ANNUAL REPORT

2017-18

Gabriel®

Gabriel Holding A/S . Hjulmagervej 55 . 9000 Aalborg · Denmark · Company registration no. 58868728

Gabriel Holding A/S realises organic growth of 21% in revenue and an increase of 22% in profit before tax

Selected financial ratios

- Revenue increased to DKK 598.7 million (DKK 492.8 million).
- Operating profit (EBIT) from continuing operations was DKK 55.3 million (DKK 45.9 million), an increase of 20%.
- Operating margin was 9.2% (9.3%).
- Profit before tax from continuing operations was DKK 57.0 million (DKK 46.8 million), an increase of 22%.
- Profit after tax was DKK 45.2 million (DKK 35.3 million).
- Return on invested capital (ROIC) before tax was 28.6% (29.5%).
- Earnings per share (EPS) increased to DKK 23.4 (DKK 19.1).
- Cash flows from operating activities in the period were DKK 39.7 million (DKK 25.6 million).
- The Board of Directors proposes a dividend of DKK 9.50 per DKK 20 share.

Summary

During the year under review, Gabriel A/S enjoyed growth in a modestly increasing market. The organic revenue growth of 21% is a result of growth within all business units and in all geographical markets except the UK.

Screen Solutions Ltd, which we acquired in November 2016, continued to realise a decline in revenue compared to last year. This is a result of planned adjustments to the sales strategy. Revenue in Screen Solutions is expected to be stable in 2018/19 and identified potential is expected to be developed and realised in the years to come, both in the British company and the FurnMaster units.

The 22% improvement in profit is a result of revenue realised above expectations and of productivity improvements across the Group.

At the beginning of the year, management expected growth in revenue of the order of 10-15% and an equivalent increase in profit before tax. After the first six months, management adjusted its expectations upward, to growth in revenue and profit before tax of around 20%.

Shortly before the end of the financial year, the expectations were clarified to revenue of the order of DKK 598 million and profit before tax of DKK 57-58 million.

Subsequent events

On 12 October 2018, Gabriel Holding A/S signed a letter of intent with the pension group PenSam with a view to selling the entire share capital of its fully-owned subsidiary, Gabriel Ejendomme A/S.

The total sale price is DKK 150 million, from which interest-bearing debt and deferred tax of Gabriel Ejendomme A/S must be subtracted. The transaction transferring the property company to PenSam is expected to take place around 1 April 2020. The financial statements therefore continue to classify the subsidiary as a discontinuing operation.

On 4 October 2018, a conditional agreement was entered into for the acquisition of the entire share capital in UAB Baltijos Tekstilė in Lithuania. The agreed price is just over EUR 4 million. The transaction is conditional and expected to be completed by the end of 2018, following a due diligence investigation.

Outlook

The global market for contract furniture is expected to increase slightly in 2018/19. New products within all areas have been well received and momentum is generally good in all business units.

We are already prepared for customs tariffs in the U.S. on goods from China and for Brexit, when completed, and expect to meet any challenges that arise.

Management judges that growth is possible in both revenue and earnings. Based on the Group's outreach activities, on its constantly increasing efforts in development and sales initiatives, and on the mildly increasing market, we expect revenue and earnings growth of the order of 10-20%.

The Board of Directors recommends that the general meeting of Gabriel Holding A/S, to be held on 13 December 2018, should approve the following:

- to pay a dividend of DKK 9.50 per DKK 20 share;
- to re-appoint directors Jørgen Kjær Jacobsen, Hans O. Damgaard and Søren B. Lauritsen and Group CFO Pernille Fabricius as board members appointed by the general meeting; and
- to re-appoint KPMG Statsautoriseret Revisionspartnerselskab as auditors.
- The annual report is recommended for adoption at the company's general meeting to be held at the company's office in Aalborg at 2:00 p.m. on Thursday, 13 December 2018.

The official annual report is published on the company's website and the printed version of the report will be available by 3 December 2018 at the company's office.

Financial highlights*

for the Group

FINANCIAL HIGHLIGHTS	Unit	**2017/18**	2016/17	2015/16	2014/15	2013/14
Revenue	DKK million	**598.7**	492.8	390.4	334.8	281.8
Growth	%	**21.5**	26.2	16.6	18.8	6.4
of which exports	DKK million	**540.1**	449.2	355.0	301.5	251.2
Export percentage	%	**90**	91	91	90	89
Operating profit (EBIT) from continuing operations	DKK million	**55.3**	45.9	39.4	25.7	25.2
Net finance income and costs	DKK million	**-0.7**	-2.2	-1.2	-0.9	2.6
Profit before tax from continuing operations	DKK million	**57.0**	46.8	42.7	26.8	27.8
Tax	DKK million	**-12.9**	-10.7	-8.5	-5.6	-5.9
Profit after tax from continuing operations	DKK million	**44.2**	36.1	34.2	21.1	21.9
Profit after tax from discontinuing operations	DKK million	**1.0**	-0.9	0.1	0.4	-
Profit for the year	DKK million	**45.2**	35.3	34.3	21.52	21.9
Cash flows from:						
Operating activities	DKK million	**39.7**	25.6	33.5	18.2	24.5
Investing activities	DKK million	**-37.3**	-47.3	-6.7	-22.3	-5.9
Financing activities	DKK million	**-8.4**	20.5	-11.0	-1.5	-15.7
Assets held for sale	DKK million	**-2.1**	-3.8	-3.6	-9.2	-
Cash flows for the year	DKK million	**-8.1**	-4.9	12.2	-14.8	2.9
Investments in property, plant and equipment	DKK million	**18.5**	13.7	5.7	18.7	13.5
Depreciation, amortisation and impairment losses	DKK million	**15.5**	10.9	8.0	8.3	7.0
Equity	DKK million	**251.3**	221.0	201.6	178.1	166.0
Statement of financial position total	DKK million	**436.1**	398.3	289.7	278.4	245.2
Invested capital	DKK million	**204.4**	195.0	122.3	233.5	202.6
Working capital	DKK million	**135.1**	100.5	81.6	73.9	62.0
Average number of employees	Number	**517**	404	292	238	142
Revenue per employee	DKK million	**1.2**	1.2	1.3	1.4	2.0
FINANCIAL RATIOS						
Gross margin	%	**39.3**	41.4	40.6	39.8	41.1
Operating margin (EBIT margin)	%	**9.2**	9.3	10.1	7.7	8.9
Return on invested capital (ROIC) before tax	%	**28.6**	29.5	19.6	12.3	12.7
Return on invested capital (ROIC) after tax	%	**22.1**	22.8	15.7	9.7	11.0
Earnings per share (EPS)	DKK	**23.4**	19.1	18.1	11.2	11.6
Return on equity	%	**18.7**	17.1	18.0	15.8	13.6
Equity ratio	%	**57.6**	55.5	69.6	64.0	67.7
Book value per share at year end	DKK	**133**	117	107	94	88
Market price at year end	DKK	**608**	475	570	199	185
Price/book value	DKK	**4.6**	4.1	5.3	2.1	2.1
Price earnings (PE)	DKK	**26.0**	24.8	31.5	17.8	16.0
Price cash flow (PCF)	DKK	**29.0**	35.0	32.2	20.7	14.3
Proposed dividends per DKK 20 share	DKK	**9.50**	7.65	7.25	5.50	5.25
Dividend yield	%	**1.6**	1.6	1.3	2.8	2.8
Payout ratio	%	**40**	41	40	49	45

Financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios 2015".

Please see page 71 for definitions of financial ratios.

*) Financial ratios for 2014/15 and earlier have not been restated for discontinued operations.

The Executive Board of Gabriel Holding A/S.
CEO Anders Hedegaard Petersen
and CCO Claus Møller.

Contents

Gabriel profile

Mission

Innovation and value-adding partnerships are fundamental values of Gabriel's mission statement.

Gabriel is a niche company which, in the entire value chain from concept to furniture user, develops, manufactures and sells upholstery fabrics, components, upholstered surfaces and related products and services. Gabriel develops its services to be used in fields of application where product features, design and logistics have to meet invariable requirements, and where quality and environmental management must be documented.

Vision

Gabriel is to be the preferred development partner and supplier to selected leading international manufacturers and major users of upholstered furniture, seats and upholstered surfaces.

Gabriel will achieve Blue Ocean status through an in novative business concept, patents, licences, exclusivity agreements or similar rights.

Gabriel will have the status of an attractive workplace and partner company for competent employees and companies.

Financial targets

Gabriel aims to achieve:

- return on invested capital (ROIC) averaging at least 15% before tax;
- an increasing average operating margin (EBIT margin);
- an average annual increase in earnings per share of at least 15%; and
- an average annual increase in revenue of at least 15%.

In years with acquisitions or major business start-ups, management accepts a temporary decrease in the achievement of its financial targets, however, ensuring that the company on average meets the targets over a five-year period.

Strategy

Gabriel is growing with the largest market participants. Gabriel's growth is based on close development partnerships and trading with approximately 60 selected major leading customers in a global strategy.

Gabriel strives to obtain the largest possible share of the selected strategic customers' purchase of furniture fabrics, other components and services in the value chain. The FurnMaster Business Unit realises the commercial potential of the links of the value chain deriving from furniture fabrics, e.g. cutting, sewing and upholstering of furniture components.

Human resources

Gabriel must be able to attract and retain staff globally, with the right skills and knowledge to create innovation and growth. Gabriel gives priority to the use, development and sharing of knowledge and skills by all employees.

All employees are familiarised with Gabriel's vision, strategy, targets and activity plans and regularly updated on their work situation. This takes place in employee development dialogues and employee meetings. It ensures that all employees work towards clear goals and in defined areas of responsibility, and stimulates their professional and personal development.

Company structure

The Gabriel Group consists of three operating companies, the development company ZenXit A/S and the property company Gabriel Ejendomme A/S.

The three operating companies, Gabriel A/S in Europe, Gabriel Asia Pacific in Asia and Gabriel North America Inc. in the USA, ensure that the Group's overall goals of innovating and adding value are achieved with appropriate regional adjustments.

Four core processes are central to the three operating companies. The core processes are based on the Group's strategy, and key performance indicators (KPI) have been set for each process:

- Key Account Management (KAM)
- Logistics
- Product and process innovation
- Price competitiveness

The activities of the Gabriel Group companies are described below:

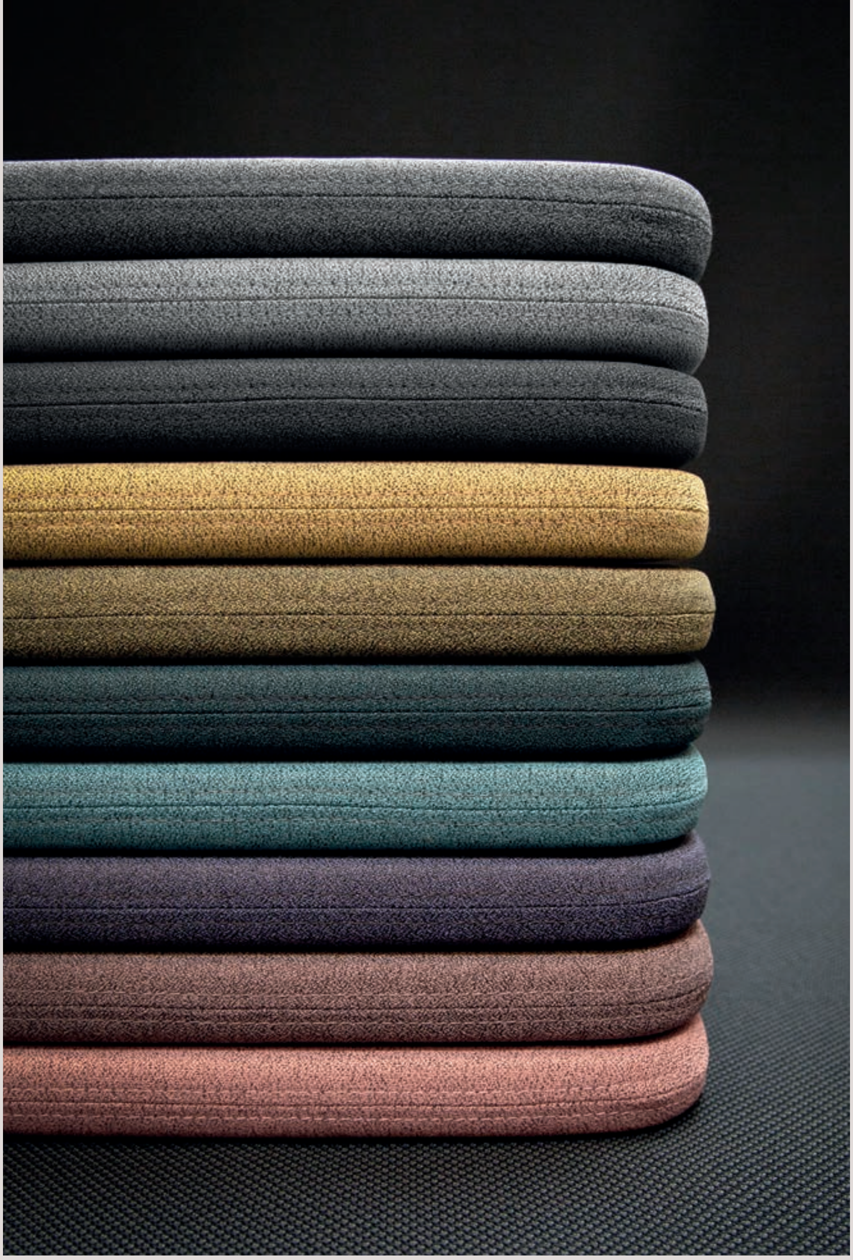
Gabriel Holding A/S

Gabriel Holding A/S is the Group's parent company and responsible for general management. The Group has traded as three independent operating companies since 2015. As a consequence, central group functions were transferred from the operating company Gabriel A/S with effect from 1 October 2016.

The executive board of Gabriel Holding A/S consists of CEO Anders Hedegaard Petersen and CCO Claus Møller. General management of the central areas Design and Product Development, Quality and CSR and Business Development is also placed in Gabriel Holding A/S and carried out by managers in each of the areas.

Gabriel Asia Pacific

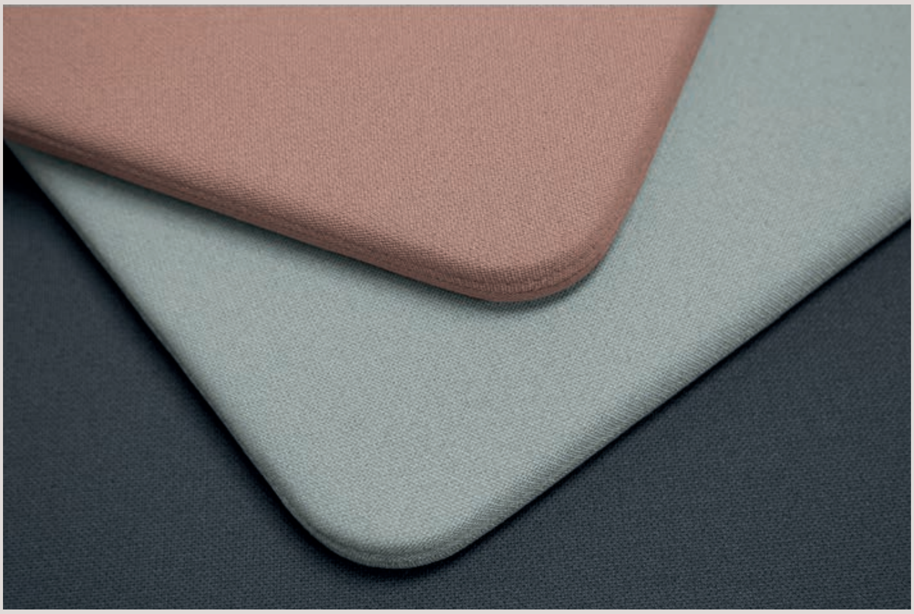
Gabriel Asia Pacific was established in 2003. Trading as Gabriel (Tianjin) International Trading Co. Ltd., it is engaged in development of the Asian region. Gabriel Asia Pacific is an



Mica

Tonal

"Cross functional performance..."



Just

important part of the total strategy: to service global contract furniture manufacturers and distributors and make innovative and competitive products for all markets. The company also works closely with the region's interior decoration and design companies by providing service to construction projects, including the supply of fabric for offices, hotels, airports, universities, theatres and concert halls. The company's Regional Head Office in Beijing was extended in 2015, and there have been offices in Shanghai, Guangzhou and Hong Kong for a number of years. In 2017/18, sales offices also opened in Shenzhen, Chengdu, Singapore and Thailand. There is strong focus on continuing recruiting and, in particular, on expanding sales resources in China and the Asia Pacific region as a whole.

In the year under review, new products were developed and regular deliveries established to new strategic customers in Europe, the USA and Asia. New development projects and potential customers are in the pipeline, and local efforts are being intensified continuously.

The Asian market is generally price-sensitive, but its leading players are showing increasing interest in Gabriel Asia Pacific, which occupies the niche for highly improved furniture fabrics and related textile products. These have to meet indispensable design and quality requirements. Product environmental and energy-related sustainability must be documented. Prices must be competitive, and delivery times short.

Gabriel North America Inc.

Gabriel North America Inc. was established in spring 2015 as part of the Group's growth strategy. The company is a natural consequence of Gabriel's increasing level of activity on the North American market. Prior to the establishment of the operating company, Gabriel had set up storage and delivery facilities in 2014.

Gabriel A/S opened a sales office in Grand Rapids, Michigan in 2015, and resources for sales and customer service have been boosted regularly to serve the Group's customers on the American market.

In August 2016, the first steps were taken to establish a FurnMaster unit in the USA. A lease was thus entered into, which makes approximately 3,000 m^2 of production premises available in Grand Rapids, Michigan. The unit was established as planned. In addition to cutting, sewing and upholstery, the unit produces the wooden components that are part of the solutions sold.

As was the case in Europe, substantial potential is estimated for the FurnMaster unit and realisation of the potential is developing well. Continued start-up costs and investments mean that the unit continued to deliver an operating loss in 2017/18. Expectations for the 2018/19 financial year are continued growth but also continued start-up costs, which means that only a small operating profit is anticipated.

