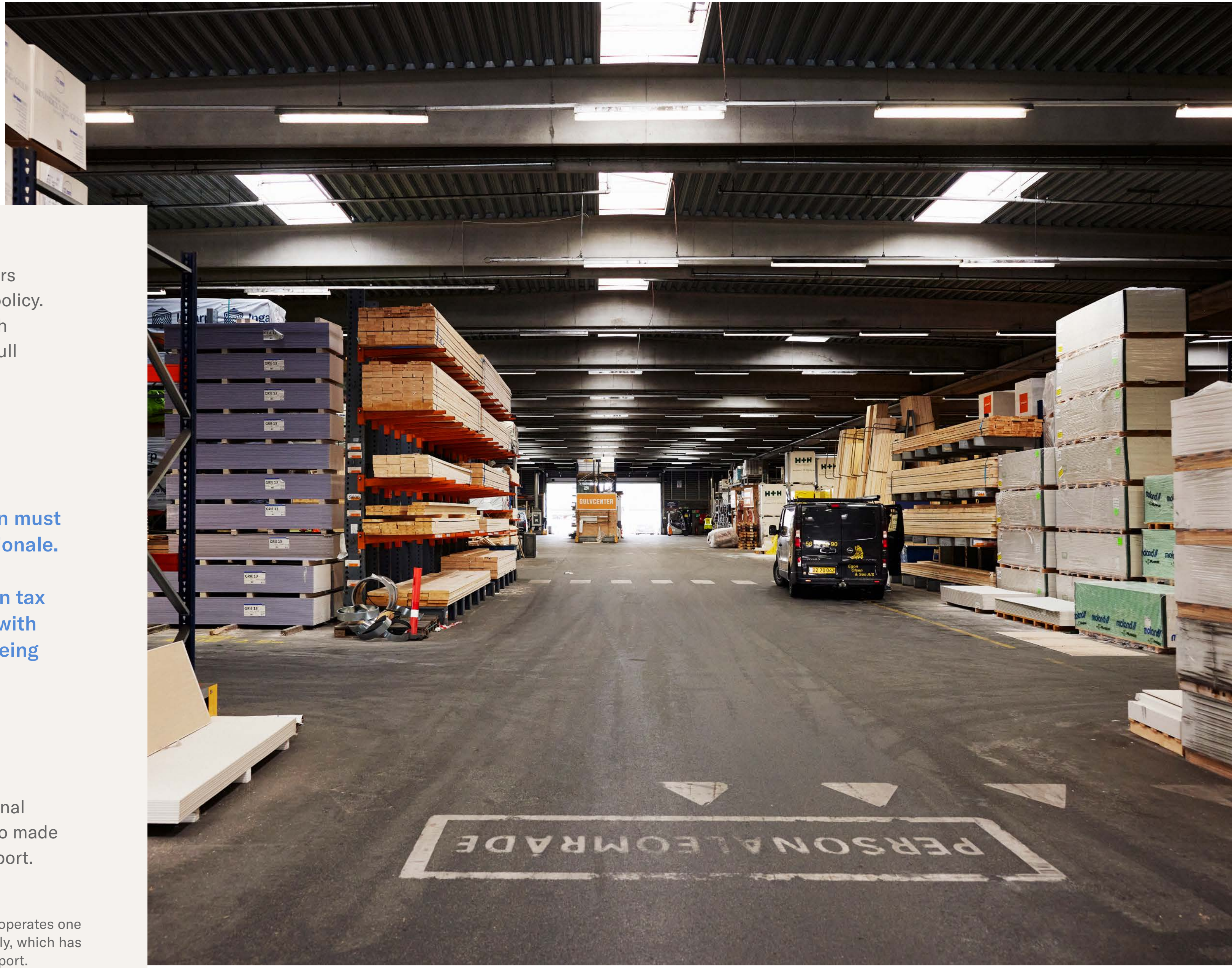
At STARK Group, we welcome feedback. We want to have a culture where people can speak up and voice their opinion. To help us fight corruption and business crime, we have set up a whistleblower system where employees and non-employees alike can report perceived ethical and legal violations.

We encourage all stakeholders to speak up about any misconduct such as business crime or human rights violations. All information is kept strictly confidential, and all concerns can be raised without fear of retaliation:

STARKGROUP.WHISTLEBLOWERNETWORK.NET



KEY TAX MANAGEMENT TOPICS



STRUCTURAL CONSIDERATIONS

We constantly work towards keeping our legal structure as simple as possible.

