ANNUAL REPORT 2019-20

Gabriel Holding A/S

Gabriel

Gabriel Holding A/S realises revenue of DKK 727.3 million and profit before tax of DKK 32.0 million

Selected financial ratios

- Revenue increased to DKK 727.3 million (DKK 708.2 million)
- Operating profit (EBIT) was DKK 41.9 million (DKK 61.9 million)
- Operating margin was 5.8% (8.7%)
- Profit before tax was DKK 32.0 million (DKK 62.9 million)
- Profit after tax was DKK 25.0 million (DKK 49.0 million)
- Return on invested capital (ROIC) before tax was 8.4% (22.7%)
- Earnings per share (EPS) decreased to DKK 13.2 (DKK 25.9)
- Cash flows from operating activities in the period were DKK 57.2 million (DKK 43.8 million)
- The Board of Directors proposes a dividend of DKK 5.00 per DKK 20 share.

Summary

The Group's revenue increased by 3% to DKK 727.3 million in the financial year.

The export share was 86% compared to 89% last year.

In the first half of the financial year, the Group's revenue increased by 22% to a record DKK 418.0 million (DKK 343.7 million). Growth in the half-year was as expected and realised through solid growth rates in Europe and North America.

The outbreak of coronavirus (Covid-19) and the resulting market restrictions and consequences significantly changed the conditions for growth, which affected the second half-year.

Global restrictions in distribution possibilities in the third quarter meant a 22% decrease in revenue, while stabilisation in the fourth quarter led to a 10% decrease in revenue in that quarter. In total a 15% decrease in revenue was thus realised in the second half-year.

Profit before tax was DKK 32.0 million for the financial year (DKK 62.9 million).

In the annual report for 2018/19, management expected a 15-20% increase in revenue in the 2019/20 financial year and a 10-15% increase in profit before tax.

However, as a result of the outbreak of the coronavirus (Covid-19), expectations were suspended in March. Guidance was re-established in April and later adjusted upwards in June and August.

The Group's total profit after tax was DKK 25.0 million (DKK 49.0 million).

Expectations for the future

The outbreak of Covid-19 makes market prospects very unclear and entails a high risk of sudden changes in the market conditions.

Expectations for the year are based on the assumption that the global market for contract furniture will be stable, although at a lower level than 12 months ago.

Based on the Group's continued outreach activities, constantly increasing efforts in development and sales initiatives, and continued strong sales pipeline, revenue growth to DKK 760-790 million is expected (DKK 725 million in 2019/20).

Revenue in the year of comparison (2019/20) differed significantly in the first and second half-year respectively. Revenue development in the first half of the 2020/21 financial year is therefore expected to be negative, but positive in the second half-year. Profit before tax is expected to be of the order of DKK 50-55 million (DKK 32 million).

Expected results reflect the improvement contributed by implemented cost adjustments, but are not fully back to their pre-Covid-19 level, due to continued investment in future growth. As with revenue development, major differences are also expected in profit before tax between the first and second halves of the 2020/21 financial year.

The total expectations for the 2020/21 financial year are revenue of the order of DKK 760-790 million and profit before tax of the order of DKK 50-55 million.

It should be noted that a high level of uncertainty surrounds the expectations as a result of Covid-19. They are based on a generally stable market, and the Group's expected revenue growth could be affected by economic fluctuations on the primary markets.

The Board of Directors recommends that the general meeting of Gabriel Holding A/S, to be held on 10 December 2020, should approve the following:

- to pay a dividend of DKK 5.0 per DKK 20 share;
- to re-appoint Jørgen Kjær Jacobsen, Hans O. Damgaard, Søren B. Lauritsen and Pernille Fabricius as board members appointed by the general meeting;
- to authorise the Board of Directors to permit the company to acquire treasury shares to a total nominal value of DKK 7,560,000, the equivalent of 20% of the company's share capital; 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 in Aalborg at 2:00 p.m. on 10 December 2020.

The official annual report is published on the company's website and the printed version of the report will be available by 27 November 2020 at the company's office.

Financial highlights *

for the Group

FINANCIAL HIGHLIGHTS	Unit	2019/20	2018/19	2017/18	2016/17	2015/16
Revenue	DKK million	**727.3**	708.2	601.1	494.0	392.8
Growth	%	**2.7**	17.8	21.7	26.2	16.6
of which exports	DKK million	**629.0**	633.3	540.1	449.2	355.0
Export percentage	%	**86**	89	90	91	90
Earnings before depreciation, amortisation and impairment losses (EBITDA)	DKK million	**80.3**	81.1	70.8	56.8	47.4
Operating profit (EBIT)	DKK million	**41.9**	61.9	55.0	45.4	40.1
Net finance income and costs	DKK million	**-12.8**	-1.3	-1.4	-2.8	-1.8
Profit before tax	DKK million	**32.0**	62.9	56.1	45.7	42.8
Tax	DKK million	**-7.0**	-13.9	-12.7	-10.4	-8.5
Profit after tax	DKK million	**25.0**	49.0	43.4	35.3	34.3
Cash flows from:						
Operating activities	DKK million	**57.2**	43.8	40.2	26.6	34.8
Investing activities	DKK million	**-30.5**	-80.2	-37.9	-49.6	-9.2
Financing activities	DKK million	**-18.1**	35.7	-10.4	18.1	-13.4
Cash flows for the year	DKK million	**8.6**	-0.7	-8.1	-4.9	12.2
Investments in property, plant and equipment	DKK million	**22.7**	25.2	19.1	16.0	8.3
Depreciation, amortisation and impairment losses	DKK million	**38.4**	19.2	17.8	13.2	10.0
Equity	DKK million	**283.4**	281.2	249.6	221.0	201.6
Statement of financial position total	DKK million	**645.5**	562.3	433.9	398.3	289.7
Invested capital	DKK million	**411.3**	349.1	204.4	195.0	122.3
Working capital	DKK million	**172.3**	166.3	135.1	100.5	81.6
Average number of employees	Number	**1,151**	855	517	404	292
Revenue per employee	DKK million	**0.6**	0.8	1.2	1.2	1.3
FINANCIAL RATIOS						
Gross margin	%	**37.6**	40.1	39.5	41.5	41.0
Operating margin (EBIT margin)	%	**5.8**	8.7	9.2	9.2	10.2
Return on invested capital (ROIC) before tax	%	**8.4**	22.7	28.1	28.8	24.1
Return on invested capital (ROIC) after tax	%	**6.6**	17.7	21.7	22.2	19.3
Earnings per share (EPS)	DKK	**13.2**	25.9	23.0	18.7	18.2
Return on equity	%	**8.9**	18.5	18.4	16.7	18.1
Equity ratio	%	**43.9**	50.0	57.6	55.5	69.6
Book value per share at year end	DKK	**150**	149	132	117	107
Market price at year end	DKK	**690**	712	608	475	570
Price/book value	DKK	**4.6**	4.8	4.6	4.1	5.3
Price earnings (PE)	DKK	**52.2**	27.5	26.5	25.5	31.4
Price cash flow (PCF)	DKK	**22.8**	30.7	28.6	33.7	31.0
Proposed dividend per DKK 20 share	DKK	**5.00**	10.50	9.50	7.65	7.25
Dividend yield	%	**0.7**	1.5	1.6	1.6	1.3
Payout ratio	%	**38**	41	41	41	40

Financial ratios are calculated in accordance with CFA Society Denmark's "Recommendations & Financial Ratios 2015".

Please see page 79 for definitions of financial ratios.

* Financial ratios have not been restated for the implementation of IFRS 16.

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

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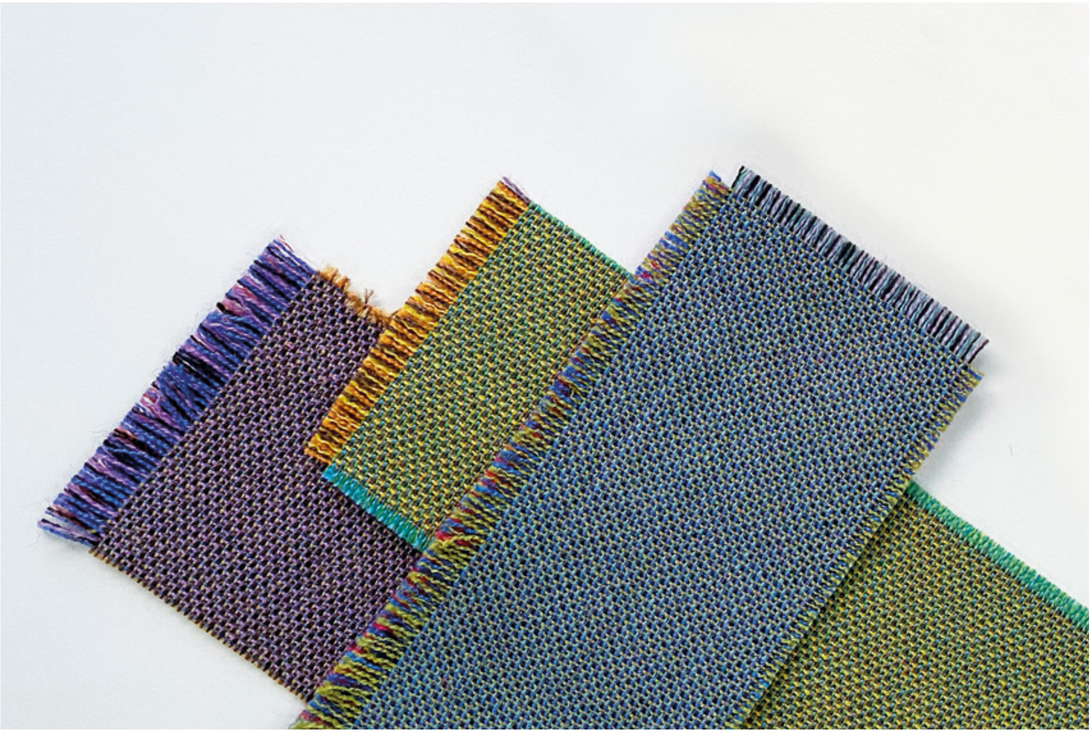

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Gabriel profile

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 innovative 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 (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, provided 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 a global strategy of close development partnerships and trading relations with approximately 70 selected major leading customers.

Gabriel strives to win 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 everyone.

All employees are familiarised with Gabriel's vision, strategy, targets and activity plans and regularly updated on their work situation. This takes place at meetings and in employee development dialogues. 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 and the property company Gabriel Ejendomme A/S.

The development company ZenXit A/S merged with Gabriel A/S at the end of the 2019/20 financial year.

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.

The three operating companies implement four core processes based on the Group's strategy. 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. Gabriel Holding A/S is also responsible for the general management of the central areas of design, product development, quality, CSR and business development.

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 important part of the total strategy: to service global contract furniture manufacturers and distributors and makes 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. In addition to the company's Regional Head Office in Beijing, there have been offices in Shanghai, Guangzhou, Hong Kong and Shenzhen, as well as Singapore and Thailand, for a

number of years. In 2019, a sales office also opened in Chengdu. 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 intensified continuously.

The Asian market is generally price-sensitive, but its leading players are showing increasing interest in Gabriel Asia Pacific, which serves 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 the USA in 2014.

Gabriel A/S opened a sales office in Grand Rapids, Michigan in 2015 and has boosted its resources for sales and customer service 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. Production was thus established in Grand Rapids, Michigan.

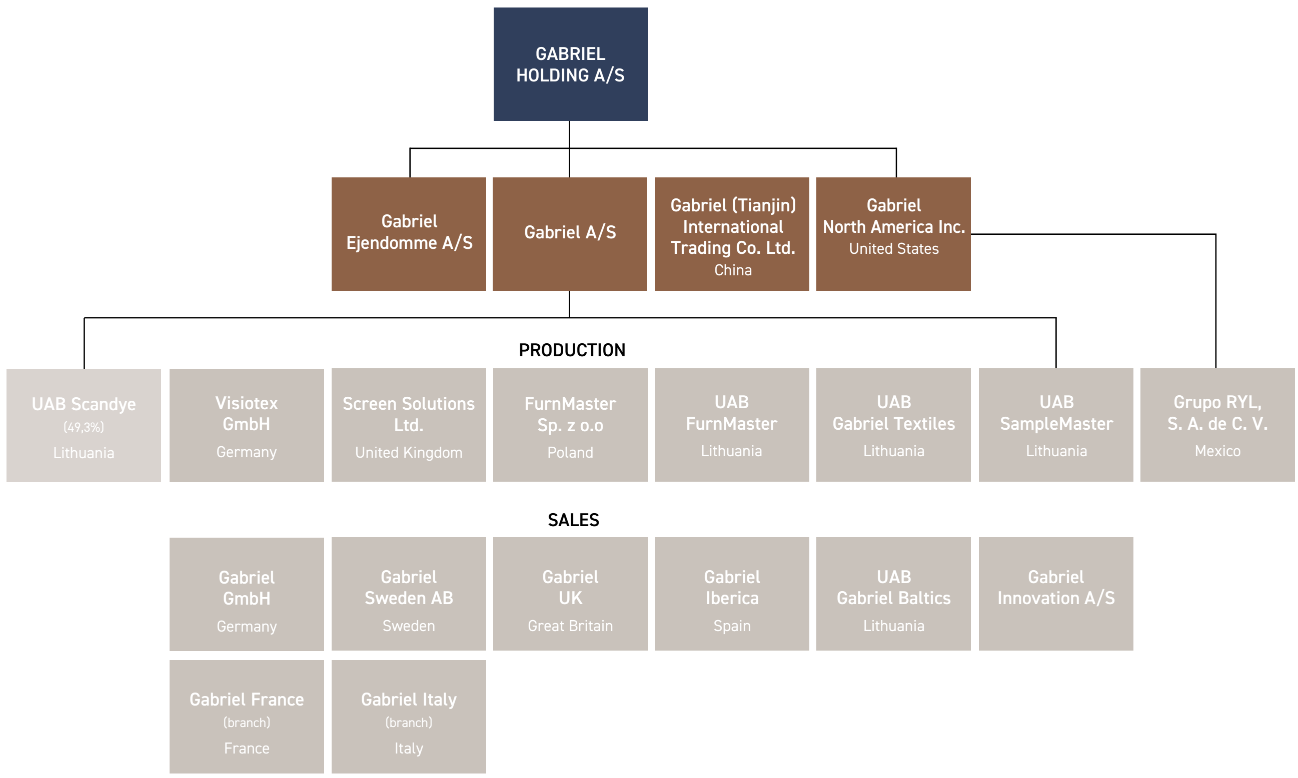
As in Europe, the FurnMaster unit is estimated to have major potential and is well underway with the realisation thereof.

FurnMaster Mexico (Grupo RYL S.A. de C.V.)

As FurnMaster's potential in the USA was identified and developed, the possibilities of establishing a similar unit in Mexico were explored. The result was that the operating company, Gabriel North America Inc., acquired the Mexican furniture manufacturer Grupo RYL S.A. de C.V. in 2018/19.

The shares in the Mexican company were thus bought to support the Group's growth in FurnMaster's activities in North America.

Gabriel Group 2020



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 in Germany, England, Sweden and Lithuania and branches in France, Spain and Italy. 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.

Visiotex GmbH

Gabriel A/S acquired the share capital in the German textile solutions manufacturer, Visiotex GmbH, in December 2019.

Visiotex is recognised in the industry for innovative textile solutions, in particular for a technology which allows a seamless process of design and production of textile solutions with built-in functionality, without any subsequent cutting and sewing.

The upholstery company UAB FurnMaster

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 optimisations of production in the years to come.

The upholstery company FurnMaster Sp. z o.o.

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 keen 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 underwent 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 segments. The purchase also supported the continued strengthening of Gabriel's presence in Great Britain.

UAB Gabriel Textiles

The operating company Gabriel A/S acquired the subsidiary UAB Baltijos Tekstilė during the 2018/19 financial year. Gabriel and Baltijos Tekstilė (BTC) have worked together since 1998. Gabriel's looms were subsequently 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.

The aim of purchasing the shares in the Lithuanian company was to support the Group's growth in both the fabric business and SampleMaster and to ensure continued, highly reliable supply and competitiveness.

Since the takeover, the company has been divided for the purpose of combining fabric production in the company UAB Gabriel Textiles, development and production of sales promotion materials in the company UAB SampleMaster and the sales activities in the Baltic region in the sales company UAB Gabriel Baltics.

UAB SampleMaster

Following the purchase of the partner company Baltijos Tekstilė, the activities concerning the Group's SampleMaster production were hived off into a separate company, UAB SampleMaster. This meant that the Group's European sales as well as development and production of sample materials were combined under the management of the Danish SampleMaster business unit.

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.

The dye works, UAB Scandye

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.