Gabriel A/S

Gabriel A/S undertakes the Group's European sales and development activities and a range of group functions. The vision of Gabriel A/S is to be the preferred development partner and supplier to selected leading international manufacturers and major users of upholstered furniture, seats and upholstered surfaces. To ensure that vision becomes reality, Gabriel A/S has established independent sales companies on the important markets of Germany, England, Sweden and Spain (established in 2018), and a branch in France. In addition, Gabriel is represented by dedicated key account managers on the industry's other core markets in Europe.

The sales force of Gabriel A/S is responsible for selling all Group products and services aimed at the key players on the European markets.

The upholstery company UAB FurnMaster, Lithuania

The operating company Gabriel A/S established the subsidiary UAB FurnMaster in Lithuania during the 2012/13 financial year.

UAB FurnMaster is an important contributor to the Group's growth, and management continues to have great expectations for further activities and production optimisation in the years to come.

The upholstery company FurnMaster sp. z o.o., Poland

The operating company, Gabriel A/S, established the subsidiary FurnMaster sp. z o.o. in Poland during the 2014/15 financial year.

The production unit is central to the growth plans for FurnMaster. Production agreements were concluded with several new European customers during the year and potential customers are showing great interest in FurnMaster's production.

Screen Solutions Ltd

In November 2016, Gabriel A/S acquired 100% of the share capital of the screen manufacturer Screen Solutions Ltd in England.

Screen Solutions Ltd is recognised as one of Europe's leading suppliers of screens, office partitions etc. for the furniture industry. It traded primarily under the established brands Screen Solutions and Acoustic Comfort. The company is undergoing a transformation with a view to utilising its dynamic development and production platform as a strong partner for Gabriel's key accounts.

The purchase of the shares in the English company was part of the Group's increased focus on expanding the services and products offered globally to its primary customer segment. The purchase also supports the continued strengthening of Gabriel's presence in Great Britain.

Weaving partner and SampleMaster production, UAB Baltijos Tekstilė, Lithuania

Gabriel and Baltijos Tekstilė (BTC) have worked together since 1999 when Gabriel's looms were transferred to BTC in connection with outsourcing of production from Aalborg. Since then, BTC has been the main weaving partner in the European production and has produced the majority of the sales promotion materials that are marketed via Gabriel's business unit SampleMaster.

On 4 October 2018, a conditional agreement was entered into for the acquisition of the entire share capital in the company. The transaction is conditional and expected to be completed at the end of 2018, a due diligence investigation. The aim of the expected purchase of the shares in the Lithuanian company is to support the Group's growth in both the fabric business and SampleMaster and to ensure a continued high reliability of supply and competitiveness.

The dye works UAB Scandye, Lithuania

UAB Scandye was established in 2003, and in 2006 Gabriel A/S became co-owner of the company. UAB Scandye is the Gabriel Group's main dye works and finishing plant in Europe. Gabriel's ownership interest is 49.3%. UAB Scandye performs dyeing, finishing and inspection for Gabriel and a number of external customers.

ZenXit A/S

Maturing continues of the ZenXit material, an alternative to PU foam. In cooperation with selected furniture manufacturers, work is forging ahead to fully develop the material. A number of specific market maturation tasks are proceeding, so that the material can be used immediately.

It has taken longer than expected to fully develop and mature the product. The Company continues to work on the product, however, as its potential is still considered attractive.

Gabriel Ejendomme A/S – Gabriel Erhvervspark

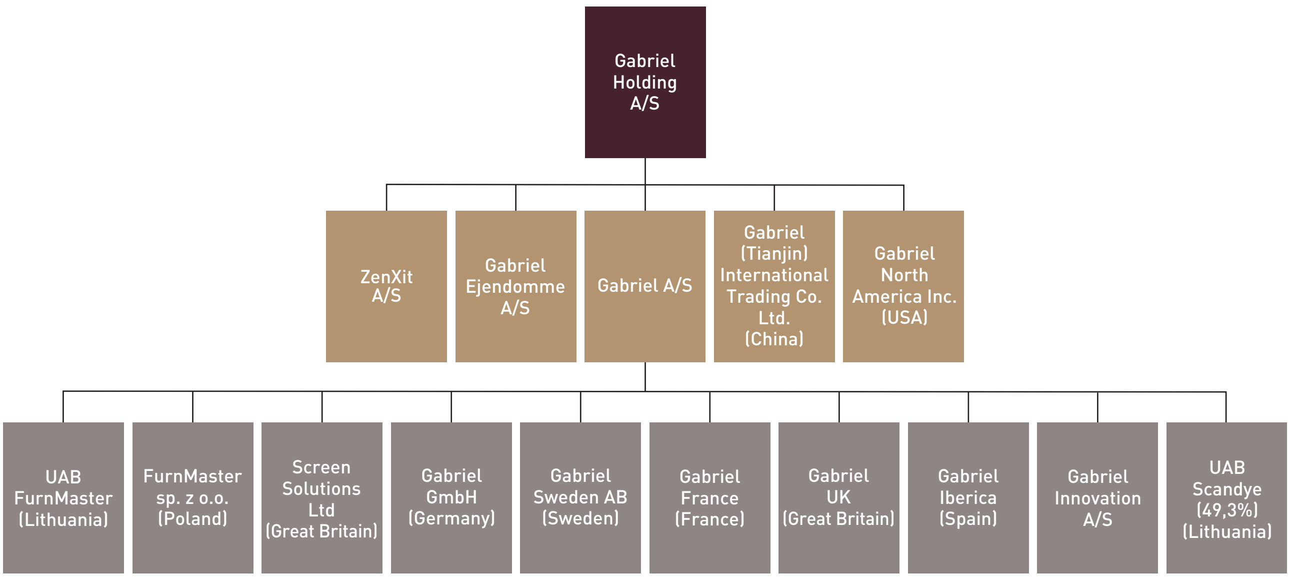
Gabriel Ejendomme A/S was established as an independent unit in 2011, and the Group head office in Aalborg was transferred to the company. The main activity is to develop and let the office facilities in Aalborg to internal and external tenants.

In March 2016, management began the process of selling the business park Gabriel Erhvervspark at the best possible price. Gabriel Erhvervspark comprises an office block with floor area of approximately 6,100 square metres, modern meeting and canteen facilities for tenants including Gabriel, and the possibility of a major expansion of office floor space.

On 12 October 2018, Gabriel Holding A/S signed a letter of intent with the pension group PenSam with a view to selling the entire share capital of its fully-owned subsidiary, Gabriel Ejendomme A/S. The total sale price is DKK 150 million, from which interest-bearing debt and deferred tax of Gabriel Ejendomme A/S must be subtracted. The transfer of the property company to PenSam is expected to take place around 1 April 2020.

The transaction is subject to a satifactory due diligence investigation and amendment of the local development plan to permit building of residences on the property.

GABRIEL GROUP 2018



“Combining functional value
with emotional utility value
is truly at the heart of
the Gabriel design philosophy.”

Financial review

The Group's sales activities and development in revenue

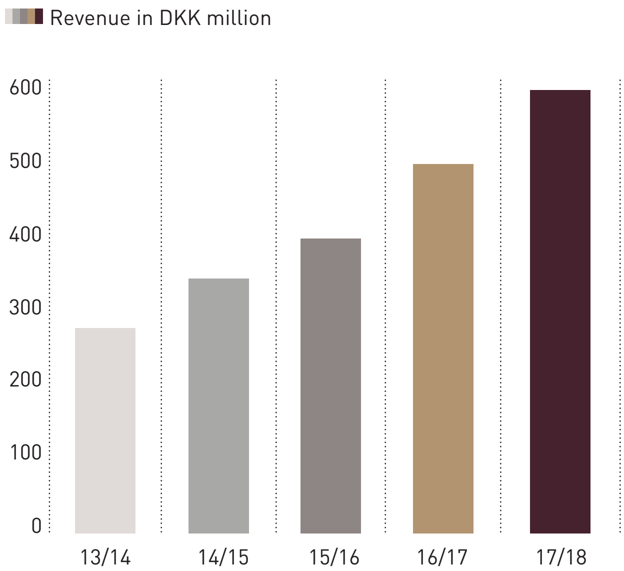
The Group's revenue increased by 21% to DKK 598.7 million in the financial year under review (DKK 492.8 million). The export share was 90% compared to 91% in 2016/17.

In the annual report for 2016/17, management had expected an increase in revenue of 10-15% in the 2017/18 financial year. After the first six months, management adjusted its expectations upward to growth of the order of 20% in revenue.

Revenue in the fourth quarter was DKK 149.3 million (DKK 125.5 million), an increase of 19%.

Management is of the opinion that demand on the European, Asian and American markets has been increasing slightly.

REVENUE BY YEAR



The revenue development is a result of growth within all business units and in all geographical markets except the UK. Screen Solutions, which we acquired in November 2016, continued to realise a decline in revenue compared to last year. This is a result of carrying out planned adjustments to the sales strategy.

High growth rates were, and are, increasingly realised as a result of implementing major customer projects with long and complex time frames.

Revenue in Screen Solutions is expected to be stable in 2018/19 and identified potential is expected to be developed and realised in the years to come, both in the British company and the FurnMaster units.

Rental income in Gabriel Erhvervspark is not included in revenue for the period or in the comparative figures. This is because the activities continue to be accounted for as a discontinuing operation, as the property company has been put up for sale.

Realised growth for the year derives from upholstery fabrics for contract furniture, products and services which belong to the next link in the value chain, e.g. cutting, sewing and upholstering of furniture components, and from the business unit SampleMaster in Europe, which develops and sells sales promotion materials.

The development in revenue from the Group's sale of furniture fabrics remains positive and it contributes as the most important product area to group revenue. Based on continuing investments in sale and development, management expects growth to continue in the area.

As expected, the Group's upholstery business, FurnMaster, enjoyed satisfactory growth rates in 2017/18.

The now well-established upholstery units in Poland and Lithuania contributed considerably to this. Management is regularly considering initiatives to ensure continued growth in these two units by means of focused sales efforts, bigger facilities and staff increases. New and bigger premises have therefore been leased in Lithuania, and this will support the company's growth for a number of years. A similar initiative is contemplated in Poland. In the USA, the first year after establishment proceeded as planned.

The business unit SampleMaster, which develops, produces and sells sales promotion materials, has contributed positively to the Group's growth and is increasingly a central unit in the Group's growth ambitions.

Gabriel's growth strategy of "growing with the largest market participants" ensures that effort is targeted on selected key accounts, all of which are globally leading furniture manufacturers and large-scale consumers of upholstered surfaces. The strategy is working and management regularly examines and takes initiatives which will contribute to continued growth towards the Group's target of at least 15% average revenue growth.

Attention is focused in particular on constantly increasing activities within sales, product development, business development and acquisitions. In addition to increases in resources, continuous productivity improvement is ensured by investing in new tools, business processes etc. The initiatives are organised in the Group's three vertical markets (Asia, America and Europe) with overall coordination through selected group functions.

The Group frequently participates in relevant fairs.

Scandinavia's Stockholm Furniture Fair was held in February 2018, and Europe's biggest contract furniture fair, Orgatec, was held in Cologne, Germany, in October 2018. The Group experienced a positive response from the market's leading furniture manufacturers, designers and product developers at both fairs.

This year also saw record activity at the company's sales offices in Aalborg, Denmark, in Beijing, Shanghai, Guangzhou and Hong Kong in China, in Singapore, in Bangkok, Thailand, in Grand Rapids, USA, in Stockholm, Sweden, in Paris, France, in London, UK, and in Bingen near Frankfurt, Germany.

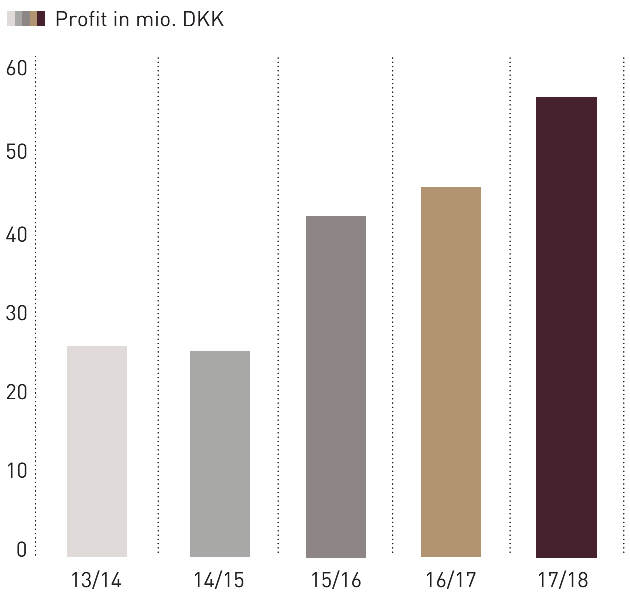
During the year, offices also opened in Barcelona, Spain and in Shenzhen and Chengdu, China.

The Group's earnings, statement of financial position and cash flows

Operating profit (EBIT) from continuing operations was DKK 55.3 million for 2017/18 (compared to DKK 45.9 million last year), an increase of 20.4%. Operating (EBIT) margin was 9.2% (9.3%). EBIT in the fourth quarter was DKK 14.3 million (DKK 13.5 million), an increase of 5.9%.

Profit before tax from continuing operations was DKK 57.0 million (DKK 46.8 million), an increase of 21.8%. In the annual report for the 2016/17 financial year, management had expected an increase of 5-10% in profit before tax. After the first six months of the financial year, this expectation was adjusted upward to an increase in profit before tax of the order of 20%, equivalent to DKK 56.0 million.

PROFIT BEFORE TAX

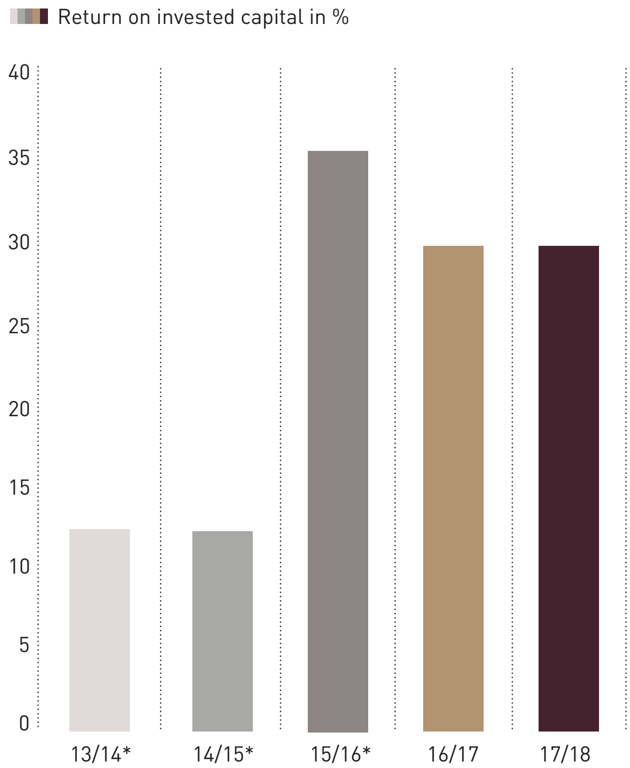


The improvement in profit for the 2017/18 financial year is a result of the positive development in group revenue and of productivity improvements across the Group.

The Group's total profit after tax was DKK 45.2 million (DKK 35.3 million).

Return on invested capital (ROIC) before tax was 28.6% (29.5%).

RETURN ON INVESTED CAPITAL (ROIC) BEFORE TAX



*Comparative figures for 13/14, 14/15 and 15/16 have not been restated to reflect discontinued operations.

Comments on the individual items are given below.

Cost of sales – gross margin

The Group's realised gross margin in 2017/18 was 39.3% (41.4%). The decrease in gross margin is primarily attributable to shifts in the customer and product mix, primarily as a result of an increased revenue share from the Furn-Master business unit.

Wages for the Group's employees in production are included in cost of sales and specified in notes 3 and 5.

Other external costs

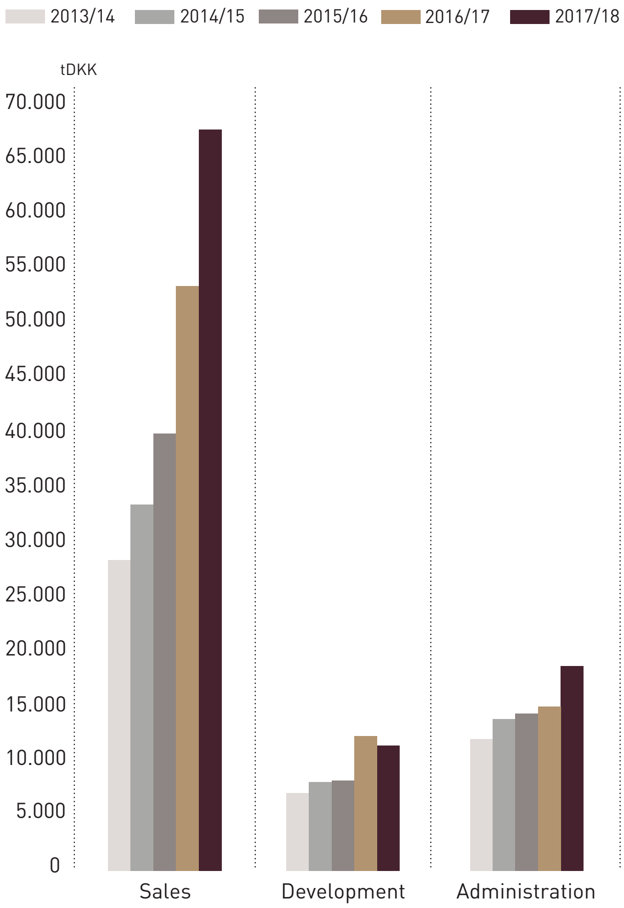
The Group's other external costs increased by 7.4% to DKK 71.5 million (DKK 66.6 million). Approximately one-third of external costs depends on revenue and the increase is thus attributable to the increased level of activity. External costs were also positively affected by productivity improvements in the group.

Staff costs

The Group's staff costs increased by 18.7% to DKK 96.4 million (DKK 81.2 million), primarily as a result of continuing staff increases in sales and the ongoing establishment of the operating company Gabriel North America Inc. in the USA. The Group's staff costs are distributed on administration, sales and development, which accounted for 24%, 66% and 10% respectively in 2017/18.

The average number of employees for the financial year was 517 (296 of whom were in production and 102 in sales/development) compared to 404 (225 in production and 88 in sales/development) in 2016/17. The number of employees in the Group at the end of the 2017/18 financial year was 550 (322 of whom were in production and 137 in sales/development).

