

# Annual Report

2004/05

Growth in all  
markets

Record year

Launching new  
fabrics

Gabriel extends the  
value chain



Gabriel®

# RESULTS FOR THE YEAR

A record year showing growth in all markets  
Dividends increased to DKK 20 per share

## SUMMARY

- Profit after tax increased by 32% to DKK 14.8 million.
- Operating profits (EBIT) increased by 26% to DKK 17.9 million.
- Revenues increased by 18% to DKK 218.2 million against DKK 185.1 million in 2003/04 in line with Management's forecasts after Q3.
- The group realised a cash flow from operations of DKK 19.5 million.
- Return on invested capital (ROIC) increased to 19.6%.
- Net profit ratio increased to 8.2%.
- The Supervisory Board recommends that dividends for 2004/05 should be raised to 20%, equivalent to DKK 20 per share, as against 15% and DKK 15 per share in 2003/04.
- For the financial year, Management expects to see a 10% increase in revenues amounting to approx. DKK 240 million. The transition to IFRS in the annual report for 2005/06 will lead to an improvement of DKK 1.7 million in profit after tax. Accordingly, the profit of the group is expected come in at approx. DKK 18 million after tax.

## DEFINITIONS OF GROUP FINANCIAL RATIOS

### Invested capital

Total equity and liabilities less non-interest bearing debt.

### Net profit ratio

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

### ROIC

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

### Earnings per share (EPS)

Profit/loss after tax per share calculated on the basis of the total share capital (ex. treasury shares).

### Return on equity

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

### Dividend Yield

Dividend compared to the market price at year-end.

### Solvency ratio

Equity as a percentage of total assets.

### Net asset value at year-end

Equity as a percentage of the share capital (ex. treasury shares).

### Market price at year-end

Quoted price of the shares at the Copenhagen Stock Exchange.

### Market price/book value

Market price as a percentage of book value.

### Price Earnings (PE)

Market price as a percentage of earnings per share.

### Price Cash Flow (PCF)

Market price as a percentage of cash flow per share (ex. treasury shares).

### Payout-Ratio

Dividends as a percentage of profit/loss after tax.

# FINANCIAL HIGHLIGHTS FOR THE GROUP

Key Figures	Unit	2004/05	2003/04	2002/03	2001/02	2000/01
Group revenue	DKK million	218.2	185.1	184.2	192.9	204.4
	Index	107	91	90	94	100
Of which exports	DKK million	179.3	149.7	142.7	142.6	152.5
Export share	%	82	81	77	74	75
Operating profit (EBIT)	DKK million	17.9	14.2	14.0	13.9	19.4
Net financing	DKK million	2.5	1.9	0.5	1.1	(0.4)
Profit before tax	DKK million	20.4	16.1	14.5	15.0	19.0
Tax	DKK million	(5.6)	(4.8)	(4.3)	(4.5)	(5.6)
Profit after tax	DKK million	14.8	11.3	10.2	10.5	13.4
Cash flow from operating activities	DKK million	19.5	14.5	17.5	27.9	17.6
Investments in property, plant and equipment	DKK million	2.7	4.7	0.7	4.2	10.6
Depreciation/amortisation and impairment	DKK million	6.9	6.8	7.9	8.0	8.1
Capital and reserves	DKK million	94.3	85.2	77.7	71.4	64.3
Balance sheet total	DKK million	125.8	115.4	109.4	109.7	108.1
Invested capital	DKK million	96.1	86.7	81.0	78.7	80.4
Number of employees	Number	100	95	101	118	131
Revenue per employee	DKK'000	2.182	1.948	1.824	1.635	1.560
	Index	140	125	117	105	100
<b>Financial ratios</b>						
Net profit ratio	%	8.2	7.7	7.6	7.2	9.5
Return on invested capital (ROIC)	%	19.6	17.0	17.6	17.5	25.4
Earnings per share (EPS)	DKK	39.0	29.6	26.7	27.5	35.3
Return on equity	%	16.5	13.8	13.6	15.4	23.3
Equity ratio	%	75.0	73.8	71.0	65.1	59.5
Net asset value at year end	DKK	248	224	204	188	169
Market price at year end	DKK	549	320	215	230	260
Price/book value		2.2	1.4	1.1	1.2	1.6
Price earnings (PE)	DKK	14.1	10.8	8.1	8.4	7.4
Price Cash Flow (PCF)	DKK	10.7	8.4	4.7	3.1	5.6
Dividends per share of	DKK	20	15	10	10	9
Dividend Yield	%	3.6	4.7	4.6	4.4	3.5
Payout-ratio	%	57	56	41	40	28

The financial year 2000/01 is used as the base year for the index numbers. The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' guidelines for the calculation of financial ratios for 2005.

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## COMPANY DETAILS

### Supervisory Board

Poul H. Lauritsen, Lawyer and Chairman  
Kaj Taidal, General Manager and  
Deputy Chairman  
Claus Christensen, General Manager  
Karen Skott Mathiesen, General Manager  
Helle Kjær, Co-ordinator  
(elected by the employees)  
Erland Christensen, Senior Shop Steward  
(elected by the employees)

### Executive Board

Jørgen Kjær Jacobsen

### Auditors

KPMG C. Jespersen,  
Statsautoriseret Revisionsinteressentskab  
Audicon, Statsautoriseret Revisionsvirksomhed

### Bankers Sydbank A/S

### Subsidiaries

Gabriel A/S, Hjulmagervej 55, DK-9000 Aalborg  
Gabriel (Tianjin) International Trading Co. Ltd.  
China  
Sellgren-Tekstiili OY 2005, Finland

### Registered office and representation

Registered office with sales, development and accounts departments. In addition, production (dyeing and finishing) and inventories/distribution are located in Aalborg.

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

In 2005, Gabriel took over the activities in a Finnish upholstery manufacturer and a Finnish subsidiary was established – Sellgren-Tekstiili OY 2005.

### The group is located at the following address in Aalborg:

Gabriel Holding A/S  
Registration No. 58 86 87 28  
Hjulmagervej 55, DK-9000 Aalborg  
Tel.: +45 96 30 31 00  
Fax: +45 98 13 25 44  
E-mail: mail@gabriel.dk  
Website: www.gabriel.dk

## Mission statement

Innovation and value-adding co-operation are keywords of Gabriel's mission statement.

Gabriel is a niche company which develops, manufactures and sells furniture fabrics and related textile products to be used in fields of application where product features, design and logistics have to meet invariable requirements and where quality and environmental management must be documented.

## Vision

Gabriel intends to be the preferred development partner for and supplier to leading international manufacturers of furniture, seats and upholstered surfaces. By its key customers, Gabriel is to be acknowledged as an innovative supplier.

## Financial objectives

The overall financial objective is to generate return on invested capital of at least 15% before tax.

Gabriel aims at achieving:

- an average annual 15% revenue increase or more
- an increasing net profit ratio (EBIT margin)
- an average 15% annual increase in results per share or more.

## Strategy – Gabriel grows with the largest

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

1. Global key account sales activities
2. Product and product range development
3. Logistics
4. Price competitiveness

Gabriel is constantly attentive to the potential for acquisitions and alliances to improve its competitiveness and value creation.

Gabriel employs the Balanced Score Card model for securing the implementation of the strategy.

## Market segments

Gabriel has the following three market segments:

- Contract (office, conference facilities, hospitals, care institutions, hotels, restaurants, theatres, concert halls, cinemas, educational institutions, airports, etc.)
- Home (upholstered furniture and chairs)
- Transport (trains, aircraft, ships, buses and cars)

## Innovation

Close collaboration with Gabriel's network of customers, users, suppliers, advisers and well-qualified employees ensures the most favourable evaluation of new ideas



and business potential. New products and designs should represent innovations creating additional value for customers and users.

Gabriel makes efforts to ensure that at least 25% of revenue derives from products launched within the past five years.

### Raw materials

Wool is Gabriel's most important raw material. The properties of wool fibre are unique and unsurpassed by any other natural or synthetic fibre when it comes to furniture fabrics.

Gabriel possesses or has access to the professional expertise and the special production plant required for a leading position in this niche area.

### Employees

Gabriel's employees are aware of and work towards common goals.

Gabriel intends to attract and retain ambitious, well-qualified employees seeking and accepting challenges. Daily dialogue and delegation of responsibility fosters dynamism and efficiency. Constant changes as well as the necessity of immediate action and adaptation require intellectual and professional flexibility of all employees.

Job expansion and relevant training ensures that the qualifications and professional expertise of the individual employee are up-to-date.

Gabriel has a favourable and informal working environment based on trust, reliability, mutual respect and awareness of joint responsibility.

### Society

Gabriel wishes to contribute positively to society, locally as well as globally. This means that we take responsibility for the environment and show social responsibility towards weak groups in society.

### Quality and environment

Gabriel is a quality and environmentally conscious company exemplified by its ISO 9001:2000 and ISO 14001:2004 certifications as well as its certification for the EU's Eco Management and Audit Scheme (EMAS).

Gabriel A/S is licensed to apply the EU flower eco-label, which ensures that the employees in production, the users of the furniture fabrics and the external environment are not exposed to unhealthy conditions.

Gabriel's environmental and quality-related objectives are as follows: Services from Gabriel are strictly to meet its customers' needs and expectations. During production and distribution, Gabriel is to strive to reduce its consumption of resources and discharges harmful to the external environment.

**Do things right the first time** – is the standing motto for planning and carrying out corporate activities.



# FINANCIAL REVIEW

## Results – 32% increase after tax

All goals and expectations for revenue, results and growth in 2004/05 were realised. The financial year is Gabriel's best year ever.

Revenue increased by 18% to DKK 218 million. Operating profit increased by 26% to DKK 17.9 million as against DKK 14.2 million the year before. Interest income and expenses and similar items represented income of DKK 2.5 million as against DKK 1.8 million last year. The pre-tax profit totalled DKK 20.4 million as against DKK 16.1 million last year. Profit for the year after tax increased by 32% to DKK 14.8 million as against DKK 11.3 million in 2003/04. The results were in line with the profit forecast after Q3 of the financial year.

DKK 2.2 million was expensed in the financial year regarding the operation of Gabriel's activities in China and DKK 0.7 million in connection with the takeover of the activities in Sellgren-Tekstiili OY, Finland.

The support processes run as independent profit centres all came out with positive results and contributed to the group's increased revenue, net profit ratio and return on investments. The organisation's ability to make decisions and its scope for action in order to optimise return on invested capital in the individual areas have been further strengthened.

The Supervisory Board considers the profit for the year satisfactory.

## Revenue – 18% increase

Revenue amounted to DKK 218.2 million as against DKK 185.1 million last year, which was in line with the Management's expectations.

Export sales increased by 20% to DKK 179.2 million and the share represented 82% of total sales. Sales in Denmark increased by 10% to DKK 39.0 million.

As a result of generally positive market trends and Gabriel's increasing market shares, the company saw progress on all primary markets and in the three sales divisions, Contract, Home and Transport.

Gabriel ensures growth and competitiveness by constant improvements in the preconditions for the cooperation with the international market-leading furniture manufacturers and large-scale consumers of furniture, seats and upholstered surfaces.

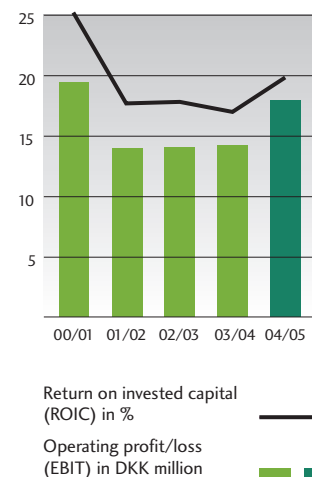
The group maintains its focus on the strategy "growing with the largest". So far, there has been focus on approx. 200 selected key customers, who accounted for DKK 181 million of Gabriel's sales in 2004/05, equivalent to 83% of its revenue. The year before, these figures totalled DKK 151 million and 82%.

Revenue of the sales division **Gabriel Contract** (share of 76%), which sells contract furniture fabrics, came in at DKK 167.1 million as against DKK 141.1 million last year, equivalent to an increase of 18% on last year.

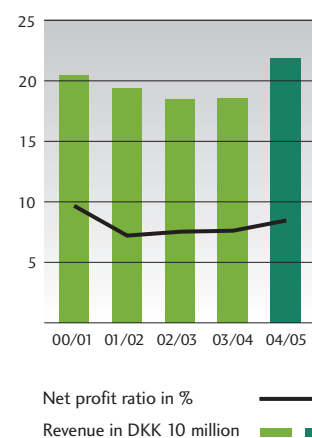
Revenue of the sales division **Gabriel Home** (share of 20%), which sells furniture fabrics for domestic furniture, totalled DKK 40.5 million as against DKK 37.7 million last year, equivalent to an increase of 8%.

Revenue of the sales division **Gabriel Transport** (share of 4%), which sells seat fabrics for the public transport sector, amounted to DKK 10.7 million as against DKK 6.3 million the year before.

OPERATING PROFIT/LOSS (EBIT) AND RETURN ON INVESTED CAPITAL (ROIC)



REVENUE AND NET PROFIT RATIO



The realised sales figures from each of the three sales divisions correspond to Management's expectations in the quarterly announcement for the third quarter of 2004/05. The development in the sales divisions is discussed in the Management's review.

### Other operating income

The groups other operating income reached DKK 552 thousand for the financial year as against DKK 1,931 thousand last year. The decrease was, for the most part, attributable to the expected termination of a lease regarding production equipment. Public grants were also reduced.