Gabriel's locations in 2020

Gabriel Europe

Head office, Denmark

Sales offices
Gabriel GmbH, Germany
Gabriel Sweden AB, Sweden
Gabriel France, France
Gabriel UK, United Kingdom
Gabriel Iberica S. L., Spain
Gabriel Italy, Italy

Gabriel North America Inc.

Sales and representative office
Grand Rapids, Michigan, USA

Gabriel Asia Pacific

Sales and representative offices
Beijing
Shanghai
Guangzhou
Chengdu
Shenzhen
Bangkok
Singapore
Hong Kong

Distribution centres

Lithuania
England
USA
China

FurnMaster production

United Kingdom
Lithuania
Poland
USA
Mexico

SampleMaster production

Lithuania

Screen Solutions

United Kingdom
USA

Fabrics production

UAB Gabriel Textiles, Lithuania
Scandye, Lithuania

Tailored Shapeknit solution on Haworth's office chair, Fern.

With Shapeknit in its product portfolio, Gabriel offers tailored one-piece knitted upholstery solutions that perfectly fit the shape and form of any furniture design. The knitted upholstery solutions can be used without any cutting, sewing or other finishing processes.

Financial review

The Group's sales activities and development in revenue

Revenue in the financial year was DKK 727.3 million (DKK 708.2 million), an increase of 3%.

The review of the Group's sales activities and revenue development can justly be divided into two very different half-years.

In the first half of the financial year, the Group's revenue increased by 22% to a record DKK 418.0 million (DKK 343.7 million). Growth in the half-year was as expected and realised through solid growth rates in Europe and North America.

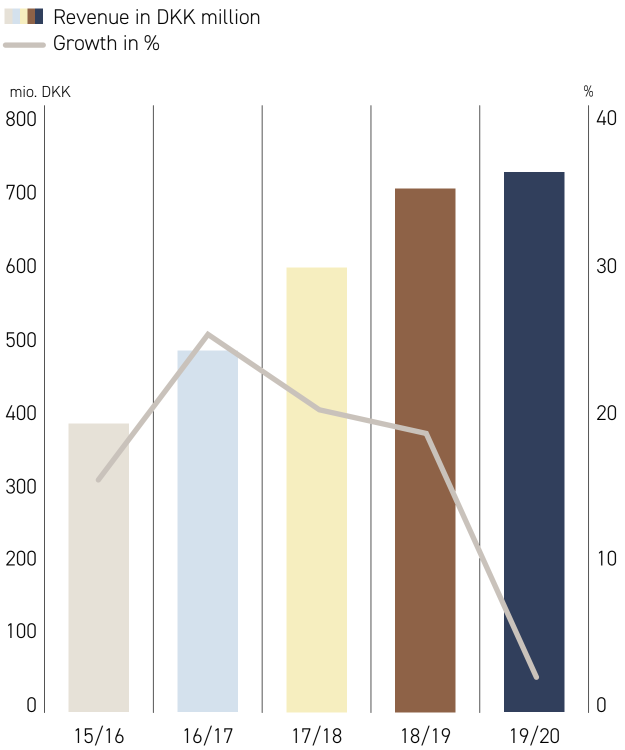
The outbreak of the coronavirus (Covid-19) and the resulting market restrictions and consequences significantly changed the conditions for growth, which affected the second half-year.

Global restrictions in distribution possibilities in the third quarter meant a 22% decrease in revenue, while stabilisation in the fourth quarter led to a 10% decrease in revenue in that quarter. In total a 15% decrease in revenue was thus realised in the second half-year.

In the annual report for 2018/19, management expected a 15-20% increase in revenue in the 2019/20 financial year. However, as a result of the outbreak of the coronavirus, expectations were suspended in March. Guidance was re-established in April and later adjusted upwards in June and August.

In management's assessment, global demand was stable to slightly decreasing in the first half-year, but fell heavily in the second half-year to a lower, but stable level. Despite the negative development in the market opportunities in the second half-year and the adaptations to the Group's cost base that had to be made in consequence of this, management chose to maintain its well-established sales structure. Sales thus remained strong throughout the period and in some areas even became stronger. Sales and development initiatives to ensure future growth were thus implemented at the usual high level throughout the year.

Revenue by year



Gabriel's growth strategy remains "growing with the largest market participants" and targets effort 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 examines opportunities and regularly launches activities which will contribute to continued growth.

Attention focuses on constantly increasing activities within sales, product development, business development and acquisitions. Resources in general have increased. Investments in new tools, business processes etc. also help to ensure continuous improvement in productivity. The initiatives are organised in the Group's three vertical markets (Asia, America and Europe) with overall coordination through selected group functions.

The Group has achieved high growth rates for a number of years. These growth rates have been realised as a result of implementing major customer projects with long and complex time frames.

The timing of this type of project is difficult to forecast and thus creates uncertainty about the expectations for future interim profits.

The growth realised in the year comes from the Group's FurnMaster units, which serve the market with cutting, sewing, upholstering and assembly of furniture components.

The FurnMaster business unit now comprises upholstery units in Lithuania, Poland, the USA and Mexico. Management is regularly considering initiatives to ensure continued growth in these units by means of focused sales efforts, bigger facilities and staff increases.

Management is of the opinion that the revenue decrease realised in the second half-year was better than general market development in the period. The Group's strengthened global presence, the acquisitions made and a wider range of products and services are the main reason for realising revenue above the general market trend.

Well-established sales and development structures in Asia, North America and Europe have been preserved and mean that management expects to be able to restore growth in all business areas.

Rental income from the fully let business park Gabriel Erhvervspark (Gabriel Ejendomme A/S) was DKK 3.0 million (DKK 2.2 million).

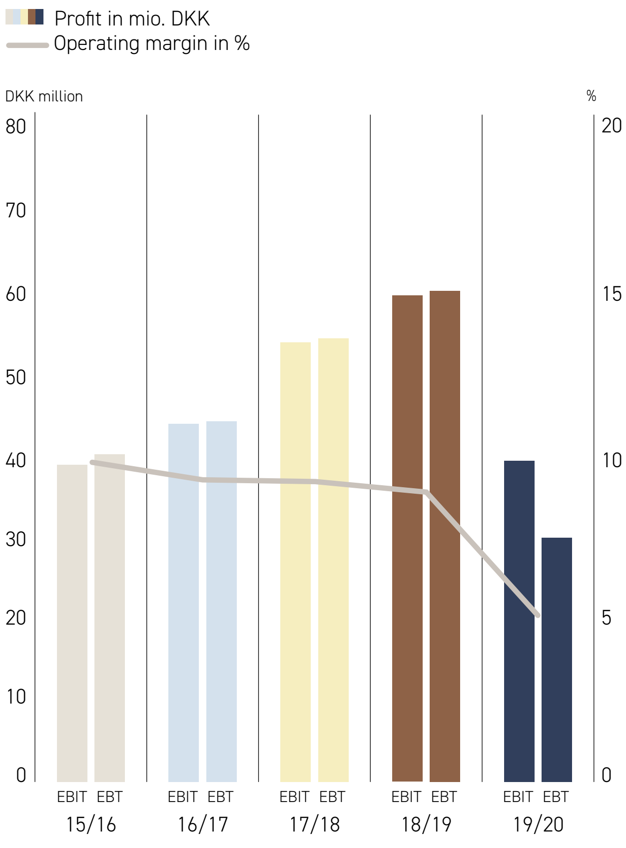
The Group's earnings

With effect from 1 October 2019, the financial reporting standard for leases (IFRS 16) has been implemented. In the income statement, other external costs have been reduced by DKK 18.6 million, while depreciation/amortisation and finance costs have increased by DKK 17.9 million and DKK 0.1 million respectively. The effect on profit before tax for the financial year was thus DKK 0.7 million. The effect is in line with the expectations in the annual report for 2018/19.

The implementation of IFRS 16 is further explained in note 29.

In the annual report for the 2018/19 financial year, management expected an increase of 10-15% in profit before tax. However, as a result of the outbreak of coronavirus, expectations were suspended in March. Guidance was re-established in April and later adjusted upwards in June and August.

Operating profit (EBIT)



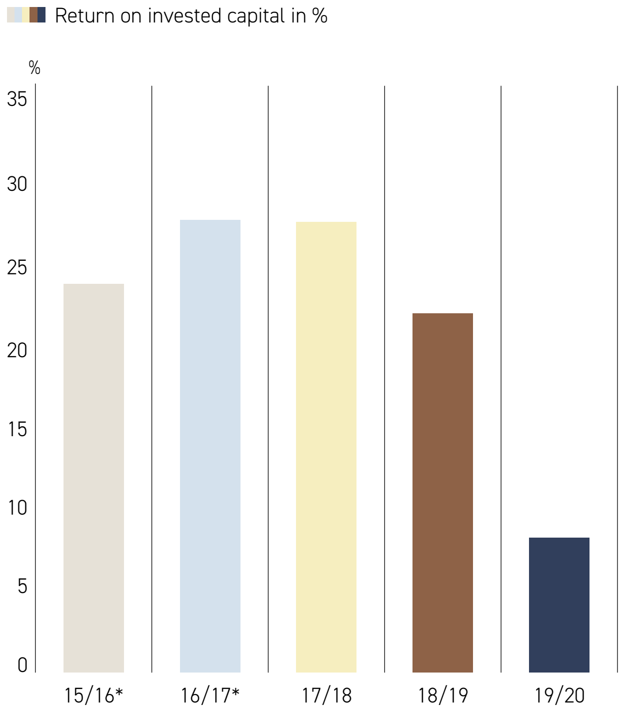
Comments on the individual items are given below.

Cost of sales – gross margin

The Group's realised gross margin in 2019/20 was 37.6% (40.1%). The change was expected and is primarily attributable to a shift in the Group's product mix following the addition of the acquired businesses.

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

Return on invested capital (ROIC) before tax



*Comparative figures for 14/15, 15/16 and 16/17 have not been restated to reflect discontinued operations.

Other external costs

The Group's other external costs decreased by 20% to DKK 72.0 million (DKK 89.7 million).

In the second half-year, external costs decreased by 27%. The decrease is generally attributable to adjustments relating to IFRS 16, the lower level of activity in the second half-year and effected savings.

Adjusted for the effect of IFRS 16 (see above), external costs for the year increased by 1%. In the fourth quarter, they decreased by 4%.

Staff costs

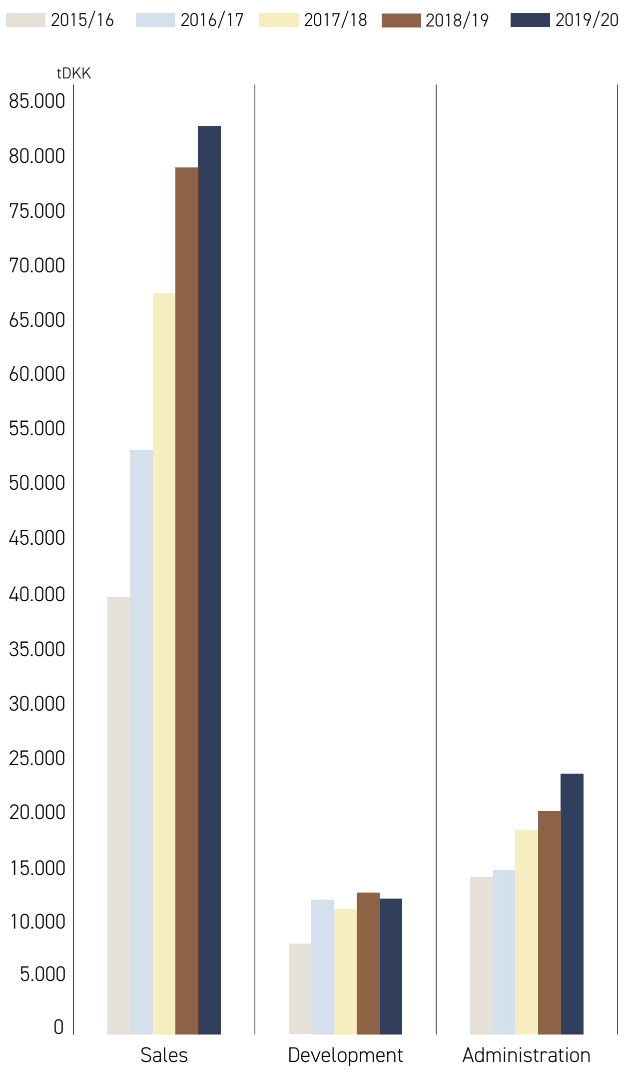
The Group's staff costs increased by 5% to DKK 121.0 million (DKK 114.9 million). In the second half-year, staff costs decreased by 13%, mainly because staff adjustment and subsidy schemes were utilised in Denmark and abroad.

The Group has secured immediate adjustment of the cost base in countries where this was possible, including by utilising special national coronavirus support schemes. In Denmark, Gabriel A/S used only the possibilities in the tripartite agreement on temporary wage compensation under which support was received for April, May and June.

The Group's staff costs are distributed over administration, sales and development, which accounted for 20%, 69% and 11% respectively in 2019/20.

The average number of employees for the financial year was 1,151, 899 of whom were in production, 126 in sales/development and 126 in administration. In 2018/19, the average number of employees was 855 with 645 in production, 117 in sales/development and 93 in administration. The number of employees in the Group at the end of the 2019/20 financial year was 1,134 (885 of whom were in production, 129 in sales/development and 121 in administration).

Distribution of staff costs



EBITDA

Earnings before depreciation, amortisation and impairment losses (EBITDA) decreased to DKK 80.3 million (DKK 81.1 million). In 2019/20, EBITDA was positively affected by DKK 18.6 million as a result of the implementation of IFRS 16. EBITDA in the fourth quarter was DKK 12.8 million (DKK 18.1 million).

Depreciation, amortisation and impairment losses

Consolidated depreciation, amortisation and impairment losses in the Group were DKK 38.4 million, compared to DKK 19.2 million last year.

The increase is primarily attributable to the effect of IFRS 16, which has increased the Group's depreciation, amortisation and impairment losses by DKK 17.9 million.

Share of profit after tax in joint venture

Profit for the year includes a total DKK 2.9 million share of the profit from the investment in UAB Scandye (DKK 2.3 million).

Finance income and costs

Finance income and costs show net costs of DKK 12.8 million (DKK 1.3 million). The increase is primarily due to currency movement in the period and, to a lesser extent, to increased drawing on credit facilities and the effect of the change in lease accounting. The negative exchange rate adjustments relate mainly to intragroup financing to the American subsidiary and are a result of a 7% fall in the exchange rate of the US dollar in the year.

See notes 6 and 7 for further specification.

Operating profit (EBIT)

Operating profit (EBIT) was DKK 41.9 million for the financial year, compared to DKK 61.9 million last year. Operating margin (EBIT margin) was 5.8% (8.7%).

EBIT in the fourth quarter was DKK 1.5 million (DKK 12.6 million).

Profit before tax

Profit before tax was DKK 32.0 million for the financial year (DKK 62.9 million).

Tax on profit for the year

Tax on profit for the year was DKK 7.0 million (DKK 13.9 million). The Group's total tax rate decreased from 22.1% to 21.9% 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.

Profit after tax

The Group's total profit after tax was DKK 25.0 million (DKK 49.0 million).

Statement of financial position and cash flows

The Group's statement of financial position and cash flows are generally affected by additions from the acquired businesses and by the continued development of customer relationships in the Group's FurnMaster business units.

When new customer relationships are initiated, FurnMaster's corporate model has a negative effect on the Group's statement of financial position and cash flows, since taking over stocks of components is often part of the model.

The consolidated statement of financial position total was DKK 645.5 million, compared to DKK 562.3 million on 30 September 2019.

Intangible assets were DKK 96.0 million on 30 September 2020, of which goodwill from the acquisition of Screen Solutions Ltd, UAB Baltijos Tekstilė, Grupo RYL and Visiotex GmbH accounted for the most important share (DKK 48.7 million).

Property, plant and equipment amounted to DKK 203.5 million on 30 September 2020, compared to DKK 146.1 million in the previous year. DKK 52.9 million of the increase is related to the implementation of IFRS 16 as described in note 29. The increase is also attributable to additions from acquisitions (DKK 4.8 million) and to purchases of plant, fixtures and fittings and equipment in connection with expansions in production capacity and the establishment of sales offices.

Other non-current assets were DKK 45.5 million on 30 September 2020, compared to DKK 41.0 million on 30 September 2019. Non-current assets thus amounted to DKK 345.0 million on 30 September 2020, compared to DKK 275.9 million in the same period last year. The increase in other non-current assets is primarily attributable to the increased tax assets described in note 18. On the basis of the possibilities of utilisation, the Group's corporate models and market potentials, the recognised tax loss carryforwards are expected to be utilised within 3-5 years and are therefore fully recognised.

In 2020, the Group's net working capital increased from DKK 166.3 million on 30 September 2019 to DKK 172.3 million on 30 September 2020. Net working capital on 30 September 2020 equals 23.7% of revenue for the year, compared to 23.5% on 30 September 2019. The aim is to continuously improve proportionate working capital.