We are currently present in Denmark, Greenland, Sweden, Norway, Finland, Germany*, Austria and UK*. Most of our entities perform operational trading activities. Some entities serve a limited purpose, such as providing management and head office services or holding real estate or subsidiary shares. A few entities are entirely dormant with no activity or purpose. These are legacy entities whose activity or purpose has ceased and are in the process of being dissolved where feasible without triggering material adverse consequences or administrative burdens. In FY23, for example, minor subsidiaries in Denmark and Germany were merged into STARK Danmark A/S and STARK Deutschland GmbH respectively.

We recognise that investor taxation has been subject to consideration and regarded as an important part of the understanding of company taxation in the public debate in recent years. We work in close coordination with our owners, CVC Capital Partners, to ensure that all the transactions with our shareholders adhere to the principles set out in this policy. We have furthermore disclosed any such material transactions in this report for full transparency.

> “Any tax planning that is undertaken must be based on sound commercial rationale. No business decisions are made or structures set up primarily to obtain tax benefits that are disproportionate with what is commonly understood as being the intention of the law.”
>
> STARK Group Tax Policy

For a further description of our operational activities and locations, reference is also made to the transfer pricing section of this report.

*Our German and UK business units currently also operates one small branch in Luxembourg and Jersey respectively, which has been deemed immaterial for the purpose of this report.

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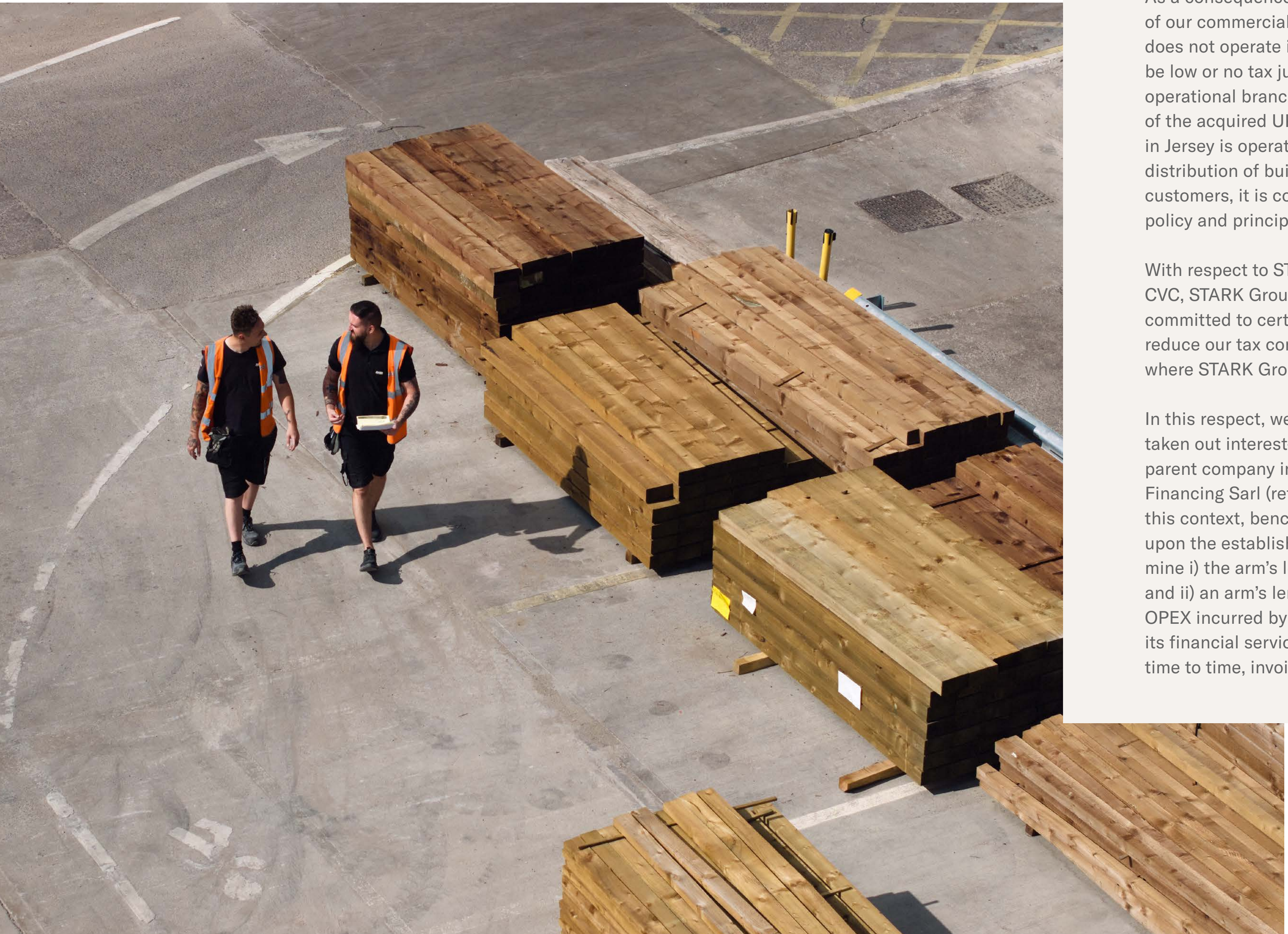

SPECIAL REGIMES

As a consequence of the geographic focus of our commercial activities, STARK Group does not operate in markets considered to be low or no tax jurisdictions, except for an operational branch in Jersey, which was part of the acquired UK business. As the activities in Jersey is operational and not passive, i.e. distribution of building materials to local customers, it is considered in line with our tax policy and principles.