DISTRIBUTION OF STAFF COSTS



Depreciation, amortisation and impairment losses

Consolidated depreciation, amortisation and impairment losses in the Group were DKK 15.5 million, compared to DKK 10.9 million last year. The increase in depreciation, amortisation and impairment losses is primarily attributable to write-down of the "ENCOM" project, which was supported by Innovation Fund Denmark. Investments had been made for a number of years in the development of an engineering-grade fabric for use as insulation in the building industry. The project was discontinued in the second quarter of 2017/18 and the effect on the financial statements is net DKK 2.3 million, which is the result of income of DKK 1.8 million in support from the Fund and write-down of the capitalised costs totalling DKK 4.1 million.

Share of profit after tax in joint venture

Profit for the year includes a total share of the profit on the investment in UAB Scandye of DKK 2.5 million (DKK 3.1 million). The small decrease is attributable to general increases in costs in Lithuania and in chemicals and dyes.

Finance income and costs

Finance income and costs show net costs of DKK 0.7 million (DKK 2.2 million). The improvement is primarily a result of foreign exchange rate movements.

Tax on profit for the year

Tax on profit for the year was DKK 12.9 million (DKK 10.7 million). The Group's total tax rate decreased from 22.8% to 22.6% as a result of shifts in shares of profit between Group companies, which are influenced by major differences in tax rates in the countries in question.

Gabriel Ejendomme A/S – Gabriel Erhvervspark

As a consequence of the process began in 2016 to sell off Gabriel Ejendomme A/S, the activity "letting of office facilities" is accounted for as a "discontinued operation", and operating profit, statement of financial position and effect on consolidated cash flows are stated as separate line items under the individual headings.

The 2017/18 profit after tax for Gabriel Ejendomme A/S was DKK 1.0 million, compared to a loss of DKK 0.9 million last year. The business park was almost fully let throughout the year, with stable operating costs compared to last year. Buildings were not depreciated in 2017/18 and a profit of DKK 1.0 million was thus realised for the year.

The LOI entered into in October 2018 will not change the operation of Gabriel Ejendomme A/S next year, as the sale is not expected to be completed until the following financial year at the earliest.

Revenue is expected to be stable in 2018/19 while earnings improvements are planned.

Statement of financial position and cash flows

The consolidated statement of financial position total was DKK 436.1 million, compared to DKK 398.3 million on 30 September 2017.

Intangible assets were unchanged at DKK 53.7 million on 30 September 2018, of which goodwill from the acquisition of Screen Solutions Ltd accounted for the biggest share (DKK 27.0 million).

Property, plant and equipment amounted to DKK 48.5 million on 30 September 2018, compared to DKK 40.8 million in the previous year. The increase is primarily attributable to the acquisition of plant, fixtures and fittings and equipment in connection with capacity expansions in production and the establishment of sales offices.

Other non-current assets were unchanged at DKK 31.4 million on 30 September 2018. Non-current assets thus amounted to DKK 133.7 on 30 September 2018, compared to DKK 124.5 million on 30 September 2017.

The Group is continuously working to improve the proportionate working capital, which is computed as a proportionate share of revenue. In 2018, the Group's net working capital increased from DKK 100.5 million on 30 September 2017 to DKK 135.1 million on 30 September 2018. The net working capital on 30 September 2018 equals 22.6% of revenue for the year, compared to 20.4% on 30 September 2017.

The Group's inventories amounted to DKK 102.2 million on 30 September 2018, compared to DKK 83.9 million on 30 September 2017, an increase of 22%. Receivables increased by 17% to DKK 87.0 million on 30 September 2018 (DKK 74.2 million on 30 September 2017). Prepayments were DKK 3.5 million on 30 September 2018 and cash and cash equivalents fell to DKK 28.0 million (DKK 30.0 million). Current assets were thus DKK 220.7 million on 30 September 2018, compared to DKK 192.4 million on 30 September 2017.

The Group's equity amounted to DKK 251.3 million on 30 September 2018, compared to DKK 221.0 million on 30 September 2017. Non-current liabilities were DKK 13.8 million, compared to DKK 16.9 million on 30 September 2017. Current liabilities were DKK 143.7 million on 30 September 2018, compared to DKK 130.4 million on 30 September 2017. Total liabilities were thus DKK 157.5 million on 30 September 2018, compared to DKK 147.3 million on 30 September 2017. The increase was 7% and primarily attributable to an increase in amounts owed to credit institutions, whereas other payables decreased.

Liabilities relating to assets held for sale (Gabriel Ejendomme A/S) decreased from DKK 30.0 million on 30 September 2017 to DKK 27.2 million on 30 September 2018.

Cash flows from operating activities in the period was positive by DKK 39.7 million, compared to DKK 25.6 million in the same period last year. The increase is primarily attributable to the improved operating profit and a smaller increase in funds tied up in inventories and receivables than last year, despite the increasing level of activity. In addition, the Group's tax payments were on a par with the same period last year.

Total investments in property, plant and equipment were DKK 17.8 million, compared to 13.7 million in the same period last year.

The Group paid dividends of DKK 14.5 million in December 2017, and dividends of DKK 18.0 million are recognised for the 2017/18 financial year.

Product development, business development and innovation

Based on the Group's mission, Gabriel is a niche company which, in the entire value chain from concept to furniture user, develops, manufactures and sells upholstery fabrics, components, upholstered surfaces and related products and services. This places great demands on product development, business development and innovation throughout the value chain.

The Group regularly expands its global efforts within product and business development and innovation with a view to constantly improving the Group's total growth potential. Among the results of business development and innovation are the establishment of the operating company in the USA and the establishment and development of the FurnMaster business units.

Gabriel's product and process innovation system from concept to upholstered product continued to be a high-priority core process in 2017/18. Investments in research and development were DKK 15.0 million (compared to DKK 15.3 million in the previous financial year), equivalent to 3% of revenue. New products and solutions are being developed in coordination with the Group's most important customers. These coordinated initiatives are helping to increase the accuracy of targeting and reduce the time to market of products, solutions and services launched.

Product development and innovation are coordinated centrally but take place in the three operating companies and in all of Gabriel's strategic business units, which collectively support the Group's core process "product and process innovation". The individual units' market potentials are identified, developed and capitalised as the value of a joint coordinated effort is utilised and targeted on the market's leading furniture manufacturers.

For a number of years, the Group has set targets for launching of a substantial number of new fabrics on the world market. In 2017/18, the portfolio of globally competitive fabrics was expanded. Eight new fabrics were thus launched and four existing products updated with a view to securing further growth. FurnMaster, Screen Solutions and SampleMaster realised a major number of new customer acquisitions, many of which were a result of development work.

The DesignMaster business unit in Aalborg and the development department in Beijing regularly perform design-based development and consultancy activities based on customers' and end-users' wishes and needs. This requires a thorough understanding of the market and targeted research based on time to market of 3-18 months.

The Group also works on a number of product innovation tasks with time to market of more than 18 months.

These development projects offer significant – however uncertain – potential earnings. The projects are focused on the development of technical fabrics and related products expected to be used primarily within Gabriel's existing value chain.

Targeted communication of Gabriel's innovation and development strategy has forged close relationships with selected furniture manufacturers' designers, development teams and decision makers.

Please see www.gabriel.dk, for product news and case studies or to sign up for the Group's newsletters.

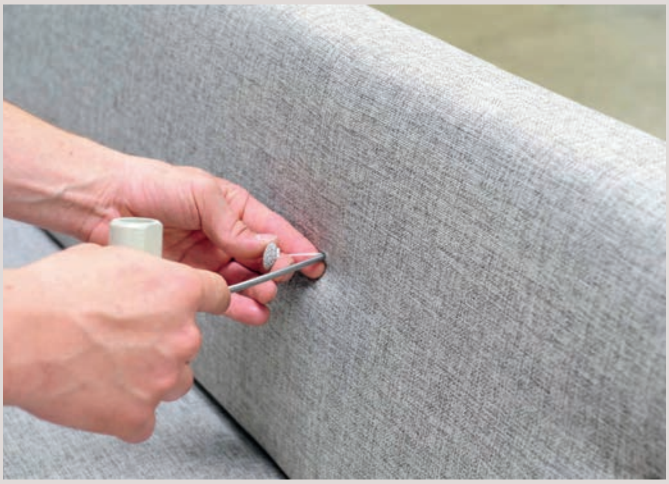
Outlook

The global market for contract furniture is expected to increase slightly in 2018/19. New products within all areas have been well received and momentum is generally good in all business units. We are already prepared for customs tariffs in the USA on goods from China and for Brexit, when completed, and expect to meet any challenges that arise.

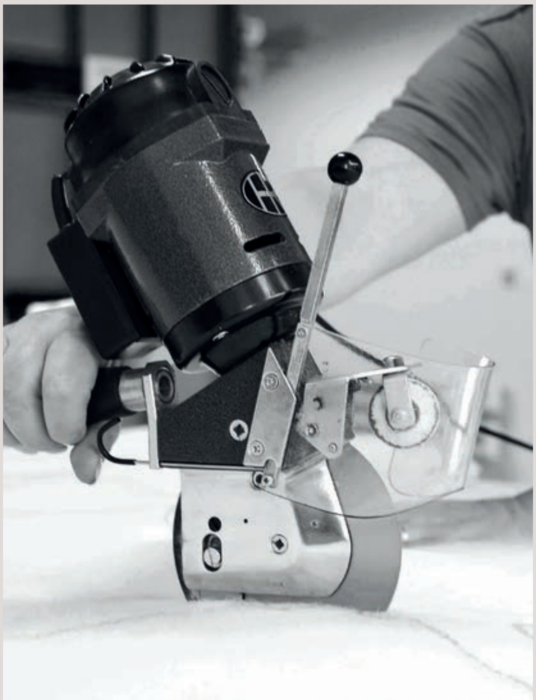
Management is of the opinion that growth is possible in both revenue and earnings. Based on the Group's outreach activities, on its constantly increasing efforts in development and sales initiatives, and on the mildly increasing market, we expect revenue and earnings growth of the order of 10-20%.

Chili

“Sustainable fire resistance…”



"As a one stop supplier, we change the game for our customers by reducing complexity, increasing production efficiency and shortening the value chain."



Special risks

The nature of Gabriel's business area includes a number of commercial and financial risks of importance to the Group's future. Management makes an effort to counter and minimise any risks manageable by the Company's own actions. Gabriel's policy is also not to engage in active speculation in financial instruments. Risk management only covers risks arising directly from the Group's operations, investments and financing.

Competitive situation

Gabriel is a niche company which is primarily concerned with customers and areas of use where product features and design have to meet invariable requirements and where quality and environmental management must be documented. Gabriel is a well-known global brand within its niche. Gabriel's activities are constantly directed towards developing and consolidating a position as the preferred supplier of upholstery fabrics and associated components to strategically selected international contract furniture manufacturers. This is done via consistent development of Blue Ocean products and services within the value chain. The company constantly strives to strengthen its competitiveness via ongoing development of the corporate model, so that Gabriel is in the best possible position to satisfy the market's requirements and structural development.

Customers and markets

Gabriel targets its product development at selected key account customers. 90 % of the company's revenue derives from exports, mainly to European countries, but increasingly also to overseas countries such as the USA and China.

Products

Relying on its corporate model, Gabriel aims at diversifying risks by offering new product solutions throughout a large part of the value chain. This takes place in co-operation with strategically designated key account customers by developing furniture fabrics, components and services for future use.

Raw materials

To accommodate any fluctuations in raw materials prices during the year, Gabriel strives, on the basis of projected future production, to meet its requirements by entering into short-term or long-term supply agreements with the Group's primary suppliers.

Currency risks

The Group hedges currency risks, considering projected future cash flows and projected future exchange rate movements. Sales to customers in Europe are generally invoiced in euros or the customer's currency. Currency risks generated by income are thus limited as most income is invoiced in euros.

The company's most important purchases are settled in Danish kroner, euros or US dollars. To ensure an optimum interest rate level and to match financing in euros, the Group has raised a mortgage loan and entered into lease agreements denominated in euros. Bank financing is in the form of open credits denominated in euros or Danish kroner.

Please see note 24 for a more detailed description of currency risks.

Interest rate risks

The Group's bank debt is an open floating-rate operating credit, while the mortgage loan in Gabriel Ejendomme A/S is an adjustable-rate loan denominated in euros and subject to adjustment every five years. The bond portfolio consists primarily of short-dated bonds denominated in Danish kroner, adjusting interest to the general societal interest level. Group financial receivables carry a contractual fixed interest rate throughout their lifetime.

Please see note 24 for a more detailed description of interest rate risks.

Credit risks

In line with Group credit risk policy, all major customers and other business partners are regularly credit-rated. Credit risk management is based on internal credit lines for customers. Group trade receivables are distributed across numerous customers, countries and markets, ensuring a high degree of risk diversification. Gabriel has been provided with collateral in production equipment leased out to business partners.

Financial resources

The Group regularly assesses the need for adjusting its capital structure to weigh the required higher return on equity against the degree of uncertainty surrounding external financing. The Group continues to have an undrawn line of credit with its bank and the possibility of increasing it if necessary. The Group is thus judged to have adequate liquidity to ensure the ongoing financing of future operations and investments.

Places of business

The Group performs its activities in China and other places. The performance of activities in China involves risks which are not normally present on European and American markets. Tax and other legislation is characterised by frequent changes which can result in risks. The Group is seeking to minimise these risks via regular contact with its partners and use of local advisers.

Insurance
Gabriel's policy is to take out insurance against risks of material importance to the financial position of the Group. Insurance has thus been taken out against operating losses and product liability etc. The company has also taken out all-risk insurance covering the Group's property, plant and equipment and inventories in Denmark and abroad.

Environmental risks
Certifications for the Environmental Management Standard ISO 14001, the EU Ecolabel scheme, Cradle to Cradle, Oeko-Tex and the Quality Management Standard ISO 9001 ensure that neither the activities nor the company's products are associated with any significant environmental risks. The objectives of Gabriel's environmental policy are to prevent spillage/accidents and to ensure that the company's products do not contain any substances which are hazardous to health.

IT risks
The Group has chosen to outsource the operation of its IT platform to external service partners, ensuring regular updating of security systems and minimising the risk of a major operational breakdown.

Trade risks
The majority of raw materials, semi-finished products and finished goods used by Gabriel are available from alternative suppliers in the event of non-delivery by the usual suppliers.

Contingency plans
In accordance with its quality and environmental management systems, Gabriel continuously develops its contingency plans and communicates these to its staff. Gabriel holds regular first aid and firefighting courses, and all areas have prepared an operational contingency plan in case of spillage/accidents.

"Our solutions solve the complex challenges of today's work spaces and increase comfort, privacy and productivity in all types of interiors."

Corporate Governance

Statement on corporate governance

Nasdaq Copenhagen A/S has adopted a set of corporate governance recommendations, most recently revised in November 2017. The recent updates enter into force for companies with financial years beginning on or after 1 January 2018. This statement is therefore subject to the recommendations of the version published in November 2014. The recommendations on corporate governance can be obtained from the Committee on Corporate Governance's website, www.corporategovernance.dk.

Companies must follow these recommendations and, in particular, provide explanations where their practice deviates from the recommendations. Management believes that Gabriel essentially complies with the recommendations on corporate governance. On the "comply or explain" principle, it is a matter for the company itself to assess whether the recommendations are followed, or, where this is not appropriate or desirable, to explain.

Gabriel Holding A/S has prepared the statutory statement on corporate governance for the 2017/18 financial year as per section 107b of the Danish Financial Statements Act. The statement is available on the Group's website www.gabriel.dk/en/investor/Corporate-Governance.

The statement covers the company's work relating to the recommendations on corporate governance. It describes the main elements in the Group's internal control and risk management system in connection with the presentation of the accounts, and it presents the Group's top organs of management and their composition. The individual recommendations and whether Gabriel complies with them are detailed on the Group's website (see the link above).

Statement on corporate social responsibility

Social responsibility is a part of Gabriel's business strategy, and the Group has always given top priority to the desire to act responsibly towards customers, staff, business connections and the external environment. Gabriel has prepared its statutory statement on social responsibility for the 2017/18 financial year in accordance with Section 99a of the Danish Financial Statements Act. The statement can be viewed or downloaded at www.gabriel.dk/en/investor/reports/csr-and-enviromental-reports.

Gabriel is a global company producing furniture fabrics etc. in several countries. Suppliers from Europe and China are used and the products are exported to countries all over the world. Gabriel is focused on developing its core business and meeting the strategic challenges in an economical and socially responsible way. CSR work has always had the management's attention and forms a natural part of the work of all employees in the Group.

CSR plays a central role for Gabriel and means taking responsibility for adding value which contributes to positive development in society. Gabriel endorses the principles in the UN Global Compact and focuses on the following areas:

- Gabriel's products and services are developed and manufactured with consideration for the safety and health of users. In the production process, Gabriel must minimise environmental impacts and respect animal welfare.
- A good working environment is ensured throughout the supply chain, and country-specific laws and Gabriel's own requirements are complied with. These requirements comprise specific technical specifications and matters specified in Gabriel's Code of Conduct.
- Continuous skills and job development for all employees are accorded a high priority.
- Gabriel wants to support students by providing practical training, and the company participates in training projects which benefit both the students and the company.
- Gabriel communicates the company's CSR activities openly and supports the propagation of CSR as a managerial activity.

Gender balance

Gabriel believes in diversity among its employees. Specifically, it believes that an approximately equal distribution of the sexes contributes to a positive working environment and strengthens the Group's performance and competitiveness.

The Gabriel Group reassessed its targets for the under-represented sex in 2018 and will continue to work on increasing the number of female managers. It was decided to maintain the specific targets for the Board of Directors and Executive Board in future. The target for the share of the under-represented sex on the Board of Directors is thus 25% (the target was met for 2017/18), and the target for the Executive Board is 30% (the share of the under-represented sex on the Executive Board is currently 0). The target for middle management was increased from 30% to 40% (it is currently 35%), but the Board of Directors' overall policy remains to choose candidates for vacant positions on the basis of the candidate's expertise rather than gender.

The statutory statement on gender balance in accordance with section 99b of the Danish Financial Statements Act is available at www.gabriel.dk/en/investor/Corporate-Governance.

The Board of Directors and the Executive Board regularly evaluate the expertise required and, for the purpose of meeting the goal of more female managers, the group will launch a number of initiatives to facilitate the development of female managers. The Board of Directors and the Executive Board believe that targets of 30% for the Executive Board and 40% for middle management are ambitious but realistic. The Board of Directors and the Executive Board will make an active effort to increase the number of women nominated as candidates for directorships and executive positions in the future.