The Group's inventories amounted to DKK 141.1 million on 30 September 2020, compared to DKK 135.1 million on 30 September 2019, an increase of 4.4%. Receivables decreased by 10.1% to DKK 93.2 million on 30 September 2020 (DKK 103.6 million on 30 September 2019). Prepayments were DKK 10.9 million on 30 September 2020 (DKK 7.8 million) and cash and cash equivalents increased to DKK 53.3 million (DKK 39.8 million). Current assets were thus DKK 300.5 million on 30 September 2020, compared to DKK 286.3 million on 30 September 2019.

The Group's equity amounted to DKK 283.4 million on 30 September 2020, compared to DKK 281.2 million on 30 September 2019. Non-current liabilities were DKK 77.3 million, compared to DKK 40.0 million on 30 September 2019. The increase is primarily attributable to raising of mortgage loans and an increase in lease liabilities resulting from the implementation of IFRS 16. Current liabilities were DKK 284.8 million on 30 September 2020, compared to DKK 241.1 million on 30 September 2019. Total liabilities were thus DKK 362.1 million on 30 September 2020, compared to DKK 281.1 million on 30 September 2019. The increase was 28.8% and primarily attributable to an increase in amounts owed to credit institutions and the implementation of IFRS 16.

Cash flows from operating activities in the period was positive by DKK 57.2 million, compared to DKK 43.8 million in the same period last year. Despite the lower profit, the increase is mainly attributable to a decrease in funds tied up in working capital, in particular receivables. Cash flows from operating activities in the period were also positively affected by the implementation of IFRS 16, despite the lower profit after tax.

Total investments in property, plant and equipment were DKK 22.7 million, compared to 25.2 million in the same period last year.

The Group paid dividends of DKK 19.8 million in December 2019, and dividends of DKK 9.5 million are recognised for the 2019/20 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.

Gabriel 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 2019/20. Investments in innovation and development were DKK 22.1 million (compared to DKK 17.7 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 of "product and process innovation". The individual units' market potentials are identified, developed and capitalised, exploiting the value of a joint coordinated effort targeted on the market's leading furniture manufacturers.

For a number of years, Gabriel has set targets for launching a substantial number of new fabrics on the world market. In 2019/20, the portfolio of globally competitive fabrics was expanded. Eight new fabrics were thus launched and two 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 business area Shapeknit (acquired through the purchase of Visiotex GmbH) is being further developed in newly established innovation centres in Bingen, Germany, Grand Rapids, Michigan, USA, Gabriel's development centre in Aalborg and UAB Gabriel Textiles. The production of knitted solutions was transferred to the last-mentioned company during the year.

The Group is also working 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 focus 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 or for sign up for Gabriel's newsletters.

Outlook

The outbreak of Covid-19 makes market prospects very unclear and entails a high risk of sudden changes in market conditions.

Expectations for the year are based on the assumption that the global market for contract furniture will be stable, although at a lower level than 12 months ago.

Based on the Group's continued outreach activities, constantly increasing efforts in development and sales initiatives, and continued strong sales pipeline, revenue growth to DKK 760-790 million is expected (DKK 725 million in 2019/20).

Revenue in the year of comparison (2019/20) differed significantly in the first and second half-year respectively. Revenue development in the first half of the 2020/21 financial year is therefore expected to be negative, but positive in the second half-year.

Profit before tax is expected to be of the order of DKK 50-55 million (DKK 32 million).

The expected results reflect the improvement contributed by implemented cost adjustments, but are not fully back to their pre-Covid-19 level, due to continued investment in future growth. As with revenue development, major differences are also expected in profit before tax between the first and second halves of the 2020/21 financial year.

Total expectations for the 2020/21 financial year are revenue of the order of DKK 760-790 million and profit before tax of the order of DKK 50-55 million.

It should be noted that a high level of uncertainty surrounds the expectations as a result of Covid-19. They are based on a generally stable market, and the Group's expected revenue growth could be affected by economic fluctuations on the primary markets.

CONNECT

Connect elegantly brings together a natural rusticity and a discreet, matt metallic effect to create a modern vintage look.

Special risks

The nature of Gabriel's business area entails 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 hedges against risks arising directly from the Group's operations, investments and financing.

The competitive situation

Gabriel is a niche company, 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 a 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 and concept development at selected key account customers. 86% 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 along 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 risk

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 euro.

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

Currency risks regarding intragroup financing issued in US dollars for mainly the American and Mexican subsidiaries are high, but unchanged relative to previous years. The Group has realised significant foreign exchange losses, particularly in 2019/20, when the US dollar rate has been falling.

See note 23 for a more detailed description of currency risks.

Interest rate risks

The Group's bank debt is an open floating-rate operating credit, while mortgage lending to Gabriel Ejendomme A/S consists mainly of a long-term fixed-rate loan denominated in Danish kroner. Group financial receivables carry a contractual fixed interest rate throughout their lifetime.

Please see note 23 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.

Financial resources

The Group regularly assesses the need for adjusting its capital structure. The Group continues to have an undrawn line of credit with its banks and the possibility of increasing it if necessary. The Group is thus deemed to have adequate liquidity to ensure the ongoing financing of future operations and investments.

Places of business

The Group trades in China and other places. Trading in China involves risks which are not normally present on European and American markets. Tax and other legislation change frequently, 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. The policy sets guidelines for the Group's insurance matters. The Group's insurable risks are assessed annually in partnership with insurance brokers. 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 Quality Management Standard ISO 9001 and environmental and health certifications including EU Ecolabel, Cradle to Cradle and Oeko-Tex ensure that neither its 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

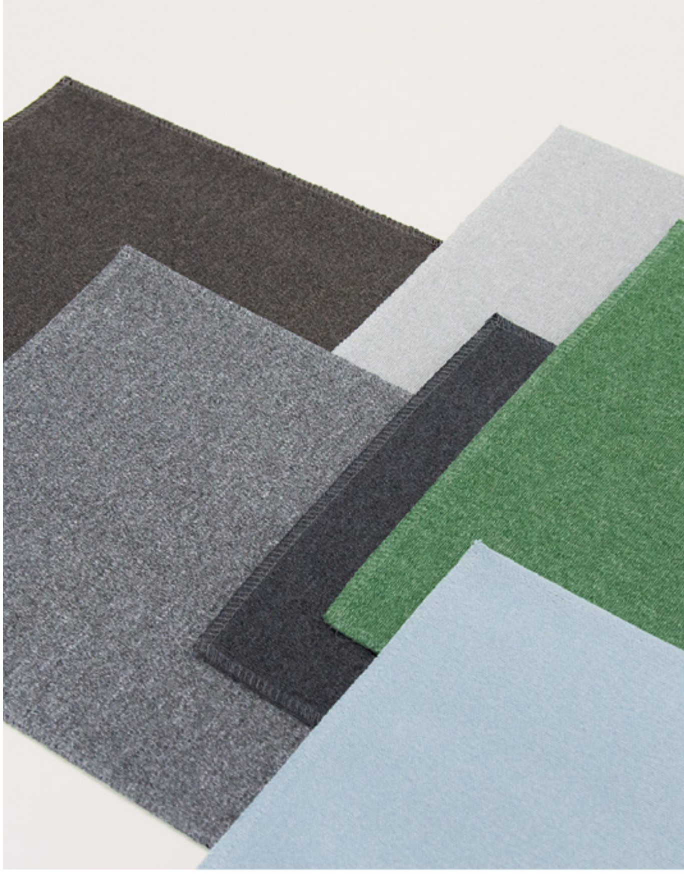
Gabriel builds partnerships with selected suppliers to ensure continuity of supply and quality and continuous development of products and components.

The majority of raw materials, semi-finished products and finished goods used by Gabriel are also available from alternative sources 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.

SYNC



Sync was developed and designed in collaboration between Herman Miller and Gabriel. The fabric is made of polyester using new and innovative knitting technology and features a distinctive melange design, silky surface and supreme upholstery qualities.

Sync on Herman Miller's Embody Gaming Chair

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 recommendations on corporate governance can be obtained from the Committee on Corporate Governance's website, corporategovernance.dk.

Companies must actively consider these recommendations and, in particular, provide explanations where their practice deviates from them. 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 to follow the recommendations, or, where this is not appropriate or desirable, to explain why not.

Gabriel Holding A/S has prepared the statutory statement on corporate governance for the 2019/20 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 of the Group's internal control and risk management system in connection with the financial reporting, and presents the Group's top organs of management and their composition. The statement also covers the overall conclusions on the Board of Directors' annual self-evaluation and a description of all board committees including meetings and main activities during the year.

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

Sustainability 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 2019/20 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-environmental-reports/.

Gabriel is a global company producing furniture fabrics etc. in several countries. It uses suppliers from Europe and China and exports the products all over the world. Gabriel focuses on developing its core business and meeting the strategic challenges in an financially and socially responsible way. Corporate social responsibility and sustainability work have always had the management's attention and form a natural part of the work of all employees in the Group.

Sustainability plays a central role for Gabriel and means taking responsibility for adding value, which contributes to positive development in society. Gabriel endorses the principles of the UN Global Compact. Emphasis is placed on the following areas:

- Gabriel develops and manufactures products and services with consideration for the safety and health of users. Throughout the production process, we aim to minimise our environmental and climate impact and to ensure animal welfare.
- We provide a safe and good working environment throughout the supply chain and always comply with country-specific laws and Gabriel's own requirements and standards in the area. These requirements comprise specific technical specifications and matters specified in Gabriel's Supplier Code of Conduct.
- Continuous development of skills and jobs for all employees is accorded a high priority.
- Gabriel supports students by providing practical training, and participates in training projects which benefit both the students and the company.
- Gabriel communicates sustainability openly and supports the propagation of sustainability 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 target for the share of the under-represented sex on the Board of Directors is 25% (the target was met for 2019/20), 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 managers is 40% (the share is currently 32%).

The Gabriel Group reassessed its targets for the under-represented sex towards the end of the year and will continue to work towards the desired balance. It has been decided to increase the specific targets for all management levels to 50% going forward.

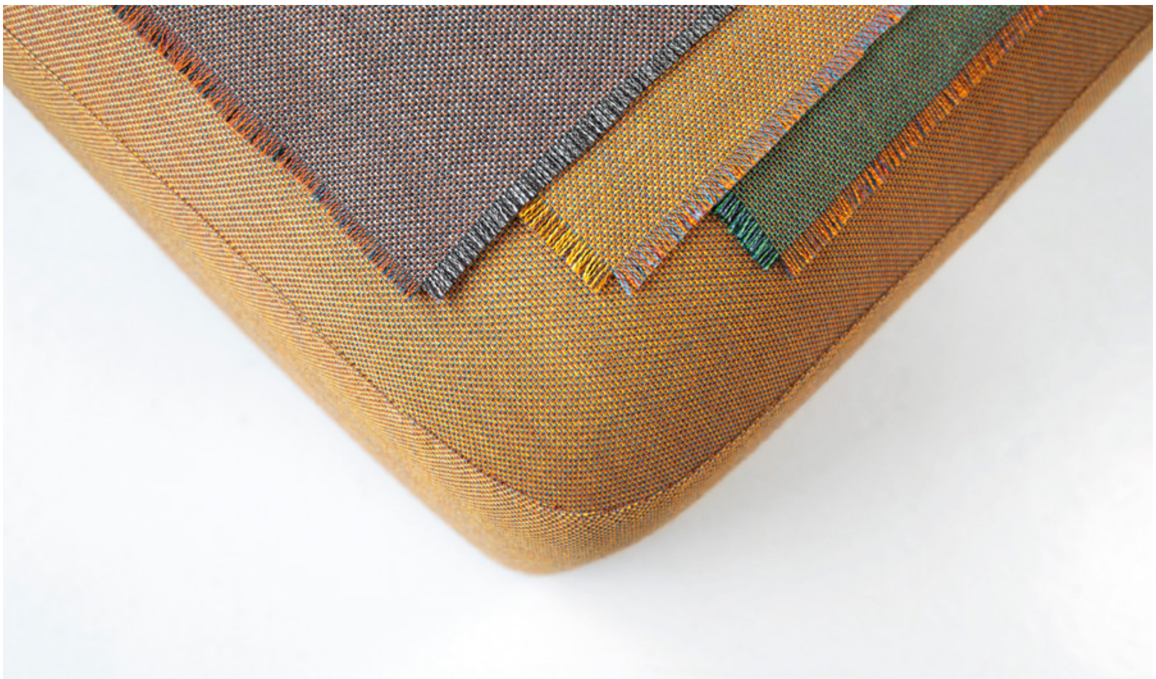
The statutory statement on gender balance in accordance with section 99b of the Danish Financial Statements Act is available at www.gabriel.dk/en/investor/corporate-governance/.

The Board of Directors and the Executive Board regularly evaluate the expertise required and, for the purpose of meeting the target for more female managers, the Group will launch a number of initiatives to facilitate this. The Group is making a targeted effort to develop career opportunities etc. as a way of attracting a larger number of qualified candidates, and placing emphasis on internal initiatives to retain and develop talent.

The target of 50% is not expected to be met for a long time, as the share of the under-represented gender will only increase when there is a need for change or expansion of the Board of Directors or other management levels. When vacant positions are to be filled, the skills required for the position are considered essential to the decision on which candidate to appoint, but if two or more candidates are equally qualified, preference will be given to the person of the under-represented sex.

MORPH

Cross woven and in a multiplicity of colours, Morph stands out with its unique layer effect, visual deepness and shimmering micro pattern.



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 seeks 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
Poul H. Lauritsen Holding ApS, Højbjerg
GAB Invest ApS, Aalborg
Kapitalforeningen Investering & Tryghed, Copenhagen

A proposal will be made at the company's annual general meeting on 10 December 2020 to authorise the Board of Directors to acquire the company's treasury shares up to a total 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 will be valid for five years from the date of the general meeting.

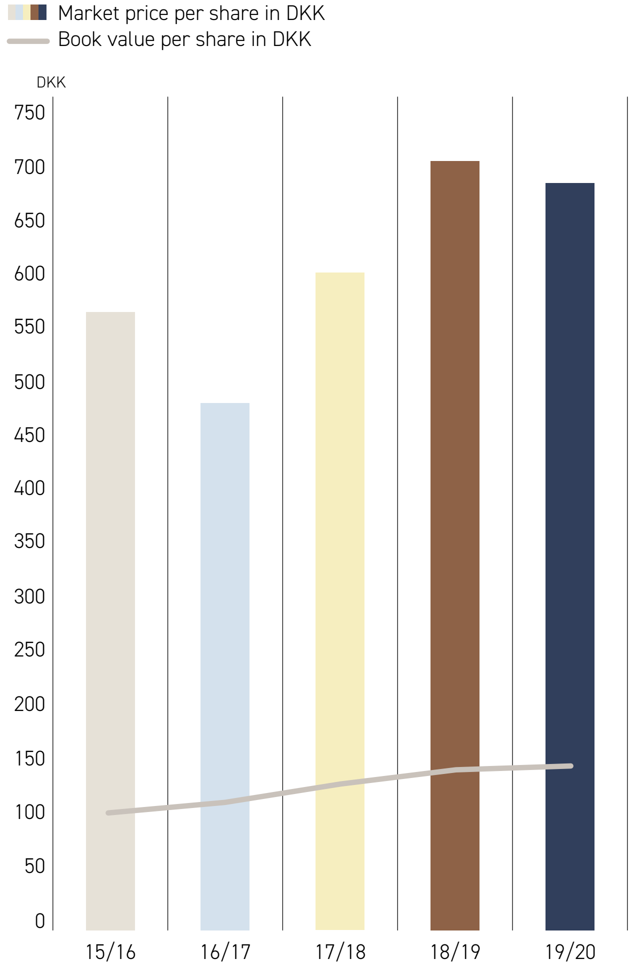
Share price trend
The 2019/20 financial year opened with a share price of DKK 712 and closed on 30 September 2020 with a price of DKK 690. Total market capitalisation of the company's shares was DKK 1,304 million on 30 September 2020.

Capital management
The Group regularly assesses the need for adjusting its capital structure. A high equity ratio has always been a top priority of Gabriel in order to maximise room for manoeuvre in all situations. The Group's equity ratio was 43.9% on 30 September 2020, compared to 50.0% on the same date last year. There is a continuing focus on regular reduction of the Group's working capital.