With respect to STARK Group's ownership by CVC, STARK Group, as well as CVC, are jointly committed to certify that the structure will not reduce our tax contributions to the markets where STARK Group conducts its business.

In this respect, we note that STARK Group has taken out interest-bearing loans from its direct parent company in Luxembourg, Winterfell Financing Sarl (reference made to page 11). In this context, benchmark studies were prepared upon the establishment of these loans to determine i) the arm's length interest rate applied and ii) an arm's length margin to remunerate OPEX incurred by Winterfell Financing Sarl for its financial services provided. In addition, from time to time, invoices issued by third-party advisors to Winterfell Financing Sarl but related to Stark Group, will be recharged to Stark Group.

No recharges other than as set out above have been made by the CVC fund to STARK Group, and no dividends or royalties have been paid by STARK Group to CVC.

> “We work in close coordination with CVC to ensure that all the transactions with our shareholder adhere to the principles set-out in this policy.”
>
> STARK Group Tax Policy

We are pleased with our owners and appreciate their expertise and help in supporting our growth and expansion, which will help generate further significant staff hires and trading volumes, which is our biggest source of tax contributions to the markets where we conduct business.

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TRANSFER PRICING CONSIDERATIONS

From a transfer pricing perspective, STARK Group's business model entails that the business units are considered domestic businesses that assume their own domestic market-related risks and rewards. This reduces the requirement for complex intercompany transactions and makes for a simple transfer pricing set-up.

The business units operate autonomously within the overall STARK Group strategy, meaning that they decide, for instance, where to locate their branches and which branches to shut down; which suppliers to use; which products, assortments and brands to sell in the branches; which consumer segments to target, etc. The business units are also responsible for monitoring their own costs and achieving positive bottom-line results.

All core business functions along the STARK Group's supply chain are carried out by the local business units, and almost all materials are sourced directly from the suppliers. Head office and corresponding group service lines provide centralised back-office support services to the business units. The main functions are reflected in the following table:

Functions	HQ	BUs
Procurement		✓
Inbound logistics		✓
Warehousing		✓
Marketing		✓
Sales		✓
After-sales		✓
Financing	✓	
Support functions (IT, sourcing, admin etc.)	✓	

The most significant risks (market risk, inventory risk, foreign exchange risk and credit risk) and key assets are owned locally by the business units.

Due to our decentralised model and sourcing set-up using, to a large extent, groupwide framework agreements, STARK Group has relatively few types of intercompany transactions. The most complex intercompany transactions relates to management services and financing, in which the arm's length principle is ensured via external benchmark studies and CUPs. Other intercompany transactions are mostly deemed either supportive in nature and applied at a simple cost +5% mark-up or as mere pass-through of costs at no mark-up.

A continuous effort is made to monitor our intercompany transactions to ensure that they are aligned with and covered by arm's length transfer pricing policies throughout the year.

INTERCOMPANY FINANCING – LOANS

Loans of EURm 1,795 from related parties at the beginning of the year consisted of EURm 1,780 in principal debt and EURm 15 in accrued interest.

The cash flow movement of EURm 419 illustrated below consists of a new loan of EURm 450 from Winterfell Financing Sarl to STARK Group A/S in connection with the acquisition of STARK Building Materials UK Limited, less financing expenses of approx. EURm 31. Other non-cash movements for the year include accrued interest of EURm 45 on loans from related parties. By the end of FY23, loans from related parties amounted to a total of EURm 2,259, consisting of EUR 2,234 in principal debt and EURm 25 in accrued interest.

The intercompany loan primarily consists of the following loans established in connection with CVC's acquisition of STARK Group acquisition, in which EURm 628 was loaned to STARK Group A/S, EURm 450 to Winterfell Sweden AB, EURm 655 to Winterfell Germany GmbH. In addition, EURm 59 was loaned to STARK Deutschland GmbH in connection with the acquisition of Melle Gallhöfer Dach GmbH and EURm 450 to STARK Group A/S in connection with the acquisitions of STARK Building Materials UK.