The Gabriel Group's staff turnover is relatively low, and the turnover in both executives and other managerial positions in the Group was limited, which naturally impedes progression. The Group is making a targeted effort to develop career opportunities etc. as a way of attracting a higher number of qualified female candidates, and placing emphasis on internal initiatives to retain and develop female talent.

Soul Melange

“Wonderful wool...”

Harmony

Shareholder information

Share capital

Gabriel Holding A/S's share capital consists of 1,890,000 shares of par value DKK 20 each. Gabriel has one share class, and no shares have been given special rights. All shares are freely negotiable securities. Gabriel Holding A/S is listed on Nasdaq Copenhagen A/S under the ticker symbol GABR and the ID code DK0060124691. The share is included on the Small Cap Index.

Gabriel Holding is attempting to maintain a satisfactory level of information for investors and analysts so that the share price does not become subject to sudden movements, but always reflects the company's expected development.

The following shareholders own shares conferring a minimum of 5% of the voting rights pertaining to the share capital, or shares with a minimum nominal value of 5% of the share capital:

Katt Holding ApS, Højbjerg
Matlau Holding ApS, Skanderborg
Marlin Holding ApS, Malling
Fulden Holding ApS, Beder
Chr. Augustinus Fabrikker A/S, Copenhagen
GAB Invest ApS, Aalborg
Poul H. Lauritsen Holding ApS, Højbjerg

The company's annual general meeting on 15 December 2015 authorised the Board of Directors to continue acquiring the company's treasury shares up to a total nominal value of DKK 7.7 million, the equivalent of 20% of its share capital, against a fee which corresponds to the buy price listed on the stock exchange at the time of acquisition, plus or minus a margin of 10%. The authorisation is valid for five years from the date of the general meeting.

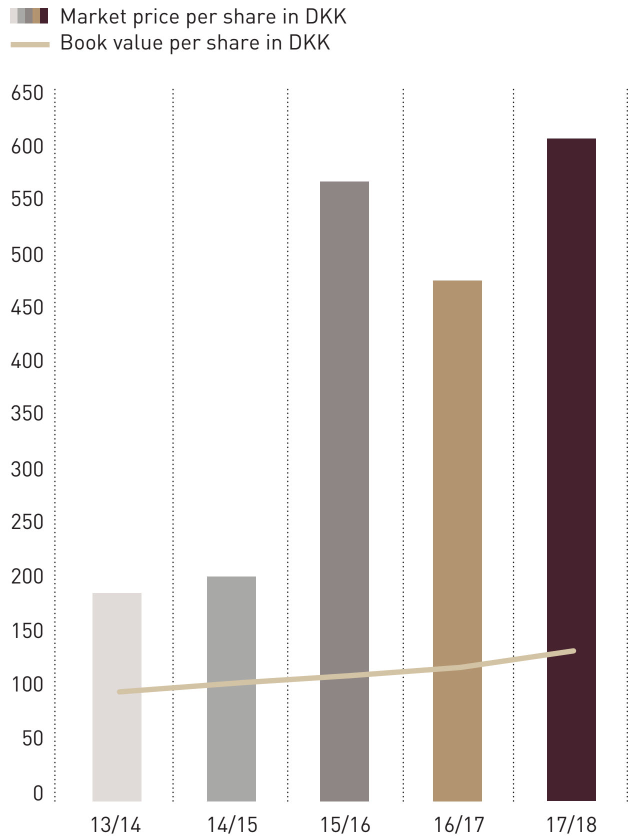
Share price trend

The 2017/18 financial year opened with a share price of 475 and closed on 30 September 2018 with a price of 608. Total market capitalisation of the company's shares was DKK 1,153 million on 30 September 2018.

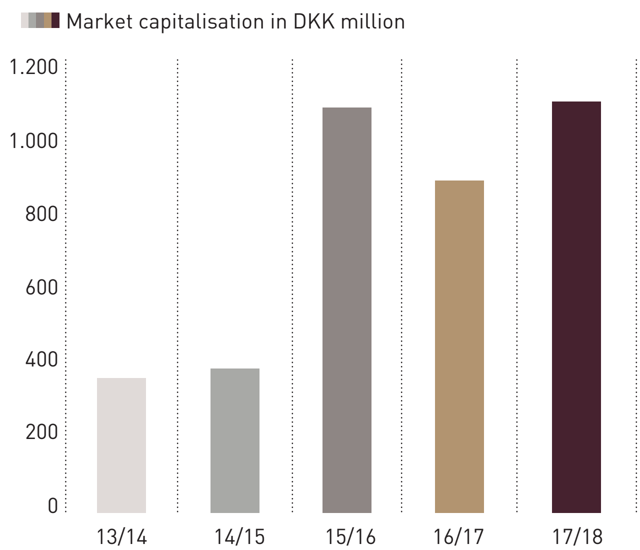
Capital management

The Group regularly assesses the need to adjust its capital structure to balance the requirement for a higher return on equity against the greater uncertainty surrounding external financing. A high equity ratio has always been a top priority of Gabriel's management in order to maximise room for manoeuvre in all situations. The Group's equity ratio was 57.6% on 30 September 2018, which is on a par with the same date last year. There is a continuing focus on regular reduction of the Group's working capital.

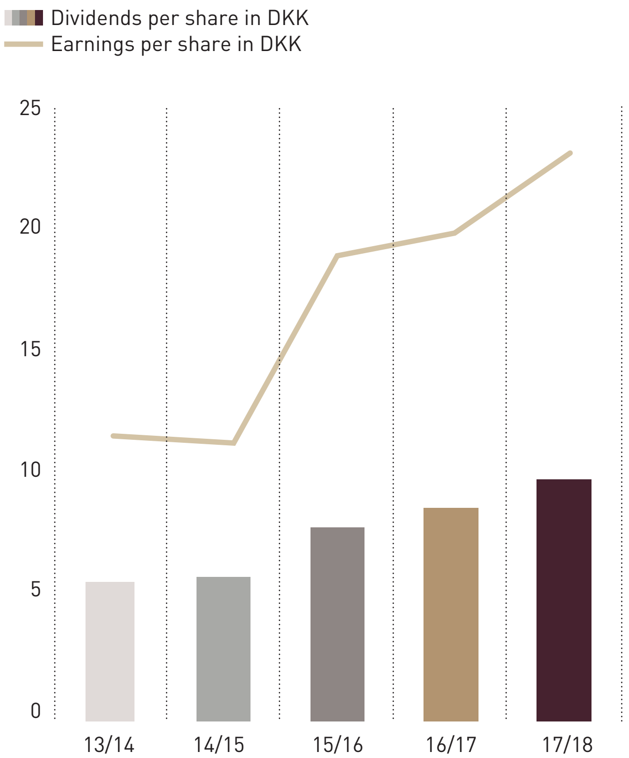
PRICE/BOOK VALUE



MARKET CAPITALISATION END OF YEAR



SHARE DIVIDENDS AND EARNINGS PER SHARE



The Group aims at providing its shareholders with a regular return on their investments, while maintaining an appropriate equity level to ensure the company's future development. The Board of Directors proposes that a dividend of DKK 9.5 per share be distributed for 2017/18, equivalent to total dividends of DKK 18.0 million. The dividend amounts to 7.2% of equity and 39.7% of profit for the year after tax paid for the Group.

Against this background, the present capital resources are deemed adequate in the present economic climate.

Financial calendar 2018/19

15.11.18 Annual report 2017/18
13.12.18 Annual general meeting
18.12.18 Distribution of dividends
07.02.19 Q1 report 2018/19
09.05.19 Interim report H1 2018/19
22.08.19 Q3 report 2018/19
14.11.19 Annual report 2018/19
12.12.19 Annual general meeting

Company announcements 2017/18

16.11.17 Annual report 2016/17: "Gabriel Holding A/S delivers record financial results with 26% revenue growth and a 10% increase in profit before tax."
21.11.17 Notice of annual general meeting of Gabriel Holding A/S
15.12.17 Minutes of the annual general meeting of Gabriel Holding A/S
01.02.18 Interim report Q1 2017/18: "Gabriel Holding A/S is delivering solid growth in both revenue and profit."
12.03.18 "Gabriel Holding A/S signs Letter of Intent concerning sale of Gabriel Ejendomme A/S subsidiary."
08.05.18 Interim report, H1 2017/18: "Gabriel Holding A/S realises growth of 21% in revenue and an increase of 18% in profit before tax. Management is upwardly adjusting its expectations for revenue and earnings for the full financial year."
23.08.18 Interim report, Q3 2017/18: "Gabriel Holding A/S achieves 22% revenue growth and a 24% increase in profit before tax. Expectations for the financial year are clarified."
24.09.18 "Gabriel Holding A/S upwardly adjusts its expectations for the 01.10.2017 to 30.09.2018 financial year."
04.10.18 "Gabriel A/S has today entered into a conditional agreement on acquisition of the share capital in the fabric manufacturer UAB Baltijos Tekstilė in Lithuania."
12.10.18 "Gabriel Holding A/S signs Letter of Intent concerning sale of Gabriel Ejendomme A/S subsidiary."

Investor Relations

Gabriel Holding A/S endeavours to maintain a satisfactory and uniform level of information for investors and analysts, so that the share price records steady progress and always reflects the company's expected development.

Gabriel's website www.gabriel.dk is the stakeholders' primary source of information. It is regularly updated with new and relevant information on Gabriel's profile, activities, industry and results.

Investor relations contact:
Anders Hedegaard Petersen, CEO
Phone: +45 9630 3100

Annual general meeting

The annual general meeting will be held at the company's office in Aalborg at 2:00 p.m. on Thursday, 13 December 2018.

Company information

Board of Directors

Jørgen Kjær Jacobsen,
General Manager
Chairman (age 66)
Joined the Board of Directors in 2010 (D)

Executive positions
Raskier A/S
Raskier Ejendomme ApS

Directorships
Roblon A/S (CM)
Nordjyske Holding A/S (CM)
MEDF Holding A/S (CM)
Egebjerggaard A/S
BKI Foods A/S
Raskier A/S
Raskier Ejendomme ApS

Commercial foundations
Mads Eg Damgaards Familiefond (CM)
Aalborg Stiftstidendes Fond (CM)

Hans Olesen Damgaard,
Group Chief Executive
Vice-Chairman (age 53)
Joined the Board of Directors in 2015 (I)

Executive positions
Stibo A/S

Directorships
LIFA A/S (VC)
Manini & Co. Holding A/S
Thygesen Textile Solutions A/S
egetæpper A/S (VC)
Inspari A/S

Søren Brahm Lauritsen,
General Manager
(age 51)
Joined the Board of Directors in 2010 (D)

Executive positions
ONE Marketing A/S
ONE Prediction A/S

Directorships
ONE Marketing A/S (CM)
ONE Prediction A/S
GAB Invest ApS

Pernille Fabricius,
CEO
Chair of the audit committee
(age 52)
Joined the Board of Directors in 2016 (I)

Executive positions
John Guest, London

Directorships
Netcompany
MT Højgaard
MT Højgaard Holding
Royal Greenland A/S

Quinten Xerxes van Dalm,
Sales Supporter
Elected by the employees
(age 46)
Joined the Board of Directors in 2010

Simon Sønderby Nielsen,
Project Manager Acoustics
Elected by the employees
(age 37)
Joined the Board of Directors in 2014

D = Dependent member I = Independent member CM = Chairman VC = Vice-chairman

Executive Board

Anders Hedegaard Petersen,
CEO
(age 42)
Employed in 2004
CEO since 2011

External executive positions
KAAN ApS

Directorships
GAB Invest ApS (CM)
Dansk Fashion & Textile (VC)

Claus Møller,
CCO
(age 52)
Employed in 2010

Executive positions
GAB Invest ApS

Directorships
Food Solutions ApS (CM)
ShopConcept A/S
GAB Invest ApS

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today discussed and approved the 2017/18 annual report of Gabriel Holding A/S.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 30 September 2018 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 October 2017 – 30 September 2018.

Further, in our opinion, the Management Commentary gives a fair review of the development in the Group's and the parent company's activities and financial matters, of the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Group and the parent company face.

We recommend that the annual report be adopted at the annual general meeting.

Aalborg, 15 November 2018

Executive Board

Anders Hedegaard Petersen
CEO

Claus Møller
CCO

Board of Directors

Jørgen Kjær Jacobsen
Chairman

Hans Olesen Damgaard
Vice-Chairman

Søren Brahm Lauritsen

Pernille Fabricius
Chairman of the audit committee

Quinten van Dalm
Employee representative

Simon Sønderby Nielsen
Employee representative

Noma

"The sustainable choice..."

Felicity

Cura

Independent auditor's report

To the shareholders of Gabriel Holding A/S

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 30 September 2018 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 October 2017 – 30 September 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the audit committee and the Board of Directors.

What we have audited

The consolidated financial statements and the parent company financial statements of Gabriel Holding A/S for the financial year 1 October 2017 – 30 September 2018. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and notes, including accounting policies for the Group as well as for the parent company (the "financial statements"). The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing 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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and have fulfilled our other ethical responsibilities in accordance with these requirements.

We declare that, to the best of our knowledge, the prohibited non-audit services referred to in Article 5(1) of Regulation (EU) 537/2014 were not provided and that we remained independent in conducting the audit.

Appointment as auditor

We were appointed auditors of Gabriel Holding A/S for the first time on 11 December 2014 for the 2014/15 financial year. We have been re-appointed annually by motion passed by the general meeting for a total consecutive engagement of four years up to and including the 2017/18 financial year.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the 2017/18 financial year. We addressed these matters while forming our opinion of the financial statements as a whole in the context of our audit, and do not provide a separate opinion on these key audit matters.

Valuation of goodwill

Goodwill relating to the purchase of Screen Solutions was considered significant to the consolidated financial statements.

In preparing the impairment test of goodwill, management has made a number of assumptions about expected future cash flows and the applied discount rate.

Given the uncertainty of estimates related to the valuation of goodwill, this has been a focal point in our audit.

Please refer to note 10 to the consolidated financial statements for a description of the impairment test for goodwill, and note 28 concerning accounting estimates and judgments.

How our audit addressed the valuation of goodwill

For the purpose of our audit, the procedures we carried out included the following:

- We have checked that the valuation model used to carry out the impairment test of goodwill was appropriate and in accordance with the requirements of IAS 36.
- We have assessed whether the assumptions used in the impairment test were reasonable, in particular the development in revenue and earnings and the discount rate, and we compared revenue expectations with the prepared business case and the approved 2018/19 budget for Screen Solutions. In our assessment of the reasonableness of the revenue expectations, we have focused in particular on how earnings are generated from Screen Solutions' products in the different units in the Gabriel Group and how services etc. are settled between units.
- We have assessed the sensitivity of the individual assumptions and compared them to realised results, market expectations, order book and projects in the sales pipeline.
- Furthermore, we have gone through the related note disclosures and assessed whether the impairment test has been appropriately accounted for.

Assets held for sale/discontinued operation

The property in Aalborg was put on the market in the 2015/16 financial year and has subsequently been accounted for as a discontinued operation in the consolidated financial statements.

The property has not yet been sold, but an active sales process at the end of the 2017/18 financial year led to the signing, in October 2018, of a Letter of Intent (LOI) for sale of the property. The buyer has made it a condition that permission should be granted for the building of homes under an approved local plan. This means that final transfer of the property is not expected to take place until later than 12 months after the date of the statement of financial position. Management has therefore assessed whether the criteria for maintaining this special classification are met. This assessment includes whether a firm purchase commitment exists, whether the buyer has imposed an unexpected condition for completion of the sale which means that the sale will be effected later than one year after the statement of financial position date, whether the necessary action has been taken to address the condition in question and whether the condition is expected to be met.

The classification of the property in Aalborg as an asset held for sale/discontinued operation is a key audit matter, because a change in classification will result in a significantly different presentation and accounting treatment of the property activity in the consolidated financial statements.

Please refer to note 23 to the consolidated financial statements for a description of assets held for sale and discontinued operations, note 28 for accounting estimates and judgments and note 30 for the Group's accounting policies for assets held for sale.

How our audit addressed assets held for sale/discontinued operation

We have analysed and challenged the management's judgment and basis for classifying the property activity as an asset held for sale/discontinued operation, including whether the criteria for maintaining the classification are met.

For the purpose of assessing whether the criteria are met, we have gone through the negotiation process and the LOI entered into regarding the sale of the property. We have focused on whether a firm purchase commitment has been entered into and whether the conditions imposed for effecting the sale are unexpected and beyond Gabriel's control. We have further assessed whether the conditions of the LOI concerning the lease to be entered into mean that the lease subsequently should be accounted for as a discontinued operation in the finance lease, based on the criteria in IAS 17 – Leases.

We have read note 23 to the consolidated financial statements and assessed whether the disclosure requirements for assets held for sale and discontinued operations are met.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assured conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we consider whether the management commentary includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our opinion, the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in the management commentary.

Management's responsibility for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, with the additional requirements in the Danish Financial Statements Act,

and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 one exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material mis-statement of the financial statements, whether due to fraud or error. We 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 mis-statement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the overriding 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 company's internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements 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 the 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 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, and other matters.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aalborg, 15 November 2018

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25578198

Jon Beck
State Authorised Public Accountant
MNE32169

Steffen S. Hansen
State Authorised Public Accountant
MNE32737


We fell truly, madly, deeply in love
ARNE JACOBSEN
THE TONGUE

“From fibres and fabrics, product
development and production,
to sales and promotion solutions,
we invite you to pick and choose.”