### Cost of sales

Gabriel is experiencing increasing price competition resulting in a marginal reduction of the total gross profit. There is much focus on reducing costs of sales through optimisation of purchases, outsourcing and the use of resources in the production processes.

### Staff costs

Total staff costs increased by 11% to DKK 40.6 million. The increase in payroll costs relates to, among other things, bonus payments to all employees depending on sales and results. The positive development in the group has increased the need for employees from 95 in 2003/04 to 100 in 2004/05. The establishment in Finland created three new work places, whereas the organisation in China increased to comprise six persons.

### Other external costs

The increasing level of activities resulted in an increase of external costs of 16% to DKK 30.5 million. The increasing costs are due to increased marketing costs for, among other things, several product launches. The establishment in Finland and the continued development of the China activities also resulted in additional external costs for the group.

### Depreciation/amortisation

The group's total depreciation/amortisation is at the same level as last year's depreciation/amortisation.

### Interest income and expenses and tax

The group's interest income and expenses and similar items produced total income of DKK 2.5 million as against DKK 1.8 million last year. The positive development especially relates to foreign currency inflow of DKK 0.6 million.

The effective tax rate for the group is 27.4%, equivalent to tax payments of DKK 5.6 million. The adjustment of deferred tax in connection with the reduction of the tax rate to 28% resulted in an income of DKK 124 thousand.

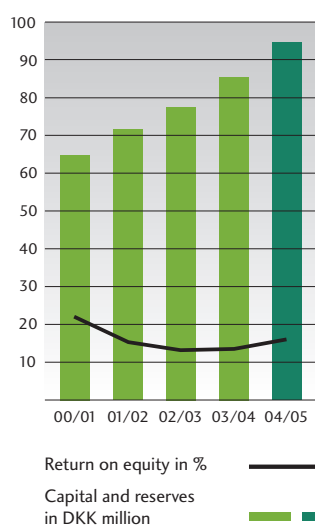
### Balance sheet

The group's balance sheet total increased to DKK 125.8 million as against DKK 115.4 million last year, which is attributable to increases in cash and cash equivalents.

In general, inventories rose by DKK 2.2 million, corresponding to a 6% increase. This amount includes the takeover of the Finnish company's inventory.

The carrying amount of development projects increased to DKK 1.8 million,

CAPITAL AND RESERVES AS WELL AS RETURN ON EQUITY



whereas property, plant and equipment declined by DKK 4.0 million to DKK 21.4 million.

The group's investment portfolio and cash at bank and in hand accounted for DKK 35.3 million at 30 September 2005 as against DKK 26.0 million last year.

### Cash flows

The group generated positive cash flows in the financial year, increasing corporate funds.

Cash flows from operating activities came in at DKK 19.5 million as against DKK 14.5 million last year and were positively affected by the profit increase.

Net investments for the year in development projects and fixed assets amounted to DKK 4.2 million as against DKK 5.6 million last year. Additions during the year include the takeover of the assets in the Finnish manufacturer of furniture fabrics.

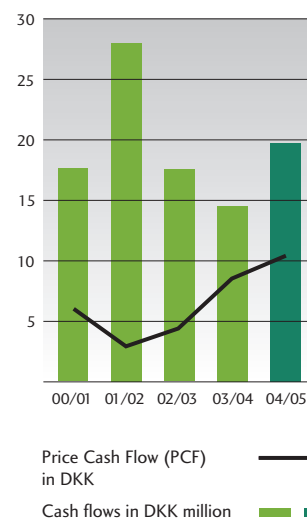
In 2004/05, the company distributed dividends to its shareholders of DKK 5.7 million. Interest-bearing debt was reduced to DKK 0.

### Investments

The group's investments in property, plant and equipment totalled DKK 2.7 million in 2004/05. Plant accounted for the vast part of investments in the form of jacquard looms from Finland and finishing equipment. Capitalised development costs amounted to DKK 0.8 million in 2004/05. The projects are expected to contribute positively to future revenue and earnings.

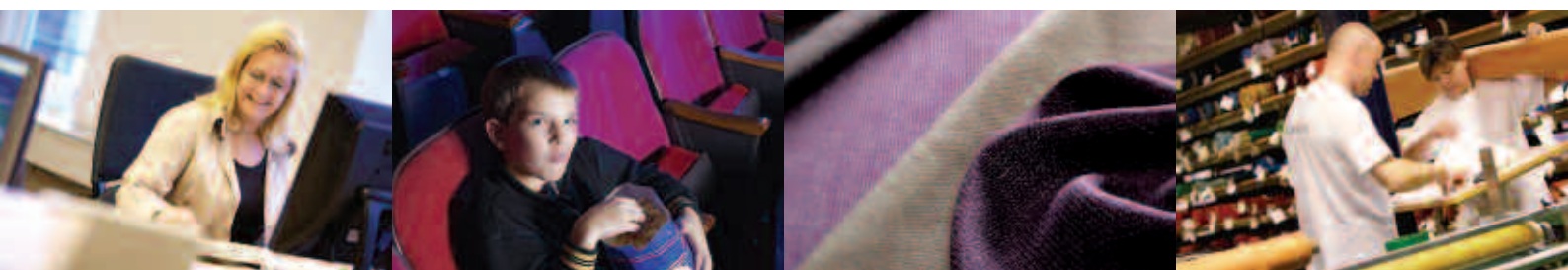
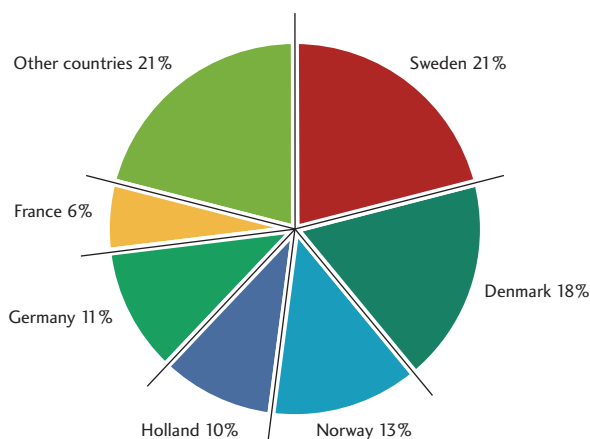
Next year's investments are expected to be at the same level as those of this year.

CASH FLOWS AND PRICE CASH FLOW



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REVENUE BROKEN DOWN BY COUNTRIES



## Gabriel Contract – 18% growth – further strengthened market position

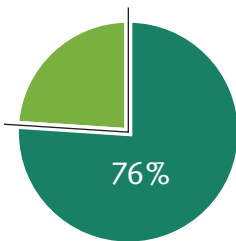
Revenue generated by Gabriel Contract accounted for 76% of total revenue just as last year. Gabriel Contract enjoyed a sales increase of 18% to DKK 167.1 million as against DKK 141.1 million the year before, representing a minor improvement on the profit forecast announced after Q3.

Gabriel Contract still gains market shares and the international demand for contract furniture is also positive. After four years' decline, the markets have now stabilised and management is of the opinion that 2005 will see a 5-10% increase in general demands. This more or less corresponds to the market evaluation presented in connection with the annual report for 2003/04; a level which is expected to last throughout 2006.

Recent years' declines in sales and earnings experienced by manufacturers of contract furniture have increased the tendency towards mergers and acquisitions. Gabriel Contract has therefore increased its focus on the largest manufacturers and the core processes are now directed at a few leading manufacturers of contract furniture. Gabriel's potential with the contract furniture segment is estimated at approx. DKK 800 million with a market share of approx. 20% at 30 September 2005.

Gabriel's strategy is based on a constant strengthening of competition in line with the outsourcing of production to and import from low-wage countries in Eastern Europe and the Far East. The most important customers are concentrating on fewer sub-suppliers assuming more assignments in the value chain. Gabriel's strategy is based on this tendency, and also in 2004/05 developments confirmed that the strategy will benefit Gabriel's market position. The supplementary review

GABRIEL CONTRACT  
SHARE OF REVENUE  
2004/05





discusses Gabriel's strategic business units, i.a. FurnMaster, SampleMaster and Gabriel (Tianjin), which provide furniture manufacturers the possibility of using Gabriel's One Stop services.

The financial year 2004/05 saw the launch of new products for the contract furniture segment. Penetration time for new furniture fabrics is normally 2-3 years. Sales of products that have been approved to be launched during the latest two financial years have been satisfactory.

Development work takes place in close cooperation with selected key customers, who market the furniture fabrics together with the furniture. This form of co-operation ensures optimum benefit for all parties in the value chain, including the end user.

New agreements on development projects are made regularly, both with existing as well as new key customers. It is therefore established that Gabriel Contract as regards development cooperates with international leading manufacturers of contract furniture.

Based on the positive market trend and Gabriel's ever increasing value creation for its selected customers, Management expects that revenue in Gabriel Contract will increase by 10% to approx. DKK 183 million in 2005/06.

### Gabriel Home – 8% increase – further market and product development

In 2004/05, revenue in Gabriel Home increased by 8% to DKK 40.5 million as against DKK 37.7 million the year before. This corresponds exactly to Management's expectations in its review for 2003/04.

Gabriel's market shares of the international market for domestic furniture is of a limited scale, but Gabriel's core processes are directed towards a small number of leading manufacturers of domestic furniture.

Gabriel's sales potential with these manufacturers were estimated at approx. DKK 200 million, corresponding to a market share of 20%. The targeted potential will be extended by means of product and product range development and by a wider portfolio of leading key customers within the market for domestic furniture.

New products launched during the year are expected to increase future sales and additional sales capacity was provided for the Dutch and German markets at 1 May 2005. Sales personnel will also be employed in Italy in 2005/06.

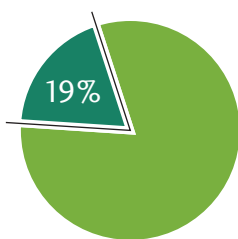
Tendencies on the European market for domestic top quality furniture shows that Gabriel's existing and coming product range for this segment is competitive. Microfiber fabrics and furniture fabrics in wool, which are Gabriel's fortes, also allow for sales increases to selected key customers.

Also in 2005, Gabriel's furniture fabrics were profusely represented at the largest fairs for domestic furniture in Milan and Cologne.

Management is prepared for a penetration period of several years with major key customers and will make the necessary resources available regarding sales, design and development in the financial year 2005/06.

Against this background, Management expects an increase in Gabriel Home's revenue of 10%, corresponding to approx. DKK 44 million in 2005/06.

GABRIEL HOME  
SHARE OF REVENUE  
2004/05







## DEVELOPMENT IN THE SALES DIVISIONS

### Gabriel Transport – 68% increase – project-oriented sales to a few key customers

Revenue in Gabriel Transport increased to DKK 10.7 million as against DKK 6.3 million the year before. This is in line with Management's expectations after Q3 2004/05. The rate of increase is positively affected by the takeover of the activities in a Finnish manufacturer of furniture fabrics – Sellgren-Tekstiili OY 2005, although the increase in 2004/05 was smaller than expected after Q3.

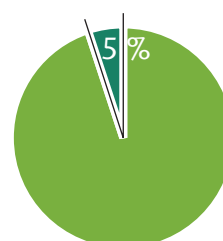
The takeover strengthens Gabriel's possibilities of improving sales to the transport segment, just as a synergy effect is expected to be realised. In connection with the takeover of Sellgren-Tekstiili OY 2005's activities, a number of specific train projects in Europe, Korea, China and Japan will be continued.

Gabriel's market share of the international market for public transports is of limited scale. The strategy has been and is still to direct Gabriel's core processes towards a few selected key customers. This idea will be maintained after the establishment of Sellgren Tekstiili OY 2005. The sales potential is estimated at approx. DKK 50 million but will be reassessed during 2005/06 in connection with the running in of Sellgren-Tekstiili OY 2005.

Management expects an increase of about DKK 13 million, corresponding to an increase of approx. 20%. Sales to the transport segment is project-oriented, which may result in relatively large fluctuations in revenue from year to year.

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GABRIEL TRANSPORT  
SHARE OF REVENUE  
2004/05



## Trading company and representative office in China – break-even will not be achieved in 2005/06

The Chinese subsidiary, Gabriel (Tianjin) International Trading Co., Ltd., was established in 2004 and is registered as a wholly-owned subsidiary of Gabriel Holding A/S with a share capital of USD 0.2 million.

Earnings potentials for Gabriel (Tianjin) comprises contribution margin by product procurement and sales to customers in China and other countries, buying commission from Gabriel A/S and other enterprises as well as other advisory services.

In the Management's review for 2003/04, it was expected that costs of approx. DKK 2.3 million relating to the Chinese activities in 2004/05 would be taken to the income statement. This forecast was realised. Revenue in the trading company was, as expected, insignificant. Income achieved from Gabriel A/S' sale of products that are sourced in China has not been set off against the mentioned figures.

Gabriel has worked on large Chinese potential customers with specific projects during the entire financial year. This work primarily concerns the contract and transport sector where the establishment of order intakes may take a couple of years.

As expected, the sales activities did not result in large order intakes in 2004/05 but they have identified specific projects and customer potentials from which Gabriel in China will be able to compete and achieve revenue in the years to come.

Gabriel's activities and routines in China are systematic and managed by competent people. Sourcing of components and finished goods constantly produces new product potentials to Gabriel's core and support processes. Quality and logistics are managed by the company's own employees in close co-operation with the parent company in Denmark. In order to strengthen the preventive quality control, the company is attempting to have the subsidiary certified according to ISO 9001.

