# ANNUAL REPORT 2021-22

Gabriel Holding A/S

# Gabriel Holding A/S delivers revenue of DKK 1,065 million, equivalent to 32% growth. Operating profit (EBIT) increases by 11% to DKK 64.9 million.

**Selected financial ratios**

- Revenue increased to DKK 1,065 million (DKK 809.7 million)
- EBITDA margin was 10.1% (11.9%)
- Operating profit (EBIT) was DKK 64.9 million (DKK 58.6 million)
- EBIT margin was 6.1% (7.2%)
- Profit before tax was DKK 80.6 million (DKK 58.8 million)
- Profit after tax was DKK 58.2 million (DKK 46.2 million)
- Return on invested capital (ROIC) before tax was 15.3% (13.3%)

- Earnings per share (EPS) increased to DKK 30.8 (DKK 24.4)
- Cash flows from operating activities in the period was DKK 9.1 million (DKK 39.4 million)
- The Board of Directors proposes a dividend of DKK 10.75 per DKK 20 share, equivalent to a payout ratio of 35%

**Summary**

Revenue of DKK 1,065 million (DKK 809.7 million) was realised in the 2021/22 financial year, equivalent to 32% growth, and with exports contributing 83% (85%). Realised revenue is the highest in the Group's history and a record for the eighth consecutive year. This development in revenue has generally exceeded management's expectations and is a result of growth rates of 32%, 37%, 46% and 12% respectively in the four quarters of the year.

In the annual report covering the 2020/21 financial year, management stated that it expected revenue of the order of DKK 890-930 million for the 2021/22 financial year. This original expectation was upwardly adjusted in step with higher than expected realised revenue. The realised development in revenue is a result of growth in all business units.

Earnings before depreciation, amortisation and impairment losses (EBITDA) increased to DKK 107.5 million (DKK 96.5 million), an increase of 11%.

Operating profit (EBIT) was DKK 64.9 million (DKK 58.6 million) and profit before tax was DKK 80.6 million (DKK 58.8 million). The EBIT margin was 6.1% (7.2%).

Operating profit (EBIT) for the year thus increased by 11%, while profit for the year before tax increased by 37%.

In the annual report for the 2020/21 financial year, management stated that it expected profit before tax of DKK 64-67 million. This expectation was adjusted during the year in step with higher than expected revenue and amounted to around DKK 73 million in the Q3 report. However, the preliminary results after the fourth quarter were below this expectation, which was consequently adjusted on 28 October 2022 to EBIT of the order of DKK 65 million.

The operating profit for the full financial year is negatively affected by increases in the costs of raw materials, components, carriage and energy which have not been fully compensated through adjustments to the Group's selling prices. Shifts in the Group's product mix and adjustment costs incurred must be added to this.

**Expectations for the future**

Management believes that revenue and profit in the coming 2022/23 financial year will continue to be challenged by the international political situation, energy supply and inflation and the resulting market and logistics challenges and uncertainties.

On this basis, management expects revenue of the order of DKK 1,000-1,100 million and operating profit (EBIT) of the order of DKK 50-60 million. Management notes that a higher than normal level of uncertainty, resulting from geopolitical challenges, surrounds the expectations for the year.

The Board of Directors recommends the following to the general meeting of Gabriel Holding A/S, to be held on 15 December 2022:

- Approval of the annual report for 2021/22
- Submission of the remuneration report for an advisory vote Distribution of a dividend of DKK 10.75 per DKK 20 share
- Approval of the remuneration of the Board of Directors for the current financial year
- Re-appointment of Jørgen Kjær Jacobsen, Hans O. Damgaard and Søren B. Lauritsen and election of Randi Toftlund Pedersen and Søren Mygind Eskildsen as new board members appointed by the general meeting.
- Re-appointment of KPMG Statsautoriseret Revisionspartnerselskab as auditors.

The official annual report is published on the company's website and the printed version of the report will be available by 1 December 2022 at the company's office.

Picture on cover: Example of ShapeKnit fabric solution

# Financial highlights *

for the Group

| FINANCIAL HIGHLIGHTS | Unit | **2021/22** | 2020/21 | 2019/20 | 2018/19 | 2017/18 |
|---|---|---|---|---|---|---|
| Revenue | DKK million | **1,065.0** | 809.7 | 727.3 | 708.2 | 601.1 |
| Growth | % | **31.5** | 11.3 | 2.7 | 17.8 | 21.7 |
| of which exports | DKK million | **884.6** | 688.0 | 629.0 | 633.3 | 540.1 |
| Export percentage | % | **83** | 85 | 86 | 89 | 90 |
| Earnings before depreciation, amortisation and impairment losses (EBITDA) | DKK million | **107.5** | 96.5 | 80.3 | 81.1 | 70.8 |
| Operating profit (EBIT) | DKK million | **64.9** | 58.6 | 41.9 | 61.9 | 55.0 |
| Net finance income and costs | DKK million | **15.5** | -2.8 | -12.8 | -1.3 | -1.4 |
| Profit before tax | DKK million | **80.6** | 58.8 | 32.0 | 62.9 | 56.1 |
| Tax | DKK million | **-22.4** | -12.6 | -7.0 | -13.9 | -12.7 |
| Profit after tax | DKK million | **58.2** | 46.2 | 25.0 | 49.0 | 43.4 |
| Cash flows from: | | | | | | |
| Operating activities | DKK million | **9.1** | 39.4 | 57.2 | 43.8 | 40.2 |
| Investing activities | DKK million | **-41.1** | -36.6 | -30.5 | -80.2 | -37.9 |
| Financing activities | DKK million | **-45.2** | -32.0 | -18.1 | 35.7 | -10.4 |
| Cash flows for the year | DKK million | **-77.2** | -29.2 | 8.6 | -0.7 | -8.1 |
| Investments in property, plant and equipment | DKK million | **32.2** | 27.8 | 22.7 | 25.2 | 19.1 |
| Depreciation, amortisation and impairment losses | DKK million | **42.6** | 37.9 | 38.4 | 19.2 | 17.8 |
| Equity | DKK million | **358.7** | 322.1 | 283.4 | 281.2 | 249.6 |
| Statement of financial position total | DKK million | **868.5** | 731.2 | 645.5 | 562.3 | 433.9 |
| Invested capital | DKK million | **580.8** | 474.7 | 411.3 | 349.1 | 204.4 |
| Working capital | DKK million | **311.3** | 223.8 | 172.3 | 166.3 | 135.1 |
| Average number of employees | Number | **1,358** | 1,163 | 1,151 | 855 | 517 |
| Revenue per employee | DKK million | **0.8** | 0.7 | 0.6 | 0.8 | 1.2 |
| FINANCIAL RATIOS | | | | | | |
| Gross margin | % | **32.5** | 36.4 | 37.6 | 40.1 | 39.5 |
| EBITDA margin | % | **10.1** | 11.9 | 11.0 | 11.5 | 11.8 |
| EBIT margin | % | **6.1** | 7.2 | 5.8 | 8.7 | 9.2 |
| Return on invested capital (ROIC) before tax | % | **15.3** | 13.3 | 8.4 | 22.7 | 28.1 |
| Return on invested capital (ROIC) after tax | % | **11.0** | 10.4 | 6.6 | 17.7 | 21.7 |
| Earnings per share (EPS) | DKK | **30.8** | 24.4 | 13.2 | 25.9 | 23.0 |
| Return on equity | % | **17.1** | 15.3 | 8.9 | 18.5 | 18.4 |
| Equity ratio | % | **41.3** | 44.1 | 43.9 | 50.0 | 57.6 |
| Book value per share at year end | DKK | **190** | 170 | 150 | 149 | 132 |
| Market price at year end | DKK | **515** | 630 | 690 | 712 | 608 |
| Price/book value | DKK | **2.7** | 3.7 | 4.6 | 4.8 | 4.6 |
| Price earnings (PE) | DKK | **16.7** | 25.8 | 52.2 | 27.5 | 26.5 |
| Price cash flow (PCF) | DKK | **107.1** | 30.3 | 22.8 | 30.7 | 28.6 |
| Proposed dividend per DKK 20 share | DKK | **10.75** | 9.75 | 5.00 | 10.50 | 9.50 |
| Dividend yield | % | **2.1** | 1.5 | 0.7 | 1.5 | 1.6 |
| Payout ratio | % | **35** | 40 | 38 | 41 | 41 |

Please see page 78 for definitions of financial ratios.

* Financial ratios for 2018/19 and 2017/18 have not been restated to reflect the implementation of IFRS 16.

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

# Contents




The showroom shared by Gabriel and Ege Carpets in Stockholm.

# Gabriel profile

### Mission

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

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

### Vision

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

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

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

### Financial targets

Gabriel aims, under normal market conditions, to achieve:

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

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

### Strategy

Gabriel is growing with the largest market participants. Gabriel's growth is based on a global strategy of close development partnerships and trading relations with approximately 70 selected major leading customers.

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

### Human resources

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

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

### Company structure

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

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

The three operating companies implement the same four core processes based on the Group's strategy. Key performance indicators (KPI) have been set for each process:

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

The activities of the Gabriel Group companies are described below:

### Gabriel Holding A/S

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

The Executive Board of Gabriel Holding A/S consists of CEO Anders Hedegaard Petersen and CCO Claus Møller. Gabriel Holding A/S is also responsible for the general management of the core areas of design, product development, quality, CSR and business development.

### Gabriel Asia Pacific

Gabriel Asia Pacific was established in 2003. Trading as Gabriel (Tianjin) International Trading Co. Ltd., it is engaged in development of the APAC region. Gabriel Asia Pacific is an important part of the total strategy: to service global contract furniture manufacturers and distributors and make innovative and competitive products for all markets. The company also works closely with the region's interior decoration and design companies by providing service to construction projects, including the supply of fabric for motor vehicles, retail chains, hotels, airports, offices, ships, schools, theatres, opera houses and concert halls. In addition to the company's Regional Head Office in Beijing, there have been offices in Bangkok, Chengdu, Guangzhou, Hong Kong, Manila, Shaanxi/Xi'an, Shanghai, Shenzhen, as well as Singapore, for a number of years.

There is strong focus on continuing recruiting and, in particular, on expanding product development and sales resources in Greater China and the APAC region as a whole.

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

Gabriel Asia Pacific has achieved a leading role in the region in the niche for highly improved furniture fabrics and related textile products. These have to meet indispensable design and quality requirements. Product environmental and climate-related sustainability must be documented. Prices must be competitive, and delivery times short.

### Gabriel North America Inc.

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

Gabriel North America Inc. was established with headquarters in Grand Rapids, Michigan, where key support functions, storage and distribution were set up later. The sales presence has been strengthened continuously with dedicated key account managers and field sales managers and a sales office in Chicago, Illinois. In 2022/23, New York, NY will be added to the list of sales offices.

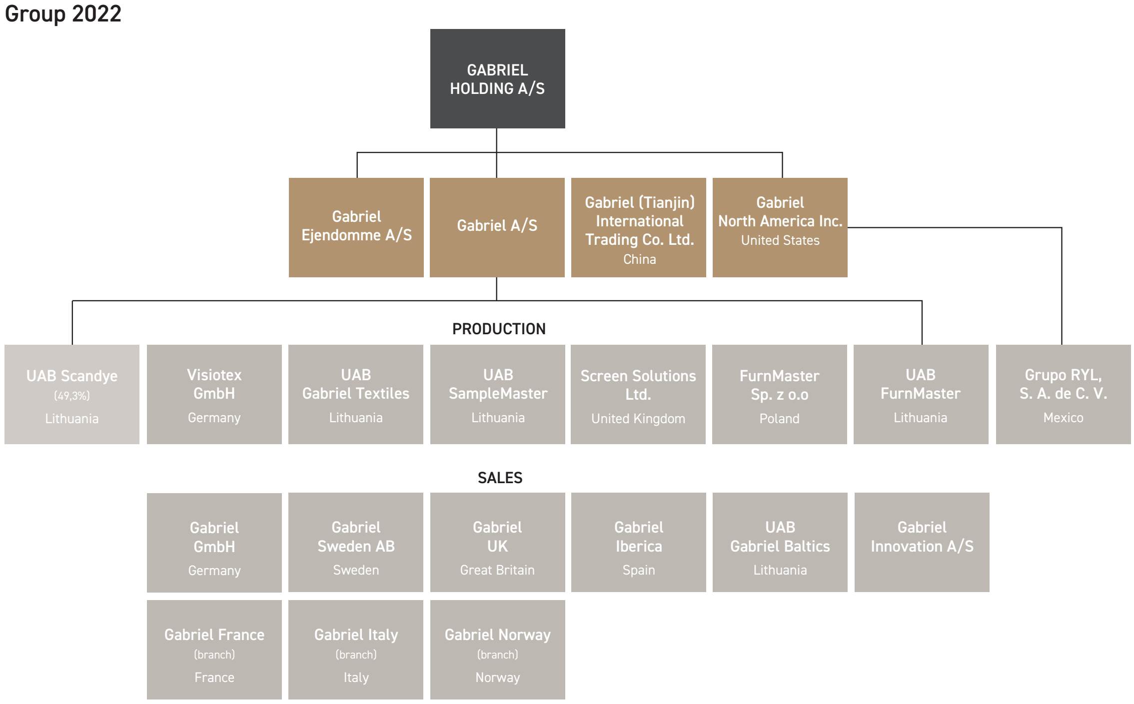
### FurnMaster North America

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

The shares in the Mexican company were thus bought to support the Group's growth in FurnMaster's activities in North America. In 2022, all production activities relating to FurnMaster in North America were combined in the company's Mexican unit.

The sales activities are primarily carried out by employees in the USA and Mexico but carefully coordinated with the Group's FurnMaster management in Europe.

### Gabriel Group 2022



### Gabriel A/S

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

### Visiotex GmbH

In December 2019, Gabriel A/S acquired the share capital of Visiotex GmbH. The German manufacturer designs and produces textile solutions in one process, without subsequent cutting and sewing.

Following the acquisition, the activities of Visiotex GmbH were integrated into the Group with innovation centres in Bingen, Germany, Grand Rapids, Michigan, USA and Aalborg, Denmark, as well as in UAB Gabriel Textiles, Lithuania, where the primary production of the solutions takes place.

### The FurnMaster units in Europe (UAB FurnMaster and Furnmaster Sp. z o.o.)

The operating company Gabriel A/S established the subsidiary company UAB FurnMaster in Lithuania during the 2012/13 financial year. The European FurnMaster business was expanded during the 2014/15 financial year with the establishment of the subsidiary FurnMaster Sp. z o.o. in Poland.

Both units have played a key role in the Group's growth.

### Screen Solutions Ltd

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

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

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

### UAB Gabriel Textiles

The operating company Gabriel A/S acquired the subsidiary UAB Baltijos Tekstilė during the 2018/19 financial year. Gabriel A/S and UAB Baltijos Tekstilė have worked together since 1998. Gabriel's looms were subsequently transferred to UAB Baltijos Tekstilė in connection with outsourcing of production from Aalborg.