Income statement

for the year 01.10.2017 - 30.09.2018

		CONSOLIDATED		PARENT COMPANY	
Note	tDKK	**2017/18**	2016/17	**2017/18**	2016/17
1	**Net revenue**	**598,709**	492,828	**9,000**	7,800
2	Other operating income	**3,725**	794	**-**	-
3	Cost of sales	**-363,624**	-288,775	**-**	-
4	Other external costs	**-71,536**	-66,647	**-1,990**	-1,919
5	Staff costs	**-96,436**	-81,176	**-12,420**	-11,482
2	Other operating costs	**-49**	-195	**-**	-
10/11	Depreciation/amortisation and impairment losses on intangible assets and property, plant and equipment	**-15,523**	-10,940	**-125**	-125
	Operating profit (EBIT)/loss from continuing operations	**55,266**	45,889	**-5,535**	-5,726
13	Share of profit after tax in joint venture	**2,489**	3,087	**-**	-
6	Finance income	**1,247**	347	**20,567**	14,911
7	Finance costs	**-1,961**	-2,528	**-2,027**	-2,634
	Profit before tax from continuing operations	**57,041**	46,795	**13,005**	6,551
8	Tax on profit for the year from continuing operations	**-12,864**	-10,664	**1,096**	997
	Profit for the year from continuing operations	**44,177**	36,131	**14,101**	7,548
23	Profit for the year after tax from discontinued operations	**1,002**	-877	**-**	-
	Profit for the year	**45,179**	35,254	**14,101**	7,548
9	**Earnings per share (DKK):**				
	Earnings per share (EPS) for continuing and discontinued operations, basic	**23.9**	18.7		
	Earnings per share (EPS-D) for continuing and discontinued operations, diluted	**23.9**	18.7		
	Earnings per share (EPS) for continuing operations, basic	**23.4**	19.1		
	Earnings per share (EPS-D) for continuing operations, diluted	**23.4**	19.1		

Statement of comprehensive income

for the year 01.10.2017 - 30.09.2018

Note	tDKK	CONSOLIDATED 2017/18	CONSOLIDATED 2016/17	PARENT COMPANY 2017/18	PARENT COMPANY 2016/17
	Profit for the year	**45,179**	35,254	**14,101**	7,548
	Other comprehensive income:				
	Exchange rate adjustment on translation of foreign entities	**-345**	-2,378	**-**	-
	Tax on other comprehensive income	**-71**	260	**-**	-
	Other comprehensive income after tax	**-416**	-2,118	**-**	-
	Total comprehensive income	**44,763**	33,136	**14,101**	7,548

Statement of financial position

Assets at 30.09.2018

		CONSOLIDATED		PARENT COMPANY	
Note	tDKK	**2017/18**	2016/17	**2017/18**	2016/17
	Non-current assets				
10	Intangible assets:				
	Goodwill	**27,049**	27,167	**-**	-
	Acquired product technology assets	**5,910**	6,670	**-**	-
	Development projects in progress	**8,017**	10,050	**-**	-
	Completed development projects	**6,579**	6,245	**-**	-
	Software	**6,170**	3,526	**-**	-
		53,725	53,658	**-**	-
11	Property, plant and equipment:				
	Land and buildings	**12,450**	12,394	**-**	-
	Leasehold improvements	**6,476**	3,883	**-**	-
	Plant, fixtures and fittings and equipment	**29,594**	24,555	**550**	675
		48,520	40,832	**550**	675
	Other non-current assets:				
12	Investments in subsidiaries	**-**	-	**37,862**	68,794
12	Amounts owed by subsidiaries	**-**	-	**14,998**	11,898
13	Investments in joint venture	**29,137**	28,114	**-**	-
14	Amounts owed by joint venture	**0**	178	**-**	-
19	Deferred tax assets	**2,301**	1,723	**-**	-
		31,438	30,015	**52,860**	80,692
	Total non-current assets	**133,683**	124,505	**53,410**	81,367
	Current assets				
15	Inventories	**102,241**	83,903	**-**	-
16	Receivables	**87,032**	74,189	**37,619**	32,939
	Prepayments	**3,468**	4,294	**55**	54
26	Cash and cash equivalents	**27,978**	29,992	**0**	118
	Total current assets	**220,719**	192,378	**37,674**	33,111
23	**Assets held for sale**	**81,698**	81,426	**30,932**	-
	Total assets	**436,100**	398,309	**122,016**	114,478

Statement of financial position

Equity and liabilities at 30.09.2018

		CONSOLIDATED		PARENT COMPANY	
Note	tDKK	**2017/18**	2016/17	**2017/18**	2016/17
	Equity				
18	Share capital	**37,800**	37,800	**37,800**	37,800
	Translation reserve	**-1,723**	-1,307	**-**	-
	Retained earnings	**197,300**	170,076	**27,345**	31,199
	Proposed dividends	**17,955**	14,459	**17,955**	14,459
	Total equity	**251,332**	221,028	**83,100**	83,458
	Liabilities				
	Non-current liabilities				
19	Deferred tax	**5,838**	6,436	**21**	21
20	Credit institutions	**6,441**	7,236	**-**	-
20	Lease liabilities	**1,540**	3,224	**-**	453
	Total non-current liabilities	**13,819**	16,896	**21**	474
	Current liabilities				
20	Credit institutions	**73,823**	60,163	**211**	-
20	Lease liabilities	**2,140**	1,146	**453**	128
	Amounts owed to subsidiaries	**-**	-	**32,003**	26,364
	Trade payables	**33,609**	27,388	**57**	113
	Amounts owed to joint venture	**1,065**	1,489	**-**	-
	Corporation tax	**10,089**	7,146	**-**	-
	Other payables	**22,878**	31,797	**6,171**	3,941
	Deferred income	**105**	1,227	**-**	-
	Total current liabilities	**143,709**	130,356	**38,895**	30,546
	Total liabilities	**157,528**	147,252	**38,916**	31,020
23	**Liabilities related to assets held for sale**	**27,240**	30,029	**-**	-
	Total equity and liabilities	**436,100**	398,309	**122,016**	114,478

Statement of changes in equity

	CONSOLIDATED				
tDKK	Share capital	Translation reserve	Retained earnings	Proposed dividends	Total equity
2017/18					
Equity 01.10.17	37,800	-1,307	170,076	14,459	221,028
Comprehensive income for the year					
Profit 2017/18	-	-	27,224	17,955	45,179
Other comprehensive income					
Exchange rate adjustment on translation of foreign entities	-	-345	-	-	-345
Tax on other comprehensive income	-	-71	-	-	-71
Total other comprehensive income	-	-416	-	-	-416
Total comprehensive income	**-**	**-416**	**27,224**	**17,955**	**44,763**
Transactions with shareholders					
Distributed dividends	-	-	-	-14,459	-14,459
Total transactions with shareholders	**-**	**-**	**-**	**-14,459**	**-14,459**
Equity 30.09.18	37,800	-1,723	197,300	17,955	251,332
2016/17					
Equity 01.10.16	37,800	811	149,281	13,703	201,595
Comprehensive income for the year					
Profit 2016/17	-	-	20,795	14,459	35,254
Other comprehensive income					
Exchange rate adjustment on translation of foreign entities	-	-2,378	-	-	-2,378
Tax on other comprehensive income	-	260	-	-	260
Total other comprehensive income	**-**	**-2,118**	**-**	**-**	**-2,118**
Total comprehensive income	**-**	**-2,118**	**20,795**	**14,459**	**33,136**
Transactions with shareholders					
Distributed dividends	-	-	-	-13,703	-13,703
Total transactions with shareholders	**-**	**-**	**-**	**-13,703**	**-13,703**
Equity 30.09.17	37,800	-1,307	170,076	14,459	221,028

	PARENT COMPANY			
tDKK	Share capital	Retained earnings	Proposed dividends	Total equity
2017/18				
Equity 01.10.17	37,800	31,199	14,459	83,458
Comprehensive income for the year				
Profit 2017/18	-	-3,854	17,955	14,101
Total comprehensive income	**-**	**-3,854**	**17,955**	**14,101**
Comprehensive income with shareholders				
Distributed dividends	-	-	-14,459	-14,459
Equity 30.09.18	**37,800**	**27,345**	**17,955**	**83,100**
2016/17				
Equity 01.10.16	37,800	38,110	13,703	89,613
Comprehensive income for the year				
Profit 2016/17	-	-6,911	14,459	7,548
Total comprehensive income	**-**	**-6,911**	**14,459**	**7,548**
Comprehensive income with shareholders				
Distributed dividends	-	-	-13,703	-13,703
Equity 30.09.17	**37,800**	**31,199**	**14,459**	**83,458**

Cash flow statement

Note	tDKK	CONSOLIDATED 2017/18	CONSOLIDATED 2016/17	PARENT COMPANY 2017/18	PARENT COMPANY 2016/17
	Cash flows from operating activities				
	Profit before tax from continuing operations	**57,041**	46,795	**13,005**	6,551
	Dividends from joint venture	**1,467**	4,765	**-**	-
	Adjustment for non-cash items:				
	Depreciation, amortisation and impairment losses	**15,523**	10,940	**125**	125
	Impairment of investments in subsidiaries	**-**	-	**2,000**	2,500
	Gains and losses on the disposal of non-current assets	**129**	182	**-**	-
	Share of profit after tax in joint venture	**-2,489**	-3,087	**-**	-
	Cash generated from operations before changes in working capital and tax	**71,671**	59,595	**15,130**	9,176
	Changes in inventories	**-16,218**	-17,487	**-**	-
	Changes in receivables	**-11,693**	-14,465	**2,325**	5,128
	Changes in trade and other payables	**7,135**	7,635	**2,151**	2,376
	Net payment of corporation tax	**-11,223**	-9,632	**-3,349**	-349
		39,672	25,646	**16,257**	16,331
	Cash flows from investing activities				
22	Purchase of subsidiary	**-11,394**	-28,195	**-**	-
	Addition of intangible assets	**-9,196**	-7,303	**-**	-
	Addition of property, plant and equipment	**-17,838**	-13,693	**-**	-
	Disposal of property, plant and equipment	**988**	798	**-**	-
	Capital contribution subsidiary	**-**	-	**-2,000**	-2,500
	Instalment received from joint venture	**174**	1,123	**-**	-
		-37,266	-47,270	**-2,000**	-2,500
21	**Cash flows from financing activities**				
	External financing:				
	Increase in credit facility	**7,500**	35,000	**-**	-
	Repayment of debt to credit institutions	**-2,422**	-2,672	**-127**	-125
	Lease liability	**939**	1,921	**-**	-
	Shareholders:				
	Dividends distributed	**-14,459**	-13,703	**-14,459**	-13,703
		-8,442	20,546	**-14,586**	-13,828
23	**Cash flows from discontinued operations:**	**-2,060**	-3,816	**-**	-
	Changes for the year in cash and cash equivalents	**-8,096**	-4,894	**-329**	3
	Opening bank loans/cash and cash equivalents	**5,609**	19,324	**118**	115
	Addition on purchase of subsidiary	**-**	-8,046	**-**	-
	Value adjustment of bank loans/cash and cash equivalents	**-76**	-775	**-**	-
	Closing bank loans/cash and cash equivalents	**-2,563**	5,609	**-211**	118
	Composed of:				
	Cash and cash equivalents	**27,978**	29,992	**-**	118
	Drawing on bank credit facilities	**-30,541**	-24,383	**-211**	-
		-2,563	5,609	**-211**	118

Notes to the financial statements

Note

Notes
to the financial statements

1 **Segment information**

The Gabriel Group is accountable for two business segments:

Fabrics, where all products concern furniture fabrics and related textile products. The products are sold to selected leading international manufacturers and key account customers specialising in upholstered furniture, seats and upholstered surfaces. The majority of the activity is carried out by Gabriel A/S. The products for the individual business areas go through substantially the same production process, and the sales divisions have the same type of customers. In addition, the product distribution channels are the same.

Letting of office facilities by Gabriel Ejendomme A/S, which lets office premises in Gabriel Erhvervspark in Aalborg. The office letting segment was put up for sale in March 2016 and is treated in accordance with the rules applying to "Assets held for sale". Therefore the operating profit, statement of financial position and effect on consolidated cash flow are stated separately under the individual item headings (see also note 23 Assets held for sale).

Separate information is not provided on the fabrics segment, and reference is made to the income, comprehensive income, financial position and cash flow statements which, as stated above, only cover the fabrics segment.

Geographical information

Geographical information specifies revenue by geographical segment, based on the geographical location of the customers.

Revenue and non-current assets except financial assets etc. are distributed across markets as follows:

	CONSOLIDATED			
	Revenue		Non-current assets	
tDKK	**2017/18**	2016/17	**2017/18**	2016/17
Denmark	**58,638**	43,672	**25,943**	23,899
Germany	**139,948**	100,893	**1,605**	1,253
Other European countries	**312,664**	280,054	**69,281**	64,257
USA	**45,954**	33,957	**4,343**	4,062
Asia	**41,505**	34,252	**1,073**	1,019
	598,709	492,828	**102,245**	94,490

2 **Other operating income**

Sales of services etc.	**1,238**	630	**-**	-
Gain on the disposal of non-current assets	**340**	15	**-**	-
Other income	**2,147**	149	**-**	-
	3,725	794	**-**	-

Other operating costs

Loss on the disposal of non-current assets	**-16**	-195	**-**	-
Other costs	**-33**	-	**-**	-
	-49	-195	**-**	-

	tDKK	CONSOLIDATED 2017/18	CONSOLIDATED 2016/17	PARENT COMPANY 2017/18	PARENT COMPANY 2016/17
3	**Cost of sales**				
	Cost of sales for the year	**-334,704**	-268,279	**0**	0
	Write-down of inventories for the year	**-349**	-551	**0**	0
	Reversal of write-downs on inventories	**551**	930	**0**	0
	Production wages etc.	**-29,122**	-20,875	**0**	0
		-363,624	-288,775	**0**	0
	Reversal of write-downs on sales of written-down inventories				
4	**Other external costs**				
	Other external costs include fees for the auditors appointed by the general meeting as follows:				
	Statutory audit services	**-320**	-267	**-71**	-45
	Other assurance engagements	**-15**	0	**0**	0
	Tax advisory services	**0**	-128	**0**	0
	Other services	**-37**	-328	**-36**	-80
		-372	-723	**-107**	-125
5	**Staff costs**				
	Wages and salaries etc.	**-114,328**	-91,391	**-11,424**	-10,699
	Defined contribution pension schemes	**-4,243**	-3,994	**-870**	-716
	Other social security costs	**-6,535**	-6,527	**-47**	-31
	Other payroll-related costs	**-2,701**	-2,699	**-79**	-36
		-127,807	-104,611	**-12,420**	-11,482
	Payroll costs capitalised regarding development projects	**2,249**	2,560	**0**	0
	Payroll costs transferred to cost of sales	**29,122**	20,875	**0**	0
		-96,436	-81,176	**-12,420**	-11,482
	Remuneration of the Board of Directors of the parent company	**-1,180**	-1,028	**-1,180**	-1,028
	Remuneration of the Executive Board of the parent company	**-8,668**	-6,514	**-8,668**	-6,514
	Pension contributions for the parent company's Executive Board	**-589**	-559	**-589**	-559
	Remuneration of other managerial employees	**-6,832**	-6,465	**-2,821**	-2,769
	Pensions for other managerial employees	**-322**	-144	**-250**	-104
	Average number of employees	**517**	404	**7**	5
6	**Finance income**				
	Dividends from subsidiary	**0**	0	**20,000**	14,799
	Interest income, cash etc.	**344**	305	**0**	0
	Interest income from subsidiary	**0**	0	**259**	112
	Interest income from joint venture	**4**	42	**0**	0
	Net foreign exchange gain	**899**	0	**308**	0
		1,247	347	**20,567**	14,911
7	**Finance costs**				
	Interest expenses etc.	**-1,528**	-1,698	**-27**	-134
	Net foreign exchange loss	**0**	-759	**-**	-
	Impairment write-down of investment in subsidiary	**0**	0	**-2,000**	-2,500
	Other finance costs	**-433**	-71	**0**	0
		-1,961	-2,528	**-2,027**	-2,634

		CONSOLIDATED		PARENT COMPANY	
	tDKK	**2017/18**	2016/17	**2017/18**	2016/17
8	**Tax on profit for the year**				
	Current tax	**-14,535**	-12,138	**-**	-
	Joint taxation contribution	**-**	-	**1,096**	997
	Adjustment of deferred tax	**1,731**	1,669	**-**	-
	Adjustment in respect of previous years	**-61**	-195	**-**	-
		-12,865	-10,664	**1,096**	997
	Tax on profit for the year is specified as follows:				
	Computed tax on profit before tax, 22%	**-12,549**	-10,315	**-2,861**	-1,441
	Tax effect of:				
	Non-taxable income	**-**	45	**-**	-
	Non-deductible costs	**-457**	-654	**-443**	-578
	Non-taxable dividends	**-**	-	**4,400**	3,016
	Share of profit after tax in joint venture	**548**	699	**-**	-
	Adjustment of tax on foreign subsidiaries to 22%	**-539**	-244	**-**	-
	Adjustment in respect of previous years	**132**	-195	**-**	-
		-12,865	-10,664	**1,096**	997
	Effective tax rate	**22.6%**	22.8%	**-8.4%**	-15.2%
9	**Earnings per share**				
	Profit for the year after tax from continuing and discontinuing operations	**45,179**	35,254		
	Profit for the year after tax from continuing operations	**44,177**	36,131		
	Average number of shares	**1,890,000**	1,890,000		
	Average number of treasury shares	**-**	-		
	Average number of shares in circulation	**1,890,000**	1,890,000		
	Earnings per share (EPS) for continuing and discontinued operations, basic	**23.9**	18.7		
	Earnings per share (EPS-D) for continuing and discontinued operations, diluted	**23.9**	18.7		
	Earnings per share (EPS) for continuing operations, basic	**23.4**	19.1		
	Earnings per share (EPS-D) for continuing operations, diluted	**23.4**	19.1		

tDKK	Goodwill	Acquired product technology assets	Completed internal development projects	Internal development projects in progress	Software
	CONSOLIDATED				
10 Intangible assets					
2017/18					
Cost at 01.10.2017	27,167	7,343	17,386	10,050	6,585
Value adjustment	-118	-32	3	-	4
Addition by acquisition	-	-	-	-	-
Brought forward	-	-	2,530	-2,530	-
Additions during the year	-	-	478	4,992	3,610
Disposals during the year	-	-	-	-4,495	-
Cost at 30.09.2018	27,049	7,311	20,397	8,017	10,199
Amortisation at 01.10.2017	-	673	11,141	-	3,059
Value adjustment	-	1	-	-	2
Disposals during the year	-	-	-	-4,495	-
Amortisation for the year	-	727	2,677	-	968
Impairment losses for the year	-	-	-	4,495	-
Amortisation at 30.09.2018	-	1,401	13,818	-	4,029
Carrying amount at 30.09.2018	**27,049**	**5,910**	**6,579**	**8,017**	**6,170**
2016/17					
Cost at 01.10.2016	-	-	16,205	5,973	5,033
Value adjustment	-782	-211	-3	-	-1
Addition by acquisition	27,949	7,554	63	-	55
Brought forward	-	-	1,251	-1,251	-
Additions during the year	-	-	-	5,805	1,498
Disposals during the year	-	-	-130	-477	-
Cost at 30.09.2017	27,167	7,343	17,386	10,050	6,585
Amortisation at 01.10.2016	-	-	8,664	-	1,663
Value adjustment	-	-19	-1	-	1
Disposals during the year	-	-	-130	-477	-
Amortisation for the year	-	692	2,608	-	1,395
Impairment losses for the year	-	-	-	477	-
Amortisation at 30.09.2017	-	673	11,141	-	3,059
Carrying amount at 30.09.2017	**27,167**	**6,670**	**6,245**	**10,050**	**3,526**

10 cont. The carrying amount of goodwill related to Screen Solutions was tested using a discounted cash flow model based on a value in use approach. The impairment test was based on the business case prepared in connection with the purchase of Screen Solutions, on the approved budget for 2018/19 and on projections for the period 2019/20-2023/24. The business case is based on Screen Solutions' realised earnings and on expected increases in revenue and earnings resulting from strategic initiatives and the realisation of synergies which are anticipated because Screen Solutions' products can be sold to Gabriel's existing customers.