During 2005/06, the company developed three new products, which passed the product maturing process and were approved for sale. At year end, seven products were in process. Out of a wide range of suppliers, Gabriel established co-operation with three new suppliers.

Most of the year, the office employed six persons comprising one Danish manager, two textile engineers, an administrative officer, a key account manager and a sales assistant.

The existing manager, Rikke Christensen, was appointed Business Development Manager in Gabriel A/S from 1 January 2006 with base in Denmark. She will be replaced by Morten Stamov, MSc and MBA.

Management has previously assessed the possibility of obtaining a breakeven situation for the Chinese activities in the financial year 2005/06, however, management expects that the total net effect from the China activities will have a negative effect on the consolidated profit in 2005/06. The investment in China is a strategic focus area which in future is expected to constitute an important precondition for the group's competitiveness and possibilities of continued growth in sales and earnings.



## The Group's complex of buildings in Aalborg – master plan

Management is to ensure that land and buildings are capitalised to obtain the best possible return on capital employed. Gabriel's business in Denmark is domiciled in a property attractively situated in the middle of Aalborg.

The outsourcing of significant parts of the production, which has taken place for the last five years, provides an opportunity to use the individual sections in new ways. In order to establish a sound basis for short-term as well as long-term decisions regarding the application and arrangement of the complex of buildings, management has engaged an architect to prepare a master plan which analyses and provides ideas for the future application of the buildings.

Innovative partners visit Gabriel daily and the construction of the building plays an increasing role for the efficiency of the development process. Moreover, management wants to support the innovation process by improving and developing the buildings to house other innovative enterprises, wholly or partly, parts of universities and research institutions, entrepreneurs and others with relevant relations to the value chain which Gabriel belongs to.

During the financial year 2005/06, management will initiate the first changes to the building in order to support the above-mentioned aim. The project is expected to be financed partly through operations and partly by disposal of the land which is not expected to form part of the future application. The floor area totals 12,800 sq.m. The appurtenant land totals approx. 23,700 sq.m.

## Gabriel Business Development – innovation

In order to support innovation in Gabriel even further, a new strategic business unit, Business Development, will be established at 1 January 2006. This decision is based on Gabriel's own requirement that new products, to the extent possible, feature exceptional, functional or emotional values. Gabriel strives to find new materials, components, processes and business concepts which create true value at end-users, agents, furniture manufacturers and Gabriel.

As mentioned previously, Rikke Christensen, Production Engineer, and Gabriel's current manager in China, has been appointed manager of Gabriel Business Development.



## Transition to IFRS

With effect from 1 October 2005, the accounting policies will be changed in accordance with the requirements of existing international accounting standards, IFRS. In the annual report for 2005/06, the change will have the following effect on the group's comparative figures for 2004/05:

- The consolidated profit for 2004/05 will be increased by DKK 1,708 thousand.
- The balance sheet at 30 September 2005 will be DKK 2,372 thousand higher.
- Capital and reserves at 30 September 2005 will be increased by DKK 1,708 thousand.

The figures are based on the accounting standards which became effective at 1 October 2005. The annual report for 2005/06 is to be prepared according to the standards applicable at 30 September 2006. Consequently, changes may occur.

The expected consequences of the IFRS implementation are specified in note 17.

## OUTLOOK FOR 2005/06

In the financial year 2005/06, management expects to see an increase in revenue of 10% to approx. DKK 240 million. The transition to IFRS in the annual report for 2005/06 means that profit after tax will improve by DKK 1.7 million. Against this background, the group profit is expected to be around DKK 18 million after tax.



# RISK ASSESSMENT

Gabriel's business activities involves a number of commercial and financial risks that are material to the assessment of the group's future. Gabriel seeks to counter and minimise any risks which can be controlled.

## Competitive situation

Gabriel generates most of its sales from a niche segment on the international market, encountering only limited competition. The company is among the three leading suppliers within this niche (market for contract furniture). Gabriel meets the competition by ensuring that the strategy laid down is realised focussing on the core processes. See also management's supplementary report.

## Customers/markets/segments

Gabriel's strategy is to achieve growth through product development and co-operation with and sales to leading, international manufacturers of furniture, seats and upholstered surfaces. In 2004/05, the largest, individual customer accounted for 11 % of revenue – with the second largest accounting for 4%. The 200 largest customers representing 15 countries accounted for 82% of revenue.

So far, Gabriel has aimed at diversifying risks through growth in the three sales divisions, Gabriel Contract, Gabriel Home and Gabriel Transport. Gabriel Contract is the one most sensitive to market fluctuations and, at the same time, accounted for the most important share (76%) of total revenue. The sale in Gabriel Home and Gabriel Transport is primarily based on scope and composition of resources, products and penetration time. Due to small market shares, the sensitiveness to market fluctuations is limited within these two segments.

## Products

The launch and penetration periods of new furniture fabrics for contract furniture are on average 2-4 years. At the same time, the market requires innovation and new products.

Furniture fabrics for domestic furniture have a shorter penetration period, but, by contrast, also a shorter useful life in general.

Seat fabrics for the transport sector, which are typically developed and selected by one lead user, may have a short penetration period, but, by consequence, it is a case of one-off projects with only a few follow-up orders.

In recent years, Gabriel has placed more emphasis on design and product development, and aims at ensuring that products launched within the past five years make up at least 25% of revenue. At the end of 2004/05, the share was 23% as against 19% the year before.

## Currency exposure

In its capacity as an internationally oriented company with more than 80% of its revenue being generated abroad, Gabriel must regularly manage the group's currency exposure. Sales to customers in Europe are, for the most part, invoiced in the customer's currency while sales to other countries are principally settled in euro. The majority of corporate purchases are settled in Danish kroner or Euro. Apart from the euro, the most important trade currencies are Swedish and Norwegian kroner

for which hedging has been effected in the form of forward contracts. Revenue in USD accounted for less than 1% of total sales for the year.

### **Interest rate risks**

The group had no interest-bearing debt at 30 September 2005. A part of the group's funds has been invested in short-dated bonds in order to optimise current interest yield. Any changes in the overall interest level will generally not have any impact on the profit forecast for the coming year.

### **Credit risks**

The group's trade receivables are distributed on numerous customers, countries and markets, ensuring a high degree of risk diversification. The group aims at reducing risk through effective management, credit insurance of major, foreign receivables or the provision of alternative security. Against this background, the risk of material losses is deemed to be limited.

### **Capital resources**

The group's capital resources totalled DKK 35.3 million at 30 September 2005. Furthermore, Gabriel has a portfolio of treasury shares with a current market value of DKK 21.6 million. In addition, the group has undrawn credit facilities and the option to obtain further funding through the raising of loans secured upon buildings and fixtures and fittings.

### **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) and the EU flower eco-label scheme as well as ISO 9001 certification ensure that neither the activities nor the products of the company are subject to any material environmental risks. The objectives of Gabriel's environmental strategy are to prevent spillage and to ensure that the company's products do not contain any unhealthy substances.

Reference is made to the supplementary report.

### **IT risks**

The group applies an external IT platform so that the operation of all important systems has become less exposed in case of damages.

### **Trade risks**

The majority of raw materials, semi-manufactured products and goods for resale used by Gabriel can be obtained from alternative suppliers in case of non-delivery by the usual suppliers.

### **Contingency plan**

In accordance with the quality and environmental management systems, Gabriel in Aalborg continues to enhance its contingency plans and provide information thereon. Educational activities within first aid and fire-fighting are carried out on a regular basis and all areas have prepared an operational contingency plan.

## STATEMENT BY THE EXECUTIVE AND SUPERVISORY BOARDS

The Executive and Supervisory Boards have today discussed and adopted the annual report for 2004/05 of Gabriel Holding A/S.

The annual report has been prepared in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the Copenhagen Stock Exchange's financial reporting requirements for listed companies. We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of the group's and the parent company's financial position at 30 September 2005 as well as of the results of the group's and the parent company's operations and consolidated cash flows for the financial year 2004/05.

The supplementary report of the group gives a true and fair view within the scope of generally accepted guidelines for such reports.

We recommend that the annual report be approved at the Annual General Meeting.

Aalborg, 22 November 2005

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Executive Board



Jørgen Kjær Jacobsen

Supervisory Board



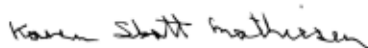
Poul H. Lauritsen



Kaj Taidal



Claus Christensen



Karen Skott Mathiesen



Helle Kjær



Erland Christensen

# AUDITORS' REPORT

## To the shareholders of Gabriel Holding A/S

We audited the annual report of Gabriel Holding A/S for the financial year 2004/05, pages 1-36, prepared in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the Copenhagen Stock Exchange's financial reporting requirements for listed companies.

Our audit did not comprise the supplementary report on pages 37-52. Our basis of opinion and opinion do, therefore, not cover the above-mentioned report.

The annual report is the responsibility of the company's Executive and Supervisory Boards. Our responsibility is to express an opinion on the annual report based on our audit.

## Basis of opinion

We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Executive and Supervisory Boards, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any qualification.

## Opinion

In our opinion, the annual report gives a true and fair view of the group's and the company's financial position at 30 September 2005 and of the results of the group's and the parent company's operations and consolidated cash flows for the financial year 2004/05 in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the Copenhagen Stock Exchange's financial reporting requirements for listed companies.

Aalborg, 22 November 2005

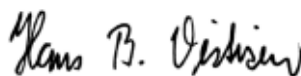
### KPMG C. Jespersen

Statsautoriseret Revisionsinteressentskab



Britta Bang Mikkelsen

State Authorised Public Accountant

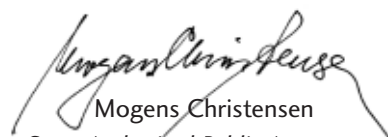


Hans B. Vistisen

State Authorised Public Accountant

### Audicon

Statsautoriseret Revisionsvirksomhed



Mogens Christensen

State Authorised Public Accountant

# ACCOUNTING POLICIES

The annual report of Gabriel Holding A/S for 2004/05 has been prepared in accordance with the provisions applying to class D enterprises under the Danish Financial Statements Act, Danish Accounting Standards and the Copenhagen Stock Exchange's financial reporting requirements for listed companies.

The accounting policies of the company as set out below are consistent with those of the previous year.

## Consolidated financial statements

The consolidated financial statements comprise the parent company, Gabriel Holding A/S, and the subsidiaries, Gabriel A/S, Gabriel (Tianjin) International Trading Co. Ltd. and Sellgren-Tekstiili OY 2005.

The consolidated financial statements have been prepared on the basis of the parent company's and the subsidiaries' audited financial statements, which have been presented in accordance with group accounting policies.

At consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains and losses on intra-group transactions are eliminated.

## Foreign currency translation

At initial recognition, transactions denominated in foreign currencies are translated 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 interest income or expenses and similar items.

Receivables and payables and other monetary items denominated in foreign currencies are translated 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 consolidated and parent company financial statements is recognised in the income statement as interest income or expense and similar items.

Forward contracts hedging future transactions are recognised in the financial statements when the hedged item has been realised.

## 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 exclusive of VAT, taxes and discounts in relation to the sale.

### Other operating income

Other operating income comprises items secondary to the principal activities of the company, including rents, grants as well as gains and losses on the disposal of fixed assets.



Grants towards fixed assets are recognised as deferred income and subsequently as other operating income concurrently with the depreciation/amortisation of the asset.

#### **Other external costs**

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

#### **Profits/losses from investments in subsidiaries**

The proportionate share of the results before tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses. The share of the taxes of subsidiaries is recognised as tax on profit/loss from ordinary activities.

#### **Interest income and expenses and similar items**

Interest income and expenses and similar items comprise interest income and expenses, gains and losses on securities, payables and transactions denominated in foreign currencies as well as surcharges and allowances under the on-account tax scheme, etc.

#### **Tax on profit for the year**

Gabriel Holding A/S is jointly taxed with the subsidiary, Gabriel A/S. The current Danish corporation tax is allocated between the jointly taxed Danish companies in proportion to their taxable income (full absorption with allowances 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 capital and reserves is recognised directly in capital and reserves.

## **Balance sheet**

#### **Development projects**

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

Development projects that are clearly defined and identifiable, where the technical rate of utilisation, sufficient resources and a potential future market or potential development prospects in the company is evidenced, and where the company intends to produce, market or use the project, are recognised as intangible assets provided that cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement when incurred.

Capitalised development costs are measured at the lower of cost less accumulated amortisation/impairment and the 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 and is not to exceed 20 years.

Development costs are written down to the recoverable amount if this is lower than the carrying amount. Impairment tests are conducted annually of each individual asset or group of assets.

#### **Property, plant and equipment**

Land and buildings, plant and machinery and fixtures and fittings, tools 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. The cost of leases is stated at the lower of fair value and net present value of the future lease payments. For the calculation of net present value, the interest rate implicit in the lease or an approximation thereof is used as discount rate.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets.

The expected useful lives are as follows:

Buildings	10-25 years
Plant and machinery	3-8 years
Fixtures and fittings, tools and equipment	3-5 years

Property, plant and equipment are written down to the recoverable amount if this is lower than the carrying amount. Impairment tests are conducted annually of each individual asset or groups of assets.

Gains and losses on 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.

#### **Investments in subsidiaries**

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured at the proportionate share of the companies' net asset values calculated in accordance with the parent company's accounting policies minus or plus unrealised intra-group profits and losses.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation under capital and reserves according to the equity method to the extent that the carrying amount exceeds cost.