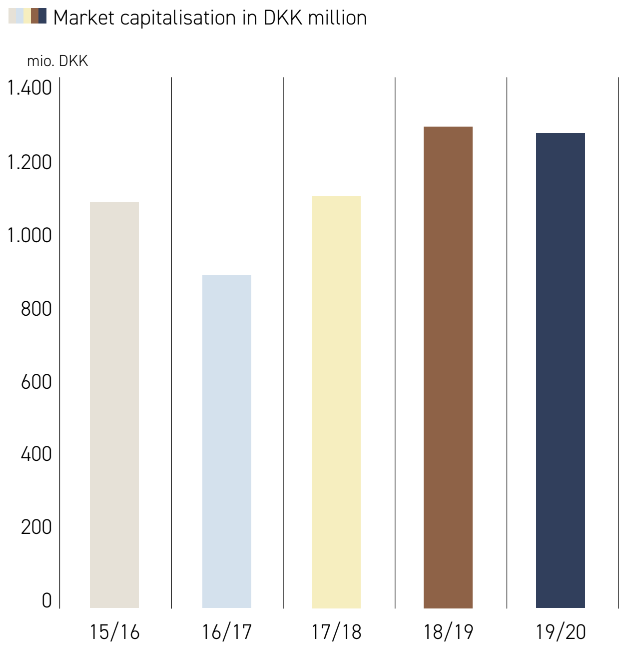
The Group aims at providing its shareholders with a regular return on their investments, while maintaining an appropriate equity level to ensure the company's future development. The Board of Directors proposes that a dividend of DKK 5.00 per share be distributed for 2019/20, equivalent to total dividends of DKK 9.5 million. The dividend amounts to 3.3% of equity and 37.8% of profit for the year after tax for the Group.

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

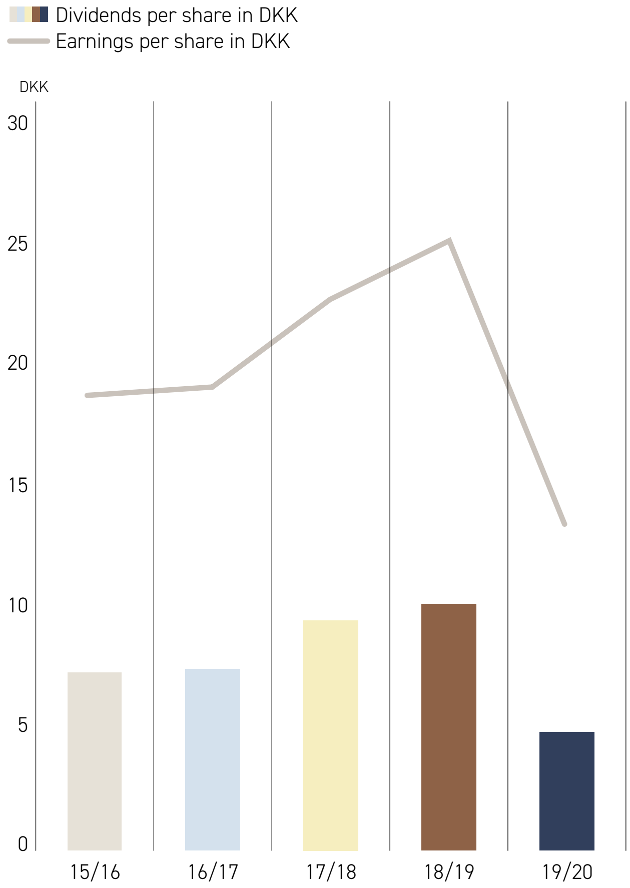
Price/Book value



Market capitalisation end of year



Share dividends and earnings per share



Financial calendar 2020/21

12.11.20 Annual report 2019/20
10.12.20 Annual general meeting
15.12.20 Distribution of dividends
11.02.21 Q1 report 2020/21
29.04.21 H1 report 2020/21
26.08.21 Q3 report 2020/21
16.11.21 Annual report 2020/21
09.12.21 Annual general meeting

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 3117

Company announcements in the 2019/20 financial year

06.11.19 Gabriel A/S has today signed a preliminary agreement (Preliminary Share Purchase Agreement) on the acquisition of the share capital in the German fabric-solution manufacturer Visiotex GmbH.
14.11.19 Annual report 2018/19: "Gabriel Holding A/S achieves 18% revenue growth and an increase of 12% in profit before tax."
20.11.19 Notice of annual general meeting of Gabriel Holding A/S.
12.12.19 Minutes of the annual general meeting of Gabriel Holding A/S.
20.12.19 Gabriel A/S completes the acquisition of Visiotex GmbH.
30.01.20 Q1 report 2019/20: "Gabriel Holding A/S delivers 24% growth in revenue to DKK 204.4 million as expected, and profit before tax of DKK 15.6 million, a decrease of 7%."
20.03.20 Gabriel Holding A/S suspends the outlook for the financial year 2019/20 due to the outbreak of coronavirus (Covid-19).
20.04.20 Gabriel Holding A/S realises a solid first half of the 2019/20 financial year but the outbreak of coronavirus (Covid-19) has an adverse effect on market conditions for the company. As a result, the expectations for the 2019/20 financial year are updated.
30.04.20 H1 report 2019/20: "Gabriel Holding A/S realises a solid first half of the 2019/20 financial year. The outbreak of coronavirus (Covid-19) has an adverse effect on market conditions for the company. As a result, the expectations for the 2019/20 financial year are updated."
01.05.20 Disclosure of transactions in the shares of Gabriel Holding A/S by persons discharging managerial responsibilities and persons closely associated with them.
01.05.20 Disclosure of transactions in the shares of Gabriel Holding A/S by persons discharging managerial responsibilities and persons closely associated with them.
03.06.20 Major shareholder announcement from Kapitalforeningen Investering & Tryghed.
03.06.20 Major shareholder announcement from GAB Invest ApS.
03.06.20 Disclosure of closely related parties' transaction in the shares of Gabriel Holding A/S.
10.06.20 Gabriel Holding A/S realised a profit before tax in April and May which exceeds the management's expectations.
10.08.20 Gabriel Holding A/S upwardly adjusts its expectations for the 2019/20 financial year.
20.08.20 Gabriel Holding A/S – three quarters of the 2019/20 financial year.
15.09.20 Disclosure of closely related parties' transaction in the shares of Gabriel Holding A/S.

Annual general meeting

The annual general meeting will be held in Aalborg at 2:00 p.m. on Thursday, 10 December 2020.

Company information

Board of Directors

Jørgen Kjær Jacobsen
Chairman (D)

Born: 1952
Sex: Male
Joined the
Board of Directors: 2010
Term ends: 30.09.20

Board skills

Special expertise in top management and board skills in listed companies.

Positions of trust

Executive positions
Raskier A/S
Raskier Ejendomme ApS

Directorships
Roblon A/S (CM)
Nordjyske Holding A/S (CM)
MEDF Holding A/S (CM)
Carpet Invest 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
Vice-chairman (I)

Born: 1965
Sex: Male
Joined the
Board of Directors: 2015
Term ends: 30.09.20

Board skills

Special expertise in sales and top management of global companies.

Positions of trust

Directorships
LIFA A/S (CM)
Manini & Co. Holding A/S (VC)
Thygesen Textile Solutions A/S
Ege Carpets A/S
Stibo A/S
Dansk Kvarts Industri A/S

Commercial foundations
Aarhus Symfoniorkesters Fond af 13. april 1983

Søren B. Lauritsen
Board member (D)

Born: 1967
Sex: Male
Joined the
Board of Directors: 2010
Term ends: 30.09.20

Board skills

Special expertise in sales and marketing with IT, strategy and branding as strong points.

Positions of trust

Executive positions
ONE Marketing A/S
Søren B. Lauritsen Holding ApS

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

Pernille Fabricius
Board member (I)

Born: 1966
Sex: Female
Joined the
Board of Directors: 2016
Term ends: 30.09.20

Board skills

Special expertise in Danish and international top management and in financial management, financial reporting and accounting.

Positions of trust

Executive positions
EVP and CFO in NNIT A/S

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

Quinten Xerxes van Dalm
Board member elected by the employees

Born: 1972
Sex: Male
Joined the
Board of Directors: 2010

Employed in Gabriel A/S in the Sales support and customer service department since 2005.

Elected by the employees until the annual general meeting in 2020.

Rikke Lyhne Jensen
Board member elected by the employees

Born: 1988
Sex: Female
Joined the
Board of Directors: 2018

Employed in Gabriel A/S as Sustainability Manager in the QEP department since 2014.

Elected by the employees until the annual general meeting in 2022.

Executive Board

Anders Hedegaard Petersen
CEO

Born: 1976
Sex: Male

Anders Hedegaard Petersen joined Gabriel in 2004 and became CEO of Gabriel Holding A/S in 2011.

Positions of trust

Executive positions
KAAN ApS

Directorships
GAB Invest (CM)
Vrå Damp Holding A/S (CM)
Vrå Dampvaskeri A/S (CM)
Dansk Mode & Textil (VC)

Claus Møller
CCO

Born: 1966
Sex: Male

Claus Møller joined Gabriel in 2010 and has been a member of the Executive Board since 2016.

Positions of trust

Executive positions
GAB Invest ApS
Bonum Vitae ApS

Directorships
Food Solutions ApS (CM)
Shopconsepts A/S
GAB Invest ApS
Bonum Vitae ApS

Name	Nationality	Audit committee	Governance, remuneration & nomination committee	Acquisition committee**	Board and committee meetings*	Share-holding 30.09.20***	Change in 2019/2020
Jørgen Kjær Jacobsen	Danish	Member	Member	Chairman	100%	8,056	
Hans Olesen Damgaard	Danish	Member	Chairman	Member	100%	400	
Søren B. Lauritsen	Danish	Member			100%	36,145	-12,500
Pernille Fabricius	Danish	Chairman			100%		
Quinten Xerxes van Dalm	Danish/ Dutch	Member			100%	35	+35
Rikke Lyhne Jensen	Danish	Member			100%		
Anders Hedegaard Petersen	Danish					36,820	-11,700
Claus Møller	Danish					35,713	-12,123

* The Board of Directors held five meetings, the Audit committee four meetings, the Governance, remuneration & nomination committee two meetings and the Acquisition committee one meeting in 2019/20.
** Poul Lauritsen – member of the Board of Directors of Gabriel Ejendomme A/S and Gabriel Innovation A/S is also a member of the Acquisition committee.
*** The stated number of shares comprises the total of the person's shares and those of his or her related parties

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

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today discussed and approved the 2019/20 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 2020 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 October 2019 – 30 September 2020.

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, 12 November 2020

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
Chair of the audit committee

Quinten van Dalm
Employee representative

Rikke Lyhne Jensen
Employee representative

RONDO

With its cellular inspired design and voluminous relief-like texture,
Rondo offers a unique combination of tactility and strength.

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 2020 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 October 2019 – 30 September 2020 in accordance with International Financial Reporting Standards as adopted by the EU and with the 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 2019 – 30 September 2020. 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 the 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 the 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 six years up to and including the 2019/20 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 2019/20 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.

Recognition and valuation of Visiotex GmbH
In December 2019, Gabriel A/S bought Visiotex (Germany) for a total acquisition price of DKK 18.2 million.

The assets, liabilities and contingencies acquired in connection with the purchase of the business must be identified and valued at fair value. Given the uncertainty of estimates related to the valuation of the assets, liabilities and contingencies in the pre-acquisition balance sheet and the conditional purchase price, this has been a focal point of our audit.

Please refer to note 22 to the consolidated financial statements for a description of the recognition and valuation, note 27 concerning accounting estimates and judgments and note 29 for the Group's accounting policies for business combinations.

How our audit addressed the recognition and valuation of Visiotex GmbH
For the purpose of our audit, the procedures we carried out included the following:

- We obtained an understanding of the activities of the acquired entity and assessed whether acquired assets, liabilities and contingencies were identified in accordance with the requirements laid down in IFRS.
- We have reconciled the recognition with underlying documentation, including purchase agreement, valuations of intangible assets and pre-acquisition balance sheet for the acquired business.
- We have examined and assessed the valuations of the identified assets, liabilities and contingencies, with special emphasis on the valuation of the identified intangible assets. This included assessing the reasonableness and documentation of the models and assumptions applied. We also assessed the reasonableness of growth expectations and earnings compared to historic development and market expectations, in order to reflect relevant risks.
- We have examined the information on recognition and valuation of the acquired business in the consolidated financial statements and assessed whether the IFRS disclosure requirements are met.

Valuation of goodwill and intangible assets
Goodwill and associated intangible assets recognised in connection with purchasing the businesses Screen Solutions, UAB Baltijos Tekstilė, Grupo RYL and Visiotex amount to DKK 70.4 million and are deemed to be significant in the consolidated financial statements.

In preparing the impairment test of goodwill, management has made a number of assumptions about cash-generating units (CGUs), expected future cash flows and the applied discount rates for the cash-generating units.

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

Please refer to note 10 to the consolidated financial statements for a description of the impairment test of goodwill and associated intangible assets, note 27 concerning accounting estimates and judgments and note 29 for the Group's accounting policies for impairment testing.

How our audit addressed the valuation of goodwill and intangible assets
For the purpose of our audit, the procedures we carried out included the following:

- We have assessed the Group's internal controls for the preparation of impairment tests including budget and projections.
- 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, including in the determination of cash-generating units and allocation of goodwill.
- We have assessed whether there is an indication of impairment of other intangible assets in the form of customer relationships and product technology assets relating to acquired businesses.
- We have assessed whether the assumptions used in the impairment test were reasonable, in particular development in revenue and earnings, discount rate and sensitivity of key assumptions.
- We have examined the information in the consolidated financial statements and assessed whether the IFRS disclosure requirements are met.

Valuation of deferred tax assets
Deferred tax assets totalling DKK 13.5 million concerning the group companies Gabriel North America, Grupo RYL and Screen Solutions are deemed to be significant in the consolidated financial statements, including because the companies realised losses in 2019/20.

Management has assessed the value of the tax assets on the basis of the possibilities of their utilisation and expectations for earnings in the next five years.

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

Please refer to note 18 to the consolidated financial statements for a description of the basis for recognition and valuation of deferred tax assets, note 27 concerning accounting estimates and judgments and note 29 for the Group's accounting policies for deferred tax.

How our audit addressed the valuation of deferred tax assets
For the purpose of our audit, the procedures we carried out included the following:

- We have assessed whether the assumptions used in management's expectations for the companies' earnings in the next five years are reasonable and whether it has been convincingly documented that the tax assets can be utilised.
- We have also examined the information in the consolidated financial statements and assessed whether the disclosure requirements 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 mis-stated.

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 mis-statement, 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 mis-statement 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 trading 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.

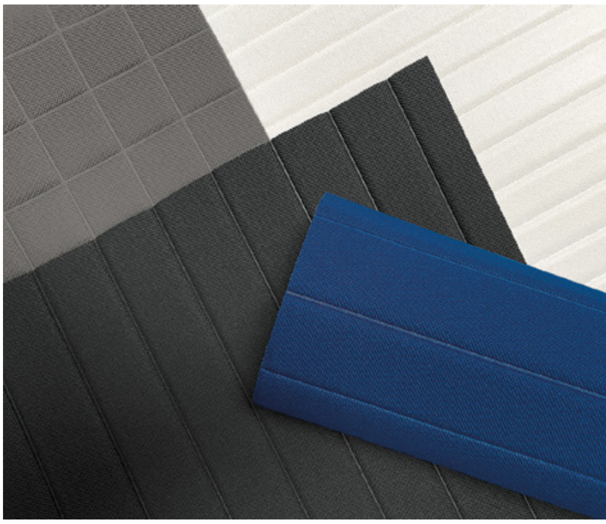
Aalborg, 12 November 2020

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25578198

Steffen S. Hansen
State Authorised Public Accountant
MNE32737

Mikkel Trabjerg Knudsen
State Authorised Public Accountant
MNE34359

EMBOSSING



Embossing is an embellishment technique that allows you to add textured elements and patterns to Gabriel's polyester fabrics. The unique embossed designs and patterns add an aesthetic dimension and visual appeal to the fabrics.