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

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

### UAB SampleMaster

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

### Gabriel Ejendomme A/S – Gabriel Erhvervspark

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

### The dye works, UAB Scandye

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

Gabriel's locations in 2022


## Gabriel

**Head office**
Aalborg, Denmark

**Sales offices**
Copenhagen, Denmark
Stockholm and Gothenburg, Sweden
Oslo, Norway
Vilkaviškis, Lithuania
Bingen, Germany
Paris, France
London, United Kingdom
Barcelona and Madrid, Spain
Milan, Italy
Grand Rapids, Chicago and New York, USA
Beijing, Shanghai, Guangzhou, Chengdu, Shenzhen,
Xi'an, Chongqing, Hangzhou and Hong Kong, China
Manila, Philippines
Bangkok, Thailand
Singapore

**Production**
Vilkaviškis, Lithuania
Telšiai, Lithuania

## FurnMaster

**Head office**
Aalborg, Denmark

**Sales offices**
Grand Rapids, USA
Bingen, Germany

**Production**
Marijampolė, Lithuania
Świebodzin, Poland
Monterrey, Mexico
Peacehaven, United Kingdom

## SampleMaster

**Head office**
Aalborg, Denmark

**Sales office**
Bingen, Germany

**Production**
Marijampolė, Lithuania

SHAPEKNIT

In collaboration with Studio 7.5 and Herman Miller, Gabriel produces a tailored one-piece knitted upholstery solution for the Zeph chair.

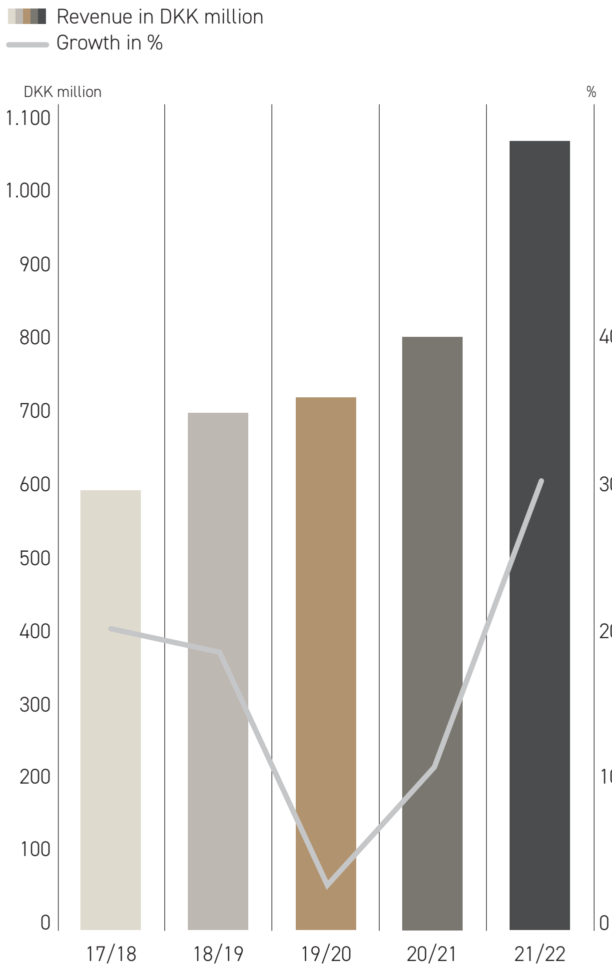
The 3D knit solution is made from 50 percent post-consumer recycled content, and because it is perfectly fitted the shape of the chair, there is zero fabric waste.

# Financial review

**The Group's sales activities and development in revenue**
Revenue of DKK 1,065 million (DKK 809.7 million) was realised in the 2021/22 financial year, equivalent to 32% growth. 83% (85%) was sold outside Denmark. Realised revenue is the highest in the Group's 171-year history and a record for the eighth consecutive year. This development in revenue has generally exceeded management's expectations and is a result of growth rates of 32%, 37%, 46% and 12% respectively in the four quarters of the year. The 12% revenue growth in the fourth quarter is below average for the 2021/22 financial year, the main explanation being that revenue of DKK 228 million in the comparative quarter (Q4 of the 2020/21 financial year) was significantly higher than in the other quarters of 2020/21.

In the annual report covering the 2020/21 financial year, management stated that it expected revenue of the order of DKK 890-930 million for the 2021/22 financial year. This original expectation was upwardly adjusted in step with higher than expected realised revenue. The realised development in revenue is a result of growth in all business units.

**Revenue by year**




The economic conditions for growth were stable throughout the year but there was general downward trend during the last quarter. This was primarily reflected in greater uncertainty in the markets, a shorter-term order horizon and a declining order intake, in particular in the FurnMaster units.

Gabriel pursues a growth strategy of "growing with the largest market participants". This strategy ensures that effort is targeted on selected key accounts, all of which are globally leading furniture manufacturers and large-scale consumers of upholstered surfaces. The strategy is working, and management regularly launches activities which will contribute to continued growth.

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

As in previous years, management expanded its well-established sales structure, making it even stronger throughout the year under review. Sales and development initiatives to ensure future growth were implemented in the usual vigorous way throughout the year.

The Group's fabric business developed positively in the three verticals but the development in revenue in Europe and Asia in particular was satisfactory. Global sales resources and showrooms were added and sales efforts and productivity enhanced during the year. In Asia, the current ten offices and showrooms form a strong base for regional development and the sometimes restricted freedom of movement can be overcome through a good local presence.

In the USA, the regional head office in Grand Rapids forms a strong base for the Group's development partnerships with the leading American players. The well-established showroom in Chicago will be supplemented by a new showroom in New York at the beginning of the 2022/23 financial year.

In Europe, the execution of the sales work and the strategic development of the sales presence ensured a highly satisfactory development in sales in the European fabric business. The Group's European sales presence was expanded during the year, including by further developing the sales partnership with the carpet company Ege Carpets. This partnership was initiated with shared showrooms in Copenhagen, Stockholm and Oslo, where textile design solutions are central to professional advice and inspiration. The partnership is expanded continuously and supplements the Group's own establishment strategy, the next steps of which in Europe are a showroom in Madrid and expansion of the presence in London.

The Group's FurnMaster business unit realised big growth rates and contributed an important share of the Group's growth. The growth conditions were particularly good for the part of the FurnMaster business supplying retail customers. In 2022, FurnMaster comprises upholstery units in Lithuania, Poland and Mexico, all of which grew significantly during the past year. All three units expanded their production capacity by enlarging their production space, increasing their staff and adding production processes.

The SampleMaster business unit, which develops, produces and sells sales promotion materials, carried out planned investments in sales, product development and production and realised a satisfactory increase in revenue.

The Group has achieved high growth rates for a number of years as a result of implementing major customer projects with long and complex timescales which are difficult to forecast. Combined with the uncertain economic outlook, this creates uncertainty about expectations for future interim profits.

Rental income from the fully let business park Gabriel Erhvervspark (Gabriel Ejendomme A/S) was DKK 3.4 million (DKK 2.8 million).

### The Group's earnings

Earnings before depreciation, amortisation and impairment losses (EBITDA) increased to DKK 107.5 million (DKK 96.5 million), equivalent to an EBITDA margin of 10.1% (11.9%).

Operating profit (EBIT) was DKK 64.9 million (DKK 58.6 million) and profit before tax was DKK 80.6 million (DKK 58.8 million). EBIT margin was 6.1% (7.2%).

Operating profit (EBIT) for the year thus increased by 11%, while profit for the year before tax increased by 38%.

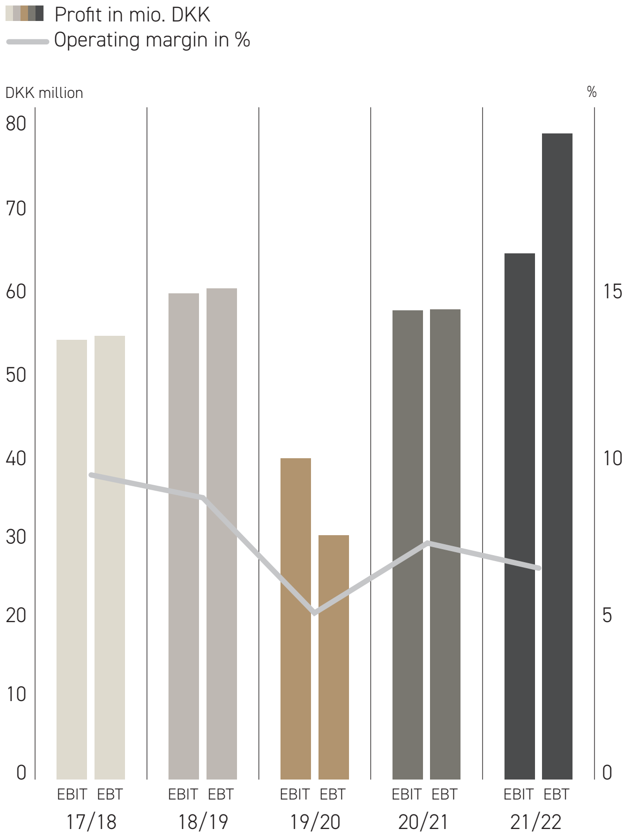
The Group's total profit after tax was DKK 58.2 million (DKK 46.2 million).

In the annual report for the 2020/21 financial year, management stated that it expected profit before tax of DKK 64-67 million. This expectation was adjusted during the year in step with higher than expected revenue and amounted to around DKK 73 million in the Q3 report. However, the preliminary results after the fourth quarter were below this expectation, which was consequently adjusted on 28 October 2022 to EBIT of the order of DKK 65 million.

Profit for the full financial year is negatively affected by increases in the costs of raw materials, components, carriage and energy which have not been fully compensated through adjustments to the Group's selling prices. Shifts in the Group's product mix and adjustment costs incurred must be added to this.

EBITDA in the fourth quarter was DKK 17.3 million (DKK 25.6 million), EBIT was DKK 4.9 million (DKK 15.6 million) and profit before tax was DKK 12.5 million (DKK 18.7 million).

### Operating profit (EBIT)




### Cost of sales – gross margin

The Group's realised gross margin for the full financial year was 32.5% (36.4%). Realised gross margin in the fourth quarter was 31.4% (34.8%).

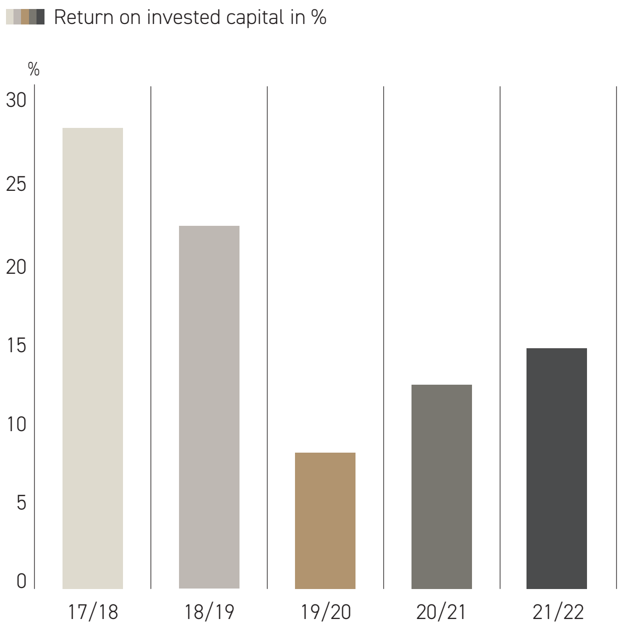
Gross profit for the full financial year is negatively affected by increases in the costs of raw materials, components, carriage and energy which have not been fully compensated through adjustments to the Group's selling prices. Shifts in the Group's product mix and adjustment costs incurred must be added to this.

Throughout the year, management aimed to pursue a balanced strategy with ongoing changes of selling prices to reflect the substantial cost increases facing the Group while also respecting its long-term global partnerships.

Towards the end of the year there was a fall in the order intake in the FurnMaster business units in particular, which meant a sudden fall in the utilisation of the production units and thus a decrease in productivity. In the light of this, and as a result of increasing uncertainty in the market, the number of production employees in the affected production units was adjusted.

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

**Return on invested capital (ROIC) before tax**




**Other external costs**

The Group's other external costs increased by 26% to DKK 86.9 million (DKK 69.0 million). Approximately one-third of the Group's other external costs depends on revenue and part of the increase is thus attributable to the higher level of activity. In addition, almost all other costs increased during the year as a result of high inflation.

**Staff costs**

The Group's staff costs increased by 18% to DKK 152.9 million (DKK 129.9 million).

The increase is primarily attributable to new appointments resulting from the increasing level of activity and appointments to strengthen the Group's sales and development activities.

The average number of employees for the financial year was 1,358, 988 of whom were in production, 210 in sales/development and 160 in administration. In 2020/21, the average number of employees was 1,163 with 819 in production, 186 in sales/development and 158 in administration. The number of employees in the Group at the end of the 2021/22 financial year was 1,351 (984 in production, 211 in sales/development and 156 in administration).

Towards the end of the financial year, the Group's staff costs were adjusted as a result of the expectations determined for the 2022/23 financial year.

**Depreciation, amortisation and impairment losses**

Consolidated depreciation, amortisation and impairment losses in the Group were DKK 42.6 million, compared to DKK 37.9 million last year.

**Share of profit after tax in joint venture**

Profit for the year includes a total DKK 0.1 million share of the profit on the investment in UAB Scandye (DKK 3.0 million). The costs of energy, chemicals, dyes etc. are the main reason for the fall in the share of profit.

**Finance income and costs**

The net finance income and costs were positive by approximately DKK 15.6 million, compared to costs of DKK 2.8 million in 2020/21. This is a result of the increasing dollar exchange rate in the period associated primarily with intra-group financing of the American and Mexican subsidiaries. From 1 October 2022, the parent company treats parts of the intra-group balances as non-current receivables, which are considered part of the net investment and thus exchange rate-adjusted in comprehensive income.

See notes 6 and 7 for further specification.

**Tax on profit for the year**

Tax on profit for the year was DKK 22.4 million (DKK 12.6 million). The Group's total tax rate increased from 21.4% to 27.8%. The primary reason for the development in the tax rate is that management has chosen not to recognise selected deferred tax assets regarding tax losses. See note 18 for a further specification.

**Statement of financial position and cash flows**

The Group's statement of financial position and cash flows are generally affected by the continued development of customer relationships in FurnMaster.

At the start of new customer relationships, FurnMaster's corporate model has a negative effect on the Group's statement of financial position and cash flows, since inventories of components often have to be taken over or built up.

The consolidated statement of financial position total was DKK 868.5 million, compared to DKK 731.2 million on 30 September 2021.

Intangible assets were DKK 99.1 million on 30 September 2022, most of which (DKK 50.7 million) consisted of goodwill from the acquisitions of Screen Solutions Ltd, UAB Baltijos Tekstilė, Grupo RyL and Visiotex GmbH.

Property, plant and equipment amounted to DKK 229.0 million on 30 September 2022, compared to DKK 214.4 million in the previous year. The increase is mainly attributable to acquisitions of plant, fixtures, fittings and equipment in connection with production capacity expansion and the addition of land and buildings relating to the purchase of an additional production facility in FurnMaster Sp. z o.o. Lease assets of DKK 15.4 million were also added.