#### **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. Borrowing costs are not included in the cost.

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.

#### **Other securities**

Listed securities and investments are measured at fair value at the balance sheet date.

#### **Dividends**

The expected dividend payment for the year is disclosed as a separate item under capital and reserves.

#### **Treasury shares**

Cost of acquisition and disposal as well as dividends received from treasury shares are recognised directly as retained earnings in capital and reserves. Accordingly, gains and losses from sale are not recognised in the income statement. Capital reductions from the cancellation of treasury shares are deducted from the share capital at an amount corresponding to the nominal value of the shares.

#### **Corporation tax and deferred tax**

Current tax payable and receivable is recognised in 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.

#### **Liabilities other than provisions**

Amounts owed to mortgage credit institutions and banks 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, corresponding to the capitalised value using the effective rate of interest. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other 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 group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the group's 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 group's share of 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 fixed assets.

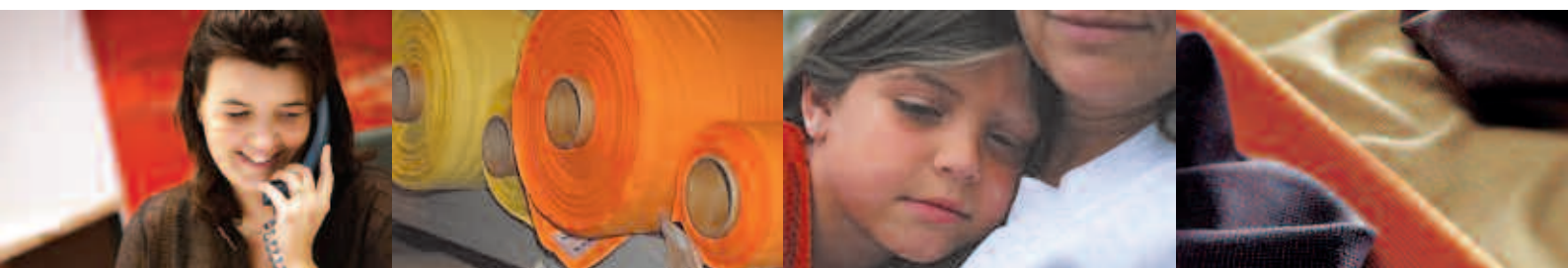
#### **Cash flows from financing activities**

Cash flows from financing activities comprise changes in the size or composition of the group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and listed bonds.

Figures given in brackets represent negative results and deductions.



# INCOME STATEMENT

## FOR 01.10.2004 – 30.09.2005 (DKK'000)

Note		Group		Parent company	
		2004/05	2003/04	2004/05	2003/04
1	Revenue	218,241	185,074	4,294	4,294
	Change in inventories of finished goods and work in progress	883	1,076	–	–
2	Other operating income	552	1,931	–	54
	Cost of raw materials, consumables and goods for resale	(123,825)	(104,122)	–	–
3	Other external costs	(30,535)	(26,393)	(1,190)	(1,055)
4	Staff costs	(40,559)	(36,472)	(1,315)	(1,315)
9	Depreciation/amortisation of intangible assets and property, plant and equipment	<u>(6,872)</u>	<u>(6,854)</u>	<u>(2,372)</u>	<u>(2,450)</u>
	<b>Operating profit/loss (EBIT)</b>	<b>17,885</b>	<b>14,240</b>	<b>(583)</b>	<b>(472)</b>
10	Income from investments in subsidiaries before tax	–	–	19,671	15,098
5	Interest income and similar items	2,570	1,901	1,340	1,485
6	Interest expenses and similar items	<u>(27)</u>	<u>(57)</u>	<u>–</u>	<u>(27)</u>
	<b>Profit before tax</b>	<b>20,428</b>	<b>16,084</b>	<b>20,428</b>	<b>16,084</b>
7	Tax on profit for the year	<u>(5,592)</u>	<u>(4,831)</u>	<u>(5,592)</u>	<u>(4,831)</u>
	<b>Profit for the year</b>	<b><u>14,836</u></b>	<b><u>11,253</u></b>	<b><u>14,836</u></b>	<b><u>11,253</u></b>
	<b>Proposed profit appropriation</b>				
	Proposed dividends, 20% (15%)			8,400	6,300
	Revaluation reserve under the equity method			3,721	1,064
	Retained earnings			<u>2,715</u>	<u>3,889</u>
				<u>14,836</u>	<u>11,253</u>

# BALANCE SHEET AT 30.09.2005 (DKK'000)

## ASSETS

Note	Group		Parent company		
	2005	2004	2005	2004	
	<b>Fixed assets</b>				
8	Intangible assets:				
	Development projects	1,829	1,013	-	-
9	Property, plant and equipment:				
	Land and buildings	10,101	12,473	10,101	12,473
	Plant and machinery	8,485	9,702	-	-
	Fixtures and fittings, tools and equipment	2,862	3,310	-	-
		<u>21,448</u>	<u>25,485</u>	<u>10,101</u>	<u>12,473</u>
10	Investments:				
	Investments in subsidiaries	-	-	52,882	49,070
	Other securities	21	21	21	21
		<u>21</u>	<u>21</u>	<u>52,903</u>	<u>49,091</u>
	<b>Total fixed assets</b>	<u>23,298</u>	<u>26,519</u>	<u>63,004</u>	<u>61,564</u>
	<b>Current assets</b>				
	Inventories:				
	Raw materials and consumables	11,769	10,491	-	-
	Work in progress	6,220	4,561	-	-
	Finished goods and goods for resale	19,264	20,012	-	-
		<u>37,253</u>	<u>35,064</u>	<u>-</u>	<u>-</u>
	Receivables:				
	Trade receivables	28,329	26,468	-	-
	Amounts owed by subsidiary	-	-	18,626	12,171
	Other receivables	1,618	1,374	319	370
		<u>29,947</u>	<u>27,842</u>	<u>18,945</u>	<u>12,541</u>
	Securities	15,834	15,420	15,834	15,420
	Cash at bank and in hand	19,516	10,566	-	1
	<b>Total current assets</b>	<u>102,550</u>	<u>88,892</u>	<u>34,779</u>	<u>27,962</u>
	<b>Total assets</b>	<u>125,848</u>	<u>115,411</u>	<u>97,783</u>	<u>89,526</u>

# BALANCE SHEET AT 30.09.2005 (DKK'000)

## EQUITY AND LIABILITIES

Note	Group		Parent company	
	2005	2004	2005	2004
	<b>Capital and reserves</b>			
	Share capital	42,000	42,000	42,000
	Net revaluation according to the equity method	–	–	17,467
	Retained earnings	43,938	36,911	26,471
	Proposed dividends	8,400	6,300	8,400
	<b>Total capital and reserves</b>	<b>94,338</b>	<b>85,211</b>	<b>94,338</b>
	<b>Provisions</b>			
12	Provisions for deferred tax	1,414	1,856	308
	<b>Short-term liabilities other than provisions</b>			
	Repayment of long-term liabilities	–	163	–
	Trade payables	14,478	16,398	–
	Corporation tax payable	1,732	1,357	1,732
	Other payables	13,886	10,426	1,405
	<b>Total short-term liabilities</b>	<b>30,096</b>	<b>28,344</b>	<b>3,137</b>
	<b>Total liabilities other than provisions</b>	<b>30,096</b>	<b>28,344</b>	<b>3,137</b>
	<b>Total equity and liabilities</b>	<b>125,848</b>	<b>115,411</b>	<b>97,783</b>
11	Treasury shares			
13	Currency exposure, credit risks and interest rate risks			
14	Operating leases			
15	Contingent liabilities and security			
16	Transactions with consolidated enterprises, major shareholders, the Supervisory and Executive Boards			
17	Transition to International Financial Reporting Standards (IFRS) in 2005/06			

## STATEMENT OF CHANGES IN CAPITAL AND RESERVES (DKK'000)

	Share capital	Net revaluation according to the equity method	Retained earnings	Proposed dividends	Total capital and reserves
Capital and reserves 01.10.03	42,000	12,588	18,949	4,200	77,737
Dividends distributed	–	–	–	(3,807)	(3,807)
Dividends, treasury shares	–	–	393	(393)	0
Profit 2003/04	–	1,064	3,889	–	4,953
Value adjustments of hedging instruments	–	28	–	–	28
Proposed dividends	–	–	–	6,300	6,300
Capital and reserves at 30.09.04	<u>42,000</u>	<u>13,680</u>	<u>23,231</u>	<u>6,300</u>	<u>85,211</u>
Dividends distributed	–	–	–	(5,712)	(5,712)
Dividends, treasury shares	–	–	588	(588)	0
Acq. of treasury shares	–	–	(63)	–	(63)
Profit 2004/05	–	3,721	2,715	–	6,436
Exchange rate adjustment of subsidiaries	–	30	–	–	30
Value adjustments of hedging instruments	–	36	–	–	36
Proposed dividends	–	–	–	8,400	8,400
Capital and reserves at 30.09.05	<u>42,000</u>	<u>17,467</u>	<u>26,471</u>	<u>8,400</u>	<u>94,338</u>

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The share capital consists of 420,000 shares at DKK 100 each.

The following shareholders have reported holdings of more than 5% of the share capital:

- Gabol A/S, Aarhus           34.3% ownership
- Fulma A/S, Aarhus           28.0% ownership

# CASH FLOW STATEMENT OF THE GROUP (DKK'000)

	2000/01	2001/02	2002/03	2003/04	2004/05	Total
<b>Cash flows from operating activities</b>						
Profit before tax	19,006	15,036	14,541	16,084	20,428	85,095
Adjusted for non-cash items:						
Depreciation/amortisation	8,135	7,984	7,855	6,854	6,872	37,700
Exchange rate adjustment etc.	–	–	–	–	30	30
Changes in inventories	(2,322)	6,438	410	(3,627)	(1,589)	(690)
Changes in receivables	2,123	71	(352)	1,077	(2,105)	814
Changes in trade payables and other payables	(4,653)	3,432	(1,662)	(34)	1,576	(1,341)
Corporation tax paid	(4,667)	(5,103)	(3,331)	(5,882)	(5,659)	(24,642)
	<u>17,622</u>	<u>27,858</u>	<u>17,461</u>	<u>14,472</u>	<u>19,553</u>	<u>96,966</u>
<b>Cash flows from investing activities</b>						
Net investments in fixed assets:						
Development projects	–	–	(134)	(908)	(948)	(1,990)
Land and buildings	(3,284)	(1,455)	(35)	(507)	–	(5,281)
Plant and machinery	(4,705)	(1,271)	188	(3,090)	(1,180)	(10,058)
Fixtures and fittings, tools and equipment	(3,350)	(1,488)	(846)	(1,140)	(823)	(7,647)
Acquisition of assets	–	–	–	–	(1,300)	(1,300)
Prepayments for assets in course of construction	749	0	0	0	0	749
Other securities	8	0	0	(3)	0	5
	<u>(10,582)</u>	<u>(4,214)</u>	<u>(827)</u>	<u>(5,648)</u>	<u>(4,251)</u>	<u>(25,522)</u>
<b>Cash flows from financing activities</b>						
External financing:						
Changes in debt to mortgage credit institutions	(1,027)	(1,084)	(5,508)	–	–	(7,619)
Changes in debt to credit institutions	(3,381)	(7,276)	(528)	(379)	(163)	(11,727)
Shareholders:						
Acquisition/disposal of and dividends on treasury shares	566	407	408	393	525	2,299
Dividends distributed	(3,360)	(3,780)	(4,200)	(4,200)	(6,300)	(21,840)
	<u>(7,202)</u>	<u>(11,733)</u>	<u>(9,828)</u>	<u>(4,186)</u>	<u>(5,938)</u>	<u>(38,887)</u>
<b>Changes in cash and cash equivalents for the year</b>	(162)	11,911	6,806	4,638	9,364	32,557
<b>Cash and cash equivalents at the beginning of the year</b>	<u>2,793</u>	<u>2,631</u>	<u>14,542</u>	<u>21,348</u>	<u>25,986</u>	<u>2,793</u>
<b>Cash and cash equivalents at year end</b>	<u>2,631</u>	<u>14,542</u>	<u>21,348</u>	<u>25,986</u>	<u>35,350</u>	<u>35,350</u>

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

# NOTES TO THE FINANCIAL STATEMENTS (DKK'000)

Note		Group		Parent company	
		2004/05	2003/04	2004/05	2003/04
1	<b>Revenue</b>				
	Denmark	38,979	35,381	4,294	4,294
	The EU	137,221	116,643	–	–
	Other countries	42,041	33,050	–	–
		<u>218,241</u>	<u>185,074</u>	<u>4,294</u>	<u>4,294</u>
	Revenue broken down by the individual sales divisions is specified as follows:				
	Gabriel Contract	167,088	141,086	–	–
	Gabriel Home	40,486	37,647	–	–
	Gabriel Transport	10,667	6,341	–	–
	Sundries	–	–	4,294	4,294
		<u>218,241</u>	<u>185,074</u>	<u>4,294</u>	<u>4,294</u>
2	<b>Other operating income</b>				
	Grants	79	588	–	–
	Rental income	373	973	–	–
	Gain on disposal of fixed assets	100	370	–	54
		<u>552</u>	<u>1,931</u>	<u>–</u>	<u>54</u>
3	<b>Other external costs</b>				
	Fees to the auditors appointed at the Annual General Meeting were recognised under other external costs at the following amounts:				
	Audit, KPMG	225	218	42	41
	Audit, Audicon	25	25	25	25
	Non-audit services, KPMG	84	180	53	45
		<u>334</u>	<u>423</u>	<u>120</u>	<u>111</u>
4	<b>Staff costs</b>				
	Wages and salaries, etc.	(38,776)	(34,777)	(1,315)	(1,315)
	Pensions	(1,873)	(1,692)	–	–
	Other social security costs	(344)	(356)	–	–
	Other payroll-related costs	(176)	(191)	–	–
		<u>(41,169)</u>	<u>(37,016)</u>	<u>(1,315)</u>	<u>(1,315)</u>
	Staff costs capitalised	610	544	–	–
		<u>(40,559)</u>	<u>(36,472)</u>	<u>(1,315)</u>	<u>(1,315)</u>