We note the Group has previously submitted certain intercompany loans to the authorities under the DAC6 mandatory disclosure rules. While we believe intercompany financing related to the acquisition of shares, which is the case here, is in accordance with relevant tax legislation as well as the spirit of the law, we believe that the DAC6 regime causes some uncertainty as to the scope of the law and that the current law seems to be designed to also collect information on many permitted arrangements. Thus, in line with our tax policy and transparency agenda, we have applied a conservative approach in our interpretation of DAC6. limited.

2022/23

EUR milion	**1 Aug 2022**	Cash flows	Acquisitions	Other non-cash	**31 July 2023**
Bank Loans	26	120	7	–	153
Loans from related parties	1,795	419	–	45	2,259
Leasing liabilities	556	(113)	328	89	860
Loans from non-controlling interests	17	(2)	–	3	18
Total Charge from financing activities	**2,394**	**424**	**335**	**137**	**3,290**

Accrued interest are posted on the Balance Sheet

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INTERCOMPANY FINANCING - EXPENSES

All intercompany loans carry arm's length interest, based on either in-house or external interest rate analyses and using external benchmarks. In general, the intercompany financing consists of long-term financing with variable interest rates. In FY23, total interest on loans from related parties amounted to EURm 103 with a weighted average interest rate of 4.6% (103 / 2,259).

EUR milion	2022/23
Financial expenses	
Interest on loans from related parties	103
Interest on loans from third party	15
Net interest employee benefit obligations	3
Foreign exchange losses	49
Lease interest (IFRS16)	27
Total financial expenses	197

Interest expenses are posted in the Profit & Loss account

TAX ATTRIBUTES

During FY23 the following material entities generated a tax loss:

- STARK Group A/S (DK)
- STARK Sourcing A/S (DK)
- STARK Building Materials UK Limited (UK)
- Neumann Bygg AS (NO)
- Beijer Byggmaterial AB (SE)
- STARK Group Holding Austria GmbH (AU)

For STARK Group A/S the losses are created by non-recharged shareholder costs and for STARK Sourcing A/S the losses are due to interest expenses on domestic intercompany debt. For STARK UK and Neumann Bygg the losses are primarily driven by downturn in the markets combined with general inflationary cost increases and/or increased interest expenses. In respect of Beijer Byggmaterial the losses is a consequence of the Swedish Group contribution rules (comparable to the Danish joint taxation regime), in which Beijer Byggmaterial has made a group contribution to its parent companies, Winterfell Sweden AB and DT Holding AB, to cover interest expenses and currency loss. Finally, the losses in STARK Group Holding Austria GmbH concerns interest expenses on intercompany debt.

The losses will, to the extent possible, be set-off against positive income within the applicable domestic joint taxation regimes and otherwise be carried forward to utilize in future taxable income.

STARK Sourcing A/S (Denmark) has special tax loss carry-forwards arising from historical loss-making activities. Such losses are set-off against profitable operational income generated by the relevant entity going forward but are restricted to be set off against profits made by other jointly-taxed entities.

INCENTIVES

Presently, we apply only one material specific tax incentive, as listed below:

STARK Deutschland GmbH has received a tax incentive from the Investitionsbank Sachsen-Anhalt. The incentive amounts to EURm 3.6 and relates to a logistics facility in Osterweddingen. In connection with obtaining the incentive, STARK Deutschland GmbH agreed to meet a number of conditions over a period of five years, of which the key conditions relate to having i) a minimum number of employees and ii) a low number of temporaries.

Additionally, STARK Group utilises various tax depreciation rules such as increased tax depreciation base for new 'green' assets etc. Application of these rules are regarded as ordinary compliance not applicable to disclosure for the purpose of presenting Tax Incentives according to GRI 207.

> **"STARK Group will utilise tax incentives that are made available by the governments to taxpayers in the jurisdictions where we operate when they apply to us and provided that we live up to the requirements, that the substance of our business correspond to the intentions with the incentives offered and that the incentives are generally offered and applied in a transparent manner."**
>
> **STARK Group Tax Policy**

03 TAX IMPACT

This section includes an overview of our total tax contributions as well as country by country contributions.

IN THIS SECTION

TAX CONTRIBUTION

In the table to the right, we present the total tax contributions of STARK Group for FY23 across all jurisdictions in which we operate, separated into four types of taxes:

- Corporate tax paid on a cash basis, including dividend taxes
- Net value added taxes exclusive of duties and other indirect taxes
- Payroll taxes inclusive of social security and related charges
- Property taxes inclusive of real estate transfer taxes (RETT)

The four pillars have been identified as the material tax payments generated by STARK Group.

STARK Group does incur other minor indirect taxes and duties which, however, for the purpose of this report are deemed immaterial.

