

ANNUAL REPORT 2008/09

Grubbi®

®

MODEST PROFIT DESPITE DIFFICULT MARKET CONDITIONS

Gabriel prepared for persistently subdued international demand for textiles for contract furniture.

Statement by Management:

In its announcement of the annual report for 2007/08, Management stated that "indications from leading customers anticipated demand to drop by approx. 25% in the 2008/09 financial year". The indications proved correct, with the economic downturn perhaps gaining even further momentum. At that time, Management chose to take prompt action in the form of organisational downsizing and cost containment to ensure earnings and liquidity at the present lower level of revenue. During the year under review, Gabriel has further optimised its business model, enabling a major earnings increase once the order intake is back to normal. Management expects to face persistently subdued international demand for contract furniture in 2009/10.

SUMMARY

- Revenue came in at DKK 204.7 million (DKK 279.7 million).
- Operating profit (EBIT) reached DKK 2.0 million (DKK 23 million).
- Separate items of DKK 3.9 million attributed to employees dismissed were recognised in the income statement.
- Operating margin (EBIT margin) accounted for 1.0% (8.2%).
- Return on invested capital (ROIC) represented 1.4% (20%).
- Cash flows from operating activities amounted to DKK 18.5 million (DKK 23 million).
- For the 2009/10 financial year, Gabriel has forecast revenue at approx. DKK 180 million as against DKK 204.7 million in 2008/09 and operating profit (EBIT) to be up on 2008/09.

The Supervisory Board proposes to Gabriel Holding A/S in general meeting on 17 December 2009:

- That no dividends be distributed for 2008/09.
- That the company' share capital be reduced by cancelling treasury shares, representing 10% of the share capital.

DEFINITION OF GROUP FINANCIAL RATIOS

Invested capital:

Total equity and liabilities less non-interest bearing debt and deferred tax.

Operating margin

(EBIT margin):

Operating profit/loss (EBIT) as a percentage of revenue.

Return on invested capital

(ROIC):

Operating profit/loss (EBIT) as a percentage of average invested capital.

Earnings per share basic

(EPS basic):

Profit/loss after tax divided by the average number of shares outstanding.

Earnings per share diluted

(EPS diluted):

Profit/loss after tax divided by the diluted average number of shares outstanding.

Equity ratio:

Equity as a percentage of total assets.

Net asset value at year end:

Equity as a percentage of the share capital.

Return on equity:

Profit/loss after tax as a percentage of average equity.

Market price at year end:

Quoted price of the shares at the OMX.

Price/book value:

Market price in proportion to book value.

Price Earnings (PE):

Market price in proportion to earnings per share.

Price Cash Flow (PCF):

Market price in proportion to cash flow per share (excluding treasury shares).

Dividend yield:

Dividend in proportion to the market price at year end.

Payout ratio:

Dividends as a percentage of profit/loss after tax.

FINANCIAL HIGHLIGHTS FOR THE GROUP

Key figures	Unit	2008/09	2007/08	2006/07	2005/06	2004/05
Revenue	DKK million	204.7	279.7	278.2	240.7	218.2
	Index	94	128	127	110	100
Of this amount, export	DKK million	182.8	243.8	236.5	198.2	179.3
Export share	%	89	87	85	82	82
Operating profit (EBIT)	DKK million	2.0	23.0	24.9	22.2	20.8
Net financing, etc.	DKK million	-0.3	0.0	0.1	0.3	2.0
Profit before tax	DKK million	1.7	23.0	25.0	22.5	22.8
Tax	DKK million	-0.4	-5.9	-6.1	-6.3	-6.3
Profit after tax	DKK million	1.3	17.1	18.9	16.2	16.5
Cash flows from:						
Operating activities	DKK million	18.5	23.3	15.3	13.6	19.1
Investing activities	DKK million	-58.5	-35.0	5.7	-18.9	-4.3
Financing activities	DKK million	34.5	-8.4	-7.6	-7.6	-5.9
Cash flows for the year	DKK million	-5.5	-20.1	-13.4	-12.9	8.9
Investments in property plant and equipment	DKK million	24.3	32.1	7.2	5.6	2.7
Depreciation/amortisation and impairment	DKK million	4.4	4.9	3.9	4.9	4.5
Equity	DKK million	115.4	122.6	113.8	102.5	95.6
Balance sheet total	DKK million	197.1	154.5	147.7	135.8	128.2
Invested capital	DKK million	163.9	122.7	113.8	102.7	97.4
Number of employees	Number	92	117	119	114	100
Revenue per employee	DKK'000	2,225	2,391	2,338	2,111	2,182
	Index	102	123	120	108	112
Financial ratios						
Operating margin (EBIT margin)	%	1.0	8.2	9.0	9.3	9.5
Return on invested capital (ROIC)	%	1.4	19.5	23.0	22.2	22.6
Earnings per share (EPS)	DKK	0.7	9.0	10.0	8,5	8.7
Return on equity	%	1.1	14.5	17.5	16.4	18.3
Equity ratio	%	59	79	77	75	75
Net asset value at year end	DKK	61	64	60	54	50
Market price at year end	DKK	69	118	182	153	110
Price/book value		1.1	1.8	3.0	2.8	2.2
Price Earnings (PE)	DKK	99	13.1	18.3	18.0	12.6
Price Cash Flow (PCF)	DKK	6.5	9.6	22.6	21.5	10.9
Dividends proposed per share of DKK 20	DKK	0	4.0	4.4	4.0	4.0
Dividend Yield	%	0	3.4	2.4	2.6	3.6
Payout Ratio	%	0	49	49	52	51

The basic year applied for the index figures is 2004/05. Earnings per share were calculated in accordance with IAS 33. Other financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2005". The key figures were restated to reflect the share split in 2007/08, reducing the face value of the share from DKK 100 per share to DKK 20 per share.

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BUSINESS ACTIVITIES

Innovation and value-adding co-operation are key words of Gabriel's mission statement. Gabriel is a niche company which develops, manufactures and sells upholstery fabrics and related textile products and 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.

In 2005, Management laid down the following vision for 2010:

- Gabriel is to obtain Blue Ocean Status through an innovative business concept, patents, licences, exclusive agreements, etc.
- Gabriel is to be the preferred development partner and supplier to leading international manufacturers and lead users of upholstered furniture, seats and upholstered surfaces.
- Gabriel is to enjoy a status as an attractive workplace for and partner of qualified employees and enterprises.

In a stable financial climate, Gabriel targets:

- A return on invested capital (ROIC) of at least 15% before tax.
- An increasing operating margin (EBIT margin).
- An average annual rise in earnings per share of a minimum of 15%.
- An average annual revenue increase of at least 10%.

Gabriel's services are directed towards the following fields of application:

Contract furniture, seats for means of transportation, theatres, concert halls, cinemas, educational institutions, hotels, restaurants, hospitals, nursing homes as well as furniture for domestic use.

Gabriel is growing with the largest market participants. Gabriel's growth is ensured in close co-operation with approx. 50 selected key account customers in a global strategy. Gabriel strives to account for the largest share of the selected key account customers' purchases of furnishing fabrics, other components and services in the value chain.

Gabriel is constantly attentive to potential acquisitions, alliances and business areas to optimise its competitiveness and value adding.

Gabriel aims at realising its vision and achieving its objectives relying on group strategy, which is based on four core processes:

- Global key account sales activities
- Product and process innovation
- Logistics
- Price competitiveness.

Gabriel's value adding model and process outline are accessible at www.gabriel.dk.

The Gabriel Group applies the following management systems:

- Quality management – DS/ISO 9001 certification since 1991 (China since 2006).
- Environmental management – EMAS/ISO 14001 certification since 1996 (China since 2006).
- Business model – Balanced Score Card since 2002.
- Ecolabels carried by its main products since 2003.
- Development and strategy – Blue Ocean Strategy since 2005.
- Innovation Cup participant in 2006 (came in fifth), 2007 (winner of the Cup) and 2009 (came in second).
- Gabriel has been divided into independent MASTER units from 2006/07.

Gabriel makes efforts to ensure that at least 30% of revenue derives from products and services launched within the past five years. In 2008/09, the share accounted for 31% as against 27% last year.

Gabriel's price competitiveness is measured using a cost index comprising all costs relating to each product. The development in the index is affected by the efforts with material contributors, which include:

- Process innovation in the value chain
- Product and materials innovation
- Outsourcing and vendor agreements
- Optimisation of materials
- Quality and environmental management

Gabriel's employees are familiar with the group's business model, overall mission statement, vision and strategy and work towards common goals. Through the work within their own specific business units, all employees strive to support Gabriel's core processes and value adding.

Gabriel intends to attract and retain ambitious, qualified employees seeking and accepting challenges. Job expansion and relevant training ensure that the qualifications and professional expertise of the individual employee are up-to-date.

For information on environmental issues, including the environmental action programme for 2009/10, please see Gabriel's environmental report, which can be downloaded from the website, www.gabriel.dk. The environmental report for 2008/09 will presumably be published in January 2010 after certification in accordance with Danish Standards.

MANAGEMENT'S REVIEW

SALES AND EARNINGS FOR 2008/09

The market trends evidenced in the last quarter of 2007/08 indicated that the 2008/09 financial year could prove a difficult year. Accordingly, Management had prepared an action plan which was launched when the financial crisis really gained momentum in October 2008.

As set out in the Announcement of the Annual Report in November 2008, Management anticipated to generate revenue of DKK 210-220 million and to report an operating profit (EBIT) of approx. DKK 10-12 million for 2008/09. However, this forecast was subject to major uncertainty arising from the international economic downturn, which slashed demand for Gabriel's primary segment, contract furniture.

In 2008/09, revenue came in at DKK 204.7 million as against record revenue of DKK 279.7 million for 2007/08, equivalent to a drop of 27%. This negative earnings performance was prompted by the drastic decline in international demand for contract furniture and consumer durables such as upholstered furniture.

Operating profit (EBIT) reached DKK 2.0 million as against DKK 23.0 million last year. Held up against the initial forecast, the profit for 2008/09 was adversely affected by revenue being down on forecast. In addition, the exchange rate movements, separate items attributable to employees dismissed and extraordinary payroll arising from the relocation of the dye factory to Lithuania had a negative impact on the profit for the year.

The Q3 report for 2008/09 forecasted revenue of DKK 200-205 million and an operating profit (EBIT) for the full 2008/09 financial year. Gabriel managed to deliver a performance in line with forecast.

The profit before tax amounted to DKK 1.7 million as against DKK 23.1 million. Compared with last year the associate, Scandye UAB, enjoyed a positive earnings performance, while interest expenses were on the increase triggered by the development of Gabriel's building complex in Aalborg.

Unfortunately, the 2008/09 financial year did in fact prove to be a difficult year. Gabriel failed to meet its standard targets for revenue and earnings. Additionally, Gabriel failed to report initially forecasted EBIT, which was revised downwards in the year under review. Viewed separately, the profit for the year is not in line with expectations. However, allowance being made for the unusual global, financial and economic downturn, a positive earnings performance is acceptable in the present difficult financial climate.