The investments in plant, fixtures and fittings were made to expand the production companies' capacity and increase productivity. Most investments in equipment and lease assets were associated with establishing sales companies and facilities.

Other non-current assets were DKK 57.0 million on 30 September 2022, compared to DKK 52.6 million on 30 September 2021. Non-current assets thus amounted to DKK 385.1 million on 30 September 2022, compared to DKK 364.4 million at the same time last year. The increase in other non-current assets is primarily attributable to the increased tax assets described in note 18.

In 2022, the Group's net working capital increased from DKK 223.8 million on 30 September 2021 to DKK 311.3 million on 30 September 2022. The net working capital on 30 September 2022 equals 29.2% of revenue for the year, compared to 27.6% on 30 September 2021. Management expected to reduce the working capital percentage in the financial year. However, the many new customer relationships and increases of inventories to ensure delivery capacity in the globally challenged supply chain situation meant that the relative working capital did not improve.

The aim is to continuously reduce the relative working capital through targeted efforts to improve purchasing processes, invest in inventory reduction tools, improve contracts etc. Management expects to improve the proportional figure in 2022/23.

The Group's inventories amounted to DKK 246.3 million on 30 September 2022, compared to DKK 183.3 million on 30 September 2021, an increase of 34.4%. The increase is mainly attributable to the continued development of customer relationships in FurnMaster. Receivables increased by 14.9% to DKK 145.4 million on 30 September 2022 (DKK 126.6 million on 30 September 2021). Prepayments were DKK 13.3 million on 30 September 2022 (DKK 9.1 million) and cash and cash equivalents increased to DKK 77.1 million (DKK 46.6 million). Current assets were thus DKK 483.4 million on 30 September 2022, compared to DKK 366.8 million on 30 September 2021.

The Group's equity amounted to DKK 358.7 million on 30 September 2022, compared to DKK 322.1 million on 30 September 2021. Non-current liabilities were DKK 83.3 million, compared to DKK 96.4 million on 30 September 2021. Current liabilities were DKK 426.5 million on 30 September 2022, compared to DKK 312.6 million on 30 September 2021. Total liabilities were thus DKK 509.8 million on 30 September 2022, compared to DKK 409.0 million on 30 September 2021. The increase was 24.6% and primarily attributable to an increase in amounts owed to credit institutions.

Cash flows from operating activities in the period was positive by DKK 9.1 million, compared to DKK 39.4 million in the same period last year. The decrease is mainly attributable to an increase in funds tied up in working capital, including inventories.

Total investments in property, plant and equipment were DKK 32.2 million, compared to 27.8 million in the same period last year.

The Group paid dividends of DKK 18.4 million in December 2021, and dividends of DKK 20.3 million are recognised for the 2021/22 financial year.

**Product development, business development and innovation**

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

Gabriel regularly expands its global efforts within product and business development and innovation with a view to constantly improving the Group's total growth potential.

Gabriel's "product and process innovation" system from concept to upholstered product continued to be a high-priority core process in 2021/22. Investments in innovation and development were DKK 25.7 million (compared to DKK 23.2 million in the previous financial year), equivalent to 2.4% (2.9%) of revenue. New products and solutions are being developed in coordination with the Group's most important customers. These coordinated initiatives increase the accuracy of targeting and reduce the time to market of products, solutions and services launched.

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

For a number of years, Gabriel has set targets for launching a substantial number of new fabrics on the world market. In 2021/22, the portfolio of globally competitive fabrics was expanded. Seven new fabrics were thus launched and two existing products updated with a view to securing further growth. FurnMaster, Screen Solutions and SampleMaster realised a major number of new customer partnerships, many as a result of development work.

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

The business area ShapeKnit is being further developed in newly established innovation centres in Bingen, Grand Rapids, Gabriel's development centre in Aalborg and at UAB Gabriel Textiles. Production takes place in the last-mentioned company.

The Group is also working on a number of product innovation tasks with time to market of more than 18 months. These development projects offer significant – if uncertain – potential earnings. The projects focus on the development of technical fabrics and related products intended for use primarily on Gabriel's existing value chain.

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

Please see www.gabriel.dk for product news or to sign up for Gabriel's newsletters.

**Outlook**

Management believes that revenue and profit in the coming 2022/23 financial year will continue to be challenged by the international political situation, energy supply and inflation and the resulting market and logistics challenges and uncertainties.

On this basis, management expects revenue of the order of DKK 1,000-1,100 million and operating profit (EBIT) of the order of DKK 50-60 million. Management notes that a higher than normal level of uncertainty, resulting from geopolitical challenges, surrounds the expectations for the year.

LAMINA

Rethinking the throwaway culture, the screen fabric, Lamina, is designed for recycling. It offers a unique one-fibre-only construction where every element of the laminated solution – from the fabric to the innovative backing material – is 100% recyclable.

# Special risks

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

### The competitive situation

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

### Customers and markets

Gabriel targets its product and concept development at selected global key account customers and the result is high export revenue. Exports go mainly to countries in Europe, but increasingly also to overseas countries such as the USA and China.

The Group is not generally susceptible to special customer risks, and its revenue is well-diversified.

We refer to note 1 on major customer risk.

### Products

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

### Raw materials

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

### Currency risk

The Group hedges currency risks, considering projected future cash flows and projected future exchange rate movements.

Please see note 23 for a more detailed description of currency risks.

### Interest rate risks

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

Please see note 23 for a more detailed description of interest rate risks.

### Credit risks

In line with Group credit risk policy, all major customers and other business partners are regularly credit rated and insured. Credit risk management is based on internal credit lines for customers. Group trade receivables are distributed across numerous customers, countries and markets, ensuring a high degree of risk diversification.

### Financial resources

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

### Places of business

The Group performs a large part of its activities outside Denmark, including in China. Trading in China may involve risks which are not normally present on European and American markets. Tax and other legislation changes frequently, which can result in risks. The Group is seeking to minimise these risks via regular contact with its partners and use of local advisers.

### Insurance

Gabriel's policy is to take out insurance against risks of material importance to the financial position of the Group. The policy sets guidelines for the Group in insurance matters. The Group's insurable risks are assessed annually in partnership with insurance brokers and changes are made when prompted by recommendations in analyses performed in partnership with the insurance brokers. The Group is judged to be adequately covered. Insurance has been taken out against operating losses, product liability etc. The company has also taken out all-risk insurance covering the Group's property, plant and equipment and inventories in Denmark and abroad.

### Environmental risks

Certifications for the Environmental Management Standard ISO 14001, the Quality Management Standard ISO 9001 and environmental and health certifications including EU Ecolabel, Cradle to Cradle Certified® and STANDARD 100 by OEKO-TEX® ensure that neither the activities nor the company's products are associated with any significant environmental risks. The objectives of

Gabriel's environmental policy are to prevent spillage/accidents and to ensure that the company's products do not contain any substances which are hazardous to health.

### IT risks

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

In addition, a cyber-security committee has been appointed, and measures have been taken to protect the Group's IT security.

### Trade risks

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

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

### Contingency plans

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

Decades of interior design experience and craftsmanship came together when Gabriel and Ege Carpets joined forces and opened three new showrooms in Copenhagen, Oslo and Stockholm.

The showrooms are designed to inspire, to set the stage for knowledge-sharing, and to simplify the specification process for architects and interior designers.

# Corporate governance

### Statement on corporate governance

Nasdaq Copenhagen A/S has adopted a set of corporate governance recommendations, most recently revised in December 2020. The recommendations on corporate governance can be obtained from the Committee on Corporate Governance's website, www.corporategovernance.dk.

Gabriel Holding A/S has prepared the statutory statement on corporate governance for the 2021/22 financial year as per section 107b of the Danish Financial Statements Act. The statement is available on the Group's website www.gabriel.dk/en/investor/corporate-governance/.

The statement covers the company's work relating to the recommendations on corporate governance. It describes the main elements of the Group's internal control and risk management system in connection with the financial reporting, and presents the Group's supreme governing bodies and their composition. The statement also covers the overall conclusions from the Board of Directors' annual self-evaluation and describes all board committees, including their meetings and main activities during the year.

### Statement on corporate social responsibility

Sustainability is a part of Gabriel's business strategy, and the Group has always given top priority to acting responsibly towards customers, staff, business connections and the external environment. Gabriel has prepared its statutory statement on social responsibility for the 2021/22 financial year in accordance with section 99a of the Danish Financial Statements Act. The statement can be viewed or downloaded at www.gabriel.dk/en/investor/reports/csr-and-environmental-reports.

### Diversity policy and gender balance

The statutory statement on gender balance for the 2021/22 financial year in accordance with section 99b of the Danish Financial Statements Act is integrated into the statutory statement on diversity policy in accordance with section 107d of the Act and can be viewed or downloaded at www.gabriel.dk/en/investor/corporate-governance.

### Statement on data ethics policy

Gabriel has prepared a statutory statement on its data ethics policy for the 2021/22 financial year in accordance with section 99d of the Danish Financial Statements Act. The statement can be viewed or downloaded at www.gabriel.dk/en/investor/corporate-governance.

# FOCUS MELANGE SCREEN

The soft, warm, and sound absorbing felt fabric, Focus Melange Screen, is designed for screens, pods and panels and is the perfect match for furniture upholstered with Focus or Focus Melange.

# Shareholder information

**Share capital**

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

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

The following shareholders own shares conferring a minimum of 5% of the voting rights pertaining to the share capital, or shares with a minimum nominal value of 5% of the share capital:
Katt Holding ApS, Højbjerg
Matlau Holding ApS, Skanderborg
Marlin Holding ApS, Malling
Fulden Holding ApS, Beder
Chr. Augustinus Fabrikker A/S, Copenhagen
Poul H. Lauritsen Holding ApS, Højbjerg
GAB Invest ApS, Aalborg
Kapitalforeningen Investering & Tryghed, Copenhagen

The company's annual general meeting on 10 December 2020 renewed the authorisation of the Board of Directors to acquire the company's treasury shares up to a total nominal value of DKK 7.6 million, the equivalent of 20% of its share capital, at a price which corresponds to the buy price listed on Nasdaq Copenhagen A/S at the time of acquisition, plus or minus a margin of 10%. The authorisation is valid for five years from the date of the general meeting.

**Share price trend**

The 2021/22 financial year opened with a price of 630 and closed on 30 September 2022 with a price of 515. Total market capitalisation of the company's shares was DKK 973 million on 30 September 2022.

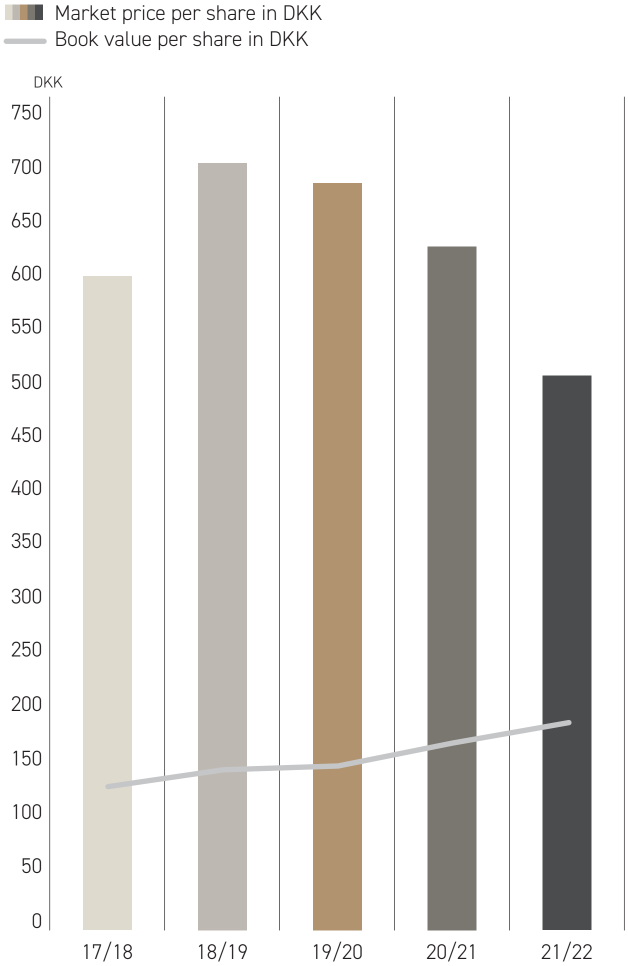
**Capital management**

Management regularly assesses the need for adjusting the capital structure. A high equity ratio has always been a top priority for Gabriel in order to maximise room for manoeuvre in all situations. The Group's equity ratio was unchanged at 41.3% on 30 September 2022. Reduction of the working capital is a high-priority process in the Group.

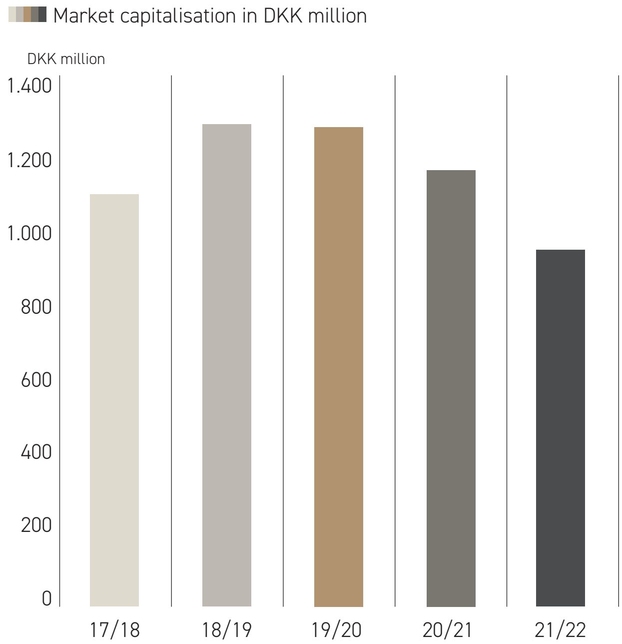
The Group aims at providing its shareholders with a regular return on their investments, while maintaining an appropriate equity level to ensure the company's future development. The Board of Directors proposes that a dividend of DKK 10.75 per share be distributed for 2021/22, equivalent to total dividends of DKK 20.3 million. The dividend amounts to 5.7% of equity and 34.9% of profit for the year after tax for the Group.