For the period 2019/20-2023/24, an average annual increase of the order of 30% in revenue is anticipated, in accordance with the business case. A discount rate after tax of 10.4% (11.3% before tax) was used and the terminal period includes growth of 1.5%, which is equivalent to the inflation rate.

In 2017/18, as expected, the company made an expected operating loss deriving from the implemented strategic initiatives, but the EBIT margin is expected to improve to 9% primarily via revenue growth. The calculated recoverable amount exceeds the carrying amount of the cash generating unit by DKK 29 million. The impairment test is particularly sensitive to expected revenue growth. Impairment will occur if realised revenue is 25% lower than expected. Impairment will also occur if the discount rate is higher than 13.5%.

A number of projects were closed in connection with a re-evaluation of the project portfolio, which resulted in impairment charges totalling tDKK 4,554 (2016/17: tDKK 477). The Group also performed an impairment test on the carrying amounts of the recognised development projects. The test included an evaluation of the project development sequence in the form of expenses paid and results obtained relative to the approved project and business plans. The values of certain completed development projects are only maintained if increased sales are realised in the following year. It was judged on this basis that the recoverable amount exceeds the carrying amount.

tDKK	Land and buildings (CONSOLIDATED)	Leasehold improvements (CONSOLIDATED)	Plant, fixtures fittings and equipment (CONSOLIDATED)	Plant, fixtures fittings and equipment (PARENT)
11 **Property, plant and equipment**				
2017/18				
Cost at 01.10.2017	13,080	3,769	46,218	852
Value adjustment	108	-3	103	-
Addition by acquisition	-	-	-	-
Additions during the year	645	5,093	12,722	-
Disposals during the year	-384	-	-3,297	-
Cost at 30.09.2018	13,449	8,859	55,746	852
Depreciation at 01.10.2017	686	1,350	21,663	177
Value adjustment	8	-4	27	-
Disposals during the year	-	-	-811	-
Depreciation for the year	305	1,037	5,273	125
Impairment losses for the year	-	-	-	-
Depreciation at 30.09.2018	999	2,383	26,152	302
Carrying amount at 30.09.2018	**12,450**	**6,476**	**29,594**	**550**
of which assets held under finance leases	-	-	4,321	550

The carrying amount for land and buildings includes payment of tDKK 1,461 for leased land, which will be depreciated over the term of the lease until 2089.

tDKK	Land and buildings (CONSOLIDATED)	Leasehold improvements (CONSOLIDATED)	Plant, fixtures fittings and equipment (CONSOLIDATED)	Plant, fixtures fittings and equipment (PARENT)
2016/17				
Cost at 01.10.2016	11,816	2,652	29,593	852
Value adjustment	22	-120	-507	-
Addition by acquisition	-	1,444	8,978	-
Additions during the year	1,248	1,257	11,188	-
Disposals during the year	-6	-	-3,034	-
Cost at 30.09.2017	13,080	5,233	46,218	852
Depreciation at 01.10.2016	414	467	19,374	52
Value adjustment	-	-27	-76	-
Disposals during the year	-6	-	-2,215	-
Depreciation for the year	278	910	4,580	125
Impairment losses for the year	-	-	-	-
Depreciation at 30.09.2017	686	1,350	21,663	177
Carrying amount at 30.09.2017	**12,394**	**3,883**	**24,555**	**675**
of which assets held under finance leases	-	-	5,088	675

The carrying amount for land and buildings includes payment of tDKK 1,489 for leased land, which will be depreciated over the term of the lease until 2089.

tDKK	PARENT COMPANY 2017/18	2016/17
12 Investments in subsidiaries		
Cost at 01.10	**73,794**	71,294
Capital contribution subsidiary	**2,000**	2,500
Cost at 30.09	**75,794**	73,794
Impairment write-down 01.10	**5,000**	2,500
Impairment write-down for the year	**2,000**	2,500
Cost at 30.09	**7,000**	5,000
Carrying amount at 30.09	**68,794**	68,794

Name and registered office	Stake	Share capital tDKK	Equity tDKK	Profit for the year tDKK	Carrying amount tDKK
Gabriel A/S, Aalborg	100%	25,500	180,404	46,441	34,145
ZenXit A/S, Aalborg	100%	1,000	2,045	-1,343	2,500
Gabriel Ejendomme A/S, Aalborg	100%	1,000	23,309	-738	30,932
Gabriel (Tianjin), China	100%	1,547	21,130	7,212	1,211
Gabriel North America Inc., USA	100%	6	-8,251	-3,424	6
			218,637	48,148	68,794

The negative results and the low equity of ZenXit A/S led management to conduct an impairment test. The test was based on anticipated growth over a five-year period and on generating increased activity and improved results. A discount rate of 12% before tax was applied. On the basis of the impairment test, management found that there are no indicators of impairment.

The loss realised by Gabriel North America Inc. in 2017/18 was due to the continued start-up of new activities. For this reason, and on the basis of expectations for future earnings, management considered that there are no indicators of impairment.

There are no indicators of impairment for other investments.

Amounts owed by subsidiaries are tDKK 14,998 (tDKK 11,898 in 2016/17) and concerns capital lent to Gabriel North America Inc. The loan is expected to be repaid within four to five years.

tDKK	CONSOLIDATED 2017/18	2016/17
13 Investments in joint ventures		
Cost at 01.10	**13,811**	13,811
Cost at 30.09	**13,811**	13,811
Adjustments at 01.10	**14,303**	15,983
Share of profit for the year	**2,613**	3,040
Dividends distributed	**-1,467**	-4,766
Intra-group profit	**-66**	103
Value adjustment, property	**-57**	-57
Adjustments for the year	**1,023**	-1,680
Adjustments at 30.09	**15,326**	14,303
Carrying amount at 30.09	**29,137**	28,114

The Group holds 49.3% of the votes in UAB Scandye, Lithuania, together with two other shareholders. The shareholders' agreement provides that all material decisions concerning the company's activities must be unanimous, which means that all shareholders have a joint controlling interest. Given that all shareholders of UAB Scandye are entitled to a proportionate share of the company's net assets, the investment is accounted for as a joint venture.

Financial information for UAB Scandye in accordance with the Group's accounting policies:

Net revenue	**42,504**	39,888
Depreciation	**-4,776**	-5,032
Finance income	**4**	33
Finance costs	**-48**	-103
Tax on profit for the year	**-438**	-545
Profit/comprehensive income for the year	**5,301**	6,167
Non-current assets	**40,155**	41,931
Current assets	**8,105**	7,272
Cash and cash equivalents	**6,761**	4,911
Non-current liabilities	**1,445**	15
Current liabilities	**5,994**	8,081
Equity	**48,339**	46,018
Reconciliation of carrying amount at 30 September:		
The Group's share of equity	**23,856**	22,710
Value adjustment, property	**863**	920
Intra-group profit	**-381**	-315
Goodwill	**4,799**	4,799
Carrying amount at 30.09	**29,137**	28,114

Management has impairment-tested the carrying amount of goodwill. The test was based on the budget for 2018/19 and projection for the years 2019/20 to 2022/23 using projected cash flows and a discount rate after tax of 10.4%. The test has not resulted in any impairment and the margin is considerable. Probable changes in key assumptions are therefore judged not to result in impairment.

tDKK		CONSOLIDATED 2017/18	2016/17
14	**Non-current amount owed by joint venture**		
	Amount owed at 01.10	**178**	1,301
	Disposals	**-178**	-1,123
	Carrying amount at 30.09	**-**	178
	The gross receivable is specified as follows:		
	Due within 1 year	**-**	185
	Due within 1-5 years	**-**	-
	Due after 5 years	**-**	-
	Unearned future financing income	**-**	-7
	Total receivable	**-**	178
	The net receivable is specified as follows:		
	Due within 1 year	**-**	178
	Due within 1-5 years	**-**	-
	Due after 5 years	**-**	-
	Total receivable	**-**	178

The receivable arises from finance leasing of production equipment to UAB Scandye. At the end of the lease terms, the lessee has the option of acquiring the production equipment. The assets leased out have been provided as collateral for the Group's receivables.

	tDKK	CONSOLIDATED 2017/18	CONSOLIDATED 2016/17	PARENT COMPANY 2017/18	PARENT COMPANY 2016/17
15	**Inventories**				
	Raw materials and consumables	**50,141**	41,148	**-**	-
	Work in progress	**8,616**	4,946	**-**	-
	Finished goods and goods for resale	**43,484**	37,809	**-**	-
		102,241	83,903	**-**	-

Goods with a gross value of tDKK 9,986 (2016/17: tDKK 12,619) have been written down by tDKK 3,488 (2016/17: tDKK 5,508) to expected net realisable value.

tDKK	CONSOLIDATED 2017/18	CONSOLIDATED 2016/17	PARENT COMPANY 2017/18	PARENT COMPANY 2016/17
16 Receivables				
Trade receivables	**75,620**	66,127	**-**	-
Amounts owed by subsidiaries	**-**	-	**24,312**	35,739
Other receivables	**11,413**	8,062	**13,307**	9,098
	87,033	74,189	**37,619**	44,837

Credit risks associated with the individual receivables depend primarily on the debtors' domicile. On the basis of the Group's internal credit rating procedures and external credit ratings, the creditworthiness of receivables not written down is assessed to be high and to pose a low risk of loss. See also note 24 for information on credit risks.

The Group's trade receivables are distributed as follows by geographical area:

	2017/18	2016/17
Denmark	**7,156**	3,565
Europe	**55,700**	51,693
USA	**7,295**	5,633
Asia	**4,309**	5,214
Other countries	**1,160**	22
	75,620	66,127

The Group's trade receivables at 30 September 2018 include receivables totalling tDKK 780 (2016/17: tDKK 832), written down by tDKK 710 after individual assessment (2016/17: tDKK 711). Other external costs include bad debts of tDKK 9 net (2016/17: tDKK 55). Write-downs of trade receivables are due to customer bankruptcy or anticipated payment default.

Write-downs of the Group's trade receivables are distributed as follows by geographical area:

	2017/18	2016/17
Denmark	**-**	-
EU	**663**	636
Asia	**36**	60
Other countries	**11**	15
	710	711

Trade receivables due on 30 September, but not written down, were recognised as follows:

	2017/18	2016/17
Up to 30 days	**14,002**	12,308
Between 30 and 60 days	**5,551**	3,210
Over 60 days	**2,074**	2,805
	21,627	18,323

Interest income arising from receivables written down is not recognised.

17 Research and development costs

The correlation between research and development costs incurred and expensed is specified as follows:

	2017/18	2016/17
Research and development costs incurred	**15,014**	15,334
Development costs recognised as intangible assets	**-5,470**	-5,800
Research and development costs for the year recognised in the income statement under staff and other external costs	**9,544**	9,534

18 **Share capital**

	SHARES ISSUED			
	Number		Nominal value (tDKK)	
	2017/18	2016/17	**2017/18**	2016/17
1 October	**1,890,000**	1,890,000	**37,800**	37,800
30 September	**1,890,000**	1,890,000	**37,800**	37,800

The share capital comprises 1,890,000 shares of DKK 20 each. No shares carry special rights.

Neither the Group nor the parent company holds treasury shares.

Capital management

The Group's ordinary activities still generate reasonable cash flows, enabling the Group to maintain solid financial resources. The Group regularly assesses the need to adjust its capital structure to balance the requirement for a higher return on equity against the greater uncertainty surrounding external financing. A high equity ratio has always been a top priority of Gabriel's management in order to maximise room for manoeuvre in all situations. The Group's equity ratio was 58% at 30 September 2018 (at 30 September 2017: 56%).

The Group wishes to provide its shareholders with regular returns on their investments, while maintaining an appropriate level of equity to ensure the company's future operations. The Board of Directors proposes that a dividend of DKK 9.5 per share be distributed for 2017/18 (DKK 7.65), equivalent to total dividends of DKK 17.9 million (DKK 14.4 million).

Against this background, the present capital resources are deemed adequate in the present economic climate.

		CONSOLIDATED		PARENT COMPANY	
	tDKK	**2017/18**	2016/17	**2017/18**	2016/17
19	**Deferred tax**				
	Deferred tax at 01.10	**4,713**	2,927	**21**	21
	Addition on purchase of subsidiary	**-**	3,148	**-**	-
	Exchange rate adjustment	**33**	-59	**-**	-
	Deferred tax for the year recognised in the income statement	**-1,731**	-1,669	**-**	-
	Adjustment in respect of previous years	**522**	366	**-**	-
	Deferred tax at 30.09	**3,537**	4,713	**21**	21
	Deferred tax is recognised as follows in the statement of financial position:				
	Deferred tax assets	**-2,301**	-1,723	**-**	-
	Deferred tax liabilities	**5,838**	6,436	**21**	21
	Deferred tax at 30.09, net	**3,537**	4,713	**21**	21
	Deferred tax concerns:				
	Intangible assets	**4,285**	4,912	**-**	-
	Plant, fixtures and fittings and equipment	**3,377**	2,392	**21**	21
	Financial assets	**1**	39	**-**	-
	Current assets	**-402**	-395	**-**	-
	Tax loss carryforwards	**-3,391**	-1,723	**-**	-
	Current liabilities	**-333**	-512	**-**	-
		3,537	4,713	**21**	21

Tax loss carryforwards primarily relate to Gabriel North America Inc. and Screen Solutions Ltd. As a result of expectations of positive results in the years to come, management considers it probable that the loss can be realised in the foreseeable future.

tDKK	CONSOLIDATED 2017/18	CONSOLIDATED 2016/17	PARENT COMPANY 2017/18	PARENT COMPANY 2016/17
20 Credit institutions				
Amounts owed to credit institutions relate to:				
Mortgage debt, bank	**7,223**	8,016	**-**	-
Increase in credit facility (not regarded as cash or cash equivalents)	**42,500**	35,000	**-**	-
Drawing on bank credit facility	**30,541**	24,383	**211**	-
Total carrying amount	**80,264**	67,399	**211**	-
Amounts owed to credit institutions were recognised in the statement of financial position as follows:				
Non-current liabilities	**6,441**	7,236	**-**	-
Current liabilities	**73,823**	60,163	**211**	-
Total carrying amount	**80,264**	67,399	**211**	-
Fair value is calculated at market value (level 1)	**80,264**	67,399	**211**	-
The mortgage debt falls due as follows:				
0-1 years	**952**	969		
1-5 years	**3,618**	3,687		
>5 years	**3,510**	4,377		

Mortgage debt to the bank is a floating-rate loan in EUR. The current level of interest is 2.4% p.a. with the principal of tEUR 1,260.

The maturity analysis is based on all undiscounted cash flows, including estimated interest payments. Interest payments are estimated on the basis of existing market conditions.

tDKK	CONSOLIDATED 2017/18		2016/17	
Lease liabilities				
Lease liabilities are recognised as follows in the statement of financial position:				
	Minimum lease payment	Carrying amount	Minimum lease payment	Carrying amount
0-1 years	**2,177**	**2,140**	1,190	1,146
1-5 years	**1,574**	**1,540**	3,271	3,224
>5 years	**-**	**-**	-	-
	3,751	**3,680**	4,461	4,370
Interest component	**-62**	**-**	-91	-
Net present value of minimum lease payments	**3,689**	**3,680**	4,370	4,370

The lease liability concerns finance leasing of vehicles. The residual terms of the contracts are 1-4 years.

tDKK	CONSOLIDATED 2017/18			
21 Cash flows from financing activities				
	Non-current liabilities	Current liabilities	Lease commitments	Changes in cash flows
1 October 2017	**8,016**	**35,000**	4,370	
Increase in credit facility	**-**	**7,500**		7,500
Repayment of debt to credit institutions	**-793**	**-**	-1,629	-2,422
Increase in lease commitments	**-**	**-**	939	939
30 September 2018	**7,223**	**42,500**	**3,680**	**6,017**

22 Purchase of subsidiary

Purchase of subsidiary after the statement of financial position date

On 4 October 2018, the operating company Gabriel A/S signed a conditional share purchase agreement with the owners of the Lithuanian fabric manufacturer UAB Baltijos Tekstilė for the purpose of taking over 100% of the share capital. The purchase price is agreed at just over EUR 4 million and the transaction is expected to be effected by the end of 2018 following due diligence and spin-off of property activities to a new company.

Purchase of subsidiary in 2016/17

In November 2016, Gabriel A/S acquired 100% of the share capital of the screen manufacturer Screen Solutions Ltd in England. Screen Solutions Ltd is recognised as one of Europe's leading suppliers of screens, office dividers etc. to the European furniture industry.

The purchase of the shares in the English company was part of the continued strengthening of Gabriel's presence in Great Britain. In addition, the purchase supports the Group's increased focus on expanding the services and products offered globally to its primary customer segment. The acquisition price was GBP 4.6 million, GBP 3.5 million of which was paid in cash while the balance was paid in December 2017. The deferred conditional acquisition price was deposited with a bank and included in the Group's cash and cash equivalents at 30 September 2017. The liability was also included under "Other payables".

In connection with the acquisition, the Group incurred transaction costs of DKK 2.0 million for legal and financial advisers etc. The costs were recognised as other external costs in the income statement for the first quarter of 2016/17.