Note	Group		Parent company		
	2004/05	2003/04	2004/05	2003/04	
4 cont.	Executive Board remuneration	(1,735)	(1,726)	(940)	(940)
	Supervisory Board emoluments	(475)	(475)	(375)	(375)
	Average number of employees	<u>100</u>	<u>95</u>	<u>-</u>	<u>-</u>
5	<b>Interest income and similar items</b>				
	Cash discounts	550	535	-	-
	Interest income, etc.	701	439	457	271
	Net foreign exchange gains	905	284	-	-
	Interest income from subsidiary	-	-	469	571
	Price adjustments, bonds	414	643	414	643
		<u>2,570</u>	<u>1,901</u>	<u>1,340</u>	<u>1,485</u>
6	<b>Interest expenses and similar items</b>				
	Interest expenses, etc.	<u>(27)</u>	<u>(57)</u>	<u>-</u>	<u>(27)</u>
7	<b>Tax on the profit for the year</b>				
	Current tax on taxable income for the year	(6,034)	(4,546)	(387)	(258)
	Adjustment to deferred tax	318	(285)	212	(39)
	Tax in subsidiaries	-	-	(5,454)	(4,534)
	Reduction of corporation tax rate from 30% to 28%	124	-	37	-
		<u>(5,592)</u>	<u>(4,831)</u>	<u>(5,592)</u>	<u>(4,831)</u>
	<b>Tax on profit for the year is specified as follows:</b>				
	Tax on profit for the year before tax 28%/30%	(5,720)	(4,825)	(5,720)	(4,825)
	Tax effect of:				
	Non-deductible costs	(16)	(6)	(16)	(6)
	Non-taxable income	37	-	37	-
	Reduction of corporation tax rate from 30% to 28%	124	-	124	-
	Loss regarding subsidiaries not jointly taxed	(17)	-	(17)	-
		<u>(5,592)</u>	<u>(4,831)</u>	<u>(5,592)</u>	<u>(4,831)</u>
	Effective tax rate	<u>27.4%</u>	<u>30.0%</u>	<u>27.4%</u>	<u>30.0%</u>

## Note

8	<b>Intangible assets</b>	Development projects			
	Cost at 1 October 2004			1,042	
	Additions during the year			1,064	
	Disposals during the year			(137)	
	Cost at 30 September 2005			<u>1,969</u>	
	Amortisation and impairment at 1 October 2004			29	
	Disposals during the year			(21)	
	Amortisation for the year			132	
	Amortisation and impairment at 30 September 2005			<u>140</u>	
	Carrying amount at 30 September 2005			<u>1,829</u>	
	Of this amount, development projects in progress total			<u>1,148</u>	
9	<b>Property, plant and equipment</b>				
		Land and buildings	Plant and machinery	Fixtures and fittings, tools and equipment	Total
	Cost at 1 October 2004	41,180	63,871	21,092	126,143
	Additions during the year upon acquisition of activities	–	700	–	700
	Additions during the year	–	1,180	823	2,003
	Disposals during the year	–	–	(375)	(375)
	Cost at 30 September 2005	<u>41,180</u>	<u>65,751</u>	<u>21,540</u>	<u>128,471</u>
	Depreciation at 1 October 2004	28,707	54,169	17,782	100,658
	Disposals during the year	–	–	(375)	(375)
	Depreciation for the year	2,372	3,097	1,271	6,740
	Depreciation at 30 September 2005	<u>31,079</u>	<u>57,266</u>	<u>18,678</u>	<u>107,023</u>
	Carrying amount at 30 September 2005	<u>10,101</u>	<u>8,485</u>	<u>2,862</u>	<u>21,448</u>
	Depreciated over	10-25 years	5-8 years	3-5 years	

The public land assessment at 1 Januar 2004 was DKK 20,600 thousand.

## Note

10 Investments in subsidiaries		2004/05	2003/04
Cost at 1 October		35,390	34,150
Adjustment of cost		(30)	–
Additions during the year		59	1,240
Cost at 30 September		<u>35,419</u>	<u>35,390</u>
Revaluation at 1 October		13,680	12,588
Profit for the year before tax		19,671	15,098
Tax on profit for the year		(5,454)	(4,534)
Dividends received in the financial year		(10,500)	(9,500)
Exchange rate adjustment		30	–
Value adjustments of hedging instruments		36	28
Revaluation at 30 September		<u>17,463</u>	<u>13,680</u>
Carrying amount at 30 September		<u>52,882</u>	<u>49,070</u>

Subsidiary	Registered office	Ownership share	Share capital	Capital and reserves	Profit/loss before tax	Profit/loss for the year
Gabriel A/S	Aalborg	100%	25,500	51,673	19,733	14,279
Sellgren-Tekstiili OY 2005	Finland	100%	59	59	0	0
Gabriel (Tianjin)	China	100%	1,240	1,154	(62)	(62)
				<u>52,886</u>	<u>19,671</u>	<u>14,217</u>

11 Treasury shares		Number of shares	Nominal value	Cost	Share price at 30 Sep.	% of share capital
Portfolio at 1 Oct. 2004		39,200	3,920	5,556	21,520	9.3%
Acquisitions		175	18	63	96	0.1%
Portfolio at 30 Sep. 2005		<u>39,375</u>	<u>3,938</u>	<u>5,619</u>	<u>21,616</u>	<u>9.4%</u>

12 Deferred tax		2004/05	2003/04
Deferred tax at 1 October		1,856	1,571
Deferred tax for the year		(318)	285
Reduction of corporation tax rate from 30% to 28%		(124)	–
Deferred tax at 30 September		<u>1,414</u>	<u>1,856</u>

**Note**

	2004/05	2003/04
12 cont. Deferred tax in respect of:		
Intangible assets	512	304
Land and buildings	11	364
Plant and machinery, etc.	554	889
Current assets	<u>337</u>	<u>299</u>
	<u>1,414</u>	<u>1,856</u>

**13 Currency exposure, credit risks and interest rate risks****Currency exposure**

The group's foreign exchange positions in Danish kroner at 30 September 2005 are specified as follows:

Currency	Trade receivables/cash and cash equivalents	Trade payables/ bank loan	Hedging (forward contracts)	Net position
DKK	<u>18,881</u>	<u>5,813</u>	–	<u>13,068</u>
EURO	17,431	8,452	–	8,979
SEK	4,085	126	–	3,959
NOK	3,510	9	2,370	1,131
OTHERS	<u>3,938</u>	<u>78</u>	–	<u>3,860</u>
OVERSEAS	<u>28,964</u>	<u>8,665</u>	<u>2,370</u>	<u>17,929</u>

The group's trade receivables and trade payables usually fall due no later than three months after delivery.

**Credit risks**

Credit insurance has been taken out for all major receivables denominated in foreign currencies at 30 September 2005. The risk of material losses on receivables is deemed to be insignificant.

**Interest rate risk**

At present, the group does not expect to require any external financing in the coming financial year.

Viewed separately, a fall/increase in the market rate of one percentage point is not deemed to have any material impact on group results.

**14 Operational leasing**

At 30 September 2005, the group held operating leases with a residual obligation of DKK 1,115 thousand.

**15 Contingent liabilities and security**

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

As part of usual group operations, the group has entered into purchase agreements for future raw material supplies at an amount of DKK 6,000 thousand.

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

The group and the parent company have no guarantees and warranties.

## Note

### 16 Transactions with consolidated enterprises, major shareholders as well as the Supervisory and Executive Boards

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

No transactions have been carried out with the Executive Board or Supervisory Boards, executive employees, major shareholders or other related parties, apart from intra-group transactions, which have been eliminated in the consolidated financial statements, and the usual remuneration and emoluments.

### 17 Transition to International Financial Reporting Standards (IFRS) in 2005/06

The Gabriel Group and the parent company Gabriel Holding A/S will adopt reporting under IFRS with effect from 1 October 2005. The transition to IFRS will be effected in accordance with the financial reporting regulations contained in IFRS 1 – First-time Adoption of International Financial Reporting Standards. Furthermore, the Gabriel Group will apply the principles for recognition and measurement according to IFRS in the interim reporting for 2005/06. The survey below shows the effect on the Gabriel Group and the parent company Gabriel Holding A/S of the transition from the historically applied Danish accounting rules to the IFRS accounting rules.

Group	Explan- ation	1 October 2004			04/05	30 September 2005		
		Assets	Liabili- ties	Capital & reserves	Profit/loss for the year	Assets	Liabili- ties	Capital & reserves
According to the Danish Financial Statements Act and Danish Accounting Standards		115,411	30,200	85,211	14,836	125,848	31,510	94,338
Adjustments: Reassessment of scrap value of buildings	a)				2,372	2,372		2,372
Tax effect of adjustments	d)				(664)		664	(664)
Total adjustments		0	0	0	1,708	2,372	664	1,708
Computed according to IFRS		115,411	30,200	85,211	16,544	128,220	32,174	96,046

Parent company	Explan- ation	1 October 2004			04/05	30 September 2005		
		Assets	Liabili- ties	Capital & reserves	Profit/loss for the year	Assets	Liabili- ties	Capital & reserves
According to the Danish Financial Statements Act and Danish Accounting Standards		89,526	4,315	85,211	14,836	97,783	3,445	94,338
Adjustments: Reassessment of scrap value of buildings	a)				2,372	2,372		2,372
Investments in subsidiaries	b)	(13,680)		(13,680)	(14,221)	(17,467)		(17,467)
Dividends received from subsidiaries	c)				10,500			
Tax effect of adjustments	d)				(664)		664	(664)
Total adjustments		(13,680)	0	(13,680)	(2,013)	(15,095)	664	(15,759)
Computed according to IFRS		75,846	4,315	71,531	12,823	82,688	4,109	78,579

## Note

17 cont. Forklaring af overgangen til IFRS:

a) *Reassessment of scrap value of buildings.*

According to IFRS property, plant and equipment are to be reassessed each year. In connection with the transition to IFRS, management has reassessed the scrap value of the group's and the parent company's buildings, which will be treated as a change of accounting estimates in 2004/05.

b) *Investments in subsidiaries*

Investments in subsidiaries are, according to IFRS measured at cost. So far investments in subsidiaries have been measured according to the equity method. In the balance sheets at 1 October 2004 and 30 September 2005, respectively, revaluations are reversed from cost to equity value.

c) *Dividends received from subsidiaries*

Dividends received from subsidiaries are recognised according to IFRS in the parent company's income statement as interest income and similar items

d) *Tax effect*

The effect on deferred tax due to the changes made in accounting policies applied and accounting estimates has been recognised.

# SUPPLEMENTARY REPORT – CO-OPERATION WITH AND VALUE CREATION FOR STAKEHOLDERS

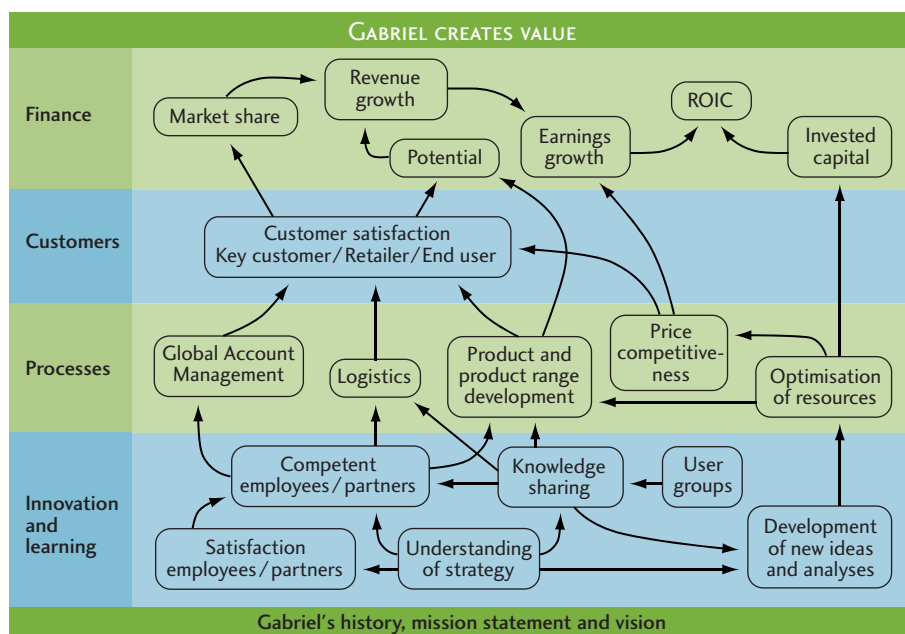
The objective of the supplementary report is to give our stakeholders, customers, employees, shareholders and society an insight into what Gabriel is doing to ensure short-term and long-term value creation. The supplementary report is based on Gabriel's mission statement and vision, which appear from the Gabriel Profile, page 3.