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

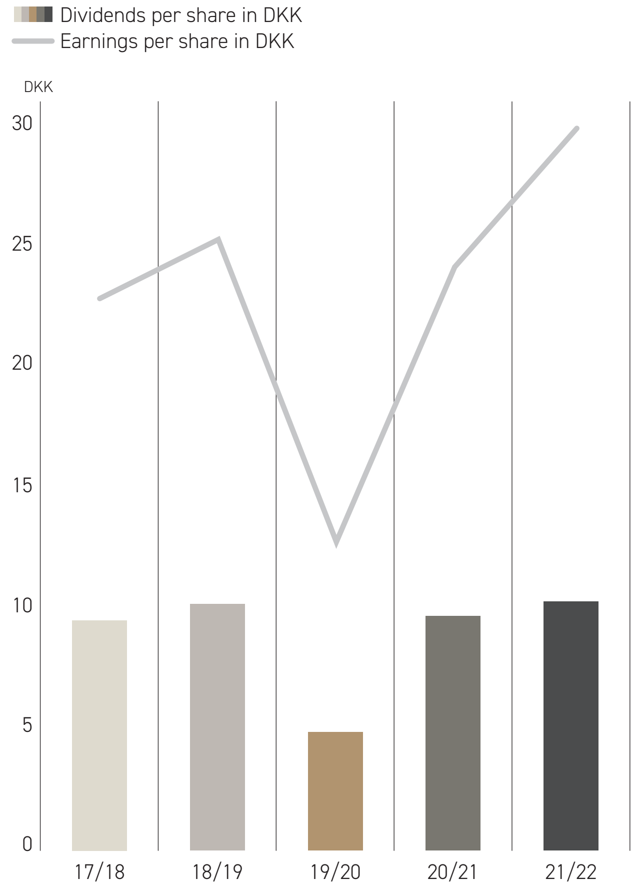
**Price/Book value**




**Market capitalisation end of year**



**Share dividends and earnings per share**




**Financial calendar 2022/23**

| | |
|---|---|
| 17.11.2022 | Annual report 2021/22 |
| 15.12.2022 | Annual general meeting |
| 20.12.2022 | Distribution of dividends |
| 09.02.2023 | Q1 report 2022/23 |
| 27.04.2023 | H1 report 2022/23 |
| 23.08.2023 | Q3 report 2022/23 |
| 16.11.2023 | Annual report 2022/23 |
| 14.12.2023 | Annual general meeting |

**Investor Relations**

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

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

Investor relations contact:
Anders Hedegaard Petersen, CEO
Phone: +45 9630 3117

**Company announcements in the 2021/22 financial year**

| | |
|---|---|
| 16.11.2021 | Annual report 2020/21 of Gabriel Holding A/S. |
| 17.11.2021 | Disclosure of a related party's transaction in the shares of Gabriel Holding A/S. |
| 18.11.2021 | Notice of annual general meeting of Gabriel Holding A/S. |
| 10.12.2021 | Disclosure of a transaction in the shares of Gabriel Holding A/S by a person discharging managerial responsibilities. |
| 09.12.2021 | Minutes of the annual general meeting of Gabriel Holding A/S. |
| 10.12.2021 | Disclosure of a transaction in the shares of Gabriel Holding A/S by a person discharging managerial responsibilities. |
| 18.01.2022 | Disclosure of transactions in the shares of Gabriel Holding A/S by persons discharging managerial responsibilities and of indirect transactions by persons closely associated with them. |
| 20.01.2022 | Gabriel Holding A/S upwardly adjusts its expectations for the 2021/22 financial year. |
| 10.02.2022 | Gabriel Holding A/S delivers 32% growth in revenue to DKK 246.9 million in the first quarter of the financial year. Operating profit (EBIT) increases by 37% to DKK 20.5 million. |
| 11.04.2022 | Gabriel Holding A/S upwardly adjusts its expectations for the 2021/22 financial year. |
| 12.05.2022 | Gabriel Holding A/S achieves 34% revenue growth and a 48% increase in operating profit (EBIT). |
| 25.08.2022 | After three quarters Gabriel Holding A/S delivers 39% revenue growth to DKK 812.7 million and operating profit (EBIT) of DKK 60.1 million, an increase of 40%. |
| 27.10.2022 | Gabriel Holding A/S: Preliminary results and changed expectations for the full 2021/22 financial year. |

## Annual general meeting

The annual general meeting will be held in Aalborg at 2:00 p.m. on Thursday, 15 December 2022.

GRAIN

With a flawed beauty and an asymmetric aesthetic celebrating the perfect imperfections of nature, the bouclé fabric Grain is the ideal choice for creating spaces that reference nature in both subtle and obvious ways.

# Company information

## Board of Directors

**Jørgen Kjær Jacobsen**
Chair (I)
Born: 1952
Sex: Male
Joined the
Board of Directors: 2010
Term ends: AGM 2022

### Board skills

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

### Positions of trust

**Executive positions**
Raskier A/S
Raskier Ejendomme ApS
Akada 1 Aps
Akada 2 Aps

**Directorships**
Roblon A/S (C)
– and member of the audit committee, innovation and production committee and governance, nomination and remuneration committee
Aalborg Stiftstidende A/S (C)
MEDF Holding A/S (C)
Carpet Invest A/S (C)
BKI Foods A/S
Raskier A/S
Raskier Ejendomme ApS

**Commercial foundations**
Mads Eg Damgaards Familiefond (C)
Aalborg Stiftstidendes Fond (C)

**Hans Olesen Damgaard**
Vice-chair (I)
Born: 1965
Sex: Male
Joined the
Board of Directors: 2015
Term ends: AGM 2022

### Board skills

Special expertise in sales and top management of global companies.

### Positions of trust

**Directorships**
LIFA A/S LANDINSPEKTØRER (C)
Aktieselskabet Carl Christensen (C)
Manini & Co. Holding A/S
Thygesen Textile Group A/S
Ege Carpets A/S
– and chair of the audit committee
Stibo A/S
– and chair of the audit committee
Dansk Kvarts Industri A/S
Stonewalk A/S

**Commercial foundations**
Aarhus Symfoniorkesters Fond af 13. april 1983

**Pernille Fabricius**
Board member (I)
Born: 1966
Sex: Female
Joined the
Board of Directors: 2016
Term ends: AGM 2022

### Board skills

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

### Positions of trust

**Executive positions**
EVP and CFO in NNIT A/S
NewCo. IO A/S

**Directorships**
MT Højgaard Holding A/S
– and member of the audit committee
Scales A/S
NewCo. IO A/S
Brødrene Hartmann A/S
– and member of the nomination and remuneration committee and chair of the audit committee
K3 Business Technology Group (listed on the London Stock Exchange)
– and chair of the audit committee

**Søren B. Lauritsen**
Board member (D)
Born: 1967
Sex: Male
Joined the
Board of Directors: 2010
Term ends: AGM 2022

### Board skills

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

### Positions of trust

**Executive positions**
Søren B. Lauritsen Holding ApS

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

**Quinten Xerxes van Dalm**
Board member
elected by the employees
Born: 1972
Sex: Male
Joined the
Board of Directors: 2010

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

Elected by the employees until the annual general meeting in 2024.

**Rikke Lyhne Jensen**
Board member
elected by the employees
Born: 1988
Sex: Female
Joined the
Board of Directors: 2018

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

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

## Executive Board

**Anders Hedegaard Petersen**
CEO

Born: 1976
Sex: Male

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

### Positions of trust

**Executive positions**
KAAN ApS

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

**Claus Møller**
CCO

Born: 1966
Sex: Male

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

### Positions of trust

**Executive positions**
GAB Invest ApS
Bonum Vitae ApS

**Directorships**
Food Solutions ApS (C)
Shopconsept A/S
GAB Invest ApS
SDIVD A/S
Startex ApS

| Name | Nationality | Audit committee | Governance, remuneration & nomination committee | Acquisition committee** | Cyber-security committee | Board and committee meetings in 21/22* | Share-holding 30.09.22*** | Change in 21/22 |
|---|---|---|---|---|---|---|---|---|
| Jørgen Kjær Jacobsen | Danish | Member | Member | Chair | | 100% | 8,800 | +744 |
| Hans Olesen Damgaard | Danish | Member | Chair | Member | | 100% | 1,000 | |
| Søren B. Lauritsen | Danish | Member | | | Chair | 93% | 48,786 | +11,988 |
| Pernille Fabricius | Danish | Chair | | | | 100% | 697 | +310 |
| Quinten Xerxes van Dalm | Danish/ Dutch | Member | | | | 100% | 35 | |
| Rikke Lyhne Jensen | Danish | Member | | | | 100% | | |
| Anders Hedegaard Petersen | Danish | | | | | | 49,461 | +11,988 |
| Claus Møller | Danish | | | | | | 48,352 | +11,988 |

* The Board of Directors held five meetings, the audit committee four meetings, the governance, remuneration & nomination committee two meetings, the acquisition committee two meetings and the cyber-security committee six meetings.
** Poul H. Lauritsen – external member of the acquisition committee.
*** The stated number of shares comprises the total of the person's shares and those of his or her related parties

D = Dependent member I = Independent member C = Chair VC = Vice-chair

# Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today discussed and approved the 2021/22 annual report of Gabriel Holding A/S.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 30 September 2022 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 October 2021 – 30 September 2022.

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

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

Aalborg, 17 November 2022

**Executive Board**

Anders Hedegaard Petersen
CEO

Claus Møller
CCO

**Board of Directors**

Jørgen Kjær Jacobsen
Chair

Hans Olesen Damgaard
Vice-Chair

Søren Brahm Lauritsen

Pernille Fabricius
Chair of the audit committee

Quinten van Dalm
Employee representative

Rikke Lyhne Jensen
Employee representative

# TALE


Tale is a self-supporting, recycled post-consumer polyester mesh fabric – designed for backrests and as the perfect complement to the upholstery fabric, Tonal.

# Independent auditor's report

**To the shareholders of Gabriel Holding A/S**

## Report on the audit of the consolidated financial statements and the parent company financial statements

### Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 30 September 2022 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 October 2021 – 30 September 2022 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

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

*Audited financial statements*

The consolidated financial statements and the parent company financial statements of Gabriel Holding A/S for the financial year 1 October 2021 – 30 September 2022. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, the income statement and notes, including accounting policies for the Group as well as for the parent company (the "financial statements"). The financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

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

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

*Appointment as auditor*

We were appointed auditors of Gabriel Holding A/S for the first time on 11 December 2014 for the 2014/15 financial year. We have been re-appointed annually by motion passed by the general meeting for a total consecutive engagement of eight years up to and including the 2021/22 financial year.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the 2021/22 financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in the forming of our opinion thereof. We do not provide a separate opinion on these matters.

*Valuation of goodwill and intangible assets*

Goodwill and associated intangible assets recognised in connection with purchasing the businesses Screen Solutions Ltd, UAB Baltijos Tekstilė, Grupo RyL and Visiotex GmbH amount to DKK 50.7 million and are judged to be material for the consolidated financial statements. in the consolidated financial statements.

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

Given the uncertainty of estimates related to the valuation of goodwill and intangible assets, this has been a key audit matter.

Please refer to note 10 to the consolidated financial statements for a description of the impairment test for goodwill and associated intangible assets, note 26 concerning accounting estimates and judgments and note 29 for the Group's accounting policies for impairment testing.

*How our audit addressed*
*the valuation of goodwill and intangible assets*

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

- We have assessed the Group's internal controls for the preparation of impairment tests including budget and projections.
- We have checked that the valuation model used to carry out the impairment test of goodwill was appropriate and in accordance with the requirements of IAS 36, including for the determination of cash-generating units and allocation of goodwill.
- We have assessed whether there is an indication of impairment of other intangible assets in the form of customer relationships and product technology assets relating to acquired businesses.
- We have assessed whether the key assumptions used in the impairment tests were reasonable, in particular in relation to the development in revenue and earnings and the discount rate. We have also assessed the sensitivity of key assumptions.
- We have examined the information in the consolidated financial statements and assessed whether the IFRS disclosure requirements are met.

*Valuation of deferred tax assets*

Deferred tax assets totalling DKK 25.0 million concerning the group companies Gabriel North America, Grupo RyL and Screen Solutions are deemed to be deeemed to be material for the in the consolidated financial statements, in part because the companies realised losses in 2021/22.

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

Given the uncertainty of estimates related to the valuation of the tax assets, this has been a key audit matter.

Please refer to note 18 to the consolidated financial statements for a description of the basis for recognition and valuation of deferred tax assets, note 26 concerning accounting estimates and judgments and note 29 for the Group's accounting policies for deferred tax.

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

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

### Statement on the management commentary

Management is responsible for the management commentary.

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

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

Moreover, it is our responsibility to consider whether the management commentary includes the disclosures required under the Danish Financial Statements Act.

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

### Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act, and for such internal control that management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the parent company's internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to

draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the parent company to cease trading as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or the business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

### Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and parent company financial statements of Gabriel Holding A/S, we performed procedures to express an opinion on whether the annual report of Gabriel Holding A/S for the financial year 1 October 2021 – 30 September 2022 with the file name "549300LK5U9PUCUD2X47-2022-09-30-da" is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:
- The prepreparting of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and anchoring them to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human readable format; and
- For such internal control as management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:
- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the annual report of Gabriel Holding A/S for the financial year 1 October 2021 – 30 September 2022 with the file name "549300LK5U9PUCUD2X47-2022-09-30-da" is prepared, in all material respects, in compliance with the ESEF Regulation.

Aalborg, 17 November 2022

**KPMG**
Statsautoriseret Revisionspartnerselskab
CVR no. 25578198

Jon Wilson Beck
State Authorised Public Accountant
MNE32169

Mikkel Trabjerg Knudsen
State Authorised Public Accountant
MNE34359

CURA SCREEN

Cura Screen is a two-coloured melange screen fabric designed specifically for vertical surfaces such as screens and panels and as the perfect accompaniment for the colours, look, and feel of upholstery fabric Cura.