In the period from acquisition in November 2016 to September 2017 (11 months), Screen Solutions Ltd was included in profit after tax from continuing operations at a negative amount of DKK -2.7 million (including depreciation/amortisation of acquired technology assets and order book) and in revenue at DKK 48.0 million. When calculated pro-forma, as if Screen Solutions Ltd had been owned since 1 October 2016, revenue was DKK 52.3 million and the loss from continuing operations after tax came in at DKK 2.9 million.

tDKK	Fair value recognised on the date of acquisition
Acquired technology assets	7,554
Order book	617
Intangible assets	117
Property, plant and equipment	10,422
Inventories	4,531
Receivables	10,728
Cash and cash equivalents	-8,046
Credit institutions	-1,626
Deferred tax	-3,148
Trade payables	-6,631
Other payables	-2,550
Acquired net assets	11,968
Goodwill	27,949
Total acquisition price for the enterprise	**39,917**
Deferred conditional acquisition price	-11,722
Cash acquisition price, net	**28,195**

Assets, liabilities and contingencies acquired in connection with the acquisition were identified and recognised in the pre-acquisition balance sheet at fair value. Other intangible assets, including brand, trademarks, customer portfolio and existing customer contracts, are also valued at fair value. A value of DKK 7.6 million is attributable to acquired technology assets and DKK 0.6 million to the acquired order book. Fair values of acquired patents, technologies and trademarks are calculated using the relief from royalty method, i.e. by discounting royalty savings from owning the technology in question. The assessed intangible assets are recognised in the pre-acquisition balance sheet and amortised over the expected useful lives. The purchase price allocation is deemed to be final.

The remaining additional price of DKK 27.9 million on takeover is allocated to goodwill. Goodwill represents the value of the company's product programme, the value of the existing staff and knowhow and, not least, the value of expected synergies from combining the company with the Gabriel Group, in particular the possibility of introducing Screen Solutions' product programme as a supplement to Gabriel's existing customer and product portfolio.

23 **Assets held for sale**

In the 2017/18 financial year, work has been carried out to sell Gabriel Ejendomme A/S. On the statement of financial position date of 30 September 2018, negotiations were in progress regarding signing of a letter of intent (LOI), including its most important terms and conditions. An LOI was signed on 12 October 2018 and, at the time of financial reporting, a conditional sales agreement and a conditional lease agreement were being prepared on the basis of the terms and conditions of the LOI.

The LOI contains a number of key conditions that must be met before the sale of the property can be completed and recognised. The most important conditions are: that a new local development plan must be approved, permitting the building of homes to the extent defined in the LOI; and that Gabriel A/S enters into a 15-year lease of the existing commercial property, unless the buyer terminates the lease prematurely. Gabriel A/S could potentially sublet a part of the property.

Since an initial report describing the concrete project must be prepared which will form the basis of a local planning process that can take 12 months, the final sale is not expected to be completed until 2020.

Ongoing negotiations led to the signing of an LOI in October 2018, despite the buyer's insistence that the local plan should be changed. As a result, the sale will be completed later than 12 months after the date of the statement of financial position. Furthermore, the conditions agreed for the lease mean that the lease will be classified as an operational sale and leaseback agreement. On this basis, management considers that the criteria contained in IFRS 5 for the continuous recognition of the property as an "asset held for sale" in the 2017/18 annual report are met.

Management also considers it accurate to present the letting activities as discontinued. In consequence, the activity "letting of office facilities" is accounted for as a discontinued operation ("assets held for sale"), and operating profit, statement of financial position and effect on consolidated cash flow are stated separately under the individual headings.

	Gabriel Ejendomme A/S	
tDKK	**2017/18**	2016/17
Net revenue	**6,225**	5,543
Other external costs	**-4,217**	-3,843
Depreciation/amortisation and impairment losses on intangible assets and property, plant and equipment	**-33**	-2,216
Operating profit (EBIT)	**1,975**	-516
Finance costs	**-689**	-608
Profit before tax from discontinued operations	**1,286**	-1,124
Tax on profit for the year from discontinued operations	**-283**	247
Profit for the year after tax from discontinued operations	**1,003**	-877
Earnings per share (EPS), basic	**0.5**	-0.5
Earnings per share (EPS), diluted	**0.5**	-0.5
Property, plant and equipment	**81,459**	80,862
Receivables	**162**	226
Cash and cash equivalents	**77**	338
Total assets held for sale	**81,698**	81,426
Deferred tax	**2,034**	1,877
Credit institutions	**23,748**	25,921
Trade payables	**463**	890
Corporation tax	**200**	377
Other payables	**795**	964
Liabilities related to assets held for sale	**27,240**	30,029
Cash flows from operating activities	**483**	999
Cash flows from investing activities	**-630**	-2,377
Cash flows from financing activities	**-1,913**	-2,438
Total cash flows	**-2,060**	-3,816

Cost of property, plant and equipment is tDKK 104,268 (tDKK 103,637), and additions during the year are tDKK 630 (tDKK 2,377). Cumulative depreciation is tDKK 22,775 (tDKK 22,775), and depreciation for the year is tDKK 0 tDKK 2,216).

Of amounts owed to credit institutions, tDKK 2,239 (tDKK 2,219) is due within one year, tDKK 8,965 (tDKK 8,850) is due within one to five years, while tDKK 12,544 (tDKK 14,852) is due after five years. The debt is a floating-rate mortgage loan in EUR (F5). If the interest rate increases or decreases by 1% when the current loan period expires in 2020, annual interest expenses will increase/decrease by DKK 0.2 million per year.

Gabriel Erhvervspark has leases with tenants with notice periods between three months and eight years. Total rent in the periods of interminability is DKK 24.6 million (DKK 23.0 million), of which DKK 3.4 million (DKK 3.4 million) terminates within one year, DKK 12.1 million (DKK 11.2 million) terminates in between one and five years and DKK 9.1 million (DKK 8.4 million) terminates after five years. The leases concern office premises of varying sizes, and operating costs and costs of parking spaces are added.

24 Financial risks and financial instruments

Given its operations, investments and financing, the Group is exposed to a number of financial risks, including market risks (currency, interest rates and risks relating to raw materials), credit risks and liquidity risks. Gabriel's policy is not to engage in active speculation in financial risks. The Group's financial management thus covers only the management and reduction of the financial risks arising directly from its operations, investments and financing. The Group has a finance policy covering currency, investing, financing and credit policy relative to the Group's financial partners. The policy also describes approved financial instruments and risk limits.

The Group hedges currency risks, considering projected future cash flows and projected future exchange rate movements. The majority of sales in Europe, America and China are settled in the customer's currency, while the euro is primarily used for settlement with other international customers. Currency risks generated by income thus primarily concern USD and RMB but, as most income is invoiced in the Scandinavian currencies or euros and net income and cost items are equalled out as far as possible, the risk is judged to be relatively limited. Most of the Group's purchases are settled in Danish kroner, euros or US dollars.

Management monitors the Group's risk concentration broken down by customers, geographical areas, currencies, etc. Management also monitors whether the Group's risks are correlated, and whether the Group's risk concentration has undergone any changes.

Following the acquisition in England and the expansion of activities in North America, the Group's financial risk exposure to the currencies in those areas has increased. Except for the above, the Group's risk exposure and risk management have not changed materially since 2016/17.

The Group's categories of financial assets and liabilities are given below:

	CARRYING AMOUNT	
tDKK	**2017/18**	2016/17
Derivatives taken up to hedge items on the statement of financial position and future cash flows	**-**	-
Financial assets used as hedging instruments	**-**	-
Amounts owed by joint venture	**-**	178
Receivables	**87,032**	74,189
Cash and cash equivalents	**27,978**	29,992
Assets held for sale	**239**	564
Loans and receivables	**115,249**	104,923
Credit institutions	**80,264**	67,399
Financial lease liabilities	**3,680**	4,370
Trade payables	**33,609**	27,388
Amounts owed to joint venture	**1,065**	1,489
Liabilities related to assets held for sale	**24,211**	26,811
Financial liabilities measured at amortised cost	**142,829**	127,457

The fair value of financial assets and liabilities is in line with the carrying amounts.

Derivative financial instruments in the form of forward exchange contracts entered into to hedge items on the statement of financial position and future transactions are recognised as current liabilities at a negative fair value of tDKK 39 (2016/17: a negative fair valu e of tDKK 176). Forward exchange contracts are valued in accordance with generally recognised valuation techniques, based on relevant observable exchange rates and classified as level 2 "other input" under the fair value hierarchy.

24 cont. **Financial risks and financial instruments**

Currency risk

The Group's foreign exchange positions in Danish kroner were as follows on 30 September 2018:

Currency (tDKK)	Cash and cash equivalents/ trade receivables	Bank loans/ trade payables/ credit institutions	Open forward contracts
DKK	2,074	-88,188	-1,971
EUR	59,335	-22,204	-
SEK	4,808	-685	-
NOK	188	-26	-
GBP	6,781	-6,748	-
USD	13,484	-311	1,932
PLN	643	-438	-
RMB	15,573	-	-
Other	712	-26	-
Abroad	101,524	-30,438	1,932

The Group's foreign exchange positions in Danish kroner were as follows on 30 September 2017:

Currency (tDKK)	Cash and cash equivalents/ trade receivables	Bank loans/ trade payables/ credit institutions	Open forward contracts
DKK	2,166	-68,500	-2,360
EUR	48,424	-18,593	-11,998
SEK	2,967	-516	-
NOK	415	-20	-
GBP	19,446	-6,846	-11,227
USD	9,486	-3,308	11,347
PLN	859	-1,639	9,797
RMB	12,307	-483	4,265
Other	49	-741	-
Abroad	93,953	-32,146	2,184

The net position was computed recognising future transactions in foreign currency which are hedged via the above open forward contracts.

The Group has used forward exchange transactions to hedge its risks related to changes in cash flows resulting from exchange rate movements for both items on the statement of financial position and future transactions. Outstanding forward exchange contracts (gross) at 30 September 2018 of tDKK 1,932 (2016/17: tDKK 25,409) cannot be imputed to specific transactions and are thus recognised in the income statement, since the criteria for hedge accounting are not met.

Foreign exchange contracts mature within three months.

Any reasonably possible changes in the exchange rates on 30 September 2018 are not deemed to have any material impact on results or equity, because of the currency exposure on this date. However, the Group also experienced major exchange rate fluctuations in the 2017/18 financial year, in particular attributable to falls in the exchange rates of the USD, GBP and RMB and, if this development continues in the next financial year, the effect will be as follows for selected, major currencies (a change in the opposite direction will have the opposite effect on profit for the year before tax and equity):

24 cont. **Financial risks and financial instruments**

Currency exposure at 30 September 2018

Currency	Net position	Probable change in exchange rate	Effect on profit for the year before tax	Effect on equity
USD/DKK	15,105	-5%	-755	-589
EUR/DKK	37,131	-1%	-371	-290
RMB/DKK	15,573	-5%	-779	-584
GBP/DKK	33	-5%	-2	-1

Currency exposure at 30 September 2017

Currency	Net position	Probable change in exchange rate	Effect on profit for the year before tax	Effect on equity
USD/DKK	17,525	-5%	-876	-683
EUR/DKK	17,833	-1%	-178	-139
RMB/DKK	16,089	-5%	-804	-603
GBP/DKK	1,373	-5%	-69	-55

In 2018/19, the Group's foreign currency exposure is expected to be essentially unchanged relative to 2017/18.

Liquidity and interest rate risks

At 30 September 2018, the Group had net cash and cash equivalents of a negative DKK 2.6 million (2016/17: DKK 5.9 million) plus still undrawn lines of credit. The group is thus judged to have adequate liquidity to ensure the ongoing financing of future operations and investments.

Ongoing operating credits are available to the Group. Mortgage loans are also taken out with mortgage lenders and banks. The loans are in euros and at fixed and floating rates of interest. Finance leasing agreements for vehicles and machinery were drawn up: in Danish kroner with a floating interest rate; and in euros with a fixed interest rate. The agreements have terms of one to four years.

Group financial receivables carry a contractual fixed interest rate throughout their lifetime. On this basis, an isolated rise or fall of one percentage point in the market rate is judged not to be of major significance for the Group's profit.

Risks relating to raw materials

The Group typically enters into cooperation agreements with its most important suppliers to ensure reliability of delivery and to lock

Credit risks

In line with Group credit risk policy, all major customers and other business partners are regularly credit rated. Credit risk management is based on internal credit lines for customers. Prompted by the financial crisis, the Group has intensified its focus on the approval of customer credit lines and strengthened its management and monitoring of customers. Group trade receivables are distributed across numerous customers, countries and markets, ensuring a high degree of risk diversification. On the basis of the Group's internal credit procedures, it is judged that the quality of the Group's trade receivables depends primarily on the debtor's home country. The creditworthiness of debtors from Scandinavia and the EU is usually higher than that of debtors from other countries.

The Group aims to reduce risk through efficient monitoring, follow-up and credit insurance of major foreign and domestic receivables or alternative collateral. Credit insurance was taken out for all major foreign and domestic receivables at 30 September 2018. The Group's trade receivables are usually paid no later than one to two months after delivery. The Group has a past record of minor bad debts and is usually exposed to only a limited risk of major losses. We refer to note 16.

Under non-current financial assets, the Group financed production equipment for the joint venture UAB Scandye. Gabriel has been provided with collateral in the leased equipment. This lease ended and was paid off in 2017/18.

25 **Operating leases**

At 30 September 2018, the Group held operating leases for vehicles with a residual lease liability of tDKK 859 (2016/17: tDKK 481), of which tDKK 350 (2016/17: tDKK 385) is due within one year, while the rest is due within one to three years. An amount of tDKK 300 was expensed in the financial year as against tDKK 438 in 2016/17.

At 30 September 2018, the Group had entered into leases for its sales offices and production facilities in various countries. The rental periods expire in 2027 at the latest and the total liability for future rent payments is tDKK 42,192 (2016/17: tDKK 42,087), of which tDKK 7,352 (2016/17: tDKK 6,764) is due within one year, while tDKK 12,086 (2016/17: tDKK 12,498) is due after five years.

26 **Contingent liabilities and collateral**

PARENT COMPANY

The parent company has issued a letter of subordination to the bankers of the subsidiary Gabriel A/S covering the subsidiary's current bank loans. The Group's credit facility was increased by DKK 35 million in 2016/17 in connection with the purchase of Screen Solutions Ltd and by a further DKK 7.5 million in 2017/18.

The parent company is jointly taxed with other Danish companies in the Gabriel Holding Group. In its capacity as the administrative company, the company has unlimited joint and several liability with the other companies in the joint taxation unit for Danish corporation taxes and withholding taxes on dividends and interest within the joint taxation unit. Any subsequent corrections to corporation and withholding taxes could result in a change in the amount of the company's liability.

CONSOLIDATED

As part of usual Group operations, the Group has entered into purchase agreements for future raw material supplies amounting to tDKK 30,001 (30 September 2017: tDKK 28,991) to ensure raw material supplies in 2018/19.

For assets held for sale, collateral in land and buildings has been provided to the credit institution for the mortgage debt. The carrying amount of land and buildings was tDKK 81,386 at 30 September 2018 (30 September 2017: tDKK 80,756), while mortgage debt to the credit institution was tDKK 23,748 (30 September 2017: tDKK 26,260). Collateral in land and buildings has been provided for bank debt in Poland. The carrying amount was tDKK 12,450 (30 September 2017: tDKK 12,394), while the debt to the bank was tDKK 7,223 (30 September 2017: tDKK 8,016).

27 **Transactions with Group companies, major shareholders, Board of Directors and Executive Board**

The parent company's related parties comprise subsidiaries, their Boards of Directors and Executive Boards. Related parties also comprise companies in which the above persons have significant influence. Gabriel Holding A/S has no related parties exercising control.

The parent company is jointly taxed with other Danish companies in the Gabriel Holding Group, which means that the parent company is liable for Danish corporation and withholding taxes etc. within the joint taxation unit. Please see note 25 for further information.

	PARENT COMPANY	
tDKK	**2017/18**	2016/17
Administration fee from affiliated enterprises	**9,000**	7,800
Interest income from affiliated enterprises	**259**	112
Dividend from affiliated enterprises	**20,000**	14,799

Transactions with Group enterprises were eliminated in the consolidated financial statements, in accordance with the accounting policy. All transactions with Group enterprises and other related parties were made at arm's length.

The related parties include a joint venture over which Gabriel exercises significant influence. Trading with the joint venture business UAB Scandye comprised the following:

	CONSOLIDATED	
tDKK	**2017/18**	2016/17
Purchases from joint venture	**40,782**	33,298
Interest etc. from joint venture	**4**	42

Apart from the executives' and directors' remuneration disclosed in note 5, the Group and parent company did not engage in any transactions with the Board of Directors, Executive Board, executive employees, major shareholders or other related parties during the year.

28 **Accounting estimates and judgments**

The carrying amount of certain assets and liabilities is stated on the basis of management's estimated impact of future events on the value of these assets and liabilities at the statement of financial position date. Estimates important to the financial reporting are mainly made by calculating write-downs for inventory obsolescence and impairment tests on goodwill and development projects. In addition, estimates were made for the classification of the property in Aalborg.

On acquisition of enterprises, the acquired identifiable assets, liabilities and contingencies are recognised at fair value, in accordance with the acquisition method. For a majority of the assets and liabilities acquired, no active market exists which can be used to determine the fair value. This applies in particular to acquired intangible assets. Methods typically used are based on the net present value of expected future cash flows, e.g. royalty payments or other expected net cash flows associated with an asset. Management therefore estimates the fair value of acquired assets, liabilities and contingencies. Depending on the nature of the item, the fair value may therefore be uncertain and could require subsequent adjustment. The fair values of identifiable assets, liabilities and contingencies associated with the purchase of Screen Solutions Ltd are shown in note 22.

When the annual impairment test of goodwill is performed, or when there is an indication of impairment, an estimate is made of how the enterprise's individual cash-generating units, to which the goodwill relates, will be able to generate sufficient positive net cash flows to support the value of goodwill and other net assets of the unit. Estimates of future cash flows many years in the future will be subject to some degree of uncertainty. This uncertainty is reflected in the selected discount rate. The impairment test is described in note 10.

The uncertainty of estimates of inventories is connected to write-downs to net realisable value. The need for write-downs is deemed to be unchanged and assessment is still based on the development within colour and product combinations and associated raw materials and consumables. Write-downs on inventories follow the Group's practice for write-downs, which includes an assessment of the inventory turnover ratio and possible losses as a result of obsolescence, quality problems and economic conditions. Total inventory write-down was tDKK 3,488 at 30 September 2018, against tDKK 5,509 last year.