This is the third year that Gabriel has prepared a supplementary report. We hope that it will provide new and relevant information each year and create an enhanced basis for the ongoing dialogue with our stakeholders and other parties requesting more information on Gabriel.

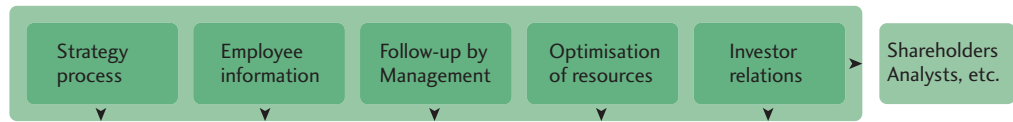
## Business model – Balanced Score Card

Gabriel employs the Balanced Score Card model based on the following four perspectives: Finance, customers, processes and innovation and learning.

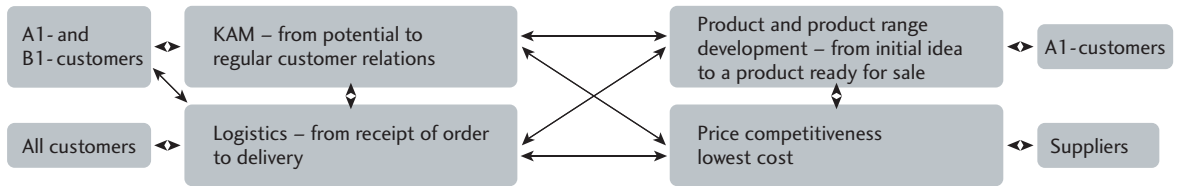
Gabriel aims at realising its vision and achieving its objectives through its group strategy, which is based on the following four core processes: Key Account Management (KAM), logistics, product and product range development and price competitiveness.



Gabriel's business model necessitates process-oriented working procedures implemented by the organisation over the past several years. Turn to the next page for an outline of the managerial, core and supporting processes. Changes made in 2004/05 have been incorporated into the outline of processes. Furthermore, Gabriel's value chain has been outlined on page 43 showing where the individual processes affect functions and results in the individual links within the entire value chain.



CORE PROCESSES



SUPPORT PROCESSES



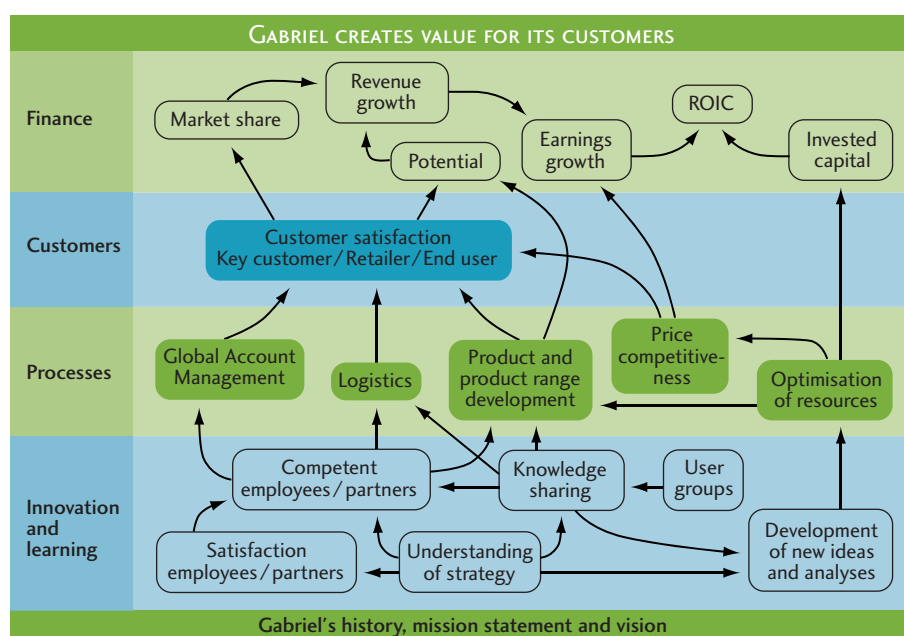
# CUSTOMERS

CUSTOMERS	EMPLOYEES
SHARE-HOLDERS	SOCIETY

“With furniture fabrics as its competence area, Gabriel intends to be the preferred development partner for and supplier to leading international manufacturers of furniture and lead users of furniture, seats and upholstered surfaces.” (From Gabriel Profile – Vision)

Gabriel aims at realising its strategy through four core processes creating value for its customers:

- Global key account management (KAM) – from potential to regular customer relations
- Product and product range development – from initial idea to a product ready for sale
- Logistics – from receipt of order to product delivery
- Price competitiveness – from cost containment to enhanced price competitiveness



## Global key account management (the KAM process) – from potential customer to regular customer relations

### Identification of customer needs

The quality of the continuing identification of customer needs is decisive for value creating key account management comprising:

- The end user’s and the furniture designer’s requests for design, comfort and product quality
- The furniture seller’s and retailer’s need for product knowledge, samples and sales tools
- The furniture producers’ requirements of upholstery design and properties, logistics and price as well as quality and environmental requirements.

Furniture fabrics are often the crucial element of saleability of the individual furniture. It takes knowledge of the market and close contact with the entire value chain to develop solutions enhancing the value for customers as well as users. Gabriel holds international top competences within the most important areas of the process.

### Gabriel grows with the largest

Gabriel's objective is to deliver furniture fabrics to leading international manufacturers and distributors of contract and domestic furniture as well as to major transport companies specialised in public transport – (aircrafts, trains, busses and ships).

New key customers or new products for existing key customers require a penetration period of usually several years. Gabriel strives to obtain the largest part of each designated key customer's purchase of furniture fabrics.

### Activity level for KAM

The realisation of the strategy first and foremost depends on the qualitative and quantitative level of the activities carried out together with key customers.

The individual key account manager sets up his/her goals in relation to the implementation of Gabriel's overall strategy and activity goals.

### Customer satisfaction

Key account managers currently survey customer satisfaction among selected Gabriel key customers. The outcome thereof is assessed by the management team. Any negative variances prompt immediate feedback, and corrective measures will be taken.

#### Customer satisfaction survey:

Parameters	91 responses from key customers 2001 to 2003		61 responses from key customers 2003/2004		28 responses from key customers 2004/2005	
	Importance	Satisfaction	Importance	Satisfaction	Importance	Satisfaction
1. Delivery time	4.8	4.4	4.8	4.5	4.8	4.5
2. Delivery performance	4.7	4.4	4.8	4.3	4.8	4.3
3. Product development	3.5	4.2	3.8	4	3.8	4
4. Quality	4.5	4.7	4.9	4.3	4.9	4.3
5. Design	4.3	4.4	4.3	4.3	4.3	4.3
6. Colour scale	4.3	4.7	4.4	4.8	4.4	4.8
7. Cover of price groups	4.2	3.5	3.8	3.8	3.8	3.8
8. Guarantee for supplementary fabrics	4.2	4.3	4.3	4.4	4.3	4.4
9. Competitive price	4.6	3.6	4.6	3.7	4.6	3.7
10. Technical service/support	3.7	4	4.3	4.2	4.3	4.2
11. International market support	3.2	3.7	3.1	4.2	3.1	4.2
12. Product presentation	3.7	4.4	3.8	4.3	3.8	4.3
13. Standard product range	4	4	3.6	4	3.6	4
14. Support/training of sales staff		4.1	3.9	4.1	3.7	4.4
15. Financial soundness	3.7	4.2	4.1	4.5	3.9	4.4
16. Support by telephone	4.4	4.5	4.5	4.5	4.3	4.4
17. Information material	3.9	4.2	4.1	4.4	4.1	4.2
18. Overall satisfaction		4.3		4.6		4.3

*Comments:* The findings of the survey refer to a five-point scale with 1 point indicating dissatisfaction and 5 point indicating a high degree of satisfaction. 3 point represents a neutral attitude.

## Product and product range – from initial idea to a product ready for sale

Design and product development is based on the identified customer needs, trends and requirements that new products are to provide exceptional functional or emotional value for the user. The development of new products mainly takes place in co-operation with at least one key customer.

Gabriel makes efforts to ensure that at least 25% of revenue derives from products launched within the past five years. In 2004/05, new products accounted for 23%.

Another important objective which serves as an “early warning” is the number of products released. The objective was to release 14 new designs in 2004/05. However, eight new designs were released. This gave rise to an assessment and determination of an “early warning” objective for the current number of development projects in the pipeline.

## Logistics process – from receipt of order to delivery

As a consequence of Gabriel’s expanded value chain, the logistics process comprises an increasing number of tasks. The efficiency in this respect is crucial for the Gabriel Group’s value creation. The processes comprise relations to an increasing number of customers, suppliers and other Gabriel core processes, strategic business units and support processes.

Gabriel’s performance as regards reliability of delivery developed positively. The goals laid down, which are deemed to be one of the best within the industry, were also reached in 2004/05. Gabriel’s average time of delivery is one to two weeks from receipt of order to delivery.

## Price competitiveness – from cost containment to enhanced price competitiveness

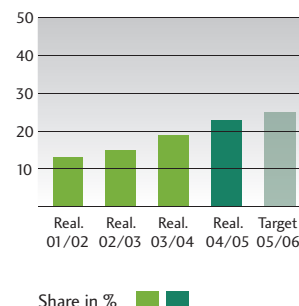
One of the most important challenges is the current sharpening of the price competition due to the key customers’ outsourcing of furniture production to low-cost countries. Gabriel therefore continues to ensure their price competitiveness and considers this as an important core process.

The development in Gabriel’s price competitiveness is continuously measured according to a cost index, including all types of costs relating to each individual product.

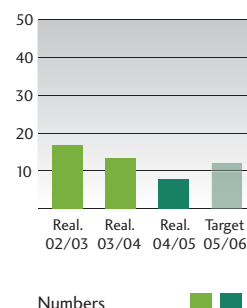
Some of the most important contributors to competitive prices are:

- Product development process
- Agreements with suppliers
- Outsourcing
- Optimisation of material throughout the value chain
- Quality and environmental management
- Trade network

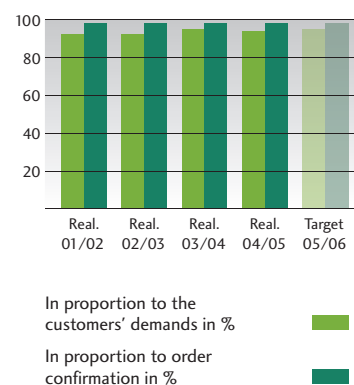
NEW PRODUCTS’ SHARE OF REVENUE



NUMBER OF DESIGNS RELEASED



AVERAGE RELIABILITY OF DELIVERY



## Strategic business units – offer new possibilities for growth

Operation of part of the group as strategic business units aims at

1. finding new ways of future growth still focussing on the overall strategy in the core processes
2. ensuring a constantly improved return on invested capital
3. becoming less dependent on overheads in the core business
4. ensuring competitive power throughout the value chain.

The possibilities for insourcing as well as outsourcing are constantly assessed.

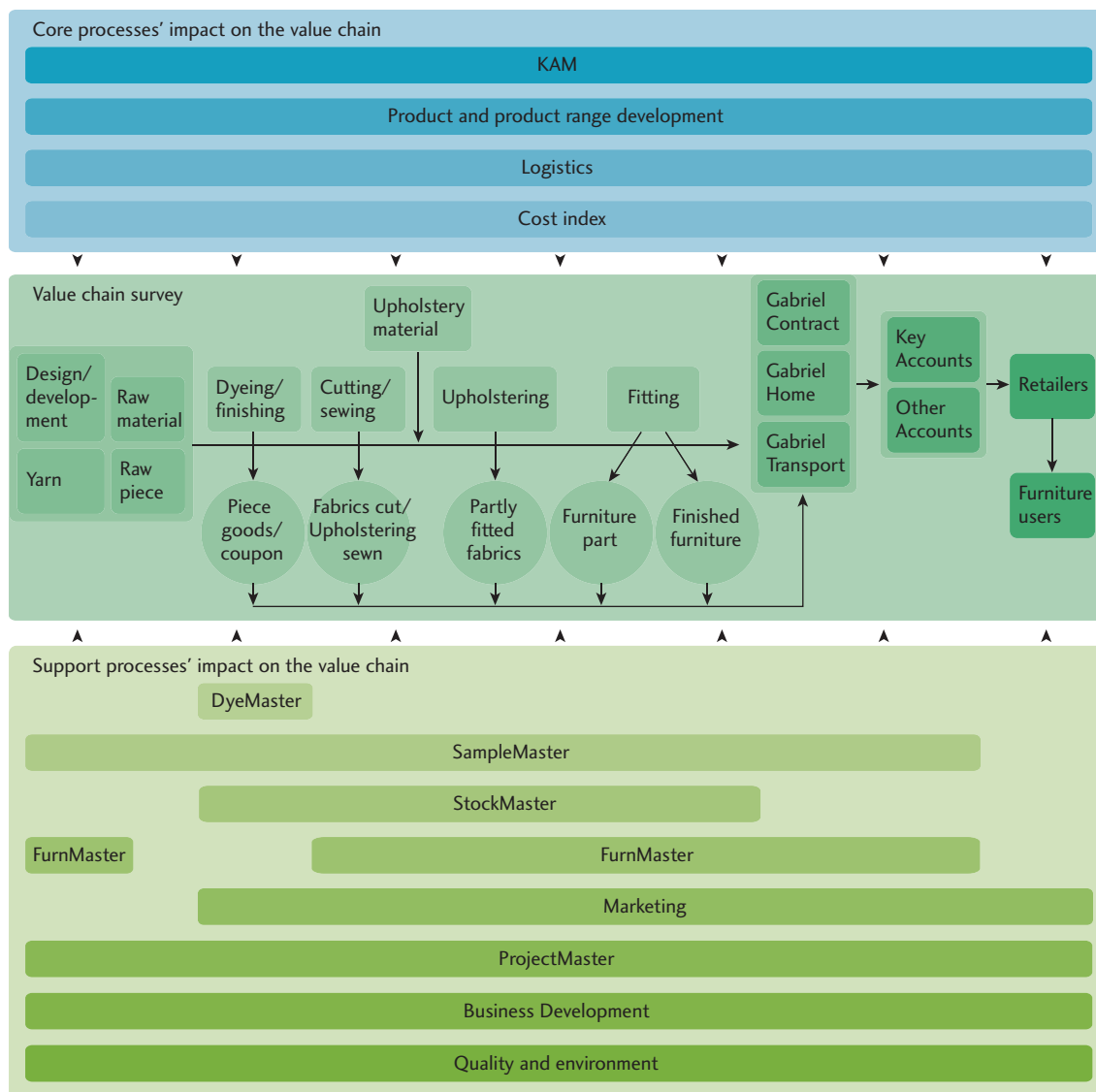
**FurnMaster**, which was established in 2003/04, offers sub-supplies in the form of logistics solutions, cutting, sewing and upholstery of furniture and screen fabrics for Gabriel's key customers. So far, FurnMaster, which has two employees, has not invested in any technical equipment, but concluded agreements with external co-operators possessing the required machines. The business unit positively contributed to the group's results already in the first whole financial year. The level of activity is on the increase, and FurnMaster is expected to be of great benefit to the Gabriel group.