# Income statement

## for the year 01.10.2021 - 30.09.2022

| Note | tDKK | CONSOLIDATED 2021/22 | 2020/21 | PARENT COMPANY 2021/22 | 2020/21 |
|---|---|---|---|---|---|
| 1 | **Net revenue** | **1,065,012** | 809,705 | **11,340** | 10,920 |
| 2 | Other operating income | **1,482** | 893 | **-** | - |
| 3 | Cost of sales | **-718,535** | -514,812 | **-** | - |
| 4 | Other external costs | **-86,943** | -69,062 | **-3,244** | -2,054 |
| 5 | Staff costs | **-152,922** | -129,908 | **-13,771** | -13,669 |
| 2 | Other operating costs | **-610** | -274 | **-490** | - |
| 10/11 | Depreciation/amortisation and impairment losses on intangible assets and property, plant and equipment | **-42,556** | -37,909 | **-310** | -281 |
| | **Operating profit/loss (EBIT)** | **64,928** | 58,633 | **-6,475** | -5,084 |
| 13 | Share of profit after tax in joint venture | **121** | 2,963 | **-** | - |
| 6 | Finance income | **20,900** | 1,760 | **30,394** | 10,480 |
| 7 | Finance costs | **-5,351** | -4,577 | **-294** | -32 |
| | **Profit before tax** | **80,598** | 58,779 | **23,625** | 5,364 |
| 8 | Tax on profit for the year | **-22,438** | -12,601 | **481** | 1,015 |
| | **Profit for the year** | **58,160** | 46,178 | **24,106** | 6,379 |
| 9 | **Earnings per share (DKK):** | | | | |
| | Earnings per share (EPS), basic | **30.8** | 24.4 | | |
| | Earnings per share (EPS-D), diluted | **30.8** | 24.4 | | |

# Statement of comprehensive income

for the year 01.10.2021 - 30.09.2022

| | | CONSOLIDATED | | PARENT COMPANY | |
|---|---|---|---|---|---|
| Note | tDKK | **2021/22** | 2020/21 | **2021/22** | 2020/21 |
| | **Profit for the year** | **58,160** | 46,178 | **24,106** | 6,379 |
| | **Other comprehensive income not reclassified to the income statement:** | | | | |
| | Exchange rate adjustment on translation of foreign entities | **-2,494** | 2,017 | **-** | - |
| | Tax on other comprehensive income | **-614** | -30 | **-** | - |
| | **Other comprehensive income after tax** | **-3,108** | 1,987 | **-** | - |
| | **Total comprehensive income** | **55,052** | 48,165 | **24,106** | 6,379 |

# Statement of financial position

## Assets at 30.09.2022

| Note | tDKK | CONSOLIDATED 2021/22 | CONSOLIDATED 2020/21 | PARENT COMPANY 2021/22 | PARENT COMPANY 2020/21 |
|---|---|---|---|---|---|
| | **Non-current assets** | | | | |
| 10 | Intangible assets: | | | | |
| | Goodwill | **50,698** | 51,027 | **-** | - |
| | Acquired product technology assets | **7,846** | 9,817 | **-** | - |
| | Customer relationships | **7,036** | 8,389 | **-** | - |
| | Development projects in progress | **10,260** | 10,468 | **-** | - |
| | Completed development projects | **17,095** | 11,734 | **-** | - |
| | Software | **6,152** | 5,879 | **-** | - |
| | | **99,087** | 97,314 | **-** | - |
| 11 | Property, plant and equipment: | | | | |
| | Land and buildings | **92,463** | 87,836 | **-** | - |
| | Improvements to premises | **15,943** | 13,980 | **-** | - |
| | Plant, fixtures and fittings and equipment | **68,938** | 55,064 | **2,850** | 172 |
| | Lease assets | **51,664** | 57,526 | **588** | 1,380 |
| | | **229,008** | 214,406 | **3,438** | 1,552 |
| | Other non-current assets: | | | | |
| 12 | Investments in subsidiaries | **-** | - | **100,623** | 100,623 |
| 12 | Amounts owed by subsidiaries | **-** | - | **58,575** | 15,037 |
| 13 | Investments in joint ventures | **32,037** | 33,437 | **-** | - |
| 18 | Deferred tax assets | **25,003** | 19,203 | **-** | - |
| | | **57,040** | 52,640 | **159,198** | 115,660 |
| | **Total non-current assets** | **385,135** | 364,360 | **162,636** | 117,212 |
| | **Current assets** | | | | |
| 14 | Inventories | **246,330** | 183,310 | **-** | - |
| 15 | Receivables | **145,432** | 126,558 | **23,706** | 18,128 |
| | Prepayments | **13,335** | 9,065 | **88** | 79 |
| 11 | Assets for sale | **1,226** | 1,278 | **-** | - |
| 25 | Cash and cash equivalents | **77,091** | 46,580 | **7,679** | 315 |
| | **Total current assets** | **483,414** | 366,791 | **31,473** | 18,522 |
| | **Total assets** | **868,549** | 731,151 | **194,109** | 135,734 |

# Statement of financial position

## Equity and liabilities at 30.09.2022

| | | CONSOLIDATED | | PARENT COMPANY | |
|---|---|---|---|---|---|
| Note | tDKK | **2021/22** | 2020/21 | **2021/22** | 2020/21 |
| | **Equity** | | | | |
| 17 | Share capital | **37,800** | 37,800 | **37,800** | 37,800 |
| | Translation reserve | **-5,213** | -2,105 | **-** | - |
| | Retained earnings | **305,844** | 268,002 | **34,467** | 30,679 |
| | Proposed dividends | **20,318** | 18,428 | **20,318** | 18,428 |
| | **Total equity** | **358,749** | 322,124 | **92,585** | 86,906 |
| | **Liabilities** | | | | |
| | **Non-current liabilities** | | | | |
| 18 | Deferred tax | **9,989** | 11,254 | **166** | 98 |
| 19 | Credit institutions | **38,923** | 45,636 | **-** | - |
| 20 | Lease liabilities | **34,353** | 39,539 | **352** | 994 |
| | **Total non-current liabilities** | **83,265** | 96,429 | **518** | 1,092 |
| | **Current liabilities** | | | | |
| 19 | Credit institutions | **293,400** | 188,730 | **-** | - |
| 20 | Lease liabilities | **19,303** | 17,215 | **84** | - |
| | Amounts owed to subsidiaries | **-** | - | **97,436** | 42,215 |
| | Trade payables | **62,534** | 58,370 | **85** | 297 |
| | Amounts owed to joint venture | **1,203** | 1,247 | **-** | - |
| | Corporation tax | **19,990** | 11,560 | **-** | - |
| 22, 25 | Other payables | **30,105** | 35,476 | **3,401** | 5,224 |
| | **Total current liabilities** | **426,535** | 312,598 | **101,006** | 47,736 |
| | **Total liabilities** | **509,800** | 409,027 | **101,524** | 48,828 |
| | **Total equity and liabilities** | **868,549** | 731,151 | **194,109** | 135,734 |

# Statement of changes in equity

| | CONSOLIDATED | | | | |
|---|---|---|---|---|---|
| tDKK | Share capital | Translation reserve | Retained earnings | Proposed dividends | Total equity |
| **2021/22** | | | | | |
| **Equity 01.10.21** | **37,800** | **-2,105** | **268,002** | **18,428** | **322,124** |
| **Comprehensive income for the year** | | | | | |
| Profit 2021/22 | - | - | 37,842 | 20,318 | 58,160 |
| **Other comprehensive income** | | | | | |
| Exchange rate adjustment on translation of foreign entities | - | -2,494 | - | - | -2,494 |
| Tax on other comprehensive income | - | -614 | - | - | -614 |
| **Total other comprehensive income** | - | -3,108 | - | - | -3,108 |
| **Total comprehensive income** | **-** | **-3,108** | **37,842** | **20,318** | **55,052** |
| **Transactions with shareholders** | | | | | |
| Distributed dividends | - | - | - | -18,428 | -18,428 |
| **Total transactions with shareholders** | **-** | **-** | **-** | **-18,428** | **-18,428** |
| **Equity 30.09.22** | **37,800** | **-5,213** | **305,844** | **20,318** | **358,749** |
| **2020/21** | | | | | |
| **Equity 01.10.20** | **37,800** | **-4,092** | **240,251** | **9,450** | **283,409** |
| **Comprehensive income for the year** | | | | | |
| Profit 2020/21 | - | - | 27,751 | 18,428 | 46,178 |
| **Other comprehensive income** | | | | | |
| Exchange rate adjustment on translation of foreign entities | - | 2,017 | - | - | 2,017 |
| Tax on other comprehensive income | - | -30 | - | - | -30 |
| **Total other comprehensive income** | - | 1,987 | - | - | 1,987 |
| **Total comprehensive income** | **-** | **1,987** | **27,751** | **18,428** | **48,165** |
| **Transactions with shareholders** | | | | | |
| Distributed dividends | - | - | - | -9,450 | -9,450 |
| **Total transactions with shareholders** | **-** | **-** | **-** | **-9,450** | **-9,450** |
| **Equity 30.09.21** | **37,800** | **-2,105** | **268,002** | **18,428** | **322,124** |

| tDKK | Share capital | Retained earnings | Proposed dividends | Total equity |
|---|---|---|---|---|
| | PARENT COMPANY | | | |
| **2021/22** | | | | |
| Equity 01.10.21 | **37,800** | **30,679** | **18,428** | **86,907** |
| **Comprehensive income for the year** | | | | |
| Profit 2021/22 | - | 3,788 | 20,318 | 24,106 |
| **Total comprehensive income** | **-** | **3,788** | **20,318** | **24,106** |
| **Comprehensive income with shareholders** | | | | |
| Distributed dividends | - | - | -18,428 | -18,428 |
| **Equity 30.09.22** | **37,800** | **34,467** | **20,318** | **92,585** |
| **2020/21** | | | | |
| Equity 01.10.20 | **37,800** | **42,727** | **9,450** | **89,977** |
| **Comprehensive income for the year** | | | | |
| Profit 2020/21 | - | -12,048 | 18,428 | 6,380 |
| **Total comprehensive income** | **-** | **-12,048** | **18,428** | **6,380** |
| **Comprehensive income with shareholders** | | | | |
| Distributed dividends | **-** | **-** | **-9,450** | **-9,450** |
| **Equity 30.09.21** | **37,800** | **30,679** | **18,428** | **86,907** |

# Cash flow statement

| Note | tDKK | CONSOLIDATED 2021/22 | CONSOLIDATED 2020/21 | PARENT COMPANY 2021/22 | PARENT COMPANY 2020/21 |
|---|---|---|---|---|---|
| | **Cash flows from operating activities** | | | | |
| | Profit after tax | **58,160** | 46,178 | **24,106** | 6,379 |
| | Dividends from joint venture | **1,521** | 1,283 | **-** | - |
| | Adjustment for non-cash items: | | | | |
| | Depreciation, amortisation and impairment losses | **42,556** | 37,909 | **310** | 281 |
| | Gains and losses on the disposal of non-current assets | **153** | -112 | **490** | - |
| | Share of profit after tax in joint venture | **-121** | -2,963 | **-** | - |
| | Finance income and costs | **-15,549** | 2,817 | **-30,100** | -10,448 |
| | Tax on profit for the year | **22,438** | 12,601 | **-481** | -1,015 |
| | Cash generated from operations before changes in working capital and tax | **109,158** | 97,713 | **-5,675** | -4,803 |
| | Changes in inventories | **-56,802** | -38,918 | **-** | - |
| | Changes in receivables | **-20,631** | -26,541 | **13,709** | -2,705 |
| | Changes in trade and other payables | **387** | 23,115 | **-2,030** | 698 |
| | Interest paid | **-5,343** | -3,308 | **-294** | -32 |
| | Interest received | **334** | 218 | **-** | 339 |
| | Corporation tax paid | **-18,011** | -12,924 | **-3,833** | 6,479 |
| | | **9,092** | 39,355 | **1,877** | -24 |
| | **Cash flows from investing activities** | | | | |
| | Addition of intangible assets | **-10,875** | -9,562 | **-** | - |
| | Addition of property, plant and equipment | **-32,150** | -27,783 | **-3,238** | -22 |
| | Disposal of property, plant and equipment | **1,946** | 791 | **552** | - |
| | | **-41,079** | -36,554 | **-2,686** | -22 |
| 21 | **Cash flows from financing activities** | | | | |
| | Dividends received | **-** | - | **27,159** | 10,000 |
| | External financing: | | | | |
| | Repayment of debt to credit institutions | **-26,790** | -22,589 | **-558** | -393 |
| | Shareholders: | | | | |
| | Dividends distributed | **-18,428** | -9,450 | **-18,428** | -9,450 |
| | | **-45,218** | -32,039 | **8,173** | 157 |
| | **Changes for the year in cash and cash equivalents** | **-77,205** | -29,238 | **7,364** | 111 |
| | Opening bank loans/cash and cash equivalents | **-41,242** | -12,905 | **315** | 204 |
| | Value adjustment of bank loans/cash and cash equivalents | **2,285** | 901 | **-** | - |
| | **Closing bank loans/cash and cash equivalents** | **-116,162** | -41,242 | **7,679** | 315 |
| | Composed of: | | | | |
| | Cash and cash equivalents | **77,091** | 46,580 | **7,679** | 315 |
| | Drawing on credit facility at bank | **-193,253** | -87,822 | **-** | - |
| | | **-116,162** | -41,242 | **7,679** | 315 |

# Notes to the financial statements

Note

# Notes
## to the financial statements

1 **Segment information**

The Gabriel Group is accountable for two business segments:

**Fabrics**, where all products are furniture fabrics and related textile products. The products are sold to selected leading international manufacturers and key account customers specialising in upholstered furniture, seating and upholstered surfaces. The products for the individual business areas go through substantially the same production process, and the sales divisions have the same type of customers. In addition, the product distribution channels are the same.

**Letting of office facilities** by Gabriel Ejendomme A/S, which lets office premises in Gabriel Erhvervspark, Aalborg.

| **2021/22** | CONSOLIDATED | | | |
|---|---|---|---|---|
| **tDKK** | Fabrics | Letting of offices | Elimination | Group total |
| **Total segment revenue** | **1,061,660** | **7,279** | **-3,927** | **1,065,012** |
| Depreciation/amortisation | -41,255 | -952 | - | **-42,207** |
| Impairment losses | -349 | - | - | **-349** |
| **Operating profit (EBIT)** | **62,721** | **2,207** | **-** | **64,928** |
| Share of profit after tax in joint ventures | 121 | - | - | **121** |
| Finance income | 20,992 | - | -92 | **20,900** |
| Finance costs | -4,872 | -571 | 92 | **-5,351** |
| **Segment profit before tax** | **78,962** | **1,636** | **-** | **80,598** |
| Tax on profit for the year | -22,078 | -360 | - | **-22,438** |
| **Segment profit after tax** | **56,884** | **1,276** | | **58,160** |
| Addition of non-current assets | 41,209 | 1,816 | - | **43,025** |
| Investments in joint ventures | 32,037 | - | - | **32,037** |
| Segment assets | 789,427 | 79,122 | - | **868,549** |
| Segment liabilities | 465,997 | 53,550 | -9,747 | **509,800** |
| **2020/21** | | | | |
| **tDKK** | | | | |
| **Total segment revenue** | **806,877** | **6,618** | **-3,790** | **809,705** |
| Depreciation/amortisation | -35,931 | -927 | - | **-36,858** |
| Impairment losses | -1,051 | - | - | **-1,051** |
| **Operating profit (EBIT)** | **57,037** | **1,596** | **-** | **58,633** |
| Share of profit after tax in joint ventures | 2,963 | - | - | **2,963** |
| Finance income | 1,760 | 36 | -36 | **1,760** |
| Finance costs | -4,027 | -586 | 36 | **-4,577** |
| **Segment profit before tax** | **57,733** | **1,046** | **-** | **58,779** |
| Tax on profit for the year | -12,371 | -230 | - | **-12,601** |
| **Segment profit after tax** | **44,902** | **1,276** | | **46,178** |
| Addition of non-current assets | 36,975 | 370 | - | **37,345** |
| Investments in joint ventures | 33,437 | - | - | **33,437** |
| Segment assets | 653,821 | 77,330 | - | **731,151** |
| Segment liabilities | 361,595 | 54,339 | -6,907 | **409,027** |

**Major customers**

Revenue from two customers, totalling DKK 282 million, accounts for more than 10% of Group revenue (2020/21: two customers totalling DKK 186.5 million).