Our total tax contributions for FY23 amounted to EURm 604. Our largest source of tax contribution concerns value added taxes and reflects the significant trading volume of building materials. Our second-largest source of tax contribution concerns payroll taxes and social security contributions and is generated by the extensive workforce employed by STARK Group, counting 21,504 employees across the Group at the end of FY23 and total staff costs of EURm 903 (Consolidated Annual Report note 2.3 Staff Costs).

Accumulated, these two types of taxes account for approx. 96% of our total tax contributions, and consequently, is our primary focus when it comes to increasing our tax footprint in our markets of operation. Corporate tax accounts for approx. 3% of our total tax contributions, which is considered below the average percentage of corporate tax compared to total tax revenue in the countries where we operate (averages run from 4% to 7% in 2020, according to the OECD). The moderate impact from our Corporate tax paid, is primarily explained by a downturn in the markets we operate leading to a reduced income tax basis. In addition, our Corporate tax paid was reduced by refund of overpaid taxes in prior years as well as a reduction in our on-account taxes paid, due to either tax loss positions or deferral of on account taxes to preserve our trade working capital.

Property taxes merely account for around 1% of our total tax contributions and is a mix of recurring real estate tax and one-time real estate transfer taxes triggered upon the acquisition of property and, in some instances, due to internal group restructurings.

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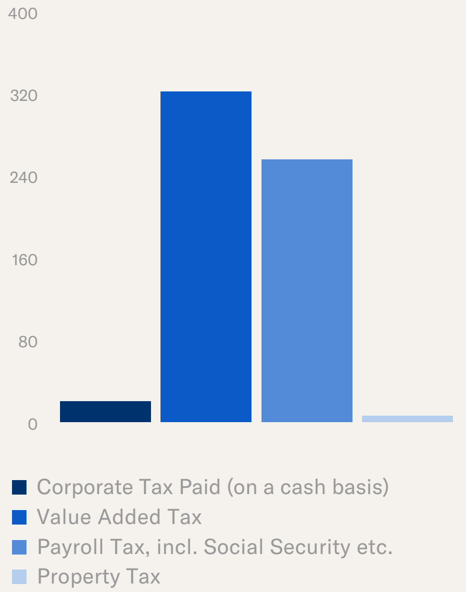
GROUP TAX CONTRIBUTIONS BY TYPE

EUR Million



We notice the Corporate tax figure included in the table represents our 'corporate tax paid on a cash basis', meaning our actual corporate tax cash payments made to the authorities during the financial year in question. As the payments made relate to both i) final tax payments related to prior income years and ii) on account tax payments related to the respective financial year in question, the figure does not reconcile to the final corporate tax payments reflected in the final tax returns.

The figure can be reconciled to our 'Cash Flow Statement' included in our Consolidated Annual Report page 38.

The chart to the right is an illustration of our total tax contributions as shown on the previous page, illustrating how our tax contributions break down between the jurisdictions in which we operate. The numbers are directly impacted by the size of our operations in each country compared to the total group and the respective domestic tax rates.

In the second chart to the right, we have shown the split between taxes borne and taxes collected by STARK Group.

Corporate tax, property tax and withholding tax are all considered Taxes Borne, whereas payroll taxes and VAT are deemed Taxes Collected. This is also the explanation for the overweight of Taxes Collected, since payroll tax and VAT amounts to approx. 87% of our total tax contribution.

In this respect, we note that we have applied a conservative split of 80%/20% on social security charges and other related payroll charges, in the sense that in the table we have allocated 80% to Taxes Collected and 20% to Taxes Borne. The actual percentages may vary from country to country.