**SampleMaster**, which develops and manufactures samples and sales literature, saw again in 2004/05 an increase in the sale of services to both Gabriel and an increasing number of external customers. SampleMaster is an innovative business unit providing its customers with value-creating solutions in the form of comprehensive and attractive sales literature. Compared to its size, this profit centre is of great benefit to Gabriel's return on the invested capital. SampleMaster has a staff of eight employees. The main part of the production takes place at foreign co-operation partners.

**DyeMaster** is the name of Gabriel's dyeing and finishing activities, which are situated at the group's address in Aalborg. DyeMaster is run as an independent profit centre with only a few customers beyond Gabriel. The income potential stems from washing, dyeing and finishing of furniture fabrics as well as advisory services to Gabriel and other customers. DyeMaster possesses modern machines and a high degree of competence with regard to dyeing and finishing as well as environmental and production-related issues.

In recent years, the settling prices for dyeing and finishing have been put under pressure when compared to the prices charged in Eastern Europe. Gabriel has therefore initiated activities which in future are to ensure competitive alternatives to DyeMaster, which is subject to considerable water and energy taxes. DyeMaster has 26 employees.

**StockMaster** is in charge of the storage, handling, packing and dispatch of goods. Income potential is calculated on the basis of the number of goods dispatched, and a flexible workforce is made available to the other units within the Gabriel Group. StockMaster's present customer portfolio consists of Gabriel, SampleMaster and DyeMaster. StockMaster has nine employees and is, taking the current settling prices into consideration, a great benefit to Gabriel's return on the invested capital.



**Gabriel China**, comprising Gabriel's representative office and the newly established trading company, Gabriel (Tianjin) International Trading Co. Ltd., is described in the operating review.

**Sellgren-Tekstiili OY 2005**, comprising the sales office in Aabo, Finland, with three employees, is described in the operating review under Gabriel Transport.

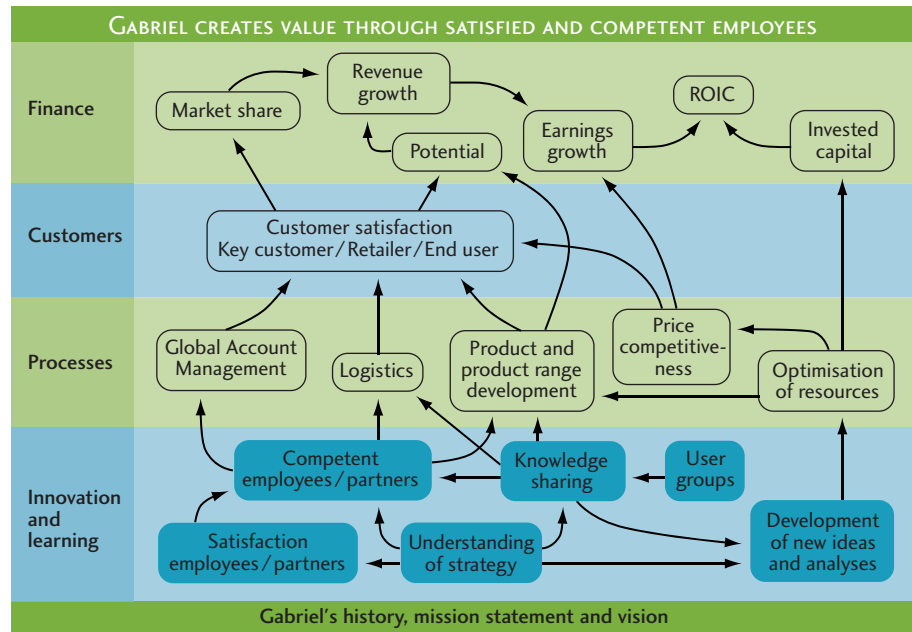
**Gabriel Ejendom (Gabriel Property)**, comprising administrative and production facilities including outdoor areas, leases to Gabriel A/S and most of the mentioned business units. Management focuses on improving the utilisation of the property in Aalborg, which is described in the operating review. Gabriel Ejendom has no employees.

**Gabriel Business Development**, which is to become a support process, is described in the operating review.

# EMPLOYEES

*“Gabriel’s employees are aware of and work towards common goals. Gabriel should be the preferred employer attracting and retaining competent employees.”*

(From Gabriel Profile – Employees)



## Human resource development

The skills as well as personal and professional development of the employees are of decisive importance to future corporate growth. It is highly important to Gabriel that its employees employ, develop and share their knowledge and skills.

Gabriel must be able to attract and retain employees thriving in a dynamic environment and considering their employment a lifelong learning process.

All employees are informed of Gabriel’s overall goals and are regularly briefed on their situation in appraisal interviews and departmental meetings. The objective of this approach is to ensure that all employees work according to defined goals and responsibilities that correspond to the skills, development and qualifications of the individual employee.

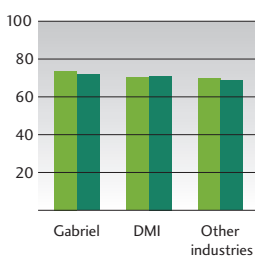
Gabriel strives to develop its IT network, allowing it to store more information and data and thereby facilitating the exchange and distribution of data.

## Employee satisfaction

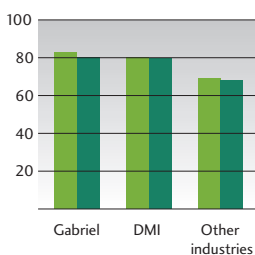
In September 2005, Gabriel carried out its second analysis of employee satisfaction. The objective was to be able to prioritise future action areas. As last time, the consultancy firm, MarkedsConsult, was in charge of collecting the responses and analysing data based on the European Employee Index (EEI). The external supplier has ensured complete anonymity and a professional analysis of the data.

Compared to last year, the general satisfaction and motivation as well as loyalty among the employees decreased slightly. However, Gabriel still exceeds the level of Dansk Medarbejder Indeks (DMI) (A Danish index on human resource issues) and the level of the industry index “Other industries” in particular.

SATISFACTION AND MOTIVATION



LOYALTY



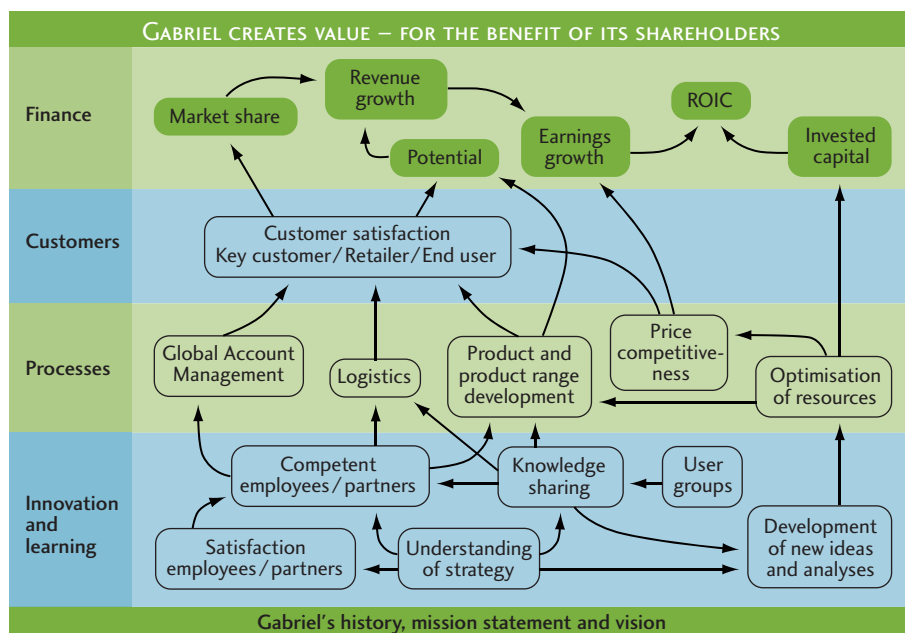
2003/04 ■  
2004/05 ■

# SHAREHOLDERS

CUSTOMERS	EMPLOYEES
SHARE-HOLDERS	SOCIETY

“Gabriel is to continue to produce growth and profitability of a size which is attractive to its shareholders. The overall financial objective is to generate return on invested capital (ROIC) in excess of the cost of capital.”

(From Gabriel Profile – Financial objectives)



## Financial objectives and results

Again in 2004/05, Gabriel met its overall financial objective. Targeted cost of capital under the current capital structure has been fixed at 15% before tax. ROIC accounted for 19.6% in 2004/05 as against 17.0% last year. When determining targeted ROIC, Gabriel accounted for the present situation with its activities being financed by means of capital and reserves only, placing heavy demands on return on invested capital.

When trade conditions are stable, the group aims at realising an average 15% revenue increase, an increasing net profit ratio and an increase in results of 15%. All three goals were reached in 2004/05 as it appears from the operating review.

## Potential

The individual potential purchase of products and services from the group's business units of each of Gabriel's key customers is assessed on a regular basis. The sales potential, which is an important value driver, is affected by:

- Business developments exemplified by the expanded value chain.
- Development of products with exceptional, functional or emotional qualities.
- Attraction of a number of selected key customers.
- Trade conditions, which the period after 2001 showed very clearly.

Management has initiated activities which are to increase the potential calculated at 30 September 2005 of DKK 1.1 billion. The additional potential which derives from the group's sale of services to more links in the value chain has not yet been calculated and is therefore not included in the amount mentioned.

### Invested capital

The group still generates high cash flows triggering an increase in cash at bank and in hand, invested capital as well as capital and reserves. The sound financial situation of the company places even heavier demands on ROIC.

Gabriel's capital resources are considered appropriate at a time when focus is on expansion and transformation into a global company.

### Price movements in 2004/05

During the financial year, the share price moved between 320 and the highest price ever 549 at 30 September 2005. The development corresponds to an increase of 72% compared to the beginning of the year. The total market price of the company's shares amounts to DKK 230.7 million at 30 September 2005.

Again this year, the demand for shares increased resulting in higher sales at the Copenhagen Stock Exchange in 2004/05 compared with last year.

### Shares

Gabriel Holding A/S has one class of shares. The shares are freely negotiable securities.

The Management intends to provide its shareholders with regular information on the company and, therefore, encourages them to register their shares in Gabriel Holding A/S.

### Shareholders

The following shareholders are registered as holding more than 5% of the share capital:

- Gabol A/S, Aarhus, ownership share 34.4%
- Fulma A/S, Aarhus, ownership share 28.0%

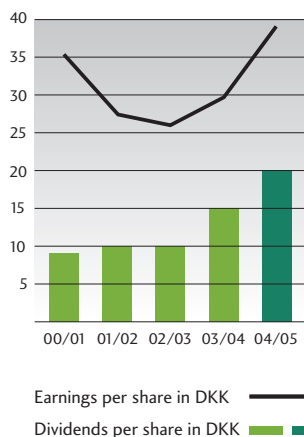
### Treasury shares

Gabriel's portfolio of treasury shares numbered 39,375 at the end of the financial year, corresponding to 9.3% of the share capital. The market price of treasury shares came in at DKK 21.8 million at 30 September 2005 as against DKK 12.5 million last year.

### Dividends

As a result of further strengthened liquidity and capital resources, the Supervisory Board proposes to the company in general meeting that dividends for 2004/05 should be raised to 20%, corresponding to DKK 20 per share of DKK 100 each. This is equivalent to a payout ratio of 57% as against 56% last year. The dividends will be available on 21 December 2005.