HIGHLIGHTS OF THE 2008/09 FINANCIAL STATEMENTS

Revenue

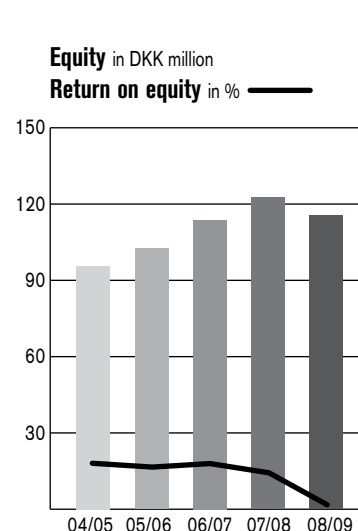
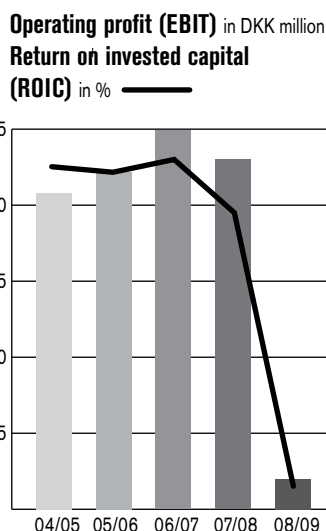
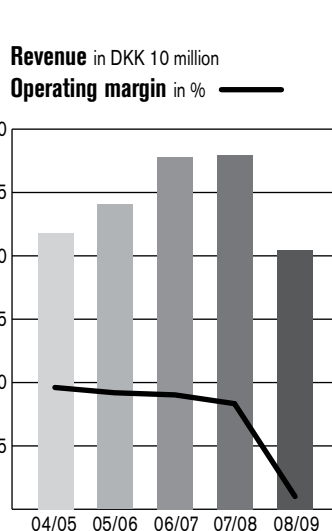
Revenue was down by 27% to DKK 204.7 million as against DKK 279.7 million last year.

Other operating income

As part of the relocation of the dye machinery to Scandye UAB in Lithuania, the company entered into finance leases offering an accounting profit of DKK 1.2 million.

Cost of sales – gross profit

The consolidated gross profit accounted for 40.9% in 2008/09 as against 44.6% in 2007/08. The gross profit was adversely affected by exchange rate movements, inventory adjustments and separate items arising from the relocation of the dye factory to Lithuania. Overall, the relocation of the dye factory is deemed to have a positive impact on future production costs.



Other external costs

Prompted by savings and cost containment, Gabriel managed to reduce external costs by 17% to DKK 35.0 million as against DKK 42 million last year.

Staff costs

Consolidated staff costs were reduced by 28% to DKK 39.9 million in 2008/09 as against DKK 55.3 million last year. The number of employees was reduced from an average of 117 employees in 2007/08 to 92 employees in 2008/09 owing to the relocation of the dye factory to Lithuania and downsizing due to the financial crisis. The 2008/09 financial year closed with a number of 75 employees in the Gabriel Group.

Separate items

In October 2008, the group engaged in organisational downsizing to reduce capacity to the forecast drop in demand. Upon the relocation of the dye factory, the relevant employees received proper severance pays. Payroll and severance pay of employees dismissed and disemployed and other relevant costs were recognised as separate items. Total costs came in at DKK 3.9 million in 2008/09.

Depreciation/amortisation

Consolidated depreciation/amortisation reached DKK 4.4 million as against DKK 4.9 million last year.

Profit/loss from investment in Scandye UAB

The profit from the investment in Scandye UAB (40%) of DKK 248 thousand was recognised in the profit for the year. Last year, the investment produced a loss of DKK 478 thousand. Reference is made to the section on the relocation of the dye factory (page 8).

Financial income and expenses as well as tax

Financial income and expenses represented expenses of

DKK 0.5 million as against income of DKK 0.5 million last year, prompted by increasing interest expenses to banks and mortgage banks arising from the raising of mortgage loans.

The effective tax rate of the group was 23.8% as against 25.7% last year. The tax rate was reduced as a result of the recognition of the positive results after tax in Scandye UAB.

Balance sheet

The consolidated balance sheet total amounted to DKK 197.1 million as against DKK 154.5 million last year. The balance sheet total was primarily on the increase due to the raising of a mortgage loan with most of the proceeds being placed in mortgage bonds.

Inventories

Consolidated inventories were reduced from DKK 42.9 million to DKK 38.1 million.

Receivables

Trade receivables totalled DKK 22.1 million as against DKK 33.1 million last year. Throughout 2008/09, the group tightened its credit-granting policies and its credit management.

Investments

In the year under review, investments in property, plant and equipment accounted for DKK 24.3 million as against DKK 32.1 million last year, which in both years primarily were used for the development of the building complex of the group as set out under Gabriel Business Park. The carrying amount of land and buildings stood at DKK 65.5 million at 30 September 2009.

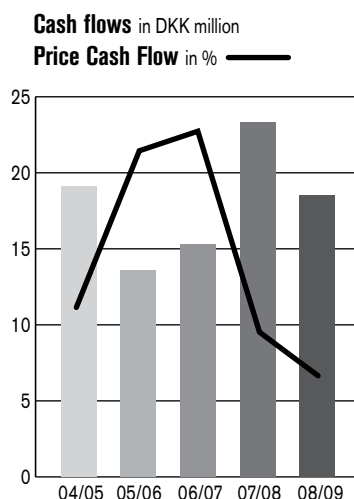
The value of development projects rose by DKK 0.4 million in the year under review, while plant and equipment were reduced by DKK 1.4 million to a total value of DKK 5.7 million.

Financing

Consolidated cash flows from operating activities came in at DKK 18.5 million in 2008/09 as against DKK 23.3 million last year. In May 2009, the group chose to raise a mortgage loan of DKK 43.5 million to finance a construction project and to strengthen cash resources.

Cash flows for the year from investing activities amounted to DKK 58.5 million, with an amount of DKK 32.5 million spurred by the purchase of bonds, while financing activities generated positive liquidity of DKK 34.5 million.

The year closed with bank debt of DKK 5.6 million. The group has major undrawn credit facilities with its bankers.



MANAGEMENT'S REVIEW

Equity

Consolidated equity stood at DKK 115.4 million at 30 September 2009 as against DKK 122.6 million – before the distribution of dividends – on the same date last year. Following the raising of the mortgage loan, the equity ratio was reduced to 59% as against 79% on the same date last year.

Dividends

The profit for the year is not deemed to promote the distribution of dividends. In addition, reference is made to the Supervisory Board's motion for a capital reduction.

OUTLOOK FOR 2009/10

In the year under review, Gabriel engaged in activities to enhance future competitiveness and earnings. In addition, Gabriel further optimised its business model to ensure the highest degree of flexibility and resistance to sudden changes in business climate, product trends, market structure and competitive situation. For instance, Gabriel's organisation was adjusted to present demand, but still offers potential for growth and higher earnings. Furthermore, Gabriel's dyeing activities were relocated to the 40%-owned Scandye UAB, Lithuania, and logistics were optimised by the prepared outsourcing of Gabriel's inventory and dispatch facilities from Aalborg to an external partner in Lithuania. The outsourcing is expected to take effect from the end of December 2009. In addition, Gabriel has gained access to customer and product portfolios deemed to offer interesting potential. Following extensive deliberations, Gabriel moreover acquired a new ERP system supporting the business model and ensuring realisation of identified earnings potential. Finally, Gabriel finalised and financed a construction project in Aalborg offering an optimum working environment to its own business units and external tenants.

Gabriel's primary product, contract furniture fabrics, operates on a cyclically sensitive market, which has very much fallen victim to the international economic downturn. The present financial year is not deemed to see any increase in demand.

In 2009/10, revenue is forecasted at approx. DKK 180 million as against DKK 205 million last year, and the profit for the year is anticipated to be up on 2008/09. These forecasts are subject to uncertainty, but Management is of the opinion that with the measures taken, Gabriel has an excellent potential for defending its earnings. Liquidity and capital resources are sufficient to allow the group to act on any relevant business potential.

SALES

In the year under review, revenue of the Gabriel Group was down by 27% to DKK 204.7 million as against DKK 279.7 million last year. Consolidated revenue reflects the persistently negative impact of the economic down, producing a slowdown in the sale of Gabriel's main product, contract furniture.

Revenue from exports fell by 25% to DKK 182.8 million as against DKK 243.8 million last year. Exports rose to 89%. Sales in Denmark dropped by 39% to DKK 21.9 million as against DKK 35.9 last year. The drastic decline was the outcome of a heavy decline in consumer spending and the relocation of production to other countries by Danish customers throughout 2008. Gabriel still serves as the supplier of fabrics to the foreign production facilities of these furniture manufacturers.

In Management's opinion, revenue for Q4 of the 2008/09 financial year stabilised at the level of Q3 of the financial year. Additionally, Management is of the opinion that Gabriel has managed to maintain and, to some extent, capture additional market shares in the cyclically sensitive market.

Gabriel maintains its strategy and business model ensuring the proper service of its key account customers to continuously serve as the preferred supplier of textiles and textile solutions to leading international contract furniture manufacturers.

In October 2008, Gabriel was represented at Orgatec in Germany (the world's largest fair for contract furniture). The fair marked the launch of the product, Silent Solution, which is available for use in numerous designs and holds outstanding sound-absorbing properties. Moreover, one of the main attractions at the fair was a textile solution developed for a product launched by a leading global manufacturer. In addition, the year under review saw the successful involvement of all business units in product and process innovation from conception to upholstered product.

Furthermore, in 2008/09, Gabriel launched numerous designs and upholstery solutions as well as new projects.

PRODUCT DEVELOPMENT AND INNOVATION IN GABRIEL

The 2008/09 financial year marked the launch of five new products and 20 product updates (updated technological solutions), all contributing to Gabriel's strong market position. Additionally, Gabriel launched new mesh textiles, electro-welded textile designs and new upholstery techniques applied by key account customers and others. (Reference is made to www.gabriel.dk for more product updates and customer cases).

During the year under review, Gabriel enjoyed undiminished demand for innovative textile and upholstery solutions. A strong focus on product and process innovation – from conception to upholstered furniture product – has allowed Gabriel to take up the status as the preferred development partner of its international strategic customers.

Based on its close co-operation initiated with leading furniture manufactures, Gabriel engages in innovation and development intended to foster value adding for the customers. Market insight and targeted research as defined by the demands and behaviour of customers and end users are used as the basis for the development of new profitable products and business areas.

Gabriel has increased its number of services as set out in its overall vision and strategy. Today, fields of application and user requirements serve as the basis for any product development. Furniture fabrics and related products, furniture components, upholstery techniques, services and support are all core areas offered to selected key account customers serviced by the individual business units of Gabriel.

Development activities with a “time-to-market” horizon of 3-18 months are vastly conducted by Gabriel's business unit, DesignMaster, with the participation of other relevant business units. In addition, DesignMaster offers advisory services within collections, dye mix, selection of materials and components as well as upholstery technology and technique.

Market insight, technological know-how, analysis of user behaviour and interaction with users are decisive to commercial success. Research and networking are required to ensure innovation and a high success rate of its own product portfolio and its foothold on the world market. Accordingly, value-adding co-operation with external designers, engineers, business partners and educational institutions is a prerequisite of design and product development.

Following targeted efforts, FurnMaster's product and technology portfolio now masters a number of specialities such as “welding” (miscellaneous welding techniques for both decorative and functional uses), lamination, prints, embroidery and classic furniture upholstery. By constantly challenging the technologies, FurnMaster develops new products, furniture components, upholstery techniques and new fields of application for textiles, resulting in designs, technical solutions and product offerings optimising and updating the customers' product portfolios.

Throughout 2008/09, Gabriel launched numerous designs and upholstery solutions as well as new projects. The clear lesson to be learned from these launches is that

a large part of Gabriel's entire value chain is involved in the project solutions and portfolios chosen by the customers.

Management is of the opinion that the group – also in the present difficult market situation – constantly strengthens its value adding, competitiveness and future growth potential through its product development and innovation.

“Gabriel has done it again” made it to the headline in June 2009. Gabriel came in second in InnovationCup 2009 only surpassed by Lego. InnovationCup is a nationwide competition for private and public enterprises. The participants are measured on the basis of a wide variety of parameters identifying the strengths and weaknesses of the managerial framework and processes for the company's innovativeness.

Development activities with a “time-to-market” horizon of 3-5 years are handled by Gabriel's business unit, InnovationMaster, which in 2008/09 worked on a number of development projects offering major, but however, uncertain earnings potential at year end. The projects target the development of technical textiles for anticipated use primarily within Gabriel's existing value chain.