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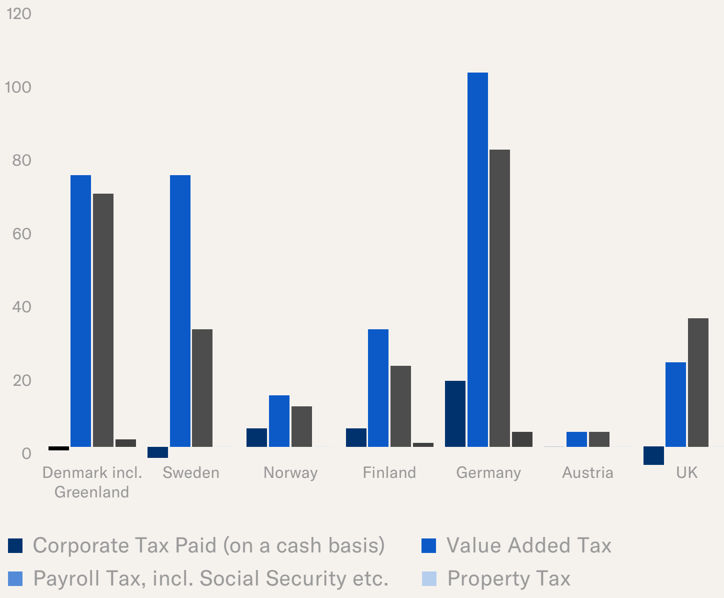
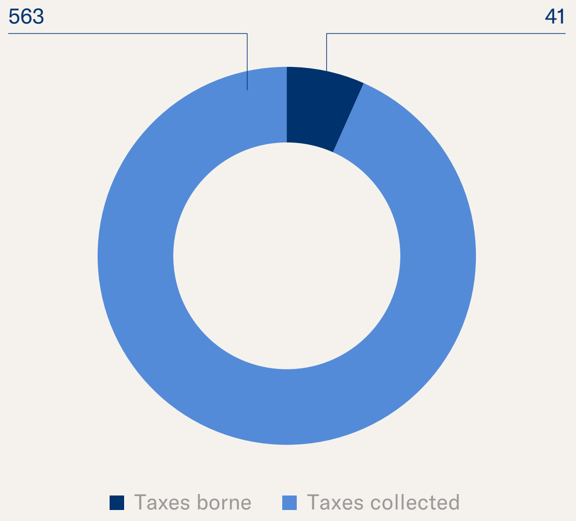
TOTAL TAX CONTRIBUTIONS BY JURISDICTION

EUR Million



SPLIT OF TAXES BORNE AND TAXES COLLECTED



	Denmark incl. Greenland	Sweden	Norway	Finland	Germany	Austria	UK
Corporate Tax Paid (on a cash basis)	(1)	(3)	5	5	18	–	(5)
Value Added Tax	74	74	14	32	102	4	23
Payroll Tax, incl. Social Security etc.	69	32	11	22	81	4	35
Property Tax	2	0	–	1	4	0	–

The negative Corporate Tax Paid for Denmark, Sweden and UK represents refunds in respect of overpaid tax in prior years and no on account tax payments during FY23 on the basis that the BU's is expecting to be in a tax loss position and therefore will have no overall tax liability for FY23 or to preserve our Trade working capital.

In the table to the right, we present the 'tax for the year' for FY23 by STARK Group across our jurisdictions.

Tax for the year consists of current tax, changes in deferred tax, and adjustments in respect of previous years. Tax for the year reflects the estimated tax contribution expected for the financial year in question and hence, does not reconcile to the figure 'corporate tax on a cash basis' presented previously, which concerned tax payments related to multiple financial years.

The total tax for the year of EURm 12 can be reconciled to the Income Statement in the Consolidated Annual Report, including note 2.6 Income Tax and note 6.3 Cash Flow. Please see the tax breakdown below for the year:

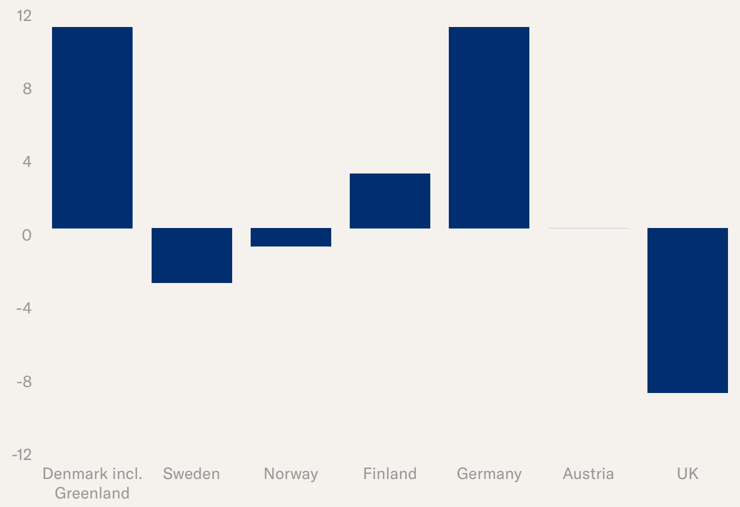
EUR milion	2022/23	2021/22
Current tax	35	60
Deferred tax	(23)	(5)
Adjustment of current tax regarding previous years	2	3
Adjustment of deferred tax regarding previous years	(2)	(4)
Total income tax for the period	**12**	**54**

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

Continues →

CORPORATE INCOME TAX FOR THE YEAR

EUR Million



	Denmark incl. Greenland	Sweden	Norway	Finland	Germany	Austria	UK
Tax for the year	11	(3)	(1)	3	11	0	(9)

In the chart to the right, we present the 'Deferred Tax' for FY23 by STARK Group across our jurisdictions.