Income statement

for the year 01.10.2019 - 30.09.2020

Note	tDKK	CONSOLIDATED 2019/20	CONSOLIDATED 2018/19	PARENT COMPANY 2019/20	PARENT COMPANY 2018/19
1	**Net revenue**	**727,296**	708,199	**10,710**	10,500
2	Other operating income	**761**	2,300	**-**	-
3	Cost of sales	**-454,175**	-424,451	**-**	-
4	Other external costs	**-72,041**	-89,651	**-2,666**	-3,770
5	Staff costs	**-120,973**	-114,879	**-11,065**	-11,948
2	Other operating costs	**-563**	-426	**-109**	-97
10/11	Depreciation/amortisation and impairment losses on intangible assets and property, plant and equipment	**-38,382**	-19,192	**-327**	-203
	Operating profit (EBIT)	**41,923**	61,900	**-3,457**	-5,518
13	Share of profit after tax in joint venture	**2,943**	2,339	**-**	-
6	Finance income	**98**	1,654	**25,030**	28,530
7	Finance costs	**-12,929**	-2,978	**-1,192**	-35
	Profit before tax	**32,035**	62,915	**20,381**	22,977
8	Tax on profit for the year	**-7,031**	-13,933	**379**	940
	Profit for the year	**25,004**	48,982	**20,760**	23,917
9	**Earnings per share (DKK):**				
	Earnings per share (EPS), basic	**13.2**	25.9		
	Earnings per share (EPS-D), diluted	**13.2**	25.9		

Statement of comprehensive income
for the year 01.10.2019 - 30.09.2020

		CONSOLIDATED		PARENT COMPANY	
Note	tDKK	**2019/20**	2018/19	**2019/20**	2018/19
	Profit for the year	**25,004**	48,982	**20,760**	23,917
	Other comprehensive income not reclassified to the income statement:				
	Exchange rate adjustment on translation of foreign entities	**-3,168**	757	**-**	-
	Tax on other comprehensive income	**253**	-211	**-**	-
	Other comprehensive income after tax	**-2,915**	546	**-**	-
	Total comprehensive income	**22,089**	49,528	**20,760**	23,917

Statement of financial position

Assets at 30.09.2020

		CONSOLIDATED		PARENT COMPANY	
Note	tDKK	**2019/20**	2018/19	**2019/20**	2018/19
	Non-current assets				
10	Intangible assets:				
	Goodwill	**48,672**	46,970	**-**	-
	Acquired product technology assets	**11,839**	5,195	**-**	-
	Customer relationships	**10,262**	12,603	**-**	-
	Development projects in progress	**6,441**	7,845	**-**	-
	Completed development projects	**12,903**	9,531	**-**	-
	Software	**5,879**	6,748	**-**	-
		95,996	88,892	**-**	-
11	Property, plant and equipment:				
	Land and buildings	**88,977**	89,474	**-**	-
	Improvements to premises	**10,918**	11,644	**-**	-
	Plant, fixtures and fittings and equipment	**44,752**	44,951	**191**	2,218
	Lease assets	**58,828**	-	**1,620**	-
		203,475	146,069	**1,811**	2,218
	Other non-current assets:				
12	Investments in subsidiaries	**-**	-	**68,794**	68,794
12	Amounts owed by subsidiaries	**-**	-	**14,998**	16,187
13	Investments in joint venture	**31,757**	30,165	**-**	-
18	Deferred tax assets	**13,788**	10,791	**-**	-
		45,545	40,956	**83,792**	84,981
	Total non-current assets	**345,016**	275,917	**85,603**	87,199
	Current assets				
14	Inventories	**141,106**	135,101	**-**	-
15	Receivables	**93,196**	103,639	**23,750**	47,009
	Prepayments	**10,860**	7,830	**59**	16
11	Assets for sale	**2,036**	-	**-**	-
25	Cash and cash equivalents	**53,325**	39,775	**204**	610
	Total current assets	**300,523**	286,345	**24,013**	47,635
	Total assets	**645,539**	562,262	**109,616**	134,834

Statement of financial position

Equity and liabilities at 30.09.2020

		CONSOLIDATED		PARENT COMPANY	
Note	tDKK	**2019/20**	2018/19	**2019/20**	2018/19
	Equity				
17	Share capital	**37,800**	37,800	**37,800**	37,800
	Translation reserve	**-4,092**	-1,177	**-**	-
	Retained earnings	**240,251**	224,697	**42,727**	31,417
	Proposed dividends	**9,450**	19,845	**9,450**	19,845
	Total equity	**283,409**	281,165	**89,977**	89,062
	Liabilities				
	Non-current liabilities				
18	Deferred tax	**11,830**	10,947	**65**	48
19	Credit institutions	**48,937**	24,943	**-**	-
20	Lease liabilities	**16,520**	4,140	**1,386**	407
	Total non-current liabilities	**77,287**	40,030	**1,451**	455
	Current liabilities				
19	Credit institutions	**167,129**	146,557	**-**	-
20	Lease liabilities	**38,392**	2,118	**-**	1,421
	Amounts owed to subsidiaries	**-**	-	**13,365**	39,650
	Trade payables	**40,382**	46,261	**141**	175
	Amounts owed to joint venture	**1,380**	1,615	**-**	-
	Corporation tax	**6,507**	12,083	**-**	-
22, 25	Other payables	**31,053**	32,433	**4,682**	4,071
	Total current liabilities	**284,843**	241,067	**18,188**	45,317
	Total liabilities	**362,130**	281,097	**19,639**	45,772
	Total equity and liabilities	**645,539**	562,262	**109,616**	134,834

Statement of changes in equity

tDKK	CONSOLIDATED Share capital	Translation reserve	Retained earnings	Proposed dividends	Total equity
2019/20					
Equity 01.10.19	**37,800**	**-1,177**	**224,697**	**19,845**	**281,165**
Comprehensive income for the year					
Profit 2019/20	-	-	15,554	9,450	25,004
Other comprehensive income					
Exchange rate adjustment on translation of foreign entities	-	-3,168	-	-	-3,168
Tax on other comprehensive income	-	253	-	-	253
Total other comprehensive income	-	-2,915	-	-	-2,915
Total comprehensive income	**-**	**-2,915**	**15,554**	**9,450**	**22,089**
Transactions with shareholders					
Distributed dividends	-	-	-	-19,845	-19,845
Total transactions with shareholders	**-**	**-**	**-**	**-19,845**	**-19,845**
Equity 30.09.20	**37,800**	**-4,092**	**240,251**	**9,450**	**283,409**
2018/19					
Equity 01.10.18	**37,800**	**-1,723**	**195,560**	**17,955**	**249,592**
Comprehensive income for the year					
Profit 2018/19	-	-	29,137	19,845	48,982
Other comprehensive income					
Exchange rate adjustment on translation of foreign entities	-	757	-	-	757
Tax on other comprehensive income	-	-211	-	-	-211
Total other comprehensive income	-	546	-	-	546
Total comprehensive income	**-**	**546**	**29,137**	**19,845**	**49,528**
Transactions with shareholders					
Distributed dividends	-	-	-	-17,955	-17,955
Total transactions with shareholders	**-**	**-**	**-**	**-17,955**	**-17,955**
Equity 30.09.19	**37,800**	**-1,177**	**224,697**	**19,845**	**281,165**

tDKK	PARENT COMPANY Share capital	Retained earnings	Proposed dividends	Total equity
2019/20				
Equity 01.10.19	**37,800**	**31,417**	**19,845**	**89,062**
Comprehensive income for the year				
Profit 2019/20	-	11,310	9,450	20,760
Total comprehensive income	**-**	**11,310**	**9,450**	**20,760**
Comprehensive income with shareholders				
Distributed dividends	-	-	-19,845	-19,845
Equity 30.09.20	**37,800**	**42,727**	**9,450**	**89,977**
2018/19				
Equity 01.10.18	**37,800**	**27,345**	**17,955**	**83,100**
Comprehensive income for the year				
Profit 2018/19	-	4,072	19,845	23,917
Total comprehensive income	**-**	**4,072**	**19,845**	**23,917**
Comprehensive income with shareholders				
Distributed dividends	**-**	**-**	**-17,955**	**-17,955**
Equity 30.09.19	**37,800**	**31,417**	**19,845**	**89,062**

Cash flow statement

Note	tDKK	CONSOLIDATED 2019/20	CONSOLIDATED 2018/19	PARENT COMPANY 2019/20	PARENT COMPANY 2018/19
	Cash flows from operating activities				
	Profit after tax	**25,004**	48,982	**20,760**	23,917
	Dividends from joint venture	**1,351**	1,310	**-**	-
	Adjustment for non-cash items:				
	Depreciation, amortisation and impairment losses	**38,382**	19,192	**327**	203
	Gains and losses on the disposal of non-current assets	**117**	-290	**109**	98
	Share of profit after tax in joint venture	**-2,943**	-2,339	**-**	-
	Finance income and costs	**12,831**	1,324	**-23,838**	-28,495
	Tax on profit for the year	**7,031**	13,933	**-379**	-940
	Cash generated from operations before changes in working capital and tax	**81,773**	82,112	**-3,021**	-5,217
	Changes in inventories	**-6,003**	-23,899	**-**	-
	Changes in receivables	**10,646**	-6,185	**-7,648**	6,689
	Changes in trade and other payables	**-9,148**	10,917	**578**	-1,987
	Interest paid	**-3,562**	-2,978	**-31**	-35
	Interest received	**610**	93	**144**	266
	Corporation tax paid	**-17,094**	-16,228	**-1,683**	-347
		57,222	43,832	**-11,661**	-631
	Cash flows from investing activities				
22	Acquisition of subsidiaries	**-1,869**	-46,917	**-**	-
	Addition of intangible assets	**-7,218**	-10,347	**-**	-
	Addition of property, plant and equipment	**-22,719**	-25,208	**-861**	-2,411
	Disposal of property, plant and equipment	**1,316**	2,227	**831**	443
		-30,490	-80,245	**-30**	-1,968
21	**Cash flows from financing activities**				
	Dividends received	**-**	-	**31,572**	20,000
	External financing:				
	Increase in credit facility	**-**	55,000	**-**	-
	Repayment of debt to credit institutions	**-25,849**	-4,726	**-442**	-209
	Mortgage loan	**27,580**	-	**-**	-
	Increase in lease liability	**-**	3,390	**-**	1,584
	Shareholders:				
	Dividends distributed	**-19,845**	-17,955	**-19,845**	-17,955
		-18,114	35,709	**11,285**	3,420
	Changes for the year in cash and cash equivalents	**8,618**	-704	**-406**	821
	Opening bank loans/cash and cash equivalents	**-5,819**	-2,486	**610**	-211
	Addition on acquisition of subsidiaries	**-14,527**	-3,054	**-**	-
	Value adjustment of bank loans/cash and cash equivalents	**-1,177**	425	**-**	-
	Closing bank loans/cash and cash equivalents	**-12,905**	-5,819	**204**	610
	Composed of:				
	Cash and cash equivalents	**53,325**	39,775	**-**	-
	Cash and cash equivalents from assets held for sale	**-**	-	**-**	-
	Drawing on credit facility at bank	**-66,230**	-45,594	**204**	610
		-12,905	-5,819	**204**	610

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 are furniture fabrics and related textile products. The products are sold to selected leading international manufacturers and key account customers specialising in upholstered furniture, seating and upholstered surfaces. Most 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, Aalborg.

2019/20	CONSOLIDATED			
tDKK	Fabrics	Letting of offices	Elimination	Group total
Total segment revenue	**724,257**	**6,887**	**-3,848**	**727,296**
Depreciation, amortisation and impairment losses	-37,390	-992	-	**-38,382**
Operating profit (EBIT)	**40,024**	**1,899**	**-**	**41,923**
Share of profit after tax in joint ventures	2,943	-	-	**2,943**
Finance income	252	-	-154	**98**
Finance costs	-12,149	-934	154	**-12,929**
Segment profit before tax	**31,070**	**965**	**-**	**32,035**
Addition of non-current assets	28,674	1,263	-	**29,937**
Segment assets	567,552	77,987	-	**645,539**
Segment liabilities	313,563	54,389	-5,822	**362,130**
2018/19				
tDKK				
Total segment revenue	**706,025**	**6,001**	**-3,827**	**708,199**
Depreciation, amortisation and impairment losses	-16,332	-2,860	-	**-19,192**
Operating profit (EBIT)	**63,151**	**-1,251**	**-**	**61,900**
Share of profit after tax in joint ventures	2,339	-	-	**2,339**
Finance income	1,952	-	-298	**1,654**
Finance costs	-2,661	-615	298	**-2,978**
Segment profit before tax	**64,781**	**-1,866**	**-**	**62,915**
Addition of non-current assets	34,498	1,057		**35,555**
Segment assets	484,548	77,714	-	**562,262**
Segment liabilities	257,894	54,788	-31,585	**281,097**

Major customers

Revenue from one customer, totalling DKK 104.0 million, accounts for more than 10% of Group revenue (2018/19: DKK 105.3 million).

1 **Segment information**
contd.

Geographical information

Geographical information specifies revenue by territory, 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	**2019/20**	2018/19	**2019/20**	2018/19
Denmark, fabrics	**95,213**	72,698	**29,311**	29,115
Denmark, letting of office facilities	**3,039**	2,174	**77,672**	77,425
Germany	**152,280**	153,785	**6,259**	980
Other European countries	**308,760**	340,786	**156,948**	109,056
USA and Mexico	**122,869**	85,364	**24,149**	17,326
Asia	**45,135**	53,392	**5,132**	1,059
	727,296	708,199	**299,471**	234,961

		CONSOLIDATED		PARENT COMPANY	
	tDKK	**2019/20**	2018/19	**2019/20**	2018/19
2	**Other operating income**				
	Sales of services etc.	**177**	146	**-**	-
	Gains on disposals of non-current assets	**3**	1,133	**-**	-
	Other income	**581**	1,021	**-**	-
		761	2,300	**-**	-
	Other operating costs				
	Losses on disposals of non-current assets	**-515**	-148	**-109**	**-97**
	Other costs	**-48**	-278	**-**	-
		-563	-426	**-109**	-97
3	**Cost of sales**				
	Cost of sales for the year	**-395,829**	-376,286	**-**	-
	Write-down of inventories for the year	**-496**	-370	**-**	-
	Reversal of write-downs on inventories	**370**	349	**-**	-
	Production wages etc.	**-58,220**	-48,144	**-**	-
		-454,175	-424,451	**-**	-
4	**Other external costs**				
	Other external costs include fees for the auditors appointed by the general meeting as follows:				
	Statutory audit services	**-703**	-585	**-78**	-71
	Other assurance engagements	**-14**	-	**-**	-
	Tax advice	**-75**	-64	**-75**	-
	Other services	**-182**	-57	**-182**	-39
		-974	-706	**-335**	-110

	tDKK	CONSOLIDATED 2019/20	CONSOLIDATED 2018/19	PARENT COMPANY 2019/20	PARENT COMPANY 2018/19
5	**Staff costs**				
	Wages and salaries etc.	**-167,198**	-150,468	**-10,026**	-11,009
	Defined contribution pension schemes	**-4,976**	-4,505	**-918**	-848
	Other social security costs	**-10,095**	-8,198	**-41**	-35
	Other payroll-related costs	**-2,702**	-3,226	**-80**	-56
		-184,971	-166,397	**-11,065**	-11,948
	Payroll costs capitalised regarding development projects	**5,778**	3,374	**-**	-
	Payroll costs transferred to cost of sales	**58,220**	48,144	**-**	-
		-120,973	-114,879	**-11,065**	-11,948
	Remuneration of the Board of Directors of the parent company	**-1,180**	-1,125	**-1,180**	-1,125
	Remuneration of the Executive Board of the parent company	**-5,383**	-5,983	**-5,383**	-5,983
	Pension contributions for the parent company's Executive Board	**-557**	-483	**-557**	-483
	Remuneration of other managerial employees	**-7,680**	-7,281	**-3,124**	-2,906
	Pensions for other managerial employees	**-332**	-332	**-250**	-250
	Average number of employees	**1,151**	855	**7**	7
6	**Finance income**				
	Dividends from subsidiaries	**-**	-	**24,886**	27,295
	Interest income, cash etc.	**98**	93	**-**	-
	Interest income from subsidiaries	**-**	-	**144**	266
	Net foreign exchange gain	**-**	1,561	**-**	969
		98	1,654	**25,030**	28,530
7	**Finance costs**				
	Interest expenses etc.	**-2,292**	-2,056	**-31**	-35
	Interest expenses on lease assets	**-1,270**	-	**-**	-
	Amortisation of borrowing costs	**-287**	-29	**-**	-
	Other finance costs	**-60**	-893	**-**	-
	Net foreign exchange loss	**-9,020**	-	**-1,161**	-
		-12,929	-2,978	**-1,192**	-35

tDKK	CONSOLIDATED 2019/20	CONSOLIDATED 2018/19	PARENT COMPANY 2019/20	PARENT COMPANY 2018/19
8 **Tax on profit for the year**				
Current tax	**-12,158**	-17,808	**-**	-
Joint taxation contribution	**-**	-	**396**	967
Adjustment of deferred tax	**5,127**	3,875	**-17**	-27
	-7,031	-13,933	**379**	940
Tax on profit for the year is specified as follows:				
Computed tax on profit before tax, 22%	**-7,048**	-13,842	**-4,484**	-3,450
Tax effect of:				
Non-taxable income	**-**	-	**-**	-
Non-deductible costs	**-108**	-584	**-3**	-10
Non-taxable dividends	**-**	-	**4,866**	4,400
Share of profit after tax in joint venture	**648**	515	**-**	-
Adjustment for tax rates other than 22% on foreign subsidiaries	**312**	19	**-**	-
Deferred tax not recognised	**-1,021**	-	**-**	-
Adjustment in respect of previous years	**186**	-41	**-**	-
	-7,031	-13,933	**379**	940
Effective tax rate	**21.9%**	22.1%	**-1.9%**	-4.1%
9 **Earnings per share**				
Profit for the year after tax	**25,004**	48,982		
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), basic	**13.2**	25.9		
Earnings per share (EPS-D), diluted	**13.2**	25.9		

tDKK		CONSOLIDATED Goodwill	Acquired product technology assets	Customer relationships	Completed internal development projects	Internal development projects in progress	Software
10	**Intangible assets**						
	2019/20						
	Cost at 01.10.2019	46,970	7,334	13,786	26,416	7,845	11,796
	Value adjustment	-1,072	-233	-467	-38	-44	-28
	Addition by acquisition	2,774	8,377	-	-	-	-
	Brought forward	-	-	-	6,603	-6,603	-
	Additions during the year	-	-	-	841	5,809	568
	Disposals during the year	-	-	-	-	-566	-3
	Cost at 30.09.2020	48,672	15,478	13,319	33,822	6,441	12,333
	Amortisation at 01.10.2019	-	2,139	1,183	16,885	-	5,048
	Value adjustment	-	-69	-22	-6	-	-18
	Disposals during the year	-	-	-	-	-566	-
	Amortisation for the year	-	1,569	1,896	4,040	-	1,424
	Impairment losses for the year	-	-	-	-	566	-
	Amortisation at 30.09.2020	-	3,639	3,057	20,919	-	6,454
	Carrying amount 30.09.2020	**48,672**	**11,839**	**10,262**	**12,903**	**6,441**	**5,879**
	2018/19						
	Cost at 01.10.2018	27,049	7,311	-	20,397	8,017	10,199
	Value adjustment	83	23	-	2	-	-11
	Addition by acquisition	19,838	-	13,786	-	-	94
	Brought forward	-	-	-	3,703	-3,703	-
	Additions during the year	-	-	-	2,314	5,829	1,514
	Disposals during the year	-	-	-	-	-2,298	-
	Cost at 30.09.2019	46,970	7,334	13,786	26,416	7,845	11,796
	Amortisation at 01.10.2018	-	1,401	-	13,818	-	4,029
	Value adjustment	-	9	4	1	-	-6
	Disposals during the year	-	-	-	-	-2,298	-
	Amortisation for the year	-	729	1,179	3,066	-	1,025
	Impairment losses for the year	-	-	-	-	2,298	-
	Amortisation at 30.09.2019	-	2,139	1,183	16,885	-	5,048
	Carrying amount 30.09.2019	**46,970**	**5,195**	**12,603**	**9,531**	**7,845**	**6,748**