Gabriel Innovation A/S was established in December 2008. The objective of this set-up was to transfer financially viable projects initiated in Gabriel's business unit, InnovationMaster, to Gabriel Innovation A/S. Gabriel's intellectual rights and innovative activities are to be concentrated in Gabriel Innovation A/S, highlighting the actual values related to Gabriel Innovation A/S.

GABRIEL CHINA

Gabriel China delivered a strong performance, reporting a revenue increase of 40%. During 2008/09, Gabriel China set up trade relations with a number of leading furniture manufacturers in China, and the subsidiary accounts increasingly for the entire value chain from idea to finalised furniture fabric or upholstered furniture part. Customers with actual furniture production in China but with headquarters either in Europe or the USA account for the vast part of revenue. Through its representation at fairs and other sales activities, Gabriel China, which was established in 2003, has become a recognised, innovative supplier of high-standard products within its niche – contract furniture.

Concept solutions are for the benefit of all participants in the value chain, paving the way for the increase in revenue and earnings enjoyed by Gabriel China. The subsidiary's ability to develop and deliver finalised furniture fabrics/upholstery solutions for several leading, global furniture ma-

MANAGEMENT'S REVIEW

manufacturers/distributors remains decisive to future growth. In the year under review, Gabriel commenced the establishment of its own inventory facilities in Shanghai to improve local customer service.

Gabriel China continuously strives to optimise production quality, sourcing of new environmentally friendly product types and the development of new products in close co-operation with Gabriel's development unit, DesignMaster. The 2008/09 year saw an increase in the number of products in the pipeline, which is deemed to spur an increase in consolidated sales and earnings in the coming financial year.

In co-operation with partners within the production of furniture components, Gabriel China is able to develop, manufacture and supply OEM solutions ready packed with end-user logos and instruction manuals and with direct dispatch from China to global distribution channels.

Gabriel China had a positive impact on consolidated net income for 2008/09.

RELOCATION OF GABRIEL'S DYE FACTORY FROM AALBORG

At the beginning of the second half of the financial year, almost all dyeing and finishing machinery had been transferred from Gabriel in Aalborg to Scandye UAB in Lithuania. In Management's opinion, the transfer progressed satisfactorily. In the coming year, further knowledge will be transferred, and the technical staff will be trained.

In line with Gabriel A/S, Scandye UAB is certified to ISO 9001 (quality management) and ISO 14001 (environmental management). Gabriel holds a 40% stake in Scandye UAB. For the 2008/09 financial year, which saw the transfer of the vast part of the machinery from Aalborg, Scandye UAB realised positive net results of DKK 0.8 million.

GROUP BUILDING COMPLEX IN AALBORG - GABRIEL BUSINESS PARK

Gabriel has finalised the development of approx. 6,000 square metres formerly used for production, inventory and offices facilities and now has at its disposal modern office facilities located in central Aalborg. For the same purpose, security systems and outdoor parking space were changed to match the new facilities.

Management maintains and implements its plan to develop and lease out a major part of the building complex to other innovative enterprises, universities and relevant institutions.

Following the relocation of the remaining production of furniture fabrics, Gabriel has commenced decommissioning of

plant and machinery placed on the residual approx. 7,000 square metres of production and inventory facilities. Gabriel strives to develop and lease out its entire building complex presently referred to as Gabriel Business Park.

At 30 September 2009, the building complex was recognised at a value of DKK 65.5 million and financed by a mortgage loan of DKK 43.5 million and by the open bank credit. The short-term target is to achieve a neutral return on the capital invested in the building complex. In a stable economic climate, Gabriel would target a return on the capital invested in the building complex in line with that offered on the market for attractively located commercial properties.

INTELLECTUAL CAPITAL, RESEARCH AND DEVELOPMENT

Gabriel develops its products and services in interaction with its own employees and external partners – especially customers, users and suppliers. The group is constantly to ensure the availability of its own competencies in the core processes (1) Product and process innovation (2) Logistics and (3) Key Account Management.

Gabriel intends to attract and retain highly qualified and ambitious employees who are ready to take responsibility. Gabriel regularly assesses the qualifications of the individual employee to ensure optimum skills.

In 2006, the business unit InnovationMaster was set up to support Gabriel's Blue Ocean strategy. InnovationMaster initiates and is in charge of the group's development activities with a "time-to-market" horizon of 3-5 years. This work relies on the involvement of external development partners holding competencies unavailable in Gabriel and required for utilising the potential within Gabriel's value chain.

Reference is made to the section "Production development and innovation in Gabriel" (page 6).

The final relocation of Gabriel's dyeing activity and the ongoing relocation of the dispatch and inventory facilities from Aalborg enable the retention of professional competencies. Key employees from the relocated functions are transferred to the relevant business units to increase value creation in the business units in charge of logistics, product development and quality management.

Innovation and value creation are the key words of Gabriel's mission statement. Specific activities ensure that all employees possess the relevant competencies to deliver on the mission statement, including the annual participation in InnovationCup and innovation workshops for Gabriel's own employees and external partners.

MANAGEMENT OF BUSINESS RISKS

The nature of Gabriel's business area includes a number of commercial and financial risks of importance to the group's future. Gabriel makes an effort to counter and minimise the risks which can be controlled. Gabriel policy is not to engage in active speculation in financial risks. Risk management only covers risks arising directly from the group's operations, investments and financing.

Competitive situation

Gabriel is a niche company developing and manufacturing upholstery fabrics and related textile products and 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. Gabriel is a well-known, global brand within its niche.

Gabriel constantly strives to develop and consolidate its position as the preferred supplier of furnishing fabrics and related components to strategically designated, international furniture manufacturers. Accordingly, Gabriel prioritises the development of Blue Ocean products and services within its entire value chain.

Competitiveness is to be strengthened through the regular development of the business model allowing Gabriel to vastly meet market demand and structural development. Outsourcing of supporting processes with the optimum location in low-wage countries and focus on selected core processes has strengthened Gabriel's position as the preferred supplier and co-operator.

Customers and markets

Gabriel targets its product development at approx. 50 selected key account customers, who accounts for approx. 60% of revenue. The largest, individual customer accounted for 9% of revenue – with the second largest coming in at 4% for 2008/09. Exports account for approx. 89% of revenue – with the European countries accounting for the vast part, but with overseas countries such as the USA and China being on the increase.

Products

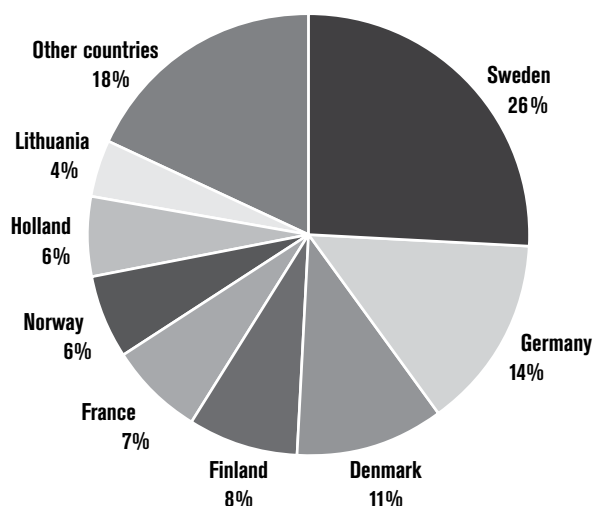
Gabriel aims at diversifying risks by offering new product solutions throughout a large part of the value chain. This takes place in co-operation with strategically designated key account customers by developing furnishing fabrics, furniture parts and services for future use.

Currency risks

The group hedges currency exposure considering projected future cash flows and projected future exchange rate movements. The majority of sales in Europe are settled in the customer's currency, while several international customers opt for settlement in euros. Currency exposure generated by income is only of a limited scale, as the vast part of income is invoiced in euros. All financial receivables and the consolidated bond portfolio are denominated in Danish kroner.

The most important part of corporate purchases is settled in Danish kroner or euros. To ensure an optimum interest level and to match financing in euros, the group chose to

Revenue broken down by country



MANAGEMENT OF BUSINESS RISKS

raise a mortgage loan to finance a construction project denominated in euros. Bank financing is in the form of open credits denominated in euros or Danish kroner.

Interest rate risks

The group's bank loans are open, floating-rate business credits, while the mortgage loan is an adjustable-rate loan denominated in euros subject to annual adjustment. The bond portfolio consists primarily of short-dated bonds denominated in Danish kroner, adjusting interest to the general societal interest level. Group receivables carry a fixed interest rate during their entire life as laid down by contract.

Credit risks

In line with group policy for the assumption of credit risks, all major customers and other co-operators are regularly credit rated. The group manages its credit risk by defining internal credit lines for customers and counterparties. Triggered by the imminent financial crisis from the outset of 2008/09, the group intensified its focus on the approval of credit lines for customers as well as on the management and monitoring of customers. Group trade receivables are distributed on numerous customers, countries and markets, ensuring a high degree of risk diversification. Gabriel has security in equipment leased out to other parties.

Capital resources

Throughout many years, the group has managed to generate positive cash flows and has, therefore, solid capital resources. The group regularly assesses the need for adjusting its capital structure to hold the required higher return on equity up against the higher degree of uncertainty surrounding external financing. In 2009, the company chose to raise a mortgage loan of DKK 43.5 million to finance a construction project and to strengthen the group's cash resources. Most of the proceeds, equivalent to DKK 32.5 million, are invested in Danish mortgage bonds. At year end 2008/09, Gabriel's bank loans represented DKK 5.6 million. In addition, Gabriel has undrawn bank credit facilities. Against this background, the group is deemed to

have sufficient liquidity to finance future operations and investments.

Insurance

It is Gabriel's policy to take out insurance against risks of material importance to the financial position of the group. Insurance has been taken out against operating losses and product liability. Moreover, the company has taken out all-risk insurance covering property, plant and equipment as well as inventories.

Environmental risks

Certifications for the Environmental Management Standard ISO 14001, the Eco Management and Audit Scheme (EMAS), the EU Flower eco-label scheme, Oeko-Tex as well as for the Quality Management Standard ISO 9001 ensure that neither the activities nor the products of the company are exposed to any important environmental risks. The objectives of Gabriel's environmental strategy are to prevent spillage/accidents and to ensure that the company's products do not contain any health hazardous substances.

IT risks

The group has chosen to outsource the operation of its IT platform to external service partners, ensuring regular update of security systems and minimising the risk of major operational break-down.

Trade risks

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

Contingency plans

In accordance with the quality and environmental management systems, Gabriel in Aalborg continues to enhance and inform about its contingency plans.

Gabriel has regular first-aid and fire-fighting courses, and all areas have prepared an operational contingency plan in case of spillage/accidents.

GABRIEL AND CORPORATE GOVERNANCE

Throughout the years, Gabriel has striven to define and maintain explicit mission statements, visions, objectives and strategies. Executing strategy and performing planned activities add value for customers, employees, shareholders and other stakeholders.

CORPORATE GOVERNANCE RECOMMENDATIONS BY NASDAQ OMX COPENHAGEN A/S

NASDAQ OMX Copenhagen A/S has adopted a set of corporate governance recommendations. Companies are to address these recommendations and in particular account for any non-compliance. The Supervisory and Executive Boards have carefully considered the recommendations, which are widely applied by Gabriel. The Supervisory Board has chosen a different approach within the following areas:

1. Supervisory Board

The company has not defined any limit for the number of positions held by its supervisory board members. Gabriel is of the opinion that the individual board member's capacity, qualifications and contribution to the managerial process must be the decisive element. In line with this view, the company has not laid down any age limit for its supervisory board members.

As supervisory board members elected by the general meeting are elected for one year of service, the annual report does not disclose the date of joining the supervisory board or term of office.