Deferred tax is recognised in respect of all temporary differences arising between the tax base of assets and liabilities and their carrying amounts. Deferred tax is calculated at the tax rates expected to apply in the period when the liability is settled, or the asset is realised.

Deferred tax is charged or credited to 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.

We note that the deferred tax asset amounts to EURm 322 at group level, and that all countries had a net deferred tax asset by the end of FY23.

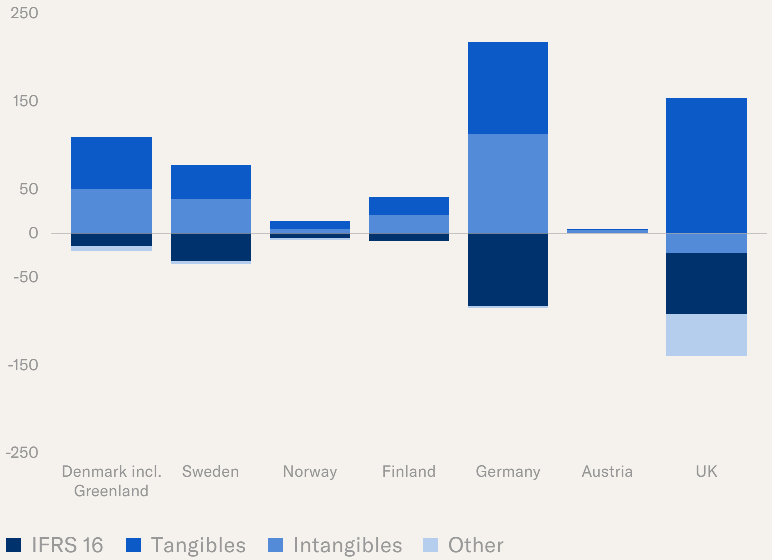
In the table to the right, we present a breakdown of the deferred tax assets, which can also be found in note 6.1 Deferred Tax Assets and Liabilities to the Consolidated Annual Report.

EUR milion	31 July 2023	31 July 2022
Deferred tax relates to:		
Intangible assets	211	235
Property, plant and equipment	386	242
Pensions	4	(4)
Inventory	(6)	(7)
IFRS 16 leasing liabilities	(209)	(143)
Other assets and liabilities	(64)	(11)
Total	**322**	**312**

The Group has an unrecognised deferred tax asset of EUR 13m relating to tax loss carry-forwards and valuation allowances for which the timing of possible future utilisation is not certain. The related tax losses can be carried forward indefinitely.

DEFERRED TAX

EUR Million



	Denmark incl. Greenland	Sweden	Norway	Finland	Germany	Austria	UK
Other	(6)	(4)	(2)	(1)	(6)	–	(48)
IFRS 16	(14)	(31)	(5)	(8)	(82)	–	(69)
Tangibles	59	38	9	21	104	1	154
Intangibles	50	40	5	20	113	3	(22)

EFFECTIVE TAX RATE

EFFECTIVE TAX RATE RECONCILIATION CURRENT YEAR

In the table to the right, we present the consolidated effective tax rate (ETR) for FY23, August 2022 – July 2023.

The ETR is primarily impacted by i) adjustments of calculated tax in foreign Group entities, ii) non-deductible and non-taxable items which primarily consists of investments in new businesses and/or markets and iii) non-deductible interest expenses.

Non-taxable items include non-taxable Badwill in UK of EUR 206m.

The ETR of 8% is considered to be at a reasonable level.

EUR milion		31 July 2023		31 July 2022
Profit before tax		**156**		**187**
Corporation tax rate in Denmark	22%	34	22%	41
Adjustment of calculated tax in foreign Group entities relative to 22%	3%	5	3%	6
Non-deductible and non-taxable items	(25%)	(40)	2%	4
Non-deductible interest expenses	8%	12	3%	6
Adjustment relating to prior year	0%	0	(1%)	(2)
Effective Tax Rate for STARK Group	**8%**	**12**	**29%**	**54**

Non-deductible and non-taxable items includes exchange rate adjustments and adjustments related to future tax rates.

04 APPENDIX

IN THIS SECTION

COUNTRY BY COUNTRY REPORTING

Tabel for Tax Impact Report in EUR million

Tax jurisdiction	Number of entities	Unrelated party revenue	Related party revenue	Total Revenue	Profit (loss) before income tax	Income tax paid (on a cash basis	Income tax accrued – Current year	Stated capital	Accumulated earnings**	Number of employees	Tangible assets other than Cash and Cash Equivalents
Denmark	11	1,266	0	1,266	3	-1	12	68	2,533	2,529	380
Greenland	1	19	0	19	1	0	0	0	15	34	20
Sweden	14	993	0	993	-31	-3	0	14	676	2,632	242
Norway	10	198	0	198	-4	5	1	2	100	450	72
Finland	1	581	0	581	12	5	4	10	380	1,007	166
Germany****	13	2,725	0	2,725	34	18	18	129	898	5,489	543
Austria	3	119	0	119	-1	0	0	13	49	148	31
United Kingdom	6	1,153	0	1,153	143	-5	0	485	-310	8,673	864
Total	**59**	**7,054**	**0**	**7,054**	**156**	**20**	**35**	**721**	**4,340**	**20,962**	**2,319**