1 **Segment information**
**contd.**

**Geographical information**

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

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

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | Revenue | | Non-current assets | |
| tDKK | **2021/22** | 2020/21 | **2021/22** | 2020/21 |
| Denmark, fabrics | **177,042** | 118,855 | **35,186** | 28,971 |
| Denmark, letting of office facilities | **3,352** | 2,828 | **78,246** | 77,672 |
| Germany | **194,061** | 164,412 | **2,655** | 2,977 |
| Other European countries | **417,469** | 335,216 | **162,055** | 157,760 |
| USA and Mexico | **209,643** | 139,287 | **46,681** | 41,621 |
| Asia and other territories | **63,445** | 49,107 | **3,272** | 2,719 |
| | **1,065,012** | 809,705 | **328,095** | 311,720 |

| | | CONSOLIDATED | | PARENT COMPANY | |
|---|---|---|---|---|---|
| | tDKK | **2021/22** | 2020/21 | **2021/22** | 2020/21 |
| 2 | **Other operating income** | | | | |
| | Gains on disposals of non-current assets | **340** | 112 | **-** | - |
| | Other income | **1,142** | 781 | **-** | - |
| | | **1,482** | 893 | **-** | - |
| | **Other operating costs** | | | | |
| | Losses on disposals of non-current assets | **-493** | - | **-490** | **-** |
| | Other costs | **-117** | -274 | **-** | - |
| | | **-610** | -274 | **-490** | - |
| 3 | **Cost of sales** | | | | |
| | Cost of sales for the year | **-621,545** | -448,100 | **-** | - |
| | Write-down of inventories for the year | **-293** | -647 | **-** | - |
| | Reversal of write-downs on inventories | **363** | 496 | **-** | - |
| | Production wages etc. | **-96,760** | -66,561 | **-** | - |
| | | **-718,235** | -514,812 | **-** | - |
| 4 | **Other external costs** | | | | |
| | Other external costs include fees for the auditors appointed by the general meeting as follows: | | | | |
| | Statutory audit services | **-721** | -724 | **-179** | -224 |
| | Other assurance engagements | **0** | 0 | **-** | - |
| | Tax advice | **0** | -25 | **-** | - |
| | Other services | **-19** | -12 | **-19** | - |
| | | **-740** | -761 | **-198** | -224 |

| | tDKK | CONSOLIDATED 2021/22 | CONSOLIDATED 2020/21 | PARENT COMPANY 2021/22 | PARENT COMPANY 2020/21 |
|---|---|---|---|---|---|
| 5 | **Staff costs** | | | | |
| | Wages and salaries etc. | **-228,738** | -181,459 | **-12,108** | -12,577 |
| | Defined contribution pension schemes | **-4,619** | -3,990 | **-943** | -946 |
| | Other social security costs | **-14,973** | -11,106 | **-53** | -52 |
| | Other payroll-related costs | **-6,437** | -4,456 | **-667** | -94 |
| | | **-254,767** | -201,011 | **-13,771** | -13,669 |
| | Payroll costs capitalised regarding development projects | **5,085** | 4,542 | **-** | - |
| | Payroll costs transferred to cost of sales | **96,760** | 66,561 | **-** | - |
| | | **-152,922** | -129,908 | **-13,771** | -13,669 |
| | Remuneration of the Board of Directors of the parent company | **-1,575** | -1,240 | **-1,575** | -1,240 |
| | Remuneration of the Executive Board of the parent company | **-6,540** | -6,969 | **-6,540** | -6,969 |
| | Pension contributions for the parent company's Executive Board | **-626** | -575 | **-626** | -575 |
| | Remuneration of other managerial employees | **-8,477** | -8,962 | **-3,124** | -4,390 |
| | Pensions for other managerial employees | **-327** | -372 | **-217** | -275 |
| | Average number of employees | **1,358** | 1,163 | **7** | 8 |
| 6 | **Finance income** | | | | |
| | Dividends from subsidiaries | **-** | - | **27,536** | 10,000 |
| | Interest income, cash etc. | **334** | 218 | **-** | - |
| | Interest income from subsidiaries | **-** | - | **-** | 339 |
| | Net foreign exchange gain | **20,566** | 1,542 | **2,858** | 141 |
| | | **20,900** | 1,760 | **30,394** | 10,480 |
| 7 | **Finance costs** | | | | |
| | Interest expenses | **-3,913** | -2,967 | **-11** | -32 |
| | Interest expenses on lease assets | **-1,277** | -1,261 | **-** | - |
| | Interest expenses from subsidiaries | **-** | - | **-268** | - |
| | Amortisation of borrowing costs | **-8** | -8 | **-** | - |
| | Other finance costs | **-153** | -341 | **-15** | - |
| | | **-5,351** | -4,577 | **-294** | -32 |

| | CONSOLIDATED | | PARENT COMPANY | |
|---|---|---|---|---|
| tDKK | **2021/22** | 2020/21 | **2021/22** | 2020/21 |
| 8 **Tax on profit for the year** | | | | |
| Current tax | **-26,770** | -17,761 | **-** | - |
| Joint taxation contribution | **-** | - | **549** | 1,048 |
| Adjustment of deferred tax | **4,332** | 5,160 | **-68** | -33 |
| | **-22,438** | -12,601 | **481** | 1,015 |
| **Tax on profit for the year is specified as follows:** | | | | |
| Computed tax on profit before tax, 22% | **-17,732** | -12,931 | **-5,198** | -1,180 |
| Tax effect of: | | | | |
| Non-taxable income | **-** | - | **-** | - |
| Non-deductible costs | **-180** | -120 | **-2** | -5 |
| Non-taxable dividends | **-** | - | **5,680** | 2,200 |
| Share of profit after tax in joint venture | **27** | 652 | **-** | - |
| Adjustment for tax rates other than 22% on foreign subsidiaries | **762** | 1,646 | **-** | - |
| Deferred tax not recognised | **-5,315** | -2,136 | **-** | - |
| Adjustment in respect of previous years | **-** | 288 | **-** | - |
| | **-22,438** | -12,601 | **481** | 1,015 |
| Effective tax rate | **27.8%** | 21.4% | **-2.0%** | -18.9% |

The primary reason for the development in the tax rate is that management has chosen not to recognise selected realised deferred tax assets.

| | CONSOLIDATED | | PARENT COMPANY | |
|---|---|---|---|---|
| tDKK | **2021/22** | 2020/21 | **2021/22** | 2020/21 |
| 9 **Earnings per share** | | | | |
| Profit for the year after tax | **58,160** | 46,178 | | |
| Average number of shares | **1,890,000** | 1,890,000 | | |
| Average number of treasury shares | **-** | - | | |
| Average number of shares in circulation | **1,890,000** | 1,890,000 | | |
| Earnings per share (EPS), basic | **30.8** | 24.4 | | |
| Earnings per share (EPS-D), diluted | **30.8** | 24.4 | | |

| tDKK | Goodwill | Acquired product technology assets | Customer relationships | Completed internal development projects | Internal development projects in progress | Software |
|---|---|---|---|---|---|---|
| | CONSOLIDATED | | | | | |
| 10 **Intangible assets** | | | | | | |
| **2021/22** | | | | | | |
| Cost at 01.10.2021 | 51,027 | 15,512 | 13,364 | 37,734 | 10,468 | 13,533 |
| Value adjustment | -329 | -189 | 1,087 | 579 | 1 | -20 |
| Brought forward | - | - | - | 9,131 | -9,131 | - |
| Additions during the year | - | - | - | - | 9,271 | 1,604 |
| Disposals during the year | - | - | - | -6,499 | -349 | - |
| Cost at 30.09.2022 | 50,698 | 15,323 | 14,451 | 40,945 | 10,260 | 15,117 |
| | | | | | | |
| Amortisation at 01.10.2021 | - | 5,695 | 4,975 | 26,000 | - | 7,654 |
| Value adjustment | - | -125 | 472 | 35 | - | -33 |
| Disposals during the year | - | - | - | -6,499 | -349 | - |
| Amortisation for the year | - | 1,907 | 1,968 | 4,314 | - | 1,344 |
| Impairment losses for the year | - | - | - | - | 349 | - |
| Amortisation at 30.09.2022 | - | 7,477 | 7,415 | 23,850 | - | 8,965 |
| | | | | | | |
| **Carrying amount 30.09.2022** | **50,698** | **7,846** | **7,036** | **17,095** | **10,260** | **6,152** |
| | | | | | | |
| **2020/21** | | | | | | |
| Cost at 01.10.2020 | 48,672 | 15,478 | 13,319 | 33,822 | 6,441 | 12,333 |
| Value adjustment | 1,536 | 34 | 45 | 569 | -37 | -148 |
| Adjustment for acquisition | 819 | - | - | - | - | - |
| Brought forward | - | - | - | 3,469 | -3,469 | - |
| Additions during the year | - | - | - | - | 8,214 | 1,348 |
| Disposals during the year | - | - | - | -126 | -681 | - |
| Cost at 30.09.2021 | 51,027 | 15,512 | 13,364 | 37,734 | 10,468 | 13,533 |
| | | | | | | |
| Amortisation at 01.10.2020 | - | 3,639 | 3,057 | 20,919 | - | 6,454 |
| Value adjustment | - | 173 | 34 | 51 | - | -145 |
| Disposals during the year | - | - | - | -107 | -681 | - |
| Amortisation for the year | - | 1,883 | 1,884 | 4,767 | - | 1,345 |
| Impairment losses for the year | - | - | - | 370 | 681 | - |
| Amortisation at 30.09.2021 | - | 5,695 | 4,975 | 26,000 | - | 7,654 |
| | | | | | | |
| **Carrying amount 30.09.2021** | **51,027** | **9,817** | **8,389** | **11,734** | **10,468** | **5,879** |

**10 contd.** **Intangible assets**

**Goodwill**

The carrying amount of goodwill of DKK 50.7 million is allocated between the cash-generating units Screen Solutions (DKK 5.4 million), FurnMaster (DKK 21.7 million), UAB Gabriel Textiles (DKK 5.3 million), Gabriel A/S (DKK 15.9 million), Grupo RyL (DKK 0.7 million) and Gabriel North America (DKK 1.7 million).

The carrying amount of goodwill was impairment-tested using discounted cash flow models based on a "value in use" approach, on 2022/23 budgets approved by the Board of Directors and on projections for subsequent periods (a total of five years). Terminal value must be added to this.

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

The key assumptions are revenue growth, EBIT margin and discount rate. The expected revenue growth for all CGUs is generally in line with the Group's realised growth. The expected EBIT rates are also supported by the EBIT rates realised for comparable Group activities.

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

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

Management prepared sensitivity analyses for the key assumptions.

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

**10 contd.** **Intangible assets**

| | CONSOLIDATED 2021/22 | | | | |
|---|---|---|---|---|---|
| | Discount rate (after tax) | Discount rate (before tax) | Av. annual revenue growth until terminal period | Av. EBIT rate until terminal period | Sensitivity revenue/ EBIT (minimum index)* |
| Screen Solutions (UK) | 11.4% | 11.9% | 14% | 5% | 93 |
| FurnMaster (Poland/Lithuania) | 10.8% | 11.5% | 10% | 14% | 43 |
| UAB Gabriel Textiles (Lithuania) | 10.8% | 11.5% | 10% | 9% | 88 |
| Gabriel A/S (Denmark) | 11.0% | 11.7% | 10% | 25% | 50 |
| Grupo RyL (Mexico) | 11.0% | 11.6% | 27% | 8% | 45 |
| Gabriel North America (USA) | 11.0% | 11.6% | 20% | 18% | 62 |

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

Based on the current market price, the Group's market capitalisation significantly exceeds book equity. The end-of-year price at 30 September 2022 was DKK 515, the equivalent of a market capitalisation of DKK 973 million.

| | CONSOLIDATED 2020/21 | | | | |
|---|---|---|---|---|---|
| | Discount rate (after tax) | Discount rate (before tax) | Av. annual revenue growth until terminal period | Av. EBIT rate until terminal period | Sensitivity revenue/ EBIT (minimum index)** |
| Screen Solutions (UK) | 11.1% | 11.6% | 4% | 12% | 83 |
| FurnMaster (Poland/Lithuania) | 10.5% | 11.1% | 10% | 13% | 52 |
| UAB Gabriel Textiles (Lithuania) | 10.5% | 11.1% | 10% | 9% | 75 |
| Gabriel A/S (Denmark) | 9.8% | 10.2% | 10% | 27% | 43 |
| Grupo RyL (Mexico) | 10.6% | 11.0% | 30% | 8% | 60 |
| Gabriel North America (USA) | 10.6% | 11.0% | 20% | 11% | 57 |

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

Based on the current market price, the Group's market capitalisation significantly exceeds book equity. The end-of-year price at 30 September 2021 was DKK 630, the equivalent of a market capitalisation of DKK 1,191 million.

**10 contd.** **Intangible assets**

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

In management's view, the UK market may generate greater revenue growth than assumed but, due to general uncertainty related to Brexit and the corona pandemic, management considers that limited growth is more likely.

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

Covid-19 and Brexit continued to affect earnings in 2021/22, and the company therefore did not yield the expected profit for 2021/22. Provided the Covid-19 situation is stable, and based on initiatives launched and the sales strategy, the company is expected to yield profits from 2024/25.

On the basis of these assumptions, revenue and EBIT sensitivity is within the high interval.

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

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

On the basis of these assumptions, revenue and EBIT sensitivity is within the low interval.

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

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

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

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

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

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

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

Production capacity has increased significantly over the last few years.

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

**10 contd.** **Intangible assets**

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

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

As a result of the ample margin, sensitivity is within the low interval.

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

As a result of the ample margin, sensitivity is within the low interval.

**Development projects**
A number of projects were closed in connection with a re-evaluation of the project portfolio, which resulted in impairment charges totalling tDKK 349 (2020/21: tDKK 1,051).

The Group also performed an impairment test on the carrying amounts of the recognised development projects. The test included an evaluation of the project development sequence, in the form of expenses paid and results obtained relative to the approved project and business plans. The values of a few finalised development projects will be maintained if sales are realised as expected in the coming years.