Development projects in progress are impairment-tested at least once a year. Development projects are projects based on future expectations for fashion, colours and design, and the test is thus based on future expectations for customer and market demands. Innovation projects are established for the purpose of identifying new products within associated business areas. These circumstances form the basis for management's estimates of the recoverable amount of the ongoing development and innovation projects in the form of expected future net cash flows, including costs of completion.

Judgments made in applying accounting policies

In the application of accounting policies, management made the following judgments of major significance to the financial reporting:

In the annual report, the domicile in Aalborg is accounted for as an asset held for sale in accordance with the detailed description in note 23.

29 **Subsequent events**

Apart from the conditional purchase agreement for UAB Baltijos Tekstilė described in note 22 and the conditional agreement regarding the sale of Gabriel Ejendomme A/S described in note 23, no events of significance to the 2017/18 financial statements have occurred since the statement date.

30 **Accounting policies**

Gabriel Holding A/S is a limited liability company domiciled in Denmark. The financial section of the annual report for the period 1 October 2017 - 30 September 2018 comprises the consolidated financial statements for Gabriel Holding A/S and its subsidiaries (the Group) and separate parent company financial statements.

The consolidated financial statements and the parent company financial statements of Gabriel Holding A/S for 2017/18 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and with the Danish disclosure requirements

The Board of Directors and the Executive Board discussed and approved the annual report for 2017/18 of Gabriel Holding A/S on 15 November 2018. The annual report will be presented to the shareholders of Gabriel Holding A/S for approval at the annual general meeting on 13 December 2018.

Basis for preparation

The consolidated financial statements and the parent company financial statements are presented in DKK rounded to the nearest DKK

The accounting policies described below were applied consistently during the financial year and for the comparative figures. Comparative figures are not restated for standards to be implemented in the future.

Implementation of new standards and IFRICs

Gabriel Holding A/S has implemented the standards and IFRICs which entered into force for 2017/18. None of them has influenced recognition and measurement or is expected to materially influence the Gabriel Group.

ACCOUNTING POLICIES APPLIED

Consolidated financial statements

The consolidated financial statements comprise the parent company Gabriel Holding A/S and subsidiaries over which Gabriel Holding A/S exercises control, i.e. the power to govern the financial and operating policies so as to obtain benefits from its activities. A controlling interest is obtained when the company directly or indirectly holds more than 50% of the voting rights in the subsidiary, or controls it in some other way.

Whether Gabriel Holding A/S exercises control or significant influence is determined on the basis of de facto control and potential voting rights which are actual and substantive on the date of the statement of financial position.

Enterprises over which the Group exercises significant influence, but which it does not control, are considered joint ventures. Significant influence is typically obtained by direct or indirect ownership or control of more than 20% of the voting rights but less than 50%.

Joint arrangements are activities or businesses over which the Group has a controlling interest, through cooperation agreements with one or more parties. Joint controlling interest means that decisions about the relevant activities require the unanimous consent of all parties holding a joint controlling interest. Joint arrangements are classified as joint ventures or joint operations. Joint operations are activities in which the participants have direct rights over assets and direct obligations for liabilities, while joint ventures are activities where the participants only have rights over the net assets.

The consolidated financial statements comprise the parent company Gabriel Holding A/S and the subsidiaries Gabriel A/S, Gabriel Ejendomme A/S, ZenXit A/S, Gabriel Innovation A/S, Gabriel (Tianjin) International Trading Co. Ltd., UAB FurnMaster, FurnMaster sp. z o.o., Screen Solutions Ltd, Gabriel GmbH, Gabriel Sweden AB and Gabriel North America Inc. UAB Scandye is considered a joint venture and was recognised under investments in joint ventures in the annual report.

30 cont. **Accounting policies**

The consolidated financial statements were prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, prepared in accordance with the Group's accounting policies, with elimination of intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains on intra-group transactions. Unrealised gains on transactions with joint ventures are eliminated in proportion to the Group's ownership share of the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, unless impairment has occurred.

The items of subsidiaries are fully recognised in the consolidated financial statements. The non-controlling parties' share of the profit for the year, and of equity in subsidiaries which are not 100% owned, is included as a part of the Group's result or equity, but shown separately.

Business combinations

Enterprises acquired or formed during the year are included in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated financial statements until the date of disposal. Comparative figures are not restated for acquisitions.

The acquisition method is used on acquisitions of new businesses where the Gabriel Holding A/S Group gains control. The purchased company's identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Deferred tax on the revaluations made is recognised.

The acquisition date is the date on which Gabriel Holding A/S effectively gains control of the acquired business.

Costs attributable to business combinations are recognised directly in the profit for the year when incurred.

Foreign currency translation

For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. Transactions denominated in currencies other than the functional currency are foreign currency transactions. On initial recognition, foreign currency transactions are translated into the functional currency at the exchange rates on the transaction date. Foreign exchange differences arising between the transaction date and the date of payment are recognised in profit or loss as finance income or finance costs. Receivables, payables and other monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates applicable at the end of the reporting period. The difference between the exchange rates at the end of the reporting period and on the date on which the receivable or payable arose or was recognised in the latest annual report is recognised in profit or loss as finance income or finance costs.

On recognition in the consolidated financial statements of subsidiaries with a functional currency other than the DKK, the income statements are translated at the exchange rates of the transaction date, and the items in the statement of financial position are translated at the exchange rates applicable at the end of the reporting period. An average exchange rate for each month is used as the transaction date exchange rate, unless this would significantly distort the presentation of the underlying transactions.

Foreign exchange differences arising on translation of the opening balance of equity of such foreign operations at the exchange rates applicable at the end of the reporting period, and on translation of the income statements from the exchange rates of the transaction date to the exchange rates applicable at the end of the reporting period, are recognised in other comprehensive income, in a separate translation reserve under equity.

On recognition in the consolidated financial statements of joint ventures with a functional currency other than the DKK, the share of profit/loss for the year is translated at average exchange rates. The share of equity, including goodwill, is translated at the exchange rates applicable at the end of the reporting period. Foreign exchange differences arising on the translation of the share of the opening equity of foreign joint ventures, at the exchange rates applicable at the end of the reporting period, and on translation of the share of profit/loss for the year from average exchange rates to the exchange rates applicable at the end of the reporting period, are recognised in other comprehensive income in a separate translation reserve under equity.

30 cont. **Accounting policies**

Derivative financial instruments
Derivative financial instruments are recognised and measured in the statement of financial position at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively. Fair values for derivative financial instruments are measured on the basis of current market data and acknowledged valuation methods.

Changes in the fair value of derivative financial instruments designated as, and qualifying for recognition as, a hedge of the fair value of a recognised asset or liability are recognised in the results, together with changes in the value of the hedged asset or liability as regards the portion hedged.

Changes in the fair value of derivative financial instruments designated as, and qualifying for recognition as, a hedge of future cash flows, and which effectively hedge changes in future cash flows, are recognised in equity under a separate reserve for hedging transactions until the hedged cash flows affect the results. At this time, any gain or loss regarding such hedging transactions is transferred from equity and recognised in the same item as the hedged item.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as finance income or finance costs.

INCOME STATEMENT

Net revenue
Revenue from the sale of goods for resale and finished goods is recognised as revenue, provided that delivery and transfer of risk to the buyer have taken place before the year end, that the income can be reliably measured, and that it is expected to be received. Rental income is accrued and recognised on a straight-line basis over the period, in accordance with contracts entered into.

Net revenue is measured ex-VAT, taxes and discounts in relation to the sale.

Other operating income and costs
Other operating income and costs comprise items secondary to the principal activities of the enterprise, including gains on the sale of intangible assets and property, plant and equipment.

Public subsidies
Public subsidies comprise subsidies and financing of development projects. Public subsidies are recognised in the income statement under other operating income in step with payment/amortisation of the costs eligible for subsidy. In the statement of financial position, public subsidies are recognised under deferred income.

Cost of sales etc.
These costs include costs paid to achieve the year's net revenue, including direct and indirect costs of raw materials and consumables, goods for resale and energy etc.

Cost of sales etc. also includes direct and indirect costs of wages and consumables in connection with Group production.

Other external costs
Other external costs are mainly costs concerning sales, distribution, maintenance, premises and administration.

Profit/loss from investments in joint ventures in the consolidated financial statements
The Group's proportionate share of the results after tax of the joint venture business is recognised in the consolidated income statement after elimination of the proportionate share of intra-group profits/losses.

30 **Accounting policies**
cont.

Finance income and finance costs
Finance income and finance costs comprise interest income and expenses, gains and losses as well as write-downs on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities and surcharges and refunds under the on-account tax scheme etc. Realised and unrealised gains and losses on derivative financial instruments which are not designated as hedging arrangements are also included.

Dividends received from investments in subsidiaries are recognised in the parent company income statement in the financial year when the dividends are declared. If distributed dividends exceed comprehensive income for the relevant period, an impairment test is carried out.

Tax on profit for the year
Gabriel Holding A/S is jointly taxed with all Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed Danish companies in proportion to their taxable incomes (full absorption with deduction for tax losses). The jointly taxed companies are included in the on-account tax scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.

STATEMENT OF FINANCIAL POSITION

Development projects
Development costs comprise costs, salaries and amortisation which are directly or indirectly attributable to the company's development activities.

Goodwill
Goodwill is recognised at cost on initial recognition in the statement of financial position as described under Business combinations. Goodwill is subsequently measured at cost less cumulative impairment losses. Goodwill is not amortised.

Acquired product technology assets
Acquired product technology assets are acquired patents, technologies and trademarks in connection with the acquisition of a business. Assets are calculated at fair value on the acquisition date using the relief from royalty method, i.e. by discounting royalty savings through ownership, rather than identifying the technology in question. Acquired product technology assets are amortised over an expected useful life of 10 years.

Development projects
Development costs comprise costs, salaries and amortisation which are directly or indirectly attributable to the company's development activities.

Clearly defined and identifiable development projects are recognised as non-current, intangible assets where there is evidence of the degree of technical utilisation, sufficient resources and a potential future market or development opportunities in the company. The company must intend to produce, market or use the project, the cost must be reliably measured and there must be sufficient assurance that future earnings will cover administrative, production, distribution and development costs.

Other development costs are recognised in the income statement as incurred.

Capitalised development costs are measured at the lower of cost less cumulative amortisation and impairment losses and recoverable amount.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The usual amortisation period is five years.

30 cont. **Accounting policies**

Property, plant and equipment

Land and buildings, plant and machinery, fixtures and fittings, and other plant and equipment are measured at costs less cumulative depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, suppliers, wages and salaries as well as borrowing costs arising from specific and general borrowing directly relating to the construction of the individual asset.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items which are depreciated separately.

The cost of finance leases is stated at the lower of fair value and the net present value of future minimum lease payments. When the net present value of the future lease payments is calculated, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor.

Subsequent costs arising, for example, from the replacement of components of property, plant and equipment, are recognised in the carrying amount of the relevant asset when it is probable that future economic benefits will flow to the Group. The components replaced will no longer be recognised in the statement of financial position and the carrying amount will be transferred to the income statement. All other ordinary costs of repair and maintenance will be recognised in the income statement as incurred.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components as follows:

Buildings	10-25 years
Leasehold improvements	Term of the lease
Plant, fixtures and fittings and equipment	3-8 years

Land is not depreciated.

Depreciation is calculated on the basis of the residual value less impairment losses. Depreciation period and residual value are determined on the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

When the depreciation period or the residual value is changed, the effect on depreciation is recognised prospectively as a change in accounting estimates.

Gains and losses on the disposal of non-current property, plant and equipment are determined as the difference between the selling price less cost of sale and the carrying amount on the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs.

Impairment test of non-current assets

The carrying amount of non-current assets is tested annually for indicators of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's net selling price less anticipated disposal costs or its value in use. The value in use is calculated as the net present value of forecast future cash flows from the asset or from the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of the net assets exceeds its recoverable amount.

Investments in joint ventures in the consolidated financial statements

Investments in joint ventures are measured according to the equity method.

Investments in joint ventures are measured in the statement of financial position at the Group's share of the enterprises' equity values, calculated in accordance with the Group's accounting policies plus or minus the proportionate share of unrealised intra-group profits and losses and plus the carrying amount of goodwill. Investments in joint ventures are tested for impairment when there is an indication of impairment.

30 Accounting policies
cont.

Investments in subsidiaries in the parent company's financial statements
Investments in subsidiaries are measured at cost. Where the recoverable amount is lower than cost, investments are written down to this lower value.

At the distribution of reserves other than retained earnings in subsidiaries, the distribution will reduce the cost of investments when the distribution is characterised as repayment of the parent company's investment.

Amounts owed by joint ventures
Amounts owed by joint ventures are attributable to lease contracts for assets of which the Group is the owner, but of which all major risks and maintenance liabilities are incumbent on the joint venture business. Finance leases are recognised in the statement of financial position at the net present value of future lease payments. The interest rate implicit in the lease is used for the calculation of the net present value.

Inventories
Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale, raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages/salaries and indirect production overheads. Indirect production costs comprise indirect materials, wages/salaries and maintenance as well as depreciation of production equipment, buildings and equipment and factory administration and management.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale. It is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables
Receivables are measured at amortised cost. Write-downs are made for losses on bad debts when there is an objective indication of an impairment loss. In such cases, a write-down is made individually for each specific receivable. Write-downs are determined as the difference between the carrying amount and the net present value of projected cash flows, including the net realisable value of any collateral.

Equity
Dividends
Proposed dividends are recognised as a liability at the date on which they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Translation reserve
The translation reserve in the consolidated financial statements comprises foreign exchange differences arising on translation of financial statements of foreign enterprises from their functional currencies to Danish kroner.

Current tax and deferred tax
Current tax payable and receivable is recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the statement of financial position liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability.

Deferred tax assets are recognised at the expected value of their utilisation, either as a set-off against tax on future earnings or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

30 cont. **Accounting policies**

Deferred tax is measured according to the tax rules and at the tax rates applicable at the statement of financial position date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Financial liabilities
Financial liabilities are recognised at the date of borrowing as the net proceeds received, less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. The difference between the proceeds and the nominal value is accordingly recognised in the income statement as finance costs over the term of the loan. Financial liabilities include the capitalised residual obligation on finance leases measured at amortised cost.

Other liabilities are measured at net realisable value.

Leases
For accounting purposes, lease liabilities are divided into finance and operating leases.

Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and lease liabilities is described under Property, plant and equipment and Financial liabilities respectively. Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

CASH FLOW STATEMENT
The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents, and cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities
Cash flows from operating activities are recognised as the share of profit/loss adjusted for non-cash operating items, changes in working capital and corporation taxes paid.

Cash flows from investing activities
Cash flows from investing activities comprise payments in connection with acquisitions and disposals of businesses, of activities, of intangible assets, property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not classified as cash and cash equivalents.

Cash flows from financing activities
Cash flows from financing activities comprise the raising of loans, repayment of interest-bearing debt, acquisition of treasury shares and payment of dividends to shareholders.

Bank loans/cash and cash equivalents
The item covers cash and cash equivalents and bank loans (overdraft facilities).

SEGMENTS
The segment information was prepared in accordance with the Group's accounting policies and follows the internal management reporting.

Segment income and expenses and segment assets and liabilities comprise the items which are directly attributable to the individual segment and the items which can be allocated reliably to the individual segment.

Addition of non-current assets in the segment comprises non-current assets which are used directly in the segment's operation, including intangible assets and property, plant and equipment.

30 cont. **Accounting policies**

Presentation of discontinued operations

Discontinued operations form a significant part of a business if operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the business, and where the component has been disposed of, or is classified as held for sale, and the sale is expected to be completed within one year in accordance with a formal plan.

Profit after tax from discontinued operations and value adjustments after tax of associated activities and liabilities and profit/loss on sale are shown as a separate line in the income statement and comparative figures are changed. Revenue, costs, value adjustment and tax for the discontinued operation are given in note 23. Assets and associated liabilities for discontinued operations are shown as separate lines in the statement of financial position without changing comparative figures (see the section "Assets held for sale"), and the main items are specified in note 23, which contains the usual information on the discontinued operation.

Cash flows from operating, investing and financing activities for the discontinued operations are given in note 23.

31 **New financial reporting regulations**

On the date of publication of this annual report, a number of new or revised standards and IFRICs are available, which have not yet entered into force and are consequently not incorporated into the report. The new standards and IFRICs will be implemented as they become mandatory.

Except for IFRS 16, none of the new standards or IFRICs, including IFRS 15 and IFRS 9, is deemed to influence financial reporting for the Group or the parent company. IFRS 16 will change the Group's accounting treatment of operating leases as an asset, and a liability must be recognised for these. The Group has assessed the new lease standard's potential impact on the consolidated and parent company financial statements. It is not possible at present to assess the impact on the consolidated and parent company financial statements for 2019/20.

The Group's and the parent company's undiscounted operating lease liabilities at 30 September 2018 are given in note 25 to the consolidated and parent company financial statements on the basis of minimum lease payments in accordance with IAS 17. Under IFRS 16, lease agreements with extension options must be recognised and measured taking these options into account. This will impact property leases in particular, including the consequence of the conditional sales-and-leaseback agreement in note 23, and may result in the liabilities recognised under IFRS 16 significantly exceeding the amounts given in the notes in accordance with IAS 17.

Definitions of financial ratios

Invested capital: Working capital plus property, plant and equipment and intangible assets, excluding goodwill, less provisions for liabilities and other non-current operating liabilities.

Working capital Current assets less current liabilities, which are used or necessary for the Group's operation.

Operating margin: Operating profit (EBIT) as a percentage of net revenue.

Return on invested capital (ROIC): Operating profit (EBIT) as a percentage of average invested capital.

Earnings per share (EPS): Profit after tax divided by average number of shares.

Earnings per share, diluted (EPS-D): Profit after tax divided by average number of diluted shares.

Return on equity: Profit after tax as a percentage of average equity.

Equity ratio: Equity's share of total assets.

Book value per share at year end: Equity relative to share capital in per cent.

Market price at year end: Listed price of the shares on Nasdaq Copenhagen.

Price/book value: Market price relative to book value.

Price earnings (PE): Market price relative to earnings per share.

Price cash flow (PCF): Market price relative to cash flow per share (excluding treasury shares).

Dividend yield: Yield relative to market price at year end.

Payout ratio: Yield relative to profit after tax.

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