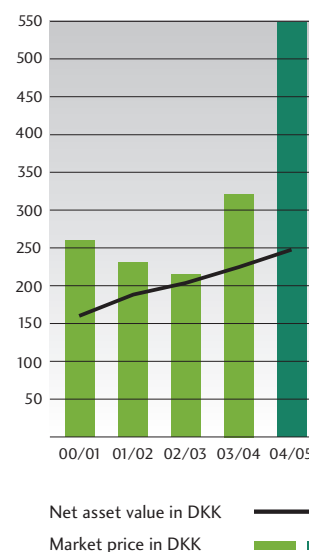
DIVIDEND AND EARNINGS PER SHARE



## Stock Exchange Announcements in 2004/05

18.11.04	Announcement of the annual report for 2003/04: Enhanced results and increases dividends by 50%
30.11.04	Notice of Annual General Meeting
16.12.04	Minutes of General Meeting
17.12.04	Statement of shareholdings
28.02.05	Q1 report for 2004/05: Enhanced turnover and earnings for Q1
02.03.05	Statement of shareholdings
18.03.05	Takeover of assets in Finnish upholstery manufacturer
29.03.05	Statement of shareholdings
19.05.05	Interim report – first six months of 2004/05: Enhanced turnover and earnings for the first six months
25.08.05	Financial calendar for 2005/06
25.08.05	Q3 report for 2004/05: Upward adjustment of expectations for 2004/05

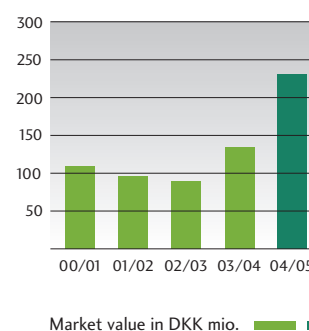
MARKET PRICE AND NET ASSET VALUE AT YEAR END



## Financial calendar for 2005/06

22.11.05	Announcement of the annual report
07.12.05	The printed annual report for 2004/05 is available
15.12.05	Annual General Meeting
21.12.05	Distribution of dividends
07.02.06	Q1 report
16.05.06	Interim report
24.08.06	Q3 report
23.11.06	Announcement of the annual report
19.12.06	Annual General Meeting

DEVELOPMENT IN MARKET VALUE



## Corporate governance

Throughout the years, the group management has strived to define and maintain explicit mission statements, visions, objectives and strategies. The implementation of strategies and the completion of planned activities create value for customers, employees, shareholders and the surrounding society.

The Supervisory Board regularly assesses the overall managerial aspects of the company. Complying with international and Danish practices and observing the Articles of Association and Rules of Procedure of the group is of utmost importance. Gabriel meets a large part of the Danish recommendations on corporate governance.

## Investor Relations

Gabriel Holding aims at providing satisfactory and uniform volume of information to investors and analysts with a view to ensuring that the movement in its share price is stable and reflects expected corporate development at any time.

## The Gabriel share is monitored by:

Independent Research/Consult, Peter Andersen  
Sparbank Vest A/S, Ulrik Jensen, Chief Analyst

Gabriel's website, [www.gabriel.dk](http://www.gabriel.dk), is regularly updated with information on and financial highlights of the Gabriel group. Furthermore, the homepage of the Copenhagen Stock Exchange, [www.cse.dk](http://www.cse.dk), contains updated prices and analyses regarding share trading and price movements.

Gabriel Holding is registered under industry group 2520 – Consumer Durables and Clothing (security ID: DK00100495658).

### **Annual General Meeting**

The Annual General Meeting will be held at the company's offices, Hjulmagervej 55, Aalborg, on 15 December 2005 at 2 pm.

For enquiries regarding Stock Exchange Announcements, annual reports and issues in respect of Gabriel Holding A/S, please contact:

Jørgen Kjær Jacobsen, CEO

Telephone: +45 96 30 31 00

E-mail: [joergen.jacobsen@gabriel.dk](mailto:joergen.jacobsen@gabriel.dk)



*“Gabriel desires to have a positive impact on society both locally and globally. We feel a responsibility to protect the environment, and we show social responsibility towards disadvantaged social classes.”*

## Contribution to national economy

Gabriel impacts on the national economy by creating jobs and contributes to the financing of public expenditure through tax on income, duties, corporation tax and dividend tax.

Through its co-operation with e.g. Aalborg Municipality, Gabriel gives people in special need of training and support a job experience in an attempt to allow them to become active on the labour market. Employees requiring flexi-jobs are provided with this opportunity.

Gabriel often hosts local as well as nationwide educational establishments, requesting information on sustainable textile production and other business issues related to the company.

## Environmental management and EMAS

The subsidiary, Gabriel A/S, has been certified in accordance with the Environmental Management Standard DS/EN ISO 14001 since 1996 and in accordance with the EU's Eco Management and Audit Scheme (EMAS) since 1998. Gabriel's environmental activities are focused on areas deemed to have the most profound impact on the environment.

## Environmental action programme and environmental impact for 2004/05

The realisation of the environmental action programme for 2004/05 and the development in the enterprise's environmental impact were in general considered satisfactory.

The following significant part-programmes were realised according to the environmental action programme for 2004/05:

### 1. Examination and possible establishment of new cold water pipe for more efficient cooling of dyeing processes

An examination has been carried out of the energy flow in the dye works comprising energy obtained from a heat exchanger to cool down the dye processes and the use thereof.

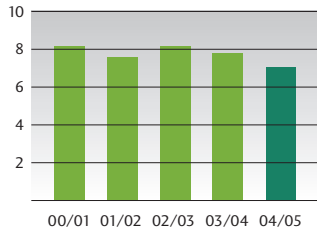
During the year, a new system to control temperatures of the process water for dyeing processes has been optimised. Consequently, the temperatures are more stable and the utilisation of the energy from heat recovery installations is more efficient.

Accordingly, the water and energy use decreased and measurements have proved that there are no longer problems with the efficient cooling down of the dye process and, hence, no need to set up a new cold water pipe.

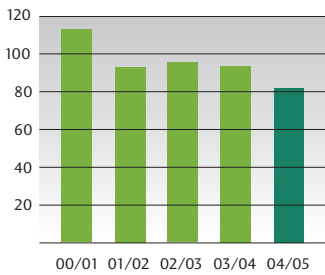
### 2. Examination and possible establishment of a new water supply to the washing department from a heat exchanger

Due to the optimisation of temperatures on process water for dye works, all energy and water from heat recovery systems can now be used. Consequently, there is no longer a need to set up further water supply works.

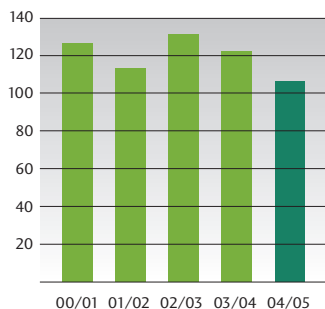
OVERALL ENERGY CONSUMPTION (KWH/M)



WASTE WATER (L/M)



CONSUMPTION OF CHEMICALS (GRAM/M)



### 3. Examination of the financial aspects of reusing rinsing water from the dyeing department

The yearly water savings will amount to approx. 5,000 m<sup>3</sup> when reusing rinsing water as process water. The yearly cost savings amount to approx. DKK 75 thousand.

### 4. Process optimisation of new process equipment in the washing department

The production processes have been optimised this year and the results in this respect both in terms of production quality as well as energy and water use are satisfactory.

### 5. Reduction in the water consumption of the largest dyeing machines

The water consumption has been reduced relatively by prioritising machine types in relation to actual serial sizes. Furthermore, a better control of process water temperatures in the dyeing department has led to less rinsing, and drainage of hot process water as waste water no longer takes place.

### 6. Analysis of energy savings following insulation of old warehouses

Based on an analysis of the future application of the buildings, the possibilities for energy savings can be assessed.

### New waste water permit

Gabriel has received a new waste water permit from Aalborg Municipality. The permit allows for the discharge of a significantly higher waste water volume than previously in connection with an increase in production. The permit has the same quality requirements regarding the waste water, however, with tightened pH requirements from at least 6.0 to 6.5. Against this background, Gabriel has invested in new process equipment which constantly monitors and adjusts the pH value in the waste water to ensure the limits are observed.

The new waste water permit allows for growth, but an increase in the relative environmental impact is not expected, as the introduction of cleaner technologies is still planned.

### Assessment of the environmental impact on the plant area

The total relative quantity of energy consumption was 11% down on last year. Accordingly, the targeted reduction in energy consumption was achieved. The improvement relates to the manufacturing processes whereas the energy consumption for heating up the premises increased as more rooms have been used for other functions than previously.

The relative quantity of waste water was 12% down on last year. Accordingly, the targeted reduction in the water consumption was achieved. The decrease relates to the process optimisation of new process equipment in the dyeing department as well as less re-dyeing and reductions in the use of rinsing water.

The relative quantity of industrial waste was 4% down compared to last year which relates to less scrapping and spillage in production as well as improved sorting at source. Waste mainly comprises textile remainders and wrapping which are not suitable for re-use and therefore used for combustion.

The requirements as regards noise limitation and air emission control laid down in the environmental approval from Aalborg Municipality have been observed.

The consumption of raw materials primarily comprises wool from New Zealand, sodium sulphate, which is used in dyeing processes, and sodium chloride, which is

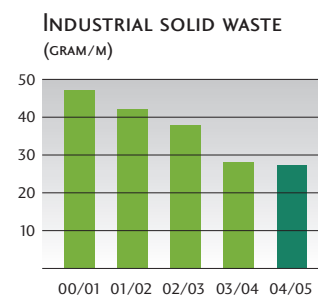


used for the softening of stream water for washing, dyeing and steam production.

The consumption of tap water comprises a minor part of the water consumption as stream water is used in the process.

The consumption of dye is primarily affected by the sales mix as the choice of dark colours requires a larger amount of dyes.

An amount of 94% of the total consumption of chemicals complies with the requirements contained in the EU's flower eco-label. In this way, the company ensures that the detrimental effect of the chemicals on the environment is reduced as much as possible.



## Environmental action programme for 2005/06

The environmental action programme comprises the following part programmes:

### Investigation projects:

- New weighing systems for chemicals and dyes
- Monitoring of environmental impacts and the establishment of environmental action programmes at co-operators
- Establishment of new environmentally compatible solutions regarding fire prevention of polyester
- Examination of the environmental effects of chemicals and dyes
- Analysis of the possibilities of reducing the consumption of water in the washing and dyeing processes

### Concrete improvement projects with measurable environmental goals:

- Reduction of the energy consumption for compressed air by 15%. Based on a yearly assessed consumption of 82,000 kWh. Ongoing measurement of the consumption of energy will be initiated when the action programme is implemented.
- The establishment of a system for the re-use of rinsing water from the dyeing department. The improvement target is a reduction of 5,000 m<sup>3</sup> of process water with an unchanged activity level.

## Environmental report for 2004/05

The environmental report for 2004/05 which is being verified at the Danish Standards Association (Dansk Standard) can be accessed at and downloaded from Gabriel's website, [www.gabriel.dk](http://www.gabriel.dk), after 15 December 2005.

## Management of ethical risks in the chain of suppliers

### – Code of Conduct

Gabriel has prepared a Code of Conduct regarding the working conditions in the production for its suppliers, named "Gabriel Working and Social Environment Requirements". This document describes the required production conditions and prohibits, among other things, child work and slavery, inadequate safety measures and other conditions considered to be intolerable to the employees. If the directions are not met, agreements, orders and contracts are cancellable without any prior notice and without any compensation for the supplier.

## BOARD MEMBERS' EXTERNAL MANAGEMENT POSITIONS

**Poul H. Lauritsen**  
Lawyer and Chairman

*Directorships:*  
BKI Kaffe A/S  
Dantax A/S  
Defco-Food A/S  
Gabol A/S  
Impital A/S  
J. Fangel Ovesen A/S  
Mozami A/S  
One-Marketing A/S  
Poul Sørensen Holding A/S  
Poul Rasmussen Bilcenter Århus A/S  
Poul Rasmussen Holding A/S  
Raskier A/S  
Seculla Invest A/S  
Silva Holding A/S  
Stanesø A/S  
Stentor A/S  
Svend Mathiesen A/S  
Tamaco A/S  
Tamaco Food A/S  
Tamaco International A/S  
Tamaco Retail A/S  
Tamaco Trading A/S  
2Krogh AS  
Aalborg Kaffeimport A/S

**Kaj Taidal, General Manager**  
and Deputy chairman

*Directorships:*  
A/S V. Sørensen  
Bladt Industries A/S  
Danfysik A/S  
Dan-Iso Holding A/S  
KK-Electronic A/S  
SharkTec A/S

**Karen Mathiesen, General Manager**

*Executive positions:*  
Fulma A/S  
Gabol A/S  
Svend Mathiesen A/S

*Directorships:*  
BKI Kaffe A/S  
Svend Mathiesen A/S  
Fulma A/S  
Gabol A/S

**Claus Christensen, General Manager**

*Executive positions:*  
HC Projects A/S  
HCH A/S

*Directorships:*  
ComLog A/S  
EnoLogic A/S  
Futarque A/S  
HC Projects A/S  
HCH A/S  
Inter-Data A/S  
Judex Holding A/S  
M1 A/S  
M-Tec A/S  
On-Air A/S  
PhaseOne A/S  
SenseIT A/S  
SharkTec A/S  
TK-Systemtest ApS