It was judged on this basis that the recoverable amount exceeds the carrying amount. As in 2020/21, no public subsidies were received in 2021/22.

| tDKK | CONSOLIDATED Land and buildings | Improvements to premises | Plant, fixtures, fittings and equipment | Lease assets | PARENT Plant, fixtures, fittings and equipment | Lease assets |
|---|---|---|---|---|---|---|
| **11 Property, plant and equipment** | | | | | | |
| **2021/22** | | | | | | |
| Cost at 01.10.2021 | 119,375 | 21,714 | 103,881 | 96,993 | 250 | 1,793 |
| Value adjustment | -598 | 1,645 | 2,376 | 250 | - | - |
| Brought forward | - | - | 7,197 | -7,197 | - | - |
| Additions during the year | 6,460 | 2,993 | 22,697 | 15,376 | 3,238 | - |
| Disposals during the year | - | -94 | -6,248 | -7,909 | -541 | -931 |
| Cost at 30.09.2022 | 125,237 | 26,258 | 129,903 | 97,513 | 2,947 | 862 |
| | | | | | | |
| Depreciation at 01.10.2021 | 31,539 | 7,734 | 48,817 | 39,467 | 78 | 413 |
| Value adjustment | -112 | 299 | 1,020 | 42 | - | - |
| Brought forward | - | - | 4,299 | -4,299 | - | - |
| Disposals during the year | - | -94 | -4,149 | -7,679 | -71 | -359 |
| Depreciation for the year | 1,347 | 2,376 | 10,978 | 18,318 | 90 | 220 |
| Depreciation at 30.09.2022 | 32,774 | 10,315 | 60,965 | 45,849 | 97 | 274 |
| | | | | | | |
| **Carrying amount at 30.09.2022** | **92,463** | **15,943** | **68,938** | **51,664** | **2,850** | **588** |

Assets held for sale (DKK 1.2 million) concern land and buildings expected to be sold in 2022/23.

| tDKK | CONSOLIDATED Land and buildings | Plant and fixtures and fittings | Group total | PARENT Plant and fixtures and fittings |
|---|---|---|---|---|
| **Lease assets** | | | | |
| **2021/22** | | | | |
| Cost at 01.10.2021 | 82,235 | 14,758 | 96,993 | 1,793 |
| Value adjustment | - | 250 | 250 | - |
| Brought forward | - | -7,197 | -7,197 | - |
| Additions during the year | 10,832 | 4,544 | 15,376 | - |
| Disposals during the year | -5,612 | -2,297 | -7,909 | -931 |
| Cost at 30.09.2022 | 87,455 | 10,058 | 97,513 | 862 |
| | | | | |
| Depreciation at 01.10.2021 | 31,344 | 8,123 | 39,467 | 413 |
| Value adjustment | - | 42 | 42 | - |
| Brought forward | - | -4,299 | -4,299 | - |
| Disposals during the year | -5,612 | -2,067 | -7,679 | -359 |
| Depreciation for the year | 16,381 | 1,937 | 18,318 | 220 |
| Depreciation at 30.09.2022 | 42,113 | 3,736 | 45,849 | 274 |
| | | | | |
| **Carrying amount at 30.09.2022** | **45,342** | **6,322** | **51,664** | **588** |

Additions for the year includes DKK 2.9 million regarding exercise of an extension option for leased premises.
Low-value leased assets not recognised represent an insignificant amount.
The weighted interest rate for lease assets is 1-4%.

| | CONSOLIDATED | | | | PARENT | |
|---|---|---|---|---|---|---|
| tDKK | Land and buildings | Improvements to premises | Plant, fixtures, fittings and equipment | Lease assets | Plant, fixtures, fittings and equipment | Lease assets |
| 11 **Property, plant and equipment** | | | | | | |
| **2020/21** | | | | | | |
| Cost at 01.10.2020 | 119,211 | 16,596 | 84,708 | 80,293 | 228 | 1,793 |
| Value adjustment | -224 | 256 | 270 | 606 | - | - |
| Additions during the year | 388 | 4,862 | 22,533 | 17,146 | 22 | - |
| Disposals during the year | - | - | -3,630 | -1,052 | - | - |
| Cost at 30.09.2021 | 119,375 | 21,714 | 103,881 | 96,993 | 250 | 1,793 |
| Depreciation at 01.10.2020 | 30,234 | 5,678 | 39,956 | 21,465 | 37 | 173 |
| Value adjustment | -35 | 111 | 175 | -3 | - | - |
| Disposals during the year | - | - | -2,351 | -1,052 | - | - |
| Depreciation for the year | 1,340 | 1,945 | 11,037 | 19,057 | 41 | 240 |
| Depreciation at 30.09.2021 | 31,539 | 7,734 | 48,817 | 39,467 | 78 | 413 |
| **Carrying amount at 30.09.2021** | **87,836** | **13,980** | **55,064** | **57,526** | **172** | **1,380** |

| | CONSOLIDATED | | | PARENT |
|---|---|---|---|---|
| tDKK | Land and buildings | Plant and fixtures and fittings | Group total | Plant and fixtures and fittings |
| **Lease assets** | | | | |
| **2020/21** | | | | |
| Cost at 01.10.2020 | 66,435 | 13,859 | 80,294 | 1,793 |
| Value adjustment | - | 606 | 606 | - |
| Additions during the year | 15,800 | 1,345 | 17,145 | - |
| Disposals during the year | - | -1,052 | -1,052 | - |
| Cost at 30.09.2021 | 82,235 | 14,758 | 96,993 | 1,793 |
| Depreciation at 01.10.2020 | 15,982 | 5,484 | 21,466 | 173 |
| Value adjustment | - | -3 | -3 | - |
| Disposals during the year | - | -1,052 | -1,052 | - |
| Depreciation for the year | 15,362 | 3,694 | 19,056 | 240 |
| Depreciation at 30.09.2021 | 31,344 | 8,123 | 39,467 | 413 |
| **Carrying amount at 30.09.2021** | **50,891** | **6,635** | **57,526** | **1,380** |

Additions for the year includes DKK 4.8 million regarding exercise of an extension option for leased premises.
Low-value leased assets not recognised represent an insignificant amount.
The weighted interest rate for lease assets is 1-4%.

| tDKK | PARENT COMPANY 2021/22 | 2020/21 |
|---|---|---|
| **12 Investments in subsidiaries** | | |
| Cost at 01.10 | **107,623** | 75,794 |
| Capital contribution, subsidiaries | **-** | 31,829 |
| Cost at 30.09 | **107,623** | 107,623 |
| | | |
| Impairment write-down 01.10 | **7,000** | 7,000 |
| Impairment write-down for the year | **-** | - |
| Cost at 30.09 | **7,000** | 7,000 |
| | | |
| Carrying amount at 30.09 | **100,623** | 100,623 |

| **Name and registered office** | Stake | Share capital | Equity | Profit/loss for the year | Carrying amount |
|---|---|---|---|---|---|
| 2021/22 | | tDKK | tDKK | tDKK | tDKK |
| Gabriel A/S, Aalborg | 100% | 25,600 | 257,904 | 53,338 | 36,645 |
| Gabriel Ejendomme A/S, Aalborg | 100% | 1,000 | 24,268 | 1,276 | 30,932 |
| Gabriel (Tianjin), China | 100% | 1,772 | 33,417 | 6,153 | 1,211 |
| Gabriel North America Inc., USA | 100% | 8 | -5,353 | -8,953 | 31,835 |
| | | | 310,236 | 51,814 | 100,623 |
| 2020/21 | | tDKK | tDKK | tDKK | tDKK |
| Gabriel A/S, Aalborg | 100% | 25,600 | 224,560 | 36,064 | 36,645 |
| Gabriel Ejendomme A/S, Aalborg | 100% | 1,000 | 22,991 | 816 | 30,932 |
| Gabriel (Tianjin), China | 100% | 1,653 | 32,087 | 6,951 | 1,211 |
| Gabriel North America Inc., USA | 100% | 6 | 3,704 | -6,386 | 31,835 |
| | | | 283,342 | 37,445 | 100,623 |

The loss realised by Gabriel North America Inc. in 2021/22 was due to the continued start-up of activities in Mexico on the purchase of Grupo RyL S.A. de C.V. For this reason, and based on impairment testing and on expected future earnings, management considered that there is no indication of impairment.

There are no indicators of impairment for other investments.

Amounts owed by subsidiaries are tDKK 58,575 (tDKK 15,037 in 2020/21) and concern capital lent to Gabriel North America Inc. and Grupo RYL. The loan is not expected to be repaid within the next five years.

| tDKK | CONSOLIDATED 2021/22 | 2020/21 |
|---|---|---|
| 13 **Investments in joint ventures** | | |
| Cost at 01.10 | **13,811** | 13,811 |
| Cost at 30.09 | **13,811** | 13,811 |
| | | |
| Adjustments at 01.10 | **19,626** | 17,946 |
| | | |
| Share of profit for the year | **306** | 3,042 |
| Adjustment, beginning of period | **7** | 8 |
| Dividends distributed | **-1,521** | -1,283 |
| Intra-group profit | **-135** | -30 |
| Value adjustment, property | **-57** | -57 |
| Adjustments for the year | **-1,400** | 1,680 |
| | | |
| Adjustments at 30.09 | **18,226** | 19,626 |
| | | |
| Carrying amount at 30.09 | **32,037** | 33,437 |

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

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

| | | |
|---|---|---|
| Net revenue | **54,218** | 45,093 |
| Depreciation | **-4,755** | -4,253 |
| Finance costs | **-193** | -164 |
| Tax on profit for the year | **-** | - |
| Profit/comprehensive income for the year | **574** | 5,208 |
| | | |
| Non-current assets | **43,079** | 41,675 |
| Current assets | **25,062** | 27,905 |
| Cash and cash equivalents | **12,130** | 19,897 |
| Non-current liabilities | **5,253** | 4,570 |
| Non-current liabilities excluding trade and other payables | **5,253** | 4,570 |
| Current liabilities | **7,334** | 6,912 |
| Current liabilities excluding trade and other payables | **1,740** | 1,218 |
| Equity | **54,592** | 57,100 |
| | | |
| **Reconciliation of carrying amount at 30 September:** | | |
| | | |
| The Group's share of equity | **27,044** | 28,252 |
| Value adjustment, property | **632** | 689 |
| Intra-group profit | **-438** | -303 |
| Goodwill | **4,799** | 4,799 |
| Carrying amount at 30.09 | **32,037** | 33,437 |

Management has impairment-tested the carrying amount of goodwill. The test was based on the budget for 2022/23 and projection for the years 2023/24 to 2026/27 using projected cash flows and a discount rate after tax of 10.5%. The test has not resulted in any impairment, and the margin is considerable. Probable changes in key assumptions are therefore judged not to result in impairment.

| tDKK | CONSOLIDATED 2021/22 | 2020/21 | PARENT COMPANY 2021/22 | 2020/21 |
|---|---|---|---|---|
| 14 **Inventories** | | | | |
| Raw materials and consumables | **174,029** | 119,860 | **-** | - |
| Work in progress | **13,435** | 13,734 | **-** | - |
| Finished goods and goods for resale | **58,866** | 49,716 | **-** | - |
| | **246,330** | 183,310 | **-** | - |

Goods with a value of tDKK 6,000 (2020/21: tDKK 7,199) have been written down by tDKK 2,930 (2020/21: tDKK 3,628) to expected net realisable value.

As part of usual Group operations, the Group has entered into purchase agreements for future raw material supplies amounting to tDKK 28,917 (30 September 2021: tDKK 18,662) to ensure raw material supplies in 2022/23.

| tDKK | CONSOLIDATED 2021/22 | 2020/21 | PARENT COMPANY 2021/22 | 2020/21 |
|---|---|---|---|---|
| 15 **Receivables** | | | | |
| Trade receivables | **120,016** | 104,175 | **-** | - |
| Amounts owed by subsidiaries | **-** | - | **7,073** | 6,254 |
| Other receivables | **25,416** | 22,383 | **16,633** | 11,874 |
| | **145,432** | 126,558 | **23,706** | 18,128 |

Credit risks associated with the individual receivables depend primarily on the location of the debtors . On the basis of the Group's internal credit rating procedures and external credit ratings, the creditworthiness of receivables not written down is assessed to be high and to pose a low risk of loss. See also note 23 for information on credit risks.

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

| | | |
|---|---|---|
| Denmark | **17,799** | 11,493 |
| Europe | **69,597** | 70,280 |
| USA | **26,083** | 15,012 |
| Asia | **5,515** | 6,790 |
| Other countries | **1,022** | 600 |
| | **120,016** | 104,175 |

The Group's trade receivables at 30 September 2022 include receivables totalling tDKK 621 (2020/21: tDKK 338), written down by tDKK 619 (2020/21: tDKK 320). Other external costs include bad debts of tDKK 103 net (2019/20: tDKK 300). Bad debts were due to customer bankruptcy or anticipated payment default.

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

**2021/22**

| | Loss rate | Trade receivables | Write-down | Total |
|---|---|---|---|---|
| Not overdue | 0.0% | 98,135 | - | 98,135 |
| Up to 30 days | 0.0% | 12,981 | - | 12,981 |
| Between 30 and 60 days | 0.0% | 2,334 | - | 2,334 |
| Over 60 days | 7.1% | 7,069 | 503 | 6,566 |
| | **0.4%** | 120,519 | 503 | 120,016 |

Interest income arising from receivables written down is not recognised.

Write-downs of the Group's trade receivables concern Europe.

**15 contd.** **Receivables**

**2021/22**

| | Loss rate | Trade receivables | Expected loss based on historical loss rates |
|---|---|---|---|
| Denmark | 0.0% | 17,799 | - |
| Europe | 0.7% | 70,100 | 503 |
| USA | 0.0% | 26,083 | - |
| Asia | 0.0% | 5,515 | - |
| Other countries | 0.0% | 1,022 | - |
| | | 120,519 | 503 |

The Gabriel Group does not have a past record of major bad debts, and bad debts are therefore also expected to be limited in future.

**2020/21**

| | Loss rate | Trade receivables | Write-down | Total |
|---|---|---|---|---|
| Not overdue | 0.0% | 90,677 | - | 90,677 |
| Up to 30 days | 0.0% | 6,344 | - | 6,344 |
| Between 30 and 60 days | 0.0% | 4,272 | - | 4,272 |
| Over 60 days | 10.0% | 3,202 | 320 | 2,882 |
| | **0.3%** | 104,495 | 320 | 104,175 |

Interest income arising from receivables written down is not recognised.

Write-downs of the Group's trade receivables concern Europe.

**2020/21**

| | Loss rate | Trade receivables | Expected loss based on historical loss rates |
|---|---|---|---|
| Denmark | 0.0% | 11,493 | - |
| Europe | 0.5% | 70,600 | 320 |
| USA | 0.0% | 15,012 | - |
| Asia | 0.0% | 6,790 | - |
| Other countries | 0.0% | 600 | - |
| | | 104,495 | 320 |

**16** **Research and development costs**

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

| | CONSOLIDATED | |
|---|---|---|
| tDKK | **2021/22** | 2020/21 |
| Research and development costs incurred | **25,701** | 23,166 |
| Development costs recognised as intangible assets | **-9,271** | -8,214 |
| Research and development costs for the year recognised in the income statement under staff and other external costs | **16,430** | 14,952 |

17 **Share capital**

| | SHARES ISSUED | | | |
|---|---|---|---|---|
| | Number | | Nominal value (tDKK) | |
| | **2021/22** | 2020/21 | **2021/22** | 2020/21 |
| 1 October | **1,890,000** | 1,890,000 | **37,800** | 37,800 |
| 30 September | **1,890,000** | 1,890,000 | **37,800** | 37,800 |

The share capital comprises 1,890,000 shares of DKK 20 each. No shares carry special rights and the share capital is fully paid up.

Neither the Group nor the parent company holds treasury shares.

**Capital management**

The Group's ordinary activities still generate reasonable cash flows, enabling it to maintain solid financial resources. The Group regularly assesses the need for adjusting its capital structure. A high equity ratio has always been a top priority for Gabriel in order to maximise room for manoeuvre in all situations. The Group's equity ratio was 41.3% on 30 September 2022 (30 September 2021: 44.1%).

The Group wishes to provide its shareholders with regular returns on their investments, while maintaining an appropriate level of equity to ensure the company's future operations. The Board of Directors proposes that a dividend of DKK 10.75 per share be distributed for 2021/22 (DKK 9.75 in 2020/21), equivalent to total dividends of DKK 20.3 million (DKK 18.4 million in 2020/21).