10 contd. **Intangible assets**

Goodwill

The carrying amount of goodwill of DKK 48.7 million is allocated between the cash-generating units Screen Solutions (DKK 5.3 million), FurnMaster (DKK 21.0 million), UAB Gabriel Textiles (DKK 5.3 million), Gabriel A/S (DKK 15.1 million), Grupo RYL (DKK 0.6 million) and Gabriel North America (DKK 1.4 million).

The allocation of goodwill between the cash-generating units for Gabriel A/S is provisional and will be completed in 2019/20 on the basis of an analysis of the acquisition of Visiotex GmbH. An impairment test was prepared based on full allocation to Gabriel A/S after reorganisation.

The carrying amount of goodwill was impairment-tested using discounted cash flow models based on a "value in use" approach, on 2020/21 budgets approved by the Board of Directors and on projections for subsequent periods (a total of five years). Terminal value must be added to this.

Impairment testing of the cash-generating units compares the recoverable amount, equivalent to the net present value of the expected future free cash flow, with the carrying amounts of the individual cash-generating units.

The key assumptions are revenue growth, EBIT-margin and discount rate. Although organic growth represented a negative 4% in 2019/20 due to Covid-19 (2018/19: 11%), expected revenue growth for all CGUs is generally in line with the Group's realised growth, taking into account the stage of the individual activities. The expected EBIT rates are also supported by the EBIT rates realised for comparable Group activities.

The discount rates (WACC) used to calculate net present value are after tax and reflect the risk-free interest rate plus specific risks in the individual geographical cash-generating units. Due to the capital structure that was assumed when computing WACC, the computed discount rate before tax is not significantly higher.

Growth equivalent to the inflation rate (1.5%) was recognised in the terminal period. Growth rates for the terminal value thus do not exceed the average long-term growth rate for the Group's products/markets.

Management prepared sensitivity analyses for the key assumptions.

Key assumptions and sensitivities are summarised as follows for cash-generating units:

10 contd. **Intangible assets**

	CONSOLIDATED 2019/20				
	Discount rate (after tax)	Discount rate (before tax)	Av. annual revenue growth until terminal period	Av. EBIT rate until terminal period	Sensitivity revenue/ EBIT (minimum index)*
Screen Solutions (UK)	11.1%	11.6%	3.0%	8%	89
FurnMaster (Poland/Lithuania)	10.5%	11.1%	10.0%	11%	69
UAB Baltijos Tekstilė (Lithuania)	10.5%	11.1%	10.0%	18%	51
Gabriel A/S (Denmark)	9.8%	10.2%	10.0%	20%	56
Grupo RYL (Mexico)	10.6%	11.0%	40.0%	12%	45
Gabriel North America (USA)	10.6%	11.0%	20.0%	14%	47

* The sensitivity computed for revenue shows the minimum share of expected revenue that must be realised to avoid impairment charges.

Based on the current market price, the Group's market capitalisation significantly exceeds book equity. The end-of-year price at 30 September 2020 was DKK 690, the equivalent of a market capitalisation of DKK 1,304 million.

	CONSOLIDATED 2018/19				
	Discount rate (after tax)	Discount rate (before tax)	Av. annual revenue growth until terminal period	Av. EBIT rate until terminal period	Sensitivity revenue/ EBIT (minimum index)**
Screen Solutions (UK)*	11.1%	11.6%	3.0%	7%	92
(2017/18)	(10.4%)	(11.3%)	(30%)	(9%)	(75)
FurnMaster (Poland/Lithuania)*	10.50%	11.10%	10.00%	10%	70
UAB Baltijos Tekstilė (Lithuania)	10.50%	11.10%	10.50%	9%	91
Grupo RYL (Mexico)	11.70%	12.90%	30.00%	7%	79

* Tested collectively in 2017/18.

** The sensitivity computed for revenue shows the minimum share of expected revenue that must be realised to avoid impairment charges.

10 contd. **Intangible assets**

Screen Solutions (UK)
CGU comprises revenue from customers on the English market, royalties, and sale of design services to the FurnMaster companies. In accordance with the business case, FurnMaster companies are selling and producing Screen Solutions products to the Group's major furniture customers. The English company receives royalty income which is also part of the impairment test for Screen Solutions. The impairment test is therefore also sensitive to the expected revenue development in the FurnMaster companies and the royalty income derived from it.

In management's view, greater revenue growth than assumed is possible for the English market but due to general Brexit-related uncertainty, management is of the opnion that growth at a modest rate is more likely.

Management also sees opportunities for increased sales of acoustics products over and above revenue assumed.

Earnings in the first half of 2019/20 were realised in line with management's expectations, but Covid-19 meant that the company did not yield the profit that had been expected based on initiatives launched and the sales strategy in 2019/20. Provided the Covid-19 situation is stable and based on the same initiatives launched and the sales strategy, the company is expected to yield profits from 2020/21.

On the basis of these assumptions, revenue and EBIT sensitivity is in the high end.

FurnMaster (Poland and Lithuania)
New customers and expansion of existing customer relationships are expected to drive revenue growth, backed by a significant increase in the sale of Screen Solutions products. Strong growth over the last few years underpins the expectation that continued growth is realistic.

Production capacity has increased significantly over the last few years in both Poland and Lithuania.

On the basis of these assumptions, revenue and EBIT sensitivity is in the high end.

UAB Gabriel Textiles (Lithuania)
UAB Gabriel Textiles has been the main weaving partner in the European fabrics production for several years and has produced most of the sales promotion materials that are marketed via Gabriel's business unit SampleMaster.

The aim of purchasing the shares in the Lithuanian company was to support the Group's growth in both the fabric business and SampleMaster and to ensure a continued high reliability of supply, quality and competitiveness.

In accordance with the business case, management considers that the acquisition has a positive synergy effect on Gabriel's earnings from fabrics. In addition, part of the goodwill is related to the SampleMaster activities, which are also expected to have significant growth potential. On this basis, part of the goodwill has been allocated to the cash-generating unit Gabriel A/S in 2019/20.

Growth assumed is in line with the generally expected revenue growth in the Group's sales of fabrics.

Production capacity increased significantly over the last few years and management considers that it supports expected growth.

Overall, revenue and EBIT sensitivity are judged to be moderate.

Gabriel A/S
New customers and expansion of existing customer relationships, are expected to drive revenue growth. Strong growth over the last few years underpins the expectation that continued growth is realistic.

Production capacity has increased significantly over the last few years.

As a result of the ample margin, probable changes in key assumptions are judged not to result in impairment charges.

10 contd. **Intangible assets**

Grupo RYL
The share capital in the Mexican company was acquired to support Gabriel Group's growth in North America, including to reduce production costs.

Based on the business case and planned takeover of the production activity from the North American company, Grupo RYL will primarily sell to American customers via the parent company, Gabriel North America, with an expected positive effect on earnings at Gabriel North America. On this basis, part of goodwill has been allocated between Grupo RYL and Gabriel North America. This strategy forms the basis for the expected significant revenue growth.

As a result of the ample margin, probable changes in key assumptions are judged not to result in impairment charges.

Gabriel North America
New customers and expansion of existing customer relationships are expected to drive revenue growth, backed by the significant increase in production capacity and earnings from the acquisition of Grupo RYL.

As a result of the ample margin, probable changes in key assumptions are judged not to result in impairment charges.

Development projects
A number of projects were closed in connection with a re-evaluation of the project portfolio, which resulted in impairment charges totalling tDKK 566 (2018/19: tDKK 2,298).

The Group also performed an impairment test on the carrying amounts of 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 a few finalised development projects will be maintained if sales are realised as expected in the coming years.

It was judged on this basis that the recoverable amount exceeds the carrying amount. As in 2018/19, no public subsidies were received in 2019/20.

tDKK	CONSOLIDATED Land and buildings	Improvements to premises	Plant, fixtures, fittings and equipment	Lease assets	PARENT Plant, fixtures, fittings and equipment	Lease assets
11 **Property, plant and equipment**						
2019/20						
Cost at 01.10.2019	118,479	15,401	82,629	-	2,411	-
Transfer of lease assets at 01.10.19	-	-	-9,903	9,903	-2,183	2,183
Change in accounting policies, leases	-	-		63,868	-	-
Value adjustment	-531	-254	-1,444	-44	-	-
Addition by acquisition	2,084	-	4,794	-	-	-
Transferred to assets for sale	-2,084	-	-	-		
Additions during the year	1,263	1,449	12,190	7,817	-	861
Disposals during the year	-	-	-3,558	-1,251	-	-1,251
Cost at 30.09.2020	119,211	16,596	84,708	80,293	228	1,793
Depreciation at 01.10.2019	29,005	3,757	37,678	-	193	
Transfer of lease assets			-2,583	2,583	-193	193
Value adjustment	-58	-95	-507	-7	-	-
Disposals during the year	-	-	-1,905	-310	-	-310
Depreciation for the year	1,287	2,016	7,273	19,199	37	290
Transferred to assets for sale	-48	-	-	-	-	-
Depreciation at 30.09.2020	30,234	5,678	39,956	21,465	37	173
Carrying amount at 30.09.2020	**88,977**	**10,918**	**44,752**	**58,828**	**191**	**1,620**

Assets for sale concern property expected to be sold in 2020/21.

tDKK	CONSOLIDATED Land and buildings	Plant and fixtures and fittings	Group total	PARENT Plant and fixtures and fittings
Lease assets				
2019/20				
Cost at 01.10.2019	-	-	-	-
Transfer of lease assets at 01.10.19	-	9,903	9,903	2,183
Change in accounting policies, leases	59,901	3,968	63,869	-
Value adjustment	-	-44	-44	-
Additions during the year	6,534	1,283	7,817	861
Disposals during the year	-	-1,251	-1,251	-1,251
Cost at 30.09.2020	66,435	13,859	80,294	1,793
Depreciation at 01.10.2019	-	-	-	-
Transfer of lease assets	-	2,583	2,583	190
Value adjustment	-	-7	-7	-
Disposals during the year	-	-310	-310	-310
Depreciation for the year	15,982	3,218	19,200	293
Depreciation at 30.09.2020	15,982	5,484	21,466	173
Carrying amount at 30.09.2020	**50,453**	**8,375**	**58,828**	**1,620**

Low-value lease assets not recognised represent an insignificant amount.
The weighted interest rate for lease assets is 1-4%.

tDKK	CONSOLIDATED Land and buildings	Improvements to premises	Plant, fixtures, fittings and equipment	Lease assets	PARENT Plant, fixtures, fittings and equipment
11 contd. Property, plant and equipment 2018/19					
Cost at 01.10.2018	13,449	8,859	55,746	-	852
Adjustment of assets held for sale	103,985	-	283	-	-
Value adjustment	-292	172	543	-	-
Addition by acquisition	-	1,579	11,602	-	-
Additions during the year	1,337	4,791	19,080	-	2,411
Disposals during the year	-	-	-4,625	-	-852
Cost at 30.09.2019	118,479	15,401	82,629	-	2,411
Depreciation at 01.10.2018	999	2,383	26,152	-	302
Adjustment of assets held for sale	24,830	-	210	-	-
Value adjustment	-24	34	76	-	-
Disposals during the year	-	-	-2,045	-	-312
Depreciation for the year	1,238	1,340	13,285	-	203
Impairment losses for the year	1,962	-	-	-	-
Depreciation at 30.09.2019	29,005	3,757	37,678	-	193
Carrying amount at 30.09.2019	**89,474**	**11,644**	**44,951**	**-**	**2,218**
of which assets held under finance leases	-	-	7,320	-	2,183

Residual values and useful lives of the Group's head office premises in Aalborg were reassessed in 2018/19 by componentisation of the property. Depreciation of head office premises was DKK 0.9 million for the year and would have been DKK 2.2 million at unchanged residual value. The impairment loss concerns project material prepared for a potential extension to the head office building and reflects the expectation that realisation of the project will differ from the original plan.

tDKK	PARENT COMPANY 2019/20	2018/19
12 **Investments in subsidiaries**		
Cost at 01.10	**75,794**	75,794
Capital contribution, subsidiaries	**-**	-
Cost at 30.09	**75,794**	75,794
Impairment write-down 01.10	**7,000**	7,000
Impairment write-down for the year	**-**	-
Cost at 30.09	**7,000**	7,000
Carrying amount at 30.09	**68,794**	68,794

Name and registered office 2019/20	Stake	Share capital tDKK	Equity tDKK	Profit/loss for the year tDKK	Carrying amount tDKK
Gabriel A/S, Aalborg	100%	25,600	198,449	21,548	36,645
Gabriel Ejendomme A/S, Aalborg	100%	1,000	22,175	753	30,932
Gabriel (Tianjin), China	100%	1,587	23,404	5,842	1,211
Gabriel North America Inc., USA	100%	7	-21,598	-7,439	6
			222,430	20,704	68,794
2018/19					
Gabriel A/S, Aalborg	100%	25,500	195,546	44,319	34,145
ZenXit A/S, Aalborg	100%	1,000	1,354	-691	2,500
Gabriel Ejendomme A/S, Aalborg	100%	1,000	21,423	-1,887	30,932
Gabriel (Tianjin), China	100%	1,587	30,586	8,921	1,211
Gabriel North America Inc., USA	100%	7	-15,708	-6,503	6
			233,201	44,159	68,794

The loss realised by Gabriel North America Inc. in 2019/20 was due to the continued start-up of new activities, including activities in Mexico on the purchase of Grupo RYL S.A. de C.V. For this reason, and based on impairment testing and on expected future earnings, management has taken the view that there is no indication of impairment.

There are no indicators of impairment for other investments.