2. Remuneration of the Supervisory and Executive Boards

Gabriel discloses remuneration of its Supervisory and Executive Boards in the annual report. The annual report discloses the total figures for the Executive and Supervisory Boards and does not specify any individual remuneration as this is personal information of limited relevance to the shareholders. The company has not taken out any incentive schemes or redundancy packages for the Executive Board.

A more thorough description of Gabriel's management practice in relation to the recommendations by NASDAQ OMX Copenhagen A/S is available at the company's website, www.gabriel.dk.

REPORTING ON INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

The Supervisory and Executive Boards of Gabriel is overall responsible for the group's risk management and internal control in relation to financial reporting, including compliance with relevant legislation and other financial reporting regulations.

The objective of the group's risk management and internal controls is to avoid any material errors and omissions during the financial reporting process. The Supervisory Board/audit committee and the Executive Board regularly assess risks and internal controls arising from the group's activities and any impact on the financial reporting process.

Control environment

Management regularly assesses the organisational structure and staffing of the group and lays down and approves overall policies, procedures and controls in relation to the financial reporting process, including specific reporting policies and segregation of duties.

Risk assessment

When the annual business plan is prepared, material business risks are identified, and against this background Management carries out an overall risk management, including an assessment of material risks arising from the financial reporting process. As part of the risk assessment, Management is annually to consider the risk of fraud and any other improper impact on the financial reporting process.

The group's Risk Management policy strives to eliminate and/or reduce the risks identified based on an assessment of materiality and cost-benefit analyses.

The Supervisory Board annually assesses Gabriel's IT security and insurance coverage.

The most important risks arising from the financial reporting process are disclosed in the Management's review and notes to the financial statements, to which reference is made.

Control activities

At the supervisory board meetings, the Executive Board reports on the status of any risks factors attributable to strategy, organisation or operations. The group has a systematic internal reporting system comparing monthly reporting to budget and regularly evaluating performance and meeting of specific targets through Key Performance Indicators, etc. The system highlights the different corporate activities and allows Management to gain insight into and knowledge about issues relating to the entire financial reporting process.

Each quarter, the Supervisory Board is provided with a thorough account of financial performance compared with budget and prior periods. Furthermore, the reporting describes and assesses material balance sheet items, cash flows, forecast future activities and earnings and other matters with an impact on operations.

Information

Generally, the Supervisory Board lays down required forecast future results and establishes the requirements of the financial reporting in accordance with relevant legislation and regulations. In addition, the group aims at offering adequate, complete and precise information reflecting corporate performance.

Within the framework for listed companies, the Supervisory Board strives at fostering open communication and at ensuring that each employee is familiar with his/her function in the internal control process. The group has chosen to divide operations and internal reporting into independent strategic business units. The strategic business units are run as independent profit centres with their own mission statements, visions, targets, strategies, action plans and budgets, ensuring that skills, follow-up and division of responsibilities are distributed on all organisational levels and that relevant information is communicated effectively and reliably throughout the entire system.

Monitoring

Gabriel monitors the functioning of its internal control and risk management system at all group levels on a regular basis and for each quarter. The scope thereof is determined primarily on the basis of the risk assessment and the effectiveness of controls and procedures.

Weaknesses, controls not operating effectively or non-compliance with guidelines are reported to the Executive Board or the Supervisory Board on the basis of materiality. The reporting is typically discussed at the next supervisory board meeting, at which the Supervisory Board is informed of actual findings and recommendations for procedure updates, etc.

In their long-form audit report to the Supervisory Board, the auditors appointed by the annual general meeting report material weaknesses in the group's internal control systems in relation to the financial reporting process.

The Supervisory Board follows up on the implementation of any planned improvement of the risk management and internal controls in relation to the financial reporting process.

SET-UP OF AN AUDIT COMMITTEE

In accordance with section 31 of the Danish Act on Approved Auditors and Audit Firms, Gabriel Holding A/S has set up an audit committee on which the entire Supervisory Board serves, see section 31 (5) of the Act. The company complies with NASDAQ OMX Copenhagen A/S' recommendations for corporate governance.

The audit committee is to:

- 1) monitor the financial reporting process,
- 2) monitor the effective functioning of the company's internal control and risk management systems,
- 3) monitor the statutory audit of the financial statements, etc. and
- 4) monitor and check the auditor's independence.

When the dates for supervisory board meetings are fixed, a meeting schedule and agenda are fixed for the audit committee. At least four meetings are to be scheduled for each year. The audit committee will initially convene on 19 November 2009.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

CSR

Corporate social responsibility in Gabriel applies to the following areas:

- Code of Conduct
- Environment
- Quality
- Vendor co-operation.

Code of Conduct

For many years, Gabriel has applied a Code of Conduct ensuring that its products do not contain any environmentally dangerous or harmful substances to the detriment of its users. At the same time, it is an invariable requirement that all employees engaged in service functions and production have a safe working environment, which is realised by vendor audits.

Gabriel complies with the Code of Conduct prepared by Gabriel's trade association, Danish Fashion and Textile. Additionally, Gabriel is also a member of the association's CSR committee. The standard contains 13 principles and is available at www.gabriel.dk.

Environment

Environmental management is an important tool to strengthen competitiveness. Gabriel's environmental management is governed by ISO 14001, EMAS, the EU Flower eco-label scheme and Oeko-Tex. In addition, during the year under review, Gabriel worked on cradle-to-cradle certification.

Gabriel ensures compliance with the European Community Regulation on chemicals and their safe use, REACH, in close co-operation with vendors of chemicals and dyes.

During the 2009/10 financial year, Gabriel will lay down guidelines for a reduction in its emission of greenhouse gases.

Quality

Gabriel's quality management is governed by ISO 9001. One of the primary tasks in 2008/09 was to maintain the usual standard for quality and environmental management when dyeing and finished were outsourced to Scandye UAB. Gabriel has been successful in this respect seen in relation to the changes prompted by the relocation of production.

Vendor co-operation

Driven by the annual admittance of new vendors, Gabriel has focused its efforts on partnerships actively complying with all requirements in terms of environment, quality and CSR.

SHAREHOLDER INFORMATION

Share capital

The share capital comprises 2,100,000 shares of DKK 20 each. Gabriel Holding A/S has one class of shares. All shares are freely negotiable securities. Gabriel Holding A/S is admitted for trading at NASDAQ OMX Copenhagen A/S under the ticker symbol GABR and the ID code DK0010049568. The share is traded under the Small Cap Index.

Price movement

The 2008/09 financial year opened with a price of 118 and closed with a price of 69, representing a decline of 41%. Market capitalisation came in at DKK 145 million at 30 September 2009.

Treasury shares

In line with the authority granted by the general meeting, the company has exercised its right to acquire treasury shares of up to 10% of the share capital.

Gabriel's portfolio of treasury shares numbered 210,000 at the financial year end, which was equivalent to 10% of the share capital. The market price of treasury shares came in at DKK 14 million at 30 September 2009.

The notice of the Annual General Meeting of Gabriel Holding A/S contains a motion put forward by Management for a reduction of the share capital from a nominal amount of DKK 42,000,000 to a nominal amount of DKK 37,800,000 by cancelling 210,000 treasury shares of DKK 20 each from the company's own portfolio, representing a nominal value of DKK 4,200,000 and equivalent to 10% of share capital.

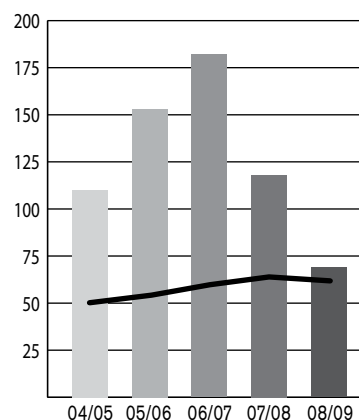
Capital management

The group's primary operations continuously generate high cash flows, ensuring sound capital resources. In the year under review, Gabriel invested further in a new innovation centre and refurbished other premises of the building complex located in central Aalborg. In May 2009, the group chose to raise a mortgage loan of DKK 43.5 million to finance a construction project and to strengthen the cash resources of the group. Most of the proceeds, equivalent to DKK 32.5 million, were invested in Danish mortgage bonds.

The group regularly assesses the need for adjusting its capital structure to hold the required higher return on equity up against the higher degree of uncertainty surrounding external financing. A high equity ratio has always been a top priority of Gabriel in order to ensure plenty of room for manoeuvre. As a consequence of the raising of the mortgage loan, the equity ratio was reduced to 59% as against 79% last year. During the past years, the equity ratio has accounted for 75-79%. Furthermore, reducing funds tied up is constantly on the group's agenda, contributing to the high cash flows from operating activities.

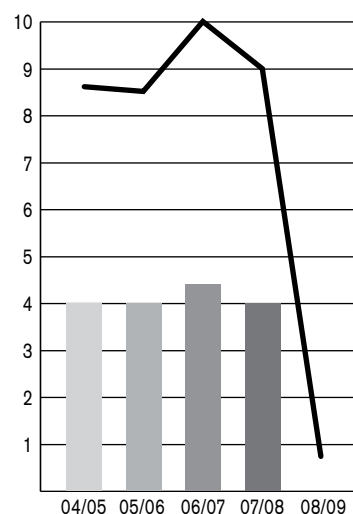
Market price in DKK

Net asset value per share in DKK



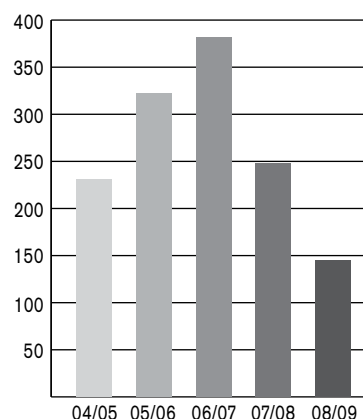
Dividends per share in DKK

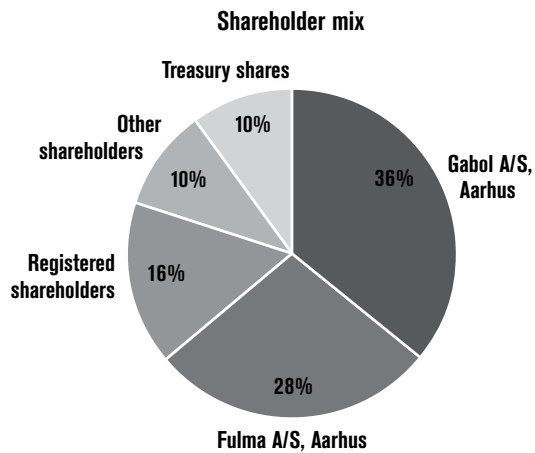
Earnings per share in DKK



Closing market capitalisation

in DKK million





ROIC targeted at a minimum of 15% has represented 17-23% during the past years. Due to the economic downturn, Gabriel failed to meet the target, reporting ROIC of 1.4%.

In recent years, Gabriel has distributed dividends to its shareholders, equivalent to a payout ratio of approx. 50% each year. With this gesture, Gabriel desires to provide its shareholders with a return on their investment while maintaining an appropriate equity level to ensure the company's future operations. Owing to the modest profit, the Supervisory Board proposes that no dividends be distributed for 2008/09.

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

Stock Exchange Announcements in the 2008/09 financial year

- 20.11.08 Announcement of the annual report for 2007/08:
Gabriel's profit for 2007/08 in line with forecast.
- 01.12.08 Notice of Annual General Meeting
- 08.12.08 Annual report for 2007/08
- 16.12.08 Set-up of Gabriel Innovation A/S
- 16.12.08 Minutes of Annual General Meeting
- 26.02.09 Q1 interim report for 2008/09:
Operating profit for Q1 of Gabriel in line with forecast, but persistent slowdown on the international market for contract furniture.
- 28.05.09 Interim report, first half of 2008/09:
Gabriel also affected by the economic downturn, but reports operating profit for the first half of 2008/09 and enjoys improved liquidity.
- 08.06.09 Gabriel Holding A/S exercises its right to acquire treasury shares representing 10% of the share capital.
- 27.08.09 Q3 Interim report for 2008/09:
Forecast operating profit for the full 2008/09 financial year.
- 27.08.09 Financial calendar for 2009/10

Financial calendar for 2009/10

- 19.11.09 Announcement of the annual report
- 09.12.09 The printed annual report for 2008/09 is available
- 17.12.09 Annual General Meeting
- 25.02.10 Q1 report
- 27.05.10 Interim report, first half of the year
- 26.08.10 Q3 report
- 23.11.10 Announcement of the annual report
- 16.12.10 Annual General Meeting

Investor relations

Gabriel Holding aims at providing a satisfactory and uniform information level to its investors and analysts ensuring stable price movements and reflecting forecast corporate performance at any time.