* Greenland does not pay corporate income taxes but instead distributes profit for the year as dividends to the parent company in Denmark which are subject to 42% withholding tax. However, according to the double tax agreement between Denmark and Greenland, we can request a refund of dividend taxes withheld that exceeds 35% and apply for credit exemption in Denmark for the remaining taxes exceeding 22%.

** Accumulated earnings and related party revenue are stated excluding eliminations and therefore cannot be reconciled to the Consolidated Annual Report.

*** We note that the total number of employees have been reported on an FTE basis at year-end based on the monthly average employment level for the year for each entity. The reporting of FTE is based on an internal group procedure where FTE comprises full-time employees, including trainees and temporary employees. For information on total employee remuneration, please refer to the local or consolidated annual reports.

**** Figures related to the small branch in Luxembourg are included in the figures for Germany.

***** Reference is made to page 24 for an overview of our controlled (>50% ownership) legal entities and their country of residence, held directly and indirectly, by STARK Group A/S.

OVERVIEW OF LEGAL ENTITIES IN STARK GROUP

Tax Jurisdiction	Constituent Entities resident in the Tax Jurisdiction
Denmark	LSF10 Wolverine BidCo ApS
Denmark	Stark Sourcing A/S
Denmark	Stark Group A/S
Denmark	Stark Danmark A/S
Denmark	Electro Energy A/S
Denmark	Arnum Rør ApS
Denmark	C. F. Richs Vej 115 ApS
Denmark	Fragtvej 7-9 ApS
Denmark	Jarlsberggade 10 ApS
Denmark	XL-FAXE TRÆLAST & PROFFCENTER A/S
Denmark	TRÆLASTKOMPAGNIET NAKSKOV. TORBEN CHRISTENSEN A/S
Greenland	STARK KALAALLIT NUNAAT A/S
Sweden	Winterfell Sweden AB
Sweden	DT Holding (Sweden) AB
Sweden	Beijer Byggmaterial Aktiebolag
Sweden	Vagn Jensens Byggkomponenter AB
Sweden	Lund Sandby 6:45 AB
Sweden	Sierra-Stark HoldCo AB
Sweden	BraByggare Sverige AB
Sweden	Vivaldi AB
Sweden	Kakeldax i Sverige AB
Sweden	Centro Kakel & Klinker AB
Sweden	100 Procent Proffs Bandhagen AB
Sweden	100 Procent Proffs Rotebro AB
Sweden	Flis Fram AB
Sweden	FF Kakel AB
Norway	NEUMANN BYGG AS
Norway	Stark Norway Propco AS
Norway	Margrethe Jørgensens Vei 6 AS
Norway	FagFlis Group Holding AS
Norway	Flis Fram AS
Norway	L-Flis & Interiør AS
Norway	Østfold Flis AS
Norway	Flisdekor AS
Norway	Flisfakta AS
Norway	Hejo AS
Finland	Stark Suomi Oy
Germany	Winterfell Germany GmbH
Germany	Stark Group Holding Germany GmbH
Germany	STARK Deutschland GmbH
Germany	Melle Gallhöfer Dach GmbH
Germany	Hermann Konz GmbH & Co
Germany	Verwaltungsgeselschaft Konz Gesellschaft mit beschränkter Haftung
Germany	Konz GmbH
Germany	Probau Kugel GmbH
Germany	Probau Kugel GmbH
Germany	Probau Chemnitz GmbH
Germany	Konz Baustoffring GmbH
Germany	Konz Baustoffring Ulm GmbH
Austria	STARK Group Holding Austria GmbH
Austria	Dach und Wand Handels GmbH
Austria	Schilowsky Baustoffhandel GmbH
Luxembourg	Muffenrohr Tiefbauhandel GmbH, Zweigniederlassung Luxembourg S.a.r.l
United Kingdom	STARK Building Materials UK Limited
United Kingdom	STARK Group Holding UK 1 Limited
United Kingdom	STARK Group Holding UK 2 Limited
United Kingdom	SGBD Property Holdings Limited
United Kingdom	Norman Limited
United Kingdom	Jewson Limited

The Group consisted of 59 legal entities by end of FY23

STARK
GROUP

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

starkgroup.dk
+45 8252 2600