Amounts owed by subsidiaries are tDKK 14,998 (tDKK 16,187 in 2018/19) and concern capital lent to Gabriel North America Inc. The loan is not expected to be repaid within the next five years.

tDKK	CONSOLIDATED 2019/20	2018/19
13 Investments in joint venture		
Cost at 01.10	**13,811**	13,811
Cost at 30.09	**13,811**	13,811
Adjustments at 01.10	**16,354**	15,326
Share of profit for the year	**2,567**	2,273
Adjustment, beginning of period	**449**	-
Dividends distributed	**-1,351**	-1,310
Intra-group profit	**-16**	123
Value adjustment, property	**-57**	-58
Adjustments for the year	**1,592**	1,028
Adjustments at 30.09	**17,946**	16,354
Carrying amount at 30.09	**31,757**	30,165

The Group holds 49.3% of the votes in UAB Scandye, Lithuania. UAB Scandye is co-owned 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	**36,309**	42,776
Depreciation	**-4,083**	-4,565
Finance income	**-**	2
Finance costs	**-42**	-27
Tax on profit for the year	**-55**	-171
Profit/comprehensive income for the year	**5,208**	5,477
Non-current assets	**39,763**	35,932
Current assets	**23,058**	21,464
Cash and cash equivalents	**16,628**	15,251
Non-current liabilities	**2,569**	1,032
Non-current liabilities excluding trade and other payables	**2,569**	1,032
Current liabilities	**7,028**	5,101
Current liabilities excluding trade and other payables	**2,419**	414
Equity	**53,603**	51,263
Reconciliation of carrying amount at 30 September:		
The Group's share of equity	**26,484**	24,819
Value adjustment, property	**747**	805
Intra-group profit	**-273**	-258
Goodwill	**4,799**	4,799
Carrying amount at 30.09	**31,757**	30,165

Management has impairment-tested the carrying amount of goodwill. The test was based on the budget for 2020/21 and projection for the years 2021/22 to 2024/25 using projected cash flows and a discount rate after tax of 10.5%. 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 2019/20	CONSOLIDATED 2018/19	PARENT COMPANY 2019/20	PARENT COMPANY 2018/19
14 **Inventories**				
Raw materials and consumables	**91,545**	89,784	**-**	-
Work in progress	**7,056**	6,485	**-**	-
Finished goods and goods for resale	**42,505**	38,832	**-**	-
	141,106	135,101	**-**	-

Goods with a gross value of tDKK 11,608 (2018/19: tDKK 9,061) have been written down by tDKK 4,958 (2018/19: tDKK 3,472) to expected net realisable value.

tDKK	CONSOLIDATED 2019/20	CONSOLIDATED 2018/19	PARENT COMPANY 2019/20	PARENT COMPANY 2018/19
15 **Receivables**				
Trade receivables	**78,729**	89,143	**-**	-
Amounts owed by subsidiaries	**-**	-	**5,776**	32,369
Other receivables	**14,467**	14,496	**17,974**	14,640
	93,196	103,639	**23,750**	47,009

Credit risks associated with the individual receivables depend primarily on where the debtors are located. 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:

	2019/20	2018/19
Denmark	**6,728**	7,137
Europe	**48,472**	50,791
USA	**19,561**	19,153
Asia	**3,555**	3,830
Other countries	**413**	8,232
	78,729	89,143

The Group's trade receivables at 30.09.2020 include receivables totalling tDKK 470 (2018/19: tDKK 673), written down by tDKK 453 (2018/19: tDKK 654). Other external costs include bad debts of tDKK 296 net (2018/19: tDKK 225). Losses on trade receivables are due to customer bankruptcy or anticipated payment default.

Write-downs on trade receivables and loss rates are specified as follows:

	Loss rate	Trade receivables	Write-down	Total
Not overdue	0.0%	66,131	-	66,131
Up to 30 days	0.0%	6,974	-	6,974
Between 30 and 60 days	0.0%	3,563	-	3,563
Over 60 days	18.0%	2,514	453	2,061
	0.6%	79,182	453	78,729

Interest income arising from receivables written down is not recognised.

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

15 contd. **Receivables**

	Loss rate	Trade receivables	Expected loss based on historical loss rates
Denmark	0.0%	6,728	-
Europe	0.9%	48,925	453
USA	0.0%	19,561	-
Asia	0.0%	3,555	-
Other countries	0.0%	413	-
		79,182	453

The Gabriel Group does not have a past record of major losses on trade receivables and losses are therefore also expected to be limited in future.

16 **Research and development costs**

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

	CONSOLIDATED	
tDKK	**2019/20**	2018/19
Research and development costs incurred	**22,075**	17,696
Development costs recognised as intangible assets	**-6,650**	-8,143
Research and development costs for the year recognised in the income statement under staff and other external costs	**15,425**	9,553

17 **Share capital**

	SHARES ISSUED			
	Number		Nominal value (tDKK)	
	2019/20	2018/19	**2019/20**	2018/19
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 and the share capital is fully paid up.

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 for adjusting its capital structure. A high equity ratio has always been a top priority of Gabriel in order to maximise room for manoeuvre in all situations. The Group's equity ratio was 43.9% on 30 September 2020 (at 30 September 2019: 50%). The decrease is mainly attributable to the implementation of IFRS 16.

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 5.0 per share be distributed for 2019/20 (DKK 10.5 in 2018/19), equivalent to total dividends of DKK 9.5 million (DKK 19.8 million in 2018/19).

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

tDKK	CONSOLIDATED 2019/20	CONSOLIDATED 2018/19	PARENT COMPANY 2019/20	PARENT COMPANY 2018/19
18 **Deferred tax**				
Deferred tax at 01.10	**156**	3,537	**48**	21
Adjustment of assets held for sale	**-**	1,536		
Addition on acquisition of subsidiaries	**2,537**	-865	**-**	-
Exchange rate adjustment	**435**	-164	**-**	-
Deferred tax for the year recognised in the income statement	**-5,127**	-3,875	**17**	27
Adjustment in respect of previous years	**41**	-13	**-**	-
Deferred tax at 30.09	**-1,958**	156	**65**	48
Deferred tax is recognised as follows in the statement of financial position:				
Deferred tax assets	**-13,788**	-10,791	**-**	-
Deferred tax liabilities	**11,830**	10,947	**65**	48
Deferred tax at 30.09, net	**-1,958**	156	**65**	48
Deferred tax concerns:				
Intangible assets	**8,719**	7,077	**-**	-
Plant, fixtures and fittings and equipment	**6,115**	6,287	**65**	48
Financial assets	**-33**	-40	**-**	-
Current assets	**-1,657**	-800	**-**	-
Tax loss carry-forwards	**-15,102**	-12,103	**-**	-
Current liabilities	**-**	-265	**-**	-
	-1,958	156	**65**	48

18 contd. **Deferred tax**

Deferred tax assets primarily concern the Group companies Gabriel North America (DKK 5.9 million), Grupo RYL (DKK 6.2 million) and Screen Solutions Ltd (DKK 1.3 million). The same is the case for tax loss carryforwards.

All three companies realised losses in 2019/20, as expected, and management therefore made a detailed assessment of the possibilities of utilising the tax assets.

Gabriel North America and Grupo RYL

On the strength of major customer potential on the North and South American markets, including via the acquired production facility in Mexico and budgets/forecasts, management considered that there is every probability that the tax assets in the USA and Mexico can be utilised within the next four or five years and consequently fully recognised the value.

Budgets/forecasts have been prepared for Gabriel North America for the next five years. Expected earnings support utilisation within four or five years based on expected annual revenue growth in fabric sales of the order of 20%, plus additional earnings from goods produced by Grupo RYL for American customers. Covid-19 naturally had an adverse effect on earnings for the year; however, earnings for the first half-year were realised in line with budget expectations for both Gabriel North America and Grupo RYL. In addition, FurnMaster production activities have been moved to Grupo RYL during the year. This will have a positive effect on the American company's earnings due to cost reductions, and on Grupo RYL due to better utilisation of capacity. In accordance with a transfer pricing agreement, trading between the companies will give both companies positive earnings from sales.

Please see note 10 on impairment testing of goodwill and expected earnings for Grupo RYL. The expected development is supported by expanded as well as new customer partnerships, including by better capacity utilisation via the production activities taken over from Gabriel North America, and other production optimisation initiatives.

Screen Solutions

The tax asset totals DKK 2.4 million, primarily concerning a tax loss carry forward. Via the potential for Screen Solutions products, management expects to continue to utilise tax losses in the English company within four or five years. On this basis, a deferred tax asset of DKK 1.3 million has been recognised.

Please see note 10 on impairment testing and expected earnings.

Positive earnings for the English company are expected to be driven mainly by income from the FurnMaster companies' sale of Screen Solutions products. Customer agreements entered into in the 2018/19 and 2019/20 financial years support expected sales. Intensified focus on revenue from fabrics in England is also planned with a view to increasing income from storage and logistics activities. Cost-cutting measures have also been implemented.

tDKK	CONSOLIDATED 2019/20	CONSOLIDATED 2018/19	PARENT COMPANY 2019/20	PARENT COMPANY 2018/19
19 Credit institutions				
Amounts owed to credit institutions relate to:				
Mortgage debt, mortgage lender	**46,819**	21,537	**-**	-
Mortgage debt, bank	**5,517**	6,869	**-**	-
Increase in credit facility (not regarded as cash or cash equivalents)	**97,500**	97,500	**-**	-
Drawing on credit facility at bank	**66,230**	45,594	**-**	-
Total carrying amount	**216,066**	**171,500**	**-**	-
Amounts owed to credit institutions were recognised in the statement of financial position as follows:				
Non-current liabilities	**48,937**	24,943	**-**	-
Current liabilities	**167,129**	146,557	**-**	-
Total carrying amount	**216,066**	171,500	**-**	-
Fair value is calculated at market value (level 1)	**216,066**	171,500	**-**	-
The mortgage debt is due as follows:				
0-1 years	**4,052**	3,870		
1-5 years	**31,360**	13,493		
>5 years	**35,153**	13,020		

As a result of the open credit, current liabilities to credit institutions are not expected to be repaid in the 2020/21 financial year. The Group still has undrawn credit facilities.

Mortgage debt to mortgage lender comprises two loans: a fixed-rate annuity loan in DKK with interest of 0.5% p.a. and principal of tDKK 42,780, and a floating-rate bond loan with interest at present of a negative 0.14% p.a. and principal of tDKK 6,162. Mortgage debt to bank is a floating-rate loan in EUR with interest at present of 2.4% p.a. and 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.

20 Lease liabilities

IFRS 16 Leases has been implemented with effect from 1 October 2019. We refer to note 29 for a more detailed description.

tDKK	CONSOLIDATED 2019/20		2018/19*	
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	**17,295**	**16,520**	2,168	2,118
1-5 years	**36,871**	**33,577**	4,198	4,140
>5 years	**4,825**	**4,815**	-	-
	58,991	**54,912**	6,366	6,258
Interest component	**-4,079**	**-**	-108	-
Net present value of minimum lease payments	**54,912**	**54,912**	6,258	6,258

* Financial lease liabilities

tDKK	CONSOLIDATED 2019/20			
21 **Cash flows from financing activities**	Mortgage debt	Credit facility	Lease commit-ments	Changes in cash flows
1 October 2019	**28,406**	**97,500**	**6,258**	
Change in accounting policies, leases	**-**	**-**	**72,028**	
Value adjustment			**-1,175**	
Repayment of debt to credit institutions	**-3,650**	**-**	**-22,199**	**-25,849**
Mortgage debt	**27,580**	**-**	**-**	**27,580**
Increase in lease commitments	**-**	**-**	**-**	**-**
30 September 2020	**52,336**	**97,500**	**54,912**	**1,731**

tDKK	CONSOLIDATED 2018/19			
Cash flows from financing activities	Mortgage debt	Credit facility	Lease commit-ments	Changes in cash flows
1 October 2018	**7,223**	**42,500**	**3,680**	
Addition by acquisition	**-**	**-**	**1,349**	
Adjustment of assets held for sale	**23,748**	**-**	**-**	
Increase in credit facility	**-**	**55,000**		**55,000**
Repayment of debt to credit institutions	**-2,565**	**-**	**-2,161**	**-4,726**
Increase in lease commitments	**-**	**-**	**3,390**	**3,390**
30 September 2019	**28,406**	**97,500**	**6,258**	**53,664**

22 Acquisition of subsidiaries

Acquisition of subsidiary – Visiotex GmbH

On 20 December 2019, Gabriel A/S acquired 100% of the share capital in the German textile solutions manufacturer, Visiotex GmbH.

Visiotex GmbH is recognised in the furniture industry for its innovative textile solutions. The patented Wovenit technology makes it possible to design and produce textile solutions with built-in functionality in one process, without any subsequent cutting and sewing.

Visiotex had almost 20 employees and revenue of EUR 1.1 million in 2019.

An acquisition price of EUR 0.25 million was paid. The conditional purchase price was EUR 0.25. In addition, debt of EUR 2.0 million was taken over.

In connection with the acquisition, the Group incurred transaction costs of DKK 0.6 million for legal and financial advisers etc. The costs were recognised as other external costs in the income statement.
In the period from acquisition on 20 December 2019 to September 2020 (9 months), Visiotex was included in profit after tax at DKK -2.8 million and in revenue at DKK 3.6 million. The reason for the loss was mainly a planned strategic relocation of the production activity to Lithuania. When calculated pro-forma, as if Visiotex had been owned since 1 October 2019, revenue was DKK 4.9 million and the loss for the year after tax was DKK 3.7 million.

tDKK	Fair value recognised on the date of acquisition
Intangible assets (development projects and product technology)	8,430
Property, plant and equipment	6,881
Inventories	801
Receivables	3,233
Cash and cash equivalents	26
Credit institutions	-265
Deferred tax	-2,545
Trade payables	-1,262
Other payables	-1,677
Acquired net assets	13,622
Goodwill	2,774
Total acquisition price for the enterprise	**16,396**
Debt repaid on acquisition	-14,527
Cash acquisition price, net	**1,869**

Assets, liabilities and contingencies in connection with the acquisition were provisionally identified and recognised in the pre-acquisition balance sheet at a provisional fair value.

The pre-acquisition balance sheet is provisional because of some unclarified circumstances. Assessment of some circumstances regarding the pre-acquisition period is pending and liabilities have been recognised on an assessment of the current basis and an assessment of probability.
Final pre-acquisition balance sheet will be prepared in the first quarter of the 2020/21 financial year. This could have an effect on the provisionally calculated goodwill.

22 contd. **Acquisition of subsidiaries**

Acquisition of subsidiary – UAB Baltijos Tekstilė

On 27 December 2018 Gabriel A/S acquired 100% of the share capital in Lithuanian fabric manufacturer UAB Baltijos Tekstilė.

Gabriel and UAB Baltijos Tekstilė (BTC) have worked together since 1999. During the following years until 2003, the partnership was developed and Gabriel's looms were transferred to BTC as part of the outsourcing of production from Aalborg. Since then BTC has been the main weaving partner in the European production and has produced most of the sales promotion materials that are marketed via Gabriel's business unit SampleMaster.

The aim of purchasing the shares in the Lithuanian company is to support the Group's growth in both the fabric business and SampleMaster and to ensure continued highly reliable supply and competitiveness.

The acquisition price was EUR 4.0 million, EUR 3.6 million of which was paid in cash while the balance was paid in December 2019.

In connection with the acquisition, the Group incurred transaction costs of DKK 0.5 million for legal and financial advisers etc. The costs were recognised as other external costs in the income statement for the first quarter of 2018/19.

In the period from acquisition on 27 December 2018 to September 2019 (9 months), BTC was included in profit after tax at DKK 0.0 million (including depreciation of plant and machinery and amortisation of customer relationships) and in revenue at DKK 10.5 million. When calculated pro-forma, as if BTC had been owned since 1 October 2018, revenue was DKK 14.0 million and profit for the year after tax was DKK 0.0 million.

tDKK	Fair value recognised on the date of acquisition
Intangible assets	102
Property, plant and equipment	6,415
Inventories	2,326
Receivables	2,327
Cash and cash equivalents	166
Credit institutions	-4,756
Deferred tax	-
Trade payables	-1,201
Corporation tax	-
Other payables	-1,726
Acquired net assets	3,653
Revaluation of plant and machinery to fair value	2,614
Customer relationships	7,617
Tax on the above	-1,535
Goodwill	17,707
Total acquisition price for the enterprise	**30,056**
Deferred conditional acquisition price, deposited as cash and cash equivalents and provided for under other payables	-3,006
Cash acquisition price, net	**27,050**

Assets, liabilities and contingencies in connection with the acquisition were identified and recognised in the pre-acquisition balance sheet at fair value.

The values recognised in the opening statement of financial position under other property, plant and equipment, including non-current assets, were reviewed by an external partner for determination of fair values, and DKK 2.6 million was attributable to revaluation of plant and machinery.

Other intangible assets, including brand, trademarks, customer relationships and existing customer contracts, were also valued at fair value. A value of DKK 7.6 million was attributable to customer relationships. The fair value of the acquired customer relationships was calculated by discounting expected earnings based on estimated useful lives. The assessed intangible assets were recognised in the pre-acquisition balance sheet and amortised over the expected useful lives.

Goodwill on the date of acquisition was calculated at DKK 17.7 million. Goodwill represents the value of the company's product programme, the value of the existing staff, know-how and the value of the expected synergies from combining the company with the Gabriel Group, in particular in respect of highly reliable supply and competitiveness.

22 contd. **Acquisition of subsidiaries**

Acquisition of subsidiary – Grupo RYL S.A. de C.V.