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

Investor relations contact:

Jørgen Kjær Jacobsen, CEO

Phone: +45 96 30 31 00

E-mail: jkj@gabriel.dk

Annual general meeting

The Annual General Meeting is to be held on the company's premises in Aalborg, Denmark, on Thursday, 17 December 2009 at 2pm.

COMPANY DETAILS

SUPERVISORY BOARD

Poul H. Lauritsen (76),
Lawyer and Chairman

Directorships:

BKI Foods A/S
Defco-Food A/S
Gabol A/S
Mozami A/S
ONE-Marketing A/S
Poul Rasmussen Bil-
center Århus A/S
Poul Rasmussen Holding A/S
Raskier A/S
Stanesø A/S
Stentor A/S
Svend Mathiesen A/S
2Krogh AS

Kaj Taidal (50),
General Manager
and Deputy Chairman

Directorships:

A/S V. Sørensen
Impartex A/S
Bladt Holding A/S
Bladt Industries A/S
Dan-Iso Holding A/S
Dan-Iso A/S
Ernitec A/S
Hydraulicco Holding A/S
Hydraulicco A/S
KK-Group A/S
KK-Electronic A/S
Elogic A/S

Auditors: KPMG, Statsautoriseret Revisionspartnerselskab
Bankers: Sydbank A/S
Subsidiaries: Gabriel A/S, Aalborg
Gabriel Innovation A/S, Aalborg
Gabriel (Tianjin) International Trading Co. Ltd., China
Sellgren-Tekstiili OY 2005, Finland (in liquidation)
Associate: Scandye UAB, Lithuania

Registered office and representation

The registered office with sales, logistics, development, innovation and accounts departments are located in Aalborg.

Gabriel has its own representatives in Denmark, Sweden/Finland, Norway, Germany, the Netherlands, France, Spain, Italy and China.

Slovakian Farm Invest A/S
Ulveco Holding A/S
Ulveco A/S
Artemis A/S
DF af 1. januar 2009 A/S

Karen Mathiesen (55),
General Manager

Executive positions:

Fulma A/S
Gabol A/S
Svend Mathiesen A/S
Directorships:
BKI Foods A/S
Svend Mathiesen A/S
Fulma A/S
Gabol A/S

Claus Christensen (47),
General Manager

Executive positions:

HC Projects A/S
HCH A/S
Directorships:
DanPhone A/S
Ernitec A/S
HC Projects A/S
HCH A/S
InMoTx Inc.
Inter-Data A/S
Judex Holding A/S
Judex A/S
M1 A/S
KPF Arkitekter A/S

M-Tec A/S
Novi A/S
Novi Innovation A/S
Novi Seed A/S
Strøm Hansen A/S

Tina Mai Kristensen (42),
Marketing Coordinator
(Elected by the employees)

Directorships:

A/S Peder Nielsen Beslagfabrik

Ole Thomsen (57),
Machine Operator
(Elected by the employees)

EXECUTIVE BOARD

Jørgen Kjær Jacobsen (57),
CEO

Executive positions:

Raskier A/S
Directorships:
Gabol A/S
BKI Foods A/S
Mekoprint Holding A/S
Mekoprint A/S
Mekoprint Ejendomme A/S
Nordjyske Holding A/S
Nordjyske Medier A/S
AM Production A/S
Avit Systems A/S
Raskier A/S

**The registered office in
Aalborg is located at the
following address:**

Gabriel Holding A/S
Reg. No. 58 86 87 28

Hjulmagervej 55
9000 Aalborg, Denmark
Phone: +45 96 30 31 00
Fax: +45 98 13 25 44
mail@gabriel.dk
www.gabriel.dk

STATEMENT BY THE EXECUTIVE AND SUPERVISORY BOARDS

The Executive and Supervisory Boards have today discussed and approved the annual report of Gabriel Holding A/S for 2008/09.

The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

It is our opinion that the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's financial position at 30 September 2009 and of the results of the group's

and the parent company's operations and cash flows for the financial year 1 October 2008 - 30 September 2009.

Further, in our opinion the Management's review gives a true and fair review of the development in the group's and the parent company's operations and financial matters, the results of the group's and the parent company's operations and financial position and describes the material risks and uncertainties affecting the group and the parent company.

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


Aalborg, 19 November 2009

Executive Board




Jørgen Kjær Jacobsen
CEO

Supervisory Board



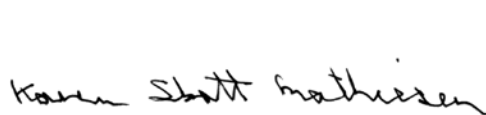
Poul H. Lauritsen
Chairman



Kaj Taidal
Deputy Chairman



Claus Christensen



Karen Skott Mathiesen



Tina Mai Kristensen
Elected by the employees



Ole Thomsen
Elected by the employees

INDEPENDENT AUDITORS' REPORT

To the shareholders of Gabriel Holding A/S

We have audited the consolidated financial statements and parent company financial statements of Gabriel Holding A/S for 2008/09, pages 19-44. The consolidated financial statements and parent company financial statements comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes for the group as well as for the parent company. The consolidated financial statements and parent company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for consolidated financial statements and parent company financial statements of listed companies.

In addition to our audit, we have read the Management's review, which has been prepared in accordance with Danish disclosure requirements for consolidated financial statements and parent company financial statements of listed companies, and issued a statement in this regard.

Management's responsibility

Management is responsible for the preparation and fair presentation of consolidated financial statements and parent company financial statements in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for consolidated financial statements and parent company financial statements of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error; selecting and using appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Further, it is the responsibility of Management to prepare and issue a Management's review that gives a fair review of the development in the group's and the parent company's operations in accordance with Danish disclosure requirements for consolidated financial statements and parent company financial statements of listed companies.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and parent company financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable as-

surance whether the consolidated financial statements and parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent company financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the consolidated financial statements and parent company financial statements 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and parent company financial statements.

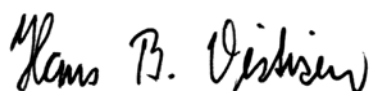
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit did not result in any qualification.

Opinion

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's financial position at 30 September 2009 and of the results of the group's and the parent company's operations and cash flows for the financial year 1 October 2008 - 30 September 2009 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for consolidated financial statements and parent company financial statements of listed companies.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review in the annual report. We have not performed any additional procedures in addition to the audit of the consolidated financial statements and parent company financial statements. On this basis, it is our opinion that the information given in the Management's review is consistent with the consolidated financial statements and parent company financial statements.



Hans B. Vistisen

State Authorised Public Accountant

Aalborg, 19 November 2009

KPMG

Statsautoriseret

Revisionspartnerselskab



Svend Skov

State Authorised Public Accountant

INCOME STATEMENT

01.10.2008 - 30.09.2009

Note		Consolidated		Parent company	
	DKK'000	2008/09	2007/08	2008/09	2007/08
	Revenue	204,710	279,734	3,121	2,981
	Changes in inventories of finished goods and work in progress	-2,885	5,152	-	-
1	Other operating income	1,645	401	-	-
2	Cost of sales	-118,174	-159,988	-	-
3	Other external costs	-35,011	-42,022	-1,288	-1,283
4	Staff costs	-39,921	-55,307	-835	-1,135
10	Depreciation/amortisation of intangible assets and property, plant and equipment	-4,394	-4,927	-190	-190
5	Separate items	-3,949	-	-	-
	Operating profit (EBIT)	2,021	23,043	808	373
12	Share of profit after tax in associate	248	-478	-	-
6	Financial income	767	754	10,644	11,458
7	Financial expenses	-1,331	-245	-640	-
	Profit before tax	1,705	23,074	10,812	11,831
8	Tax on profit for the year	-405	-5,928	-203	-458
	Profit for the year	1,300	17,146	10,609	11,373
	Proposed profit appropriation				
	Proposed dividends, 0% (20%)			0	8,400
	Retained earnings			10,609	2,973
				10,609	11,373
9	Earnings per share (DKK)				
	Earnings per share basic (EPS basic)	0.7	9		
	Earnings per share diluted (EPS-D)	0.7	9		

BALANCE SHEET

ASSETS

AT 30.09.2009

Note		Consolidated		Parent company	
	DKK'000	2008/09	2007/08	2008/09	2007/08
10	Non-current assets				
	Intangible assets:				
	Development projects	6,196	5,825	-	-
	Intangible assets:				
	Development projects	65,475	48,046	65,475	48,046
	Plant and machinery	2,401	3,768	-	-
	Fixtures and fittings, other plant and equipment	3,325	3,372	-	-
		71,201	55,186	65,475	48,049
	Other non-current assets:				
11	Investments in subsidiaries	-	-	36,419	35,419
12	Investments in associates	9,828	10,401	-	-
13	Amounts owed by associates	9,258	2,227	-	-
14	Other receivables	1,512	1,100	-	-
15	Securities	32,517	-	32,517	-
		53,115	13,728	68,936	35,419
	Total non-current assets	130,512	74,739	134,411	83,465
	Current assets				
16	Inventories	38,063	42,924	-	-
17	Receivables	28,564	36,834	10,310	17,066
	Cash at bank and in hand	-	-	146	-
	Total current assets	66,627	79,758	10,456	17,066
	Total assets	197,139	154,497	144,867	100,531

BALANCE SHEET

EQUITY AND LIABILITIES

AT 30.09.2009

Note		Consolidated		Parent company	
	DKK'000	2008/09	2007/08	2008/09	2007/08
	Equity				
19	Share capital	42,000	42,000	42,000	42,000
	Translation reserve	30	30	-	-
	Reserve for fair value adjustment	12	-	12	-
	Hedging reserve	-54	-	-	-
	Retained earnings	73,451	72,126	55,042	44,408
	Proposed dividends	-	8,400	-	8,400
	Total equity	115,439	122,556	97,054	94,808
	Liabilities				
	Non-current liabilities				
20	Deferred tax	4,509	4,104	2,078	1,875
21	Credit institutions	41,030	-	41,030	-
	Total non-current liabilities	45,539	4,104	43,108	1,875
	Current liabilities				
21	Credit institutions	1,807	-	1,807	-
	Bank loans and overdrafts	5,578	67	-	-
	Trade payables	13,413	13,145	-	-
	Corporation tax	-	97	-	97
	Other payables	15,363	14,528	2,898	3,751
	Total current liabilities	36,161	27,837	4,705	3,848
	Total liabilities	81,700	31,941	47,813	5,723
	Total equity and liabilities	197,139	154,497	144,867	100,531
18	Research and development costs				
19	Treasury shares				
22	Financial risks				
23	Operating leases				
24	Contingent liabilities and security				
25	Transactions with group companies, major shareholders, Supervisory Board and Executive Board				
26	Accounting estimates and judgements				
27	New financial reporting regulations				
28	Accounting policies				