Gabriel acquired the Mexican furniture manufacturer Grupo RYL S.A. de C.V. (RYL) on 15 April 2019. The subsidiaries Gabriel North America Inc. (USA) and Gabriel A/S (Denmark) acquired 99% and 1% respectively of the company's share capital.

The acquisition price was USD 0.8 million, USD 0.3 million of which was paid in cash, while the balance was paid in April 2020.

Amounts of USD 3 million owed to the former owners were also taken over.

The shares in the Mexican company are acquired to support growth in the Group's FurnMaster's activities in North America.

RYL is a well-established development and production unit and a subcontractor of the US furniture industry. The company had approximately 170 employees on the date of acquisition and revenue of USD 8 million in 2018, when the loss before tax was USD 1.2 million.

In connection with the acquisition, the Group incurred transaction costs of DKK 0.5 million for legal and financial advisers etc. The costs were recognised as other external costs in the income statement for the third quarter of 2018/19.

In the period from acquisition on 15 April 2019 to September 2019 (five months), Grupo RYL was included in profit after tax at DKK -2.2 million (including amortisation of customer relationships) and in revenue at DKK 28.6 million. When calculated pro-forma, as if Grupo RYL had been owned since 1 October 2018, revenue was DKK 11.4 million and the loss for the year after tax was DKK 5.3 million.

tDKK	Fair value recognised on the date of acquisition
Property, plant and equipment	3,915
Inventories	9,415
Deferred tax	3,950
Receivables	8,095
Cash and cash equivalents	188
Trade payables	-4,202
Other payables	-1,006
Acquired net assets	20,355
Customer relationships	5,989
Tax on the above	-1,797
Goodwill	2,070
Total acquisition price for the enterprise	**26,617**
Deferred conditional acquisition price, deposited as cash and cash equivalents and provided for under other payables	-3,342
Cash acquisition price, net	**23,275**

Other intangible assets, including brand, trademarks, customer relationships and existing customer contracts, were valued at fair value. A value of DKK 6.0 million is attributable to customer relationships. The fair value of the acquired customer relationships was calculated by discounting expected earnings based on estimated useful lives. The assessed intangible assets are recognised in the pre-acquisition balance sheet and amortised over the expected useful lives.

Goodwill on the date of acquisition is calculated at DKK 2.1 million. Goodwill represents the value of the existing staff and know-how and, not least, the value of expected synergies from combining the company with the Gabriel Group.

23 **Financial risks and financial instruments**

Given its operations, investments and financing, the Gabriel Group is exposed to a number of financial risks, including market (currency, interest rates and risks relating to raw materials), credit and liquidity. Gabriel's policy is not to engage in active speculation on 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 occasionally hedges currency risks, considering projected future cash flows and projected future exchange rate movements and decides whether each transaction qualifies for hedge accounting. 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 euro 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, euro 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 its risk concentration has undergone any changes.

Following the acquisitions in England and Mexico 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 2018/19.

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

	CARRYING AMOUNT	
tDKK	**2019/20**	2018/19
Receivables	**93,196**	103,639
Cash and cash equivalents	**53,325**	39,775
Financial assets measured at amortised cost	**146,521**	143,414
Derivative financial instruments, liabilities	**-**	-
Hedging instruments measured at fair value, taken up to hedge future cash flows	**-**	-
Amounts owed to credit institutions	**216,066**	171,500
Financial lease liabilities	**54,912**	6,258
Trade payables	**40,382**	46,261
Amounts owed to joint venture	**1,380**	1,615
Other payables	**31,053**	32,433
Financial liabilities measured at amortised cost	**343,793**	258,067

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 fair value of tDKK 0 (2018/19: tDKK 0). Forward exchange contracts are valued in accordance with generally recognised valuation methods, based on relevant observable exchange rates and classified as level 2 "other input" under the fair value hierarchy.

23 contd. **Financial risks and financial instruments**

Currency risk

The Group's foreign exchange positions in Danish kroner were as follows on 30 September 2020:

Currency (tDKK)	Cash and cash equivalents/ trade receivables	Bank loans/trade payables/credit institutions	Open forward contracts
DKK	1,212	-218,886	-
EUR	74,219	-63,909	-
SEK	4,752	-810	-
NOK	489	-88	-
GBP	7,723	-8,191	-
USD	26,424	-11,537	-
PLN	-	-7,064	-
RMB	16,012	-48	-
MXN	242	-1,813	
Other	979	-392	-
Abroad	130,840	-93,852	-

The Group's foreign exchange positions in Danish kroner were as follows on 30 September 2019:

Currency (tDKK)	Cash and cash equivalents/ trade receivables	Bank loans/trade payables/credit institutions	Open forward contracts
DKK	2,365	-180,920	-
EUR	67,825	-36,806	-
SEK	2,998	-985	-
NOK	163	-9	-
GBP	4,455	-4,115	-
USD	29,414	-315	-
PLN	-	-	-
RMB	20,519	-434	-
MXN	65	-2,042	
Other	1,115	-8	-
Abroad	126,554	-44,714	-

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 2020 of tDKK 0 (2018/19: tDKK 0) cannot be imputed to specific transactions and are thus recognised in the income statement, since the criteria for hedge accounting are not met.

A probable change in the exchange rates at 30 September 2020 may have an impact on results and equity, because of the currency exposure on this date. The Group also experienced major exchange rate fluctuations in the 2019/20 financial year, in particular attributable to 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).

23 contd. **Financial risks and financial instruments**

Currency exposure at 30 September 2020

Currency	Net position	Probable change in exchange rate	Effect on profit for the year before tax	Effect on equity
USD/DKK	14,887	-2%	-298	-232
EUR/DKK	10,310	0%	0	0
RMB/DKK	15,964	1%	160	120
GBP/DKK	-468	-2%	9	7

Currency exposure at 30 September 2019

Currency	Net position	Probable change in exchange rate	Effect on profit for the year before tax	Effect on equity
USD/DKK	29,099	-5%	-1,455	-1,135
EUR/DKK	31,019	-1%	-310	-242
RMB/DKK	20,085	-5%	-1,004	-753
GBP/DKK	340	-5%	-17	-14

In 2019/20, the Group's foreign currency exposure is expected to be essentially unchanged relative to 2018/19.

Liquidity and interest rate risks

At 30 September 2020, the Group had net cash at bank of a negative DKK 12.9 million 2018/19: negative at DKK 5.8 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 DKK and EUR and at floating rates of interest. Finance leasing agreements for vehicles and machinery were drawn up: in Danish kroner with a floating interest rate; and in euro 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 lives. 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 prices. As indicated in note 26, Gabriel has concluded purchase agreements for raw material supplies for 2020/21. The Group is not exposed to any major price risks arising from its use of raw materials.

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 2020. 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 15.

24 Operating leases

IFRS 16 Leases has been implemented with effect from 1 October 2019. We refer to note 29 for a more detailed description.

At 30 September 2019, the Group held operating leases for vehicles with a total minimum residual lease liability of tDKK 1,555 (2017/18: tDKK 859) of which tDKK 676 (2017/18: tDKK 350) was due within one year, while the rest was due within one to three years. An amount of tDKK 672 was expensed in the financial year, compared to tDKK 300 in 2017/18.

At 30 September 2019, 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 minimum liability for future rent payments is tDKK 51,952 (2017/18: tDKK 42,197) of which tDKK 10,108 (2017/18: tDKK 7,352) was due within one year, while tDKK 10,720 (2017/18: tDKK 12,086) was due after five years.

The subsidiary Gabriel Ejendomme A/S entered into external leases that cannot be terminated for up to nine years. The total rent in the fixed term is tDKK 13,764, of which tDKK 2,061 is due in the first year, tDKK 5,913 in one to five years and tDKK 5,790 after five years (2018/19: tDKK 8,875).

25 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 parent company is jointly taxed with other Danish companies in the Gabriel Holding Group. In its capacity as the administrative company, the parent 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 22,899 (30 September 2019: tDKK 25,986) to ensure raw material supplies in 2019/20.

Land and buildings have been provided as collateral for mortgage debt to the mortgage lender. The carrying amount of land and buildings was tDKK 134,106 at 30 September 2020 (30 September 2019: tDKK 77,378), while mortgage debt to the mortgage lender was tDKK 46,819 (30 September 2019: tDKK 21,537). Collateral in land and buildings has been provided for bank debt to a bank in Poland. The carrying amount was tDKK 11,305 (30 September 2019: tDKK 12,096), while the debt to the bank was tDKK 5,517 (30 September 2019: tDKK 6,869). Gabriel Ejendomme has also provided collateral in land and buildings. The carrying amount was tDKK 77,672 (30 September 2019: tDKK 77,378), while the debt to the bank was tDKK 46,819 (30 September 2019: tDKK 21,537).

The Group also has a few pending or potential claims or legal actions which cannot significantly affect the Group's financial position.

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

The parent company's related parties comprise subsidiaries and joint ventures, their Boards of Directors and Executive Boards. Related parties also comprise companies over 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	**2019/20**	2018/19
Administration fee from subsidiaries	**10,710**	10,500
Interest income from subsidiaries	**144**	266
Rent from subsidiaries	**335**	333
Dividends from subsidiaries	**24,886**	27,295

Transactions with subsidiaries were eliminated in the consolidated financial statements, in accordance with the accounting policy.

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

	CONSOLIDATED	
tDKK	**2019/20**	2018/19
Purchases from joint venture	**32,193**	38,038

Apart from the executives' and directors' remuneration disclosed in note 5, the Group and parent company effected no transactions with the Board of Directors, Executive Board, executive employees, major shareholders or other related parties during the year.

27 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 of importance to the financial reporting mainly concern acquisitions of subsidiaries, valuation of goodwill and deferred tax assets. Estimates are also made when calculating write-downs for inventory obsolescence and impairment tests on development projects.

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 acquisition of UAB Baltijos Tekstilė, Grupo RYL S.A. de C.V. and Visiotex GmbH are shown in note 22.

In performing the annual impairment test of goodwill, 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. Impairment testing is described in note 10.

Management assessed the recognised tax assets based on expected future earnings in the countries to which the tax assets relate. For recent losses, it also assessed whether there was a convincing basis for recognising the deferred tax assets. It concluded on the basis of budgets and projections of budgets that the recognised deferred tax assets can be used within three to five years. We refer to note 18.

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 4,958 at 30 September 2020, compared to tDKK 3,472 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 no special judgments of major significance to the financial reporting.

28 Subsequent events

No events of significance to the 2019/20 financial statements have occurred since the statement date.

29 Accounting policies

Gabriel Holding A/S is a limited liability company domiciled in Denmark. The financial section of the annual report for the period 01.10.2019-30.09.2020 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 2019/20 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and with the Danish disclosure requirements for listed companies.

The Board of Directors and the Executive Board discussed and approved the annual report for 2019/20 of Gabriel Holding A/S on 12 November 2020. The annual report will be presented to the shareholders of Gabriel Holding A/S for approval at the annual general meeting on 10 December 2020.

Basis for preparation

The consolidated financial statements and the parent company financial statements are presented in DKK rounded to the nearest DKK 1,000.
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 2019/20, including:

- IFRS 16, Leases

IFRS 16 has been implemented using the modified retrospective method. Comparative figures thus have not been restated but are still presented in accordance with IAS 17 and IFRIC 4.

The standard changes the accounting policies for leases which were previously classified as operating leases. The standard requires that – with a few exceptions – all types of lease must be reported in the lessee's statement of financial position as an asset with an associated lease liability. The lessee's income statement is also affected, since the lease expense is divided into two elements: a depreciation charge and an interest expense, whereas today operating lease expenses are reported as other external costs.

In connection with implementation on 1 October 2019, the Group recognised a lease asset of DKK 63.9 million and an equivalent lease liability. Equity is therefore not affected.

The lease assets are depreciated over the expected lease term, which is five to seven years for properties and three to eight years for fixtures and fittings.

When measuring the lease liability, the Group used a weighted average borrowing rate for discounting future lease payments.

The total effect of the implementation at 1 October 2019 is recognised in 30 September 2020 as follows:

	CONSOLIDATED	
tDKK	1 October 2019	30 September 2020
Administration, storage and production buildings	**59,901**	50,452
Vehicles and other plant and machinery	**3,968**	2,482
Total lease assets	**63,869**	52,934
Total lease liabilities	**-63,868**	-52,281

Finance lease liabilities already recognised amounted to DKK 6.3 million at 1 October 2019.
The lease assets are mainly leases for properties previously classified as operating leases (which were DKK 52.0 million at 30 September 2019). Fixtures and fittings including previously recognised finance leases have also been recognised.

Operating lease liability at 30 September 2019	**53,507**
Extension options (change in valuation and estimate regarding lease term)	10,479
Discounted cash flow with incremental borrowing rate including price adjustment of rent	-118
Lease liability 1 October 2019	**63,868**

29 contd. **Accounting policies**

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. An investor is deemed to control another enterprise when the investor exercises control (power) over it, the possibility or right to receive variable returns from it and the ability to affect the size of the returns through this control. When control is assessed in the terms of IFRS 10, an investee must be consolidated when the parent has de facto control over it, even if the parent does not own the majority of shares or votes.

On the basis of the absolute sizes of stakes and the other shareholders' proportionate stakes, including votes and mutual relationships, the Group's management considers its ownership interest to be sufficient to constitute de facto control.

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 include 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, Gabriel North America Inc., Gabriel Iberica SL., UAB Gabriel Textiles, UAB Gabriel Baltics, UAB SampleMaster, Grupo RYL S.A. de C.V. and Visiotex GmbH. UAB Scandye is considered a joint venture and was recognised under investments in joint ventures in the annual report.

The consolidated financial statements were prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, 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 the 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 acquired 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.

29 **Accounting policies**

contd.

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.

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.

29 **Accounting policies**
contd.

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.
The terms of payment in the Group's sales agreements with customers depend on the product, the performance obligation and the underlying customer relationship. Payment terms are typically 1-2 months.

The Group generally has no refund liabilities and only usual guarantee obligations on the sale of goods.

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.

As something specific for 2019/20, wage compensation was received as part of the Danish government's Covid-19 aid packages. The wage compensation has been set off against staff costs.

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.

The 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 relate mainly to 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.

29 **Accounting policies**

contd.

Finance income and finance costs

Finance income and finance costs comprise interest income and expenditure, 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

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 owning, rather than identifying the technology in question. Acquired product technology assets are amortised over an expected useful life of seven to ten 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.

29 **Accounting policies**
contd.

Property, plant and equipment
Land and buildings, plant and machinery, fixtures and fittings, and other plant and equipment are measured at cost 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	10-50 years
Improvements to premises	Term of the lease
Plant, fixtures and fittings and equipment	3-15 years

Land is not depreciated.

Depreciation is calculated as 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 as 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.

29 **Accounting policies**

contd.

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.

A distribution of reserves other than profit from subsidiaries will reduce the cost of investments when the distribution is characterised as repayment of the parent company's investment.

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. Impairment allowances are made using the simplified expected credit loss model, under which the total loss is recognised immediately in the income statement at the same time as the receivable is recognised in the statement of financial position based on the expected loss over the receivable's life.

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.

29 **Accounting policies**

contd.

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.

Leasing

The Group recognises a lease asset and a lease liability on the commencement date of the lease. On initial recognition, the lease asset is measured at cost, which comprises the value of the lease liability adjusted for any lease payments made at or before commencement, any initial direct costs incurred and an estimate of any costs to be incurred in dismantling and removing the underlying asset or in restoring the underlying asset or the site on which it is located to a required condition, less any lease incentives received.

The lease asset is subsequently depreciated by the straight-line method over the lease asset's useful life, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost price of the right-of-use asset reflects that the Group will exercise an option to purchase. In that case the lease asset is depreciated over the underlying asset's useful life, which is determined on the same basis as property and equipment.
In addition, the lease asset is reduced regularly by any impairment losses and adjusted by certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not payable on commencement, discounted at the rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group generally uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining rates from different external sources of finance and making certain adjustments to reflect the terms of the lease and the type of leased asset.

Lease payments included in measuring the lease liability comprise the following:
fixed payments, variable lease payments that depend on an index or a rate measured initially using the index or rate at the commencement date, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase option if it is reasonably certain that the Group will exercise that option, lease payments in an optional extension period if it is reasonably certain that the Group will exercise that option, and penalties for early termination of a lease unless it is reasonably certain that the Group will not terminate it early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if there is a change in future lease payments resulting from a change in an index or a rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option, or if in-substance fixed lease payments are revised.

The Group has chosen not to recognise lease assets and lease liabilities for low-value items and short-term leases. The Group recognises lease payments attached to such leases as a cost on a straight-line basis over the lease term.

29 **Accounting policies**

contd.

Leasing until 2018/19

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

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 **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.

None of the new standards or IFRICs are expected to influence financial reporting for the Group or the parent company.

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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