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DKK'000	Share capital	Translation reserve	Reserve for fair value-adjustment	Hedging reserve	Retained earnings	Proposed dividends	Total equity
2007/08							
Equity 01.10.07	42,000	30	-	-	62,515	9,240	113,785
Changes in equity for 2007/08							
Profit for 2007/08	-	-	-	-	8,746	8,400	17,146
Total income	-	-	-	-	8,746	8,400	17,146
Dividends distributed	-	-	-	-	-	-8,375	-8,375
Dividends, treasury shares	-	-	-	-	865	-865	0
Total changes in equity for 2007/08	-	-	-	-	9,611	-840	8,771
Equity at 30.09.08	42,000	30	-	-	72,126	8,400	122,556
2008/09							
Equity at 01.10.08	42,000	30	-	-	72,126	8,400	122,556
Changes in equity for 2008/09							
Profit for 2008/09	-	-	-	-	1,300	-	1,300
Value adjustments	-	-	12	-54	-	-	-42
Total income	-	-	12	-54	1,300	-	1,258
Dividends distributed	-	-	-	-	-	-7,614	-7,614
Dividends, treasury shares	-	-	-	-	786	-786	0
Acquisition of treasury shares	-	-	-	-	-761	-	-761
Total changes in equity for 2008/09	-	-	12	-54	1,325	-8,400	-7,117
Equity at 30.09.09	42,000	30	12	-54	73,451	0	115,439

PARENT COMPANY

STATEMENT OF CHANGES IN EQUITY

DKK'000	Share capital	Reserve for fair value adjustment	Retained earnings	Proposed dividends	Total equity
2007/08					
Equity 01.10.07	42,000	-	40,570	9,240	91,810
Changes in equity for 2007/08					
Profit for 2007/08	-	-	2,973	8,400	11,373
Total income	-	-	2,973	8,400	11,373
Dividends distributed	-	-	-	-8,375	-8,375
Dividends, treasury shares	-	-	865	-865	0
Total changes in equity for 2007/08	-	-	3,838	-840	2,998
Equity at 30.09.08	42,000	-	44,408	8,400	94,808
2008/09					
Equity at 01.10.08	42,000	-	44,408	8,400	94,808
Changes in equity for 2008/09					
Profit for 2008/09	-	-	10,609	-	10,609
Price adjustment of bonds	-	12	-	-	12
Total income	-	12	10,609	-	10,821
Dividends distributed	-	-	-	-7,614	-7,614
Dividends, treasury shares	-	-	786	-786	0
Acquisition of treasury shares	-	-	-761	-	-761
Total changes in equity for 2008/09	-	12	10,634	-8,400	2,246
Equity at 30.09.09	42,000	12	55,042	0	97,054

CASH FLOW STATEMENT

DKK'000	Consolidated		Parent company	
	2008/09	2007/08	2008/09	2007/08
Cash flows from operating activities				
Operating profit (EBIT)	2,021	23,043	808	373
Adjustment for non-cash items:				
Depreciation/amortisation	4,394	4,927	190	190
Gain on the disposal of non-current assets	-1,440	-	-	-
<hr/>				
Cash generated from operations (operating activities) before changes in working capital	4,975	27,970	998	563
Interest income, paid	767	754	10,644	11,458
Interest expense, paid	-1,331	-245	-640	-
Changes in inventories	4,861	1,233	-	-
Changes in receivables	10,322	1,514	8,808	24,278
Changes in trade and other payables	1,026	-3,022	-878	-2,378
Corporation tax paid	-2,147	-4,862	-2,147	505
<hr/>				
	18,473	23,342	16,785	39,182
<hr/>				
Cash flows from investing activities				
Acquisition of intangible assets	-1,893	-1,995	-	-
Acquisition of property, plant and equipment	-24,307	-32,122	-17,619	-30,807
Disposal of property, plant and equipment	7,680	-	-	-
Finance leases, associate	-7,032	183	-	-
Finance leases, other receivables	-412	-1,100	-	-
Acquisition of securities	-32,506	-	-32,506	-
Establishment of Gabriel Innovation A/S	-	-	-1,000	-
<hr/>				
	-58,470	-35,034	-51,125	-30,807
<hr/>				
Cash flows from financing activities				
External financing:				
Raising of mortgage loans	43,523	-	43,523	-
Repayment of long-term debt	-662	-	-662	-
Shareholders:				
Acquisition of/dividends from treasury shares	25	865	25	865
Dividends distributed	-8,400	-9,240	-8,400	-9,240
<hr/>				
	34,486	-8,375	34,486	-8,375
<hr/>				
Changes for the year in cash and cash equivalents	-5,511	-20,067	146	0
Opening cash and cash equivalent	-67	20,000	0	0
<hr/>				
Closing bank loans/cash and cash equivalents	-5,578	-67	146	0

The cash flow statement cannot be directly derived from the statutory annual report.

NOTES TO THE FINANCIAL STATEMENTS



NOTES TO THE FINANCIAL STATEMENTS

Note	Consolidated		Parent company	
	2008/09	2007/08	2008/09	2007/08
	DKK'000			
1	Other operating income			
	Government grants	112	123	-
	Lease income	93	278	-
	Gains on the disposal of property, plant and equipment	1,440	-	-
		1,645	401	-
2	Cost of sales			
	Cost of sales for the year	-115,332	-157,371	-
	Write-down for the year of inventories	-2,842	-2,617	-
		-118,174	-159,988	-
	Write-down of inventories has not been reversed.			
3	Other external costs			
	Fees to the auditors appointed at the annual general meeting were recognised at the following amounts:			
	Statutory audit	290	285	55
	Other assurance engagements	9	12	-
	Tax advisory services	34	32	19
	Other services	108	131	98
		441	460	172
4	Staff costs			
	Payroll, etc.	-42,916	-52,538	-835
	Defined contribution pension schemes	-2,573	-3,004	-
	Other social security costs	-414	-477	-
	Other payroll-related costs	-210	-188	-
		-46,113	-56,207	-835
	Payroll costs capitalised regarding development projects and additions to property, plant and equipment	2,698	900	-
	Restructuring costs	3,494	-	-
		-39,921	-55,307	-835
	Remuneration of the Supervisory Board of the parent company	-545	-545	-435
	Remuneration of the Executive Board of the parent company	-1,929	-2,111	-700
	Remuneration of other executives	-7,322	-8,293	-
	Average number of employees	92	117	-

NOTES TO THE FINANCIAL STATEMENTS

Note

5 Separate items

Separate items comprise remuneration and severance pay for employees dismissed and disemployed and other relevant costs.

	Consolidated		Parent company		
	DKK'000	2008/09	2007/08	2008/09	2007/08
6 Financial income					
Dividends from subsidiary	-	-	10,000	10,000	
Interest income, cash, bonds, etc.	767	754	481	84	
Interest income from subsidiary	-	-	163	1,374	
		767	754	10,644	11,458
7 Financial expenses					
Interest expense, etc.	-1,077	-	-640	-	
Exchange losses	-254	-245	-	-	
		-1,331	-245	-640	-
8 Tax on profit for the year					
Current tax	0	-5,026	0	341	
Adjustment of deferred tax	-405	-902	-203	-799	
		-405	-5,928	-203	-458
Tax on profit for the year is specified as follows:					
Computed tax on profit before tax, 25%	-426	-5,769	-2,703	-2,958	
Tax effect of:					
Non-deductible costs	-20	-27	-	-	
Non-taxable dividends	-	2,500	2,500	-	
Share of results after tax in associates	62	-132	-	-	
Adjustment of tax in foreign subsidiaries to 25%	-21	-	-	-	
		-405	-5,928	-203	-458
Effective tax rate		23.8%	25.7%	1.9%	3.9%
9 Earnings per share					
Profit for the year after tax		1,300	17,146		
Average number of shares	2,100,000		2,100,000		
Average number of treasury shares	-210,000		-196,625		
		1,890,000	1,903,375		
Earnings per share (EPS), basic of DKK 100		0.7	9		
Earnings per share (EPS-D) diluted of DKK 100		0.7	9		

Note

10	Non-current assets	Development projects	Land and buildings	Plant and machinery	Fixtures and fittings, other plant and equipment
	DKK'000				
	2007/08				
	Cost at 01.10.2007	6,019	46,706	67,619	24,312
	Additions for the year	1,995	30,807	613	1,700
	Disposals for the year	-588	-	-1,128	-372
	Cost at 30.09.2008	7,426	77,513	67,104	25,640
	Depreciation/amortisation at 01.10.2007	925	29,277	61,603	20,850
	Disposals for the year	-	-	-	-322
	Depreciation/amortisation for the year	676	190	1,733	1,740
	Depreciation/amortisation at 30.09.2008	1,601	29,467	63,336	22,268
	Carrying amount at 30.09.2008	5,825	48,046	3,768	3,372
	Thereof development projects in progress/assets under construction	1,769	36,333		
	Depreciated/amortised over	5 years	10-25 years	3-8 years	3-8 years
	2008/09				
	Cost at 01.10.2008	7,426	77,513	67,104	25,640
	Additions for the year	1,893	17,619	4,996	1,692
	Disposals for the year	-497	-	-43,246	-3,907
	Cost at 30.09.2009	8,822	95,132	28,854	23,425
	Depreciation/amortisation at 01.10.2008	1,601	29,467	63,336	22,268
	Disposals for the year	-497	-	-37,917	-3,816
	Depreciation/amortisation for the year	1,048	190	1,034	1,648
	Impairment for the year	474	-	-	-
	Depreciation/amortisation at 30.09.2009	2,626	29,657	26,453	20,100
	Carrying amount at 30.09.2009	6,196	65,475	2,401	3,325
	Thereof development projects in progress/assets under construction	2,434	53,951		
	Depreciated/amortised over	5 years	10-25 years	3-8 years	3-8 years

In 2008/09, the group carried out an impairment test of the carrying amount of recognised development projects in progress and for that purpose compared the progress of project development in the form of costs incurred and results with project and business plans approved. Against this background, the recoverable amount is deemed to be higher than the carrying amount. As part of the relocation of the dye factory, adjustments were made to the register of non-current assets, with the outcome that equipment no longer in use and written down to DKK 0 are derecognised from the register of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

Note	Parent company	
	2008/09	2007/08
	DKK'000	
11	Investments in subsidiaries	
	Cost at 01.10.	35,419
	Additions for the year	1,000
	Cost at 30.09.	36,419

Name	Registered office	Ownership interest	Company capital DKK'000	Equity DKK'000	Profit/loss before tax DKK'000	Profit/loss for the year DKK'000
Gabriel A/S	Aalborg	100%	25,500	54,155	1,553	1,145
Gabriel Innovation A/S	Aalborg	100%	1,000	1,001	1	1
Sellgren-Tekstiili OY	Finland	100%	59	59	0	0
Gabriel (Tianjin)	China	100%	1,240	882	-78	-78
				56,097	1,476	1,068

DKK'000	Consolidated	
	2008/09	2007/08
12	Investments in associates	
	Cost at 01.10.	11,553
	Cost at 30.09.	11,553
	Adjustments at 01.10.	-1,152
	Share of profit for the year	248
	Intra-group profit	-821
	Adjustments at 30.09.	-1,725
	Carrying amount at 30.09.	9,828

Name	Registered office	Owner-ship interest	Revenue DKK'000	Profit for the year DKK'000	Assets DKK'000	Liabilities DKK'000	Gabriel's share	
							Equity DKK'000	Profit for the year DKK'000
Scandye UAB	Lithuania	40%	20,494	790	47,456	36,520	4,374	316
Value adjustments, property							1,370	-68
Intra-group profit							-821	
Goodwill at 30.09.2009							4,905	0
							9,828	248

Note	Consolidated	
DKK'000	2008/09	2007/08
13 Amount owed by associates		
Cost at 01.10.	2,227	2,230
Additions	7,287	180
Disposals	-256	-183
Carrying amount at 30.09.	9,258	2,227
The gross receivable is specified as follows:		
Due within 1 year	1,500	348
Due within 1-5 years	6,160	1,755
Due after 5 years	3,638	437
Unearned future financing income	-2,040	-313
Total receivable	9,258	2,227
The net receivable is specified as follows:		
Due within 1 year	1,021	247
Due within 1-5 years	4,864	1,634
Due after 5 years	3,373	346
Total receivable	9,258	2,227
The receivable is attributable to finance leasing of productive equipment to Scandye UAB. At the end of the lease term of 5-8 years, the lessee has the option of acquiring the productive equipment. The assets leased out have been provided as security for the company's receivables.		
14 Other receivables		
Cost at 01.10 .	1,100	-
Additions	412	1,100
Disposals	-	-
Carrying amount at 30.09.	1,512	1,100
The gross receivable are specified as follows:		
Due within 1 year	276	166
Due within 1-5 years	1,102	1,066
Due after 5 years	500	-
Unearned future financing income	-366	-132
Total receivable	1,512	1,100
The net receivable is specified as follows:		
Due within 1 year	175	121
Due within 1-5 years	837	979
Due after 5 years	500	-
Total receivable	1,512	1,100

The receivable arises from finance leasing of productive equipment and loan to a co-operator.

NOTES TO THE FINANCIAL STATEMENTS

Note	Consolidated		Parent company		
	DKK'000	2008/09	2007/08	2008/09	2007/08
15	Securities				
	Cost at 01.10.	-	-	-	-
	Additions for the year	32,505	-	32,505	-
	Cost at 30.09.	32,505	-	32,505	-
	Adjustment at 01.01.	-	-	-	-
	Adjustment for the year	12	-	12	-
	Adjustments at 30.09.	12	-	12	-
	Carrying amount at 30.09.	32,517	-	32,517	-
	The investment portfolio comprises fixed-interest, Danish mortgage bonds.				
16	Inventories				
	Raw materials and consumables	10,089	10,453	-	-
	Work in progress	5,610	8,084	-	-
	Finished goods and goods for resale	22,364	24,387	-	-
		38,063	42,924	-	-
17	Receivables				
	Trade receivables	22,064	33,106	-	-
	Amount owed by subsidiary	-	-	6,741	14,404
	Other receivables	4,448	3,728	1,517	2,662
	Corporation tax receivable	2,052	-	2,052	-
		28,564	36,834	10,310	17,066

Credit risks vastly depend on the home country of the debtor. Based on the group's internal credit rating procedures and external credit rating, receivables not subject to any write-down are deemed to hold high credit-worthiness and to pose a low risk of loss, see also note 22 for information on credit risks.

Trade receivables of the group are broken down as follows on geographical areas:

	2008/09	2007/08
Scandinavia	9,287	15,745
EU	10,617	14,437
Other countries	2,160	2,924
	22,064	33,106

The group's trade receivables at 30 September 2009 include receivables of DKK 1,015 thousand (2007/08: DKK 528 thousand), which have been written down to DKK 604 thousand, based on an individual assessment (2007/08: DKK 340 thousand). Other external costs include bad debt losses of DKK 583 thousand (2007/08: DKK 560 thousand). Write-down of trade receivables is due to customers' bankruptcies or their anticipated payment default.

Note	Consolidated				
17 cont. DKK'000	2008/09		2007/08		
Individually written-down receivables are broken down as follows on geographical areas:					
Scandinavia	110		18		
EU	115		118		
Other countries	379		204		
	604		340		
Trade receivables due at 30 September 2008, but not written down, were recognised as follows:					
Maturity:					
Up to 30 days	2,278		5,108		
Between 30 and 90 days	108		1,460		
More than 90 days	153		465		
	2,539		7,033		
Interest income arising from receivables written down is not recognised.					
18	Research and development costs				
The correlation between research and development costs incurred and expensed is specified as follows:					
Research and development costs incurred	6,750		9,745		
Development costs recognised as intangible assets	-1,893		-1,995		
Amortisation and impairment of development projects	1,522		1,264		
Research and development costs for the year recognised in the income statement	6,379		9,014		
19	Share capital				
The share capital comprises 2,100,000 shares of DKK 20 each.					
Treasury shares	Number	Nominal value	Cost	Market price at 30.09.09	Percentage of share capital
Portfolio at 01.10.08	196,625	3,933	5,612	12,977	9.4%
Disposal/purchase	13,375	268	761	883	0.6%
Portfolio at 30.09.09	210,000	4,201	6,373	13,860	10.0%

Capital management

The group's primary operations continuously generate high cash flows ensuring sound capital resources. In the year under review, Gabriel invested further in a new innovation centre and refurbished other premises of the building complex located in central Aalborg. All projects are expected to be finalised at the beginning of the 2009/10 financial year. In May 2009, the group chose to raise a mortgage loan of DKK 43.5 million to finance the construction project and to strengthen the group's cash resources. Most of the proceeds, equivalent to DKK 32.5 million, were invested in Danish mortgage bonds.

NOTES TO THE FINANCIAL STATEMENTS

Note

19 cont. The group regularly assesses the need for adjusting its capital structure to hold the required higher return on equity up against the higher degree of uncertainty surrounding external financing. A high equity ratio has always been a top priority of Gabriel in order to ensure plenty of room for manoeuvre. As a consequence of the raising of the mortgage loan, the equity ratio was reduced to 59% as against 79% last year. During the past years, the equity ratio has accounted for 75-79%. Furthermore, reducing funds tied up is constantly on the group's agenda, contributing to the high cash flows from operating activities.

ROIC targeted at a minimum of 15% has represented 17-23% during the past years. Due to the economic downturn, Gabriel failed to meet the target, reporting ROIC of 1.4%.

In recent years, Gabriel has distributed dividends to its shareholders, equivalent to a payout ratio of approx. 50% each year. With this gesture, Gabriel desires to provide its shareholders with a return on their investment while maintaining an appropriate equity level to ensure the company's future operations. Owing to the modest profit, the Supervisory Board proposes that no dividends be distributed for 2008/09.

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

DKK'000	Consolidated		Parent company	
	2008/09	2007/08	2008/09	2007/08
20				
Deferred tax				
Deferred tax at 01.10.	4,104	3,202	1,875	1,076
Deferred tax for the year	405	902	203	799
	4,509	4,104	2,078	1,875
Deferred tax is incumbent on:				
Intangible assets	1,549	1,456	-	-
Land and buildings	2,824	1,875	2,824	1,875
Plant and machinery, etc.	1,599	612	-	-
Current assets	-19	161	-	-
Tax losses	-1,422	-	-746	-
	4,509	4,104	2,078	1,875
21				
Credit institutions				
Amounts owed to credit institutions were recognised in the balance sheet as follows:				
Non-current liabilities	41,030	-	41,030	-
Current liabilities	1,807	-	1,807	-
Total carrying amount	42,837	-	42,837	-
Fair value	43,212	-	43,212	-

Note	Consolidated		Parent company	
	2008/09	2007/08	2008/09	2007/08
21 cont. DKK'000				
Debt falls due as follows:				
0-1 year	1,807	-	1,807	-
1-5 years	7,666	-	7,666	-
> 5 years	33,364	-	33,364	-
Gross payments fall due as follows:				
0-1 year	2,578	-	2,578	-
1-5 year	10,156	-	10,156	-
> 5 year	38,831	-	38,831	-

The loan is a floating-rate mortgage loan in EUR (F1) subject to annual adjustment. The current level of interest is 2.3% p.a. with the principal accounting for EUR 5,920 thousand.

22 Financial risks

Prompted by its operations, investments and financing, the group is exposed to a number of financial risks, including market risks (currency risks, interest rate risks and risks relating to raw materials), credit risks and liquidity risks.

Gabriel policy is not to engage in active speculation in financial risks. Risk management only covers risks arising directly from the group's operations, investments and financing.

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

The group's risk exposure and risk management remained unchanged from 2007/08.

Reference is made to the balance sheet for a specification of the different categories of financial assets and liabilities. The fair value of financial assets and liabilities is in line with carrying amount – apart from amounts owed to credit institutions, see note 21.

Currency risks

The group's foreign exchange positions in Danish kroner are specified as follows at 30 September 2009:

DKK'000 Currency	Bank loans		Hedged by forward contracts	Net position
	Trade receivables	Trade payables/ credit institutions		
DKK	6,782	-7,582	-	-800
EUR	11,307	-54,953	-	-43,646
SEK	1,644	277	-	1,921
NOK	408	118	-1,373	-847
Other currencies	1,923	312	-	2,235
Abroad	15,282	-54,246	-1,373	-40,337

Forward contracts fall due within one month.

NOTES TO THE FINANCIAL STATEMENTS

Note

22 cont. The group's foreign exchange positions in Danish kroner are specified as follows at 30 September 2008:

DKK'000 Currency	Trade receivables/cash	Trade payables	Hedged by forward contracts	Net position
DKK	4,172	4,758	-	-586
EUR	19,295	8,116	-	11,179
SEK	5,233	31	-	5,202
NOK	2,105	60	-	2,045
Other currencies	2,234	180	-	2,054
Abroad	28,867	8,387	-	20,480

The group hedges currency risks considering projected future cash flows and projected future exchange rate movements. The majority of sales in Europe are settled in the customer's currency, while the euro is primarily used for settlement with other international customers. Currency risks generated by income are only of a limited scale, as the vast part of income is invoiced in the Scandinavian currencies or euros. The vast part of purchases is settled in Danish kroner or euros.

Any changes in the exchange rates at 30 September 2009 are not deemed to have any material impact on results or equity as result of the low currency exposure at 30 September 2009.

Currency exposure for 2009/10 is, in all material respects, deemed to remain unchanged from 2008/09.

Liquidity and interest rate risks

Throughout many years, the group has managed to generate positive cash flows and has, therefore, not relied on external financing. In May 2009, the company chose raise a mortgage loan of DKK 43.5 million to finance a construction project and to strengthen the group's cash resources. Most of the proceeds, equivalent to DKK 32.5 million, are invested in Danish mortgage bonds. At year end 2008/09, Gabriel's bank loans represented DKK 5.6 million. In addition, Gabriel has undrawn bank credit facilities and a portfolio of treasury shares with a current market price of DKK 14 million. Against this background, the group is deemed to have sufficient liquidity to finance future operations and investments.

The group's bank loans of DKK 5.6 million are open business credits, while the mortgage loan is an adjustable-rate loan denominated in euros subject to annual adjustment. The bond portfolio consists primarily of short-dated bonds denominated in Danish kroner, adjusting interest to the general societal interest level. Group receivables carry a fixed interest rate during their entire life as laid down by contract. Accordingly, a drop or an increase in the market rate of interest of one percentage point is generally not deemed to materially affect consolidated results.

Risks relating to raw materials

The group typically enters into co-operative agreements with its most important suppliers to ensure reliability of delivery and to fix prices. Note 24 discloses that Gabriel has concluded purchase agreements for raw material supplies in 2009/10. The group is not exposed to any major price risks arising from the use of raw materials.

Credit risks

The credit risk policy of the group ensures that all major customers and co-operative partners are regularly credit rated. The management of credit risks is based on internal credit limits for customers and counterparties. Triggered by the imminent financial crisis from the outset of 2008/09, the group intensified its focus on the approval of credit lines for customers as well as on the management and monitoring of customers.

Note

22 cont. Group trade receivables are distributed on numerous customers, countries and markets, ensuring a high degree of risk diversification. Based on the group's internal credit procedures, the creditworthiness of group receivables primarily depends on the home country of the debtors. The creditworthiness of debtors from Scandinavia and the EU are usually higher than that of debtors from other countries.

The group aims at reducing risk through efficient monitoring and follow-up and credit insurance of major, foreign and domestic receivables or the provision of alternative security. Credit insurance has been taken out for all major foreign and domestic receivables at 30 September 2009. Group receivables are usually due for payment no later than three 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 17.

The group recognised productive equipment for the associate, Scandye UAB, and another co-operative partner as investments. Gabriel has been provided security in the leased equipment and with a guarantee for the amount. The lessees may perform the contracts at their residual values.

23 **Operating leases**

At 30 September 2009, the group held operating leases with a residual lease liability of DKK 1,203 thousand. Of this amount, DKK 638 thousand falls due within one year, while the rest falls due within one to three years.

24 **Contingent liabilities and security**

The parent company has issued a letter of subordination to the bankers of a subsidiary covering the subsidiary's bank loans at any time.

The subsidiary, Gabriel A/S, has issued a guarantee of DKK 6,500 thousand to Scandye UAB's bankers in Lithuania as security for Scandye UAB's bank business.

As part of usual group operations, the group has entered into purchase agreements for future raw material supplies at an amount of DKK 11,400 thousand to ensure raw material supplies in 2009/10.

Claims and warranties do not represent a major expense of the group. This is the result of the certifications for the ISO 9001 Quality Management Standard since 1991 and for the Environmental Management Standard ISO 14001 since 1996.

As security for amounts owed to credit institutions, Gabriel has provided security at an amount of DKK 44,100 thousand in land and buildings. The carrying amount of land and buildings were DKK 65,475 thousand at 30 September 2009, while amounts owed to credit institutions reached DKK 42,837 thousand.

25 **Transactions with group companies, major shareholders, Executive and Supervisory Boards**

The parent company's related parties comprise subsidiaries as well as their Executive and Supervisory Boards. Further, related parties comprise companies in which the above persons have substantial interests. Gabriel Holding A/S has no related parties exercising control.

Trading with group enterprises is specified as follows:

DKK'000	Parent company	
	2008/09	2007/08
Rent from group enterprises	2,981	2,981
Interest, etc. from group enterprises	163	1,529
Dividends from group enterprises	10,000	10,000

Transactions with group enterprises were eliminated in the consolidated financial statements as set out in the accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

Note

25 cont. Related parties comprise associates over which Gabriel exercises significant influence.

Trading with the associate, Scandye UAB, comprised the following:

DKK'000	Parent company	
	2008/09	2007/08
Purchases from associates	13,575	4,937
Interest, etc. from group enterprises	161	155

Apart from executive remuneration disclosed in note 4, the group did not engage in any transactions with the Supervisory Board, Executive Board, executive employees, major shareholders and other related parties in the year under review.

26 Accounting estimates and judgements

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 balance sheet date. Estimates important to the financial reporting include the calculation of provisions for obsolescence, write-down of bad debts, depreciation/amortisation and impairment as well as contingent liabilities.

27 New financial reporting regulations

IASB has issued the following new financial reporting regulations (IAS and IFRS) and IFRICs, which are not mandatory for adoption by Gabriel Holding A/S in the preparation of the annual report for 2008/09: IAS 1, 23 and 27, IFRS 2, 3, 8 and IFRIC 14-17.

Gabriel Holding A/S expects to implement the new standards and IFRICs upon their mandatory adoption in the 2009/10 financial year. The new standards and IFRICs are not deemed to impact on Gabriel Holding A/S' future financial reporting. IFRS 8 "Operating segments" will impact on segment reporting, while IAS 1 "Presentation of Financial Statements" will affect the presentation of the primary statements for 2009/10.

28 ACCOUNTING POLICIES

Gabriel Holding A/S is a limited liability company domiciled in Denmark. The annual report for the period 1 October 2008 - 30 September 2009 comprises the consolidated financial statements of Gabriel Holding A/S and its subsidiaries (group) and separate parent company financial statements.

The annual report of Gabriel Holding A/S for 2008/09 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for consolidated financial statements and parent company financial statements of listed companies, see the NASDAQ OMX Copenhagen A/S disclosure requirements for consolidated financial statements and parent company financial statements of listed companies and the statutory order on the adoption of IFRS by enterprises subject to the Danish Financial Statements Act issued pursuant to the Danish Financial Statements Act.

Furthermore, the annual report complies with International Financial Reporting Standards issued by the IASB.

The annual report is presented in DKK rounded to the nearest DKK 1,000.

With effect from 1 October 2008, Gabriel Holding A/S has implemented IFRICs 11-14, which did not affect the recognition and measurement in the annual report. Accordingly, the accounting policies are consistent with those of last year.

Note

28 cont. Consolidated financial statements

The consolidated financial statements comprise the parent company Gabriel Holding A/S and subsidiaries in 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. Control is obtained when the company directly or indirectly holds more than 50% of the voting rights in the subsidiary or which it, in some other way, controls.

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

As to whether Gabriel Holding A/S exercises control or significant influence is determined on the basis of the potential voting rights exercisable at the balance sheet date.

The consolidated financial statements comprise the parent company, Gabriel Holding A/S, and the subsidiaries, Gabriel A/S, Gabriel Innovation A/S, Gabriel (Tianjin) International Trading Co. Ltd and Sellgren Tekstiili OY 2005 (in liquidation). Scandye UAB is considered an associate and was recognised as an investment in associates in the annual report.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries financial statements prepared according to the group accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's ownership share of the enterprise. Unrealised losses are eliminated in the same way as unrealised gains to the extent that impairment has not taken place.

Foreign currency translation

At initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates ruling at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.

On recognition in the consolidated financial statements of subsidiaries with another functional currency than DKK, the income statements are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly distort the presentation of the underlying transactions.

Foreign exchange differences arising on the translation of the share of the opening balance of equity of these enterprises at the exchange rates at the balance sheet date, and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognised directly in a separate translation reserve in equity.

On recognition in the consolidated financial statements of associates with a different functional currency than DKK, the share of the profit/loss for the year is translated at average exchange rates, and the share of equity including goodwill is translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign associates at the exchange rates at the balance sheet date and on translation of the share of profit/loss for the year from average exchange rates to the exchange rates at the balance sheet date are recognised directly in a separate translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

Note

28 cont. **Derivative financial instruments**

Derivative financial instruments are recognised and measured on the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

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

INCOME STATEMENT

Revenue

Revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex VAT, taxes and discounts in relation to the sale.

Other operating income

Other operating income comprise items secondary to the principal activities of the enterprise, including rental income, grants and gains on the disposal of non-current assets.

Government grants for the acquisition of assets and development projects are recognised as deferred income on the balance sheet and subsequently as other operating income in the income statement concurrently with the depreciation/amortisation of the asset.

Cost of sales

Cost of sales comprise costs incurred in generating revenue for the year, including direct and indirect costs of raw materials, consumables, goods for resale, power, etc.

Other external costs

Sales, distribution, maintenance, premises and administration account for the vast part of other external costs.

Separate items

Separate items comprise material one-off items typically not recognised in previous years and not expected to be recognised in the coming financial years and/or extraordinary items not part of the group's ordinary activities.

Profit/loss from investments in associates recognised in the consolidated financial statements

The proportionate share of the results after tax of the individual associates is recognised in the consolidated income statement after full elimination of the proportionate share of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities and write-down of securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc. Furthermore, realised and unrealised gains and losses on derivative financial instruments which are not designated as hedging arrangements are included.

Dividends received from investments in subsidiaries and associates are recognised in the parent company income statement in the financial year when the dividends are declared. To the extent that distributed dividends exceed accumulated earnings after the acquisition date, the dividends are, however, recognised as a write-down of the cost of the investment.

Tax on profit/loss for the year

Gabriel Holding A/S is jointly taxed with the subsidiaries, Gabriel A/S and Gabriel Innovation A/S. The current Danish corporation tax is allocated between the jointly taxed Danish companies in proportion to their taxable

Note

28 cont. income (full absorption with deduction for tax losses). The jointly taxed companies are taxed under 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/loss 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.

BALANCE SHEET

Development costs

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

Development projects that are clearly defined and identifiable, where the technical utilisation degree, sufficient resources and a potential future market or development opportunities in the company is evidenced, and where the company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production and distribution costs, administrative expenses 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 accumulated 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 amortisation period is usually five years.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. 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.

Subsequent costs arising from, for instance, 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 be derecognised on the balance sheet, 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. The expected useful lives are as follows:

Buildings	10-25 years
Plant and machinery	3-8 years
Fixtures and fittings, other plant and equipment	3-8 years

Land is not depreciated.

The basis of depreciation is calculated on the basis of the residual value less impairment losses. The residual value is determined at 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.

NOTES TO THE FINANCIAL STATEMENTS

Note

28 cont. Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of non-current assets

The carrying amount of non-current assets is subject to an annual impairment test. 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 and its value in use. The value in use is calculated as the net present value of forecast future cash flows from the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of the net assets of a cash-generating unit, respectively, exceeds the recoverable amount of the assets

Investments in associates in the consolidated financial statements

Investments in associates are measured according to the equity method.

Investments in associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the group's accounting policies minus or plus the proportionate share of unrealised intra-group profits and losses and plus or minus the carrying amount of goodwill.

Amounts owed by associates are measured at amortised cost. Write-down is made for bad debt losses.

Investments in subsidiaries in the parent company 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. Cost is reduced by dividends received that exceed accumulated earnings after the acquisition date.

Amounts owed by associates

Amounts owed by associates are attributable to lease contracts for assets of which the group is the owner, but of which all major risks and maintenance liabilities are incumbent on the associate. Finance leases are recognised on the balance sheet at the net present value of future lease payments. For the calculation of the net present value, the interest rate implicit in the lease is used.

Securities

Shares and bonds not included in the group's trading portfolio (available-for-sale) are recognised as non-current assets at cost at the trade date and are measured at fair value corresponding to the market price. Unrealised value adjustments are recognised directly in equity except for foreign exchange adjustments of bonds denominated in foreign currencies, which are recognised in the income statement as financial income or financial expenses. On realisation, the accumulated value adjustment recognised in equity is transferred to financial income or financial expenses in the income statement.

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 as well as 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 overheads comprise indirect materials, wages/salaries and maintenance as well as depreciation of productive equipment, buildings and equipment as well as factory administration and management.

Note

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

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses when there is an objective indication of an impairment loss. In such cases, write-down is made individually for each specific receivable.

Write-down is determined as the difference between the carrying amount and the net present value of projected cash flows, including the net realisable value of any security.

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.

Treasury shares

Cost of acquisition of, consideration received for and dividends received from treasury shares are recognised directly as retained earnings in equity. Gains and losses on disposal are not recognised in the income statement.

Translation reserve

The translation reserve in the consolidated financial statements comprises foreign exchange differences arising on translation of financial statements of foreign entities from their functional currencies into the presentation currency used by Gabriel Holding A/S (Danish kroner).

Hedging reserve

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not been realised.

Reserve for fair value adjustment

Reserve for fair value adjustment comprises the cumulative change in the fair value of financial assets available for sale. The reserve, which forms part of the company's distributable reserves, is eliminated and transferred to the income statement as the investment is sold or written down.

Corporation tax and deferred tax

Current tax payable and receivable is recognised on the balance sheet 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 balance sheet liability method on all temporary differences between the carrying amount and the tax base 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, respectively.

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

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

Note

28 cont. **Non-current liabilities**

Amounts owed to mortgage credit institutions, etc. are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan.

Current liabilities

Liabilities comprising trade payables, amounts owed to group enterprises and other payables are measured at nominal value.

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 as well as the cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Bank loans/cash and cash equivalents

The item comprises cash and bank loans (overdraft facilities).

SEGMENT INFORMATION

The Gabriel Group operates only within one business segment and one geographical segment.

The group carries on business only within one segment as all its products are within the segment of furnishing fabrics and related textile products. The products are sold to leading, international manufacturers and lead users of upholstered furniture, seats and upholstered surfaces. Gabriel A/S is in charge of the vast number of activities. The manufacturing processes are practically identical for the individual business areas, and the sales divisions service the same type of customer groups. In addition, the product distribution channels are the same.

The group operates only within one geographical segment, as the economic and political climates, activities, risks and currency exposure on the group's primary market, Western Europe, remain undifferentiated. Revenue generated by the Western European markets accounts for more than 90% of total revenue.