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

| | CONSOLIDATED | | PARENT COMPANY | |
|---|---|---|---|---|
| tDKK | **2021/22** | 2020/21 | **2021/22** | 2020/21 |
| 18 **Deferred tax** | | | | |
| Deferred tax at 01.10 | **-7,949** | -1,958 | **98** | 65 |
| Exchange rate adjustment | **-2,726** | -831 | **-** | - |
| Deferred tax for the year recognised in the income statement | **-4,332** | -5,160 | **68** | 33 |
| Adjustment in respect of previous years | **-7** | - | **-** | - |
| Deferred tax at 30.09 | **-15,014** | -7,949 | **166** | 98 |
| Deferred tax is recognised as follows in the statement of financial position: | | | | |
| Deferred tax assets | **-25,003** | -19,203 | **-** | - |
| Deferred tax liabilities | **9,989** | 11,254 | **166** | 98 |
| Deferred tax at 30.09, net | **-15,014** | -7,949 | **166** | 98 |
| Deferred tax concerns: | | | | |
| Intangible assets | **7,973** | 8,128 | **-** | - |
| Plant, fixtures and fittings and equipment | **3,060** | 3,792 | **166** | 98 |
| Financial assets | **-13** | -26 | **-** | - |
| Current assets | **-1,043** | -640 | **-** | - |
| Tax loss carryforwards | **-24,991** | -19,203 | **-** | - |
| | **-15,014** | -7,949 | **166** | 98 |

**18 contd.** **Deferred tax**

Deferred tax assets primarily concern the Group companies Gabriel North America (DKK 6.9 million), Grupo RyL (DKK 16.7 million) and Screen Solutions Ltd (DKK 0.8 million). The same is the case for tax loss carryforwards.

All three companies realised losses in 2021/22, and management therefore made a detailed assessment of the possibilities of utilising the tax assets.

*Gabriel North America and Grupo RyL*
On the strength of major customer potential on the North and South American markets, including via the acquired production facility in Mexico and budgets/forecasts, management considered that there is every probability that the tax assets in the USA and Mexico can be utilised within the next four or five years and consequently the value for Grupo RyL has been fully recognised. The deferred tax asset for Gabriel North America is DKK 12.6 million, of which DKK 6.9 million was recognised.

Budgets/forecasts have been prepared for Gabriel North America for the next five years. The expected earnings support utilisation within four or five years, based on expected annual revenue growth in fabric sales of the order of 20%, plus additional earnings from goods produced by Grupo RyL for American customers. COVID-19 naturally continued to have an adverse effect on earnings for the year, increasing prices of raw materials and carriage. The FurnMaster production activities in Grupo RyL will have a positive effect on the American company's earnings due to cost reductions and on Grupo RyL due to better utilisation of capacity. In accordance with a transfer pricing agreement, trading between the companies will give both companies positive earnings from sales.

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

*Screen Solutions*
The tax asset totals DKK 6.2 million, primarily concerning a tax loss carryforward. Via the potential for Screen Solutions products, management expects to continue to utilise tax losses in the UK company within four or five years. On this basis, a deferred tax asset of DKK 0.8 million has been recognised.

Please see note 10 on impairment testing and expected earnings.

Positive earnings for the UK company are expected to be driven mainly by income from the FurnMaster companies' sale of Screen Solutions products. Customer agreements entered into in the 2018/19, 2019/20 and 2020/21 financial years support the expected sales. Intensified focus on revenue from fabrics in England is also planned with a view to increasing income from storage and logistics activities. Cost-cutting measures have also been implemented.

| tDKK | CONSOLIDATED 2021/22 | CONSOLIDATED 2020/21 | PARENT COMPANY 2021/22 | PARENT COMPANY 2020/21 |
|---|---|---|---|---|
| **19 Credit institutions** | | | | |
| Amounts owed to credit institutions relate to: | | | | |
| Mortgage debt, mortgage lender | **41,570** | 44,201 | **-** | - |
| Mortgage debt, bank | **-** | 4,843 | **-** | - |
| Increase in credit facility (not regarded as cash or cash equivalents) | **97,500** | 97,500 | **-** | - |
| Drawing on credit facility at bank | **193,253** | 87,822 | **-** | - |
| Total carrying amount | **332,323** | **234,366** | **-** | - |
| Amounts owed to credit institutions were recognised in the statement of financial position as follows: | | | | |
| Non-current liabilities | **38,923** | 45,636 | **-** | - |
| Current liabilities | **293,400** | 188,730 | **-** | - |
| Total carrying amount | **332,323** | 234,366 | **-** | - |
| Fair value is calculated at market value (level 1) | **332,323** | 234,366 | **-** | - |
| The contractual cash flows from the mortgage debt are due as follows: | | | | |
| 0-1 years | **3,148** | 4,009 | | |
| 1-5 years | **9,323** | 16,342 | | |
| > 5 years | **33,535** | 33,792 | | |

As a result of the open credit, current liabilities to credit institutions are not expected to be repaid in the 2022/23 financial year. The Group still has undrawn credit facilities.

Mortgage debt to mortgage lender comprises two loans: a fixed-rate annuity loan in DKK with interest of 0.75% p.a. and a principal of tDKK 42,780, and a floating-rate bond loan with interest at present of -0.02% p.a. and principal of tDKK 6,162.

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

## 20 Lease liabilities

| tDKK | CONSOLIDATED 2021/22 | | CONSOLIDATED 2020/21 | |
|---|---|---|---|---|
| **Lease liabilities** | | | | |
| Lease liabilities are recognised as follows in the statement of financial position: | | | | |
| | Minimum lease payment | Carrying amount | Minimum lease payment | Carrying amount |
| 0-1 years | **19,688** | **19,303** | 17,553 | 17,215 |
| 1-5 years | **29,641** | **29,064** | 32,990 | 32,352 |
| > 5 years | **5,395** | **5,289** | 7,331 | 7,187 |
| | **54,724** | **53,656** | 57,874 | 56,754 |
| Interest component | **-1,068** | **-** | -1,120 | - |
| Net present value of minimum lease payments | **53,656** | **53,656** | 56,754 | 56,754 |

| tDKK | CONSOLIDATED 2021/22 | | | |
|---|---|---|---|---|
| **21 Cash flows from financing activities** | | | | |
| | Mortgage debt | Credit facility | Lease commit-ments | Changes in cash flows |
| 1 October 2021 | **49,044** | **97,500** | **56,754** | |
| Value adjustment | **-** | **-** | **1,949** | |
| Repayment of debt to credit institutions | **-7,474** | **-** | **-19,316** | **-26,790** |
| Increase in lease commitments | **-** | **-** | **14,269** | |
| 30 September 2022 | **41,570** | **97,500** | **53,656** | **-26,790** |

| tDKK | CONSOLIDATED 2020/21 | | | |
|---|---|---|---|---|
| **Cash flows from financing activities** | | | | |
| | Mortgage debt | Credit facility | Lease commit-ments | Changes in cash flows |
| 1 October 2020 | **52,336** | **97,500** | **54,912** | |
| Value adjustment | | | **1,821** | |
| Repayment of debt to credit institutions | **-3,292** | **-** | **-19,297** | **-22,589** |
| Increase in lease commitments | **-** | **-** | **19,318** | |
| 30 September 2021 | **49,044** | **97,500** | **56,754** | **-22,589** |

## 22 Acquisition of subsidiaries

**Acquisition of subsidiary – Visiotex GmbH**

On 20 December 2019, Gabriel A/S acquired 100% of the share capital in the German textile solutions manufacturer Visiotex GmbH for a cash acquisition price of EUR 0.25 million and a conditional acquisition price of EUR 0.25 million. In addition, debt of EUR 2.0 million was repaid in connection with the takeover.

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

Visiotex had almost 20 employees and revenue of EUR 1.1 million in 2019. In 2019/20 the activity was included with revenue of DKK 3.6 million and a loss of DKK 2.8 million after tax based on a provisional pre-acquisition balance sheet.

The pre-acquisition balance sheet was finalised during the first quarter of the 2020/21 financial year. As was expected in the annual report presented for 2019/20, the conditional acquisition price of EUR 0.25 million has not been paid because claims of more than EUR 0.5 million were advanced against the seller in December 2020 based on the statement of assets, liabilities and contingent liabilities in the pre-acquisition balance sheet.

Identified assets, liabilities and contingencies are recognised in the pre-acquisition balance sheet at fair value as follows:

| tDKK | Fair value recognised on the date of acquisition |
|---|---|
| Intangible assets (development projects and product technology) | 8,030 |
| Property, plant and equipment | 6,103 |
| Inventories | 801 |
| Receivables | 1,366 |
| Cash and cash equivalents | 26 |
| Credit institutions | -265 |
| Deferred tax | -2,191 |
| Trade payables | -1,262 |
| Other payables | -1,677 |
| Acquired net assets | 10,931 |
| Goodwill | 3,596 |
| **Total acquisition price for the enterprise** | **14,527** |
| Debt repaid on acquisition | -14,527 |
| **Cash acquisition price, net** | **-** |

The increase in goodwill compared to the provisional pre-acquisition balance sheet presented in the 2019/20 annual report is attributable to small adjustments to provisionally computed fair values.

Values recognised in the opening statement of financial position under property, plant and equipment, in particular property and production equipment, are based on valuations by external partners.

Intangible assets of DKK 8.0 million are acquired technology assets. Fair value is computed based on the Relief from Royalty method and thus by discounting estimated royalty savings by owning the technology in question.

Liabilities are recognised based on an assessment of probability.

Goodwill on the date of acquisition is calculated at DKK 3.6 million. Goodwill represents the value of the existing staff and know-how and, not least, the value of expected synergies from merging the company with the Gabriel Group. The synergies offer the possibility of introducing the patented Wovenit technology as a supplement to Gabriel's existing customer and product portfolio.

## 23 Financial risks and financial instruments

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

The Group occasionally hedges currency risks, considering projected future cash flows and projected future exchange rate movements and decides whether each transaction qualifies for hedge accounting. The majority of sales in Europe, America and China are settled in the customer's functional currency, while EUR are primarily used for settlement with other international customers. Currency risks generated by income thus primarily concern USD and RMB but, as most income is invoiced in the Scandinavian currencies or EUR and net income and cost items are equalled out as far as possible, the risk is judged to be relatively limited. The Group's most important purchases are settled in DKK, EUR or USD.

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

Following the acquisitions in England and Mexico and the expansion of activities in North America, the Group's financial risk exposure to the currencies in those areas has increased. Except for the above, the Group's risk exposure and risk management have not changed materially since 2020/21.

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

| | CARRYING AMOUNT | |
|---|---|---|
| tDKK | **2021/22** | 2020/21 |
| Receivables | **145,432** | 126,558 |
| Cash and cash equivalents | **77,091** | 46,580 |
| **Financial assets measured at amortised cost** | **222,523** | 173,138 |
| Amounts owed to credit institutions | **332,323** | 234,366 |
| Financial lease liabilities | **53,656** | 56,754 |
| Trade payables | **62,534** | 58,370 |
| Amounts owed to joint venture | **1,203** | 1,247 |
| Other payables | **30,105** | 35,476 |
| **Financial liabilities measured at amortised cost** | **479,821** | 386,213 |

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

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

**Currency risk**

The Group's foreign exchange positions in Danish kroner were as follows on 30 September 2022:

| Currency (tDKK) | Cash and cash equivalents/ trade receivables | Bank loans/trade payables/credit institutions | Open forward contracts |
|---|---|---|---|
| DKK | 1,190 | -304,183 | - |
| EUR | 115,301 | -89,617 | - |
| SEK | 3,810 | -2,809 | - |
| NOK | 500 | -159 | - |
| GBP | 6,949 | -10,300 | - |
| USD | 36,411 | -34,105 | - |
| PLN | 237 | -2,632 | - |
| RMB | 31,106 | -2,873 | - |
| MXN | 195 | -1,835 | |
| Other | 1,409 | - | - |
| Abroad | 195,918 | -144,330 | - |

The Group's foreign exchange positions in Danish kroner were as follows on 30 September 2021:

| Currency (tDKK) | Cash and cash equivalents/ trade receivables | Bank loans/trade payables/credit institutions | Open forward contracts |
|---|---|---|---|
| DKK | 1,771 | -233,179 | - |
| EUR | 88,473 | -70,583 | - |
| SEK | 3,782 | -2,113 | - |
| NOK | 455 | -99 | - |
| GBP | 8,620 | -7,556 | - |
| USD | 22,232 | -24,328 | - |
| PLN | 206 | -4,807 | - |
| RMB | 24,644 | -1,773 | - |
| MXN | 191 | -5,006 | |
| Other | 379 | -46 | - |
| Abroad | 148,982 | -116,311 | - |

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

The Group did not use forward exchange transactions in 2021/22.

A probable change in the exchange rates at 30 September 2022 may have an impact on results and equity, because of the currency exposure at 30 September 2021. The Group also experienced major exchange rate fluctuations in the 2021/22 financial year, in particular attributable to the USD, GBP and RMB and, if this development continues in the next financial year, the effect will be as follows for selected, major currencies (a change in the opposite direction will have the opposite effect on profit for the year before tax and equity):

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

Currency exposure at 30 September 2022

| Currency | Net position | Probable change in exchange rate | Effect on profit for the year before tax | Effect on equity |
|---|---|---|---|---|
| USD/DKK | 2,306 | -3% | -69 | -54 |
| EUR/DKK | 25,684 | 0% | 0 | 0 |
| RMB/DKK | 28,233 | 0% | 0 | 0 |
| GBP/DKK | -3,351 | 1% | -34 | -27 |

Currency exposure at 30 September 2021

| Currency | Net position | Probable change in exchange rate | Effect on profit for the year before tax | Effect on equity |
|---|---|---|---|---|
| USD/DKK | -2,096 | 1% | -21 | -16 |
| EUR/DKK | 17,890 | 0% | 0 | 0 |
| RMB/DKK | 22,871 | -2% | -457 | -343 |
| GBP/DKK | 1,064 | 1% | 11 | 9 |

In 2022/23, the Group's foreign currency exposure is expected to be essentially unchanged relative to 2021/22.

**Liquidity and interest rate risks**

At 30 September 2022, the Group had net cash at bank of negative DKK 116.2 million (2020/21: negative DKK 41.2 million) plus still undrawn lines of credit. The Group is thus deemed to have adequate liquidity to ensure the ongoing financing of future operations and investments.

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

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

**Risks relating to raw materials**

The Group typically enters into cooperation agreements with its key suppliers to ensure reliability of delivery and to lock prices. As indicated in note 14, Gabriel has concluded purchase agreements for raw material supplies for 2022/23. The Group is not exposed to any major price risks arising from its use of raw materials.

**Credit risks**

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

The Group aims to reduce risk through efficient monitoring, follow-up and credit insurance of major foreign and domestic receivables or alternative collateral. Credit insurance was taken out for all major foreign and domestic receivables at 30 September 2022. The Group's trade receivables are usually paid no later than one to two months after delivery. The Group has a past record of minor bad debts and is usually exposed to only a limited risk of major losses. We refer to note 15.

**24 Contingent liabilities and collateral**

*PARENT COMPANY*

The parent company has issued a letter of subordination to the bankers of the subsidiary Gabriel A/S covering the subsidiary's current bank loans.

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

*CONSOLIDATED*

Land and buildings have been provided as collateral for mortgage debt to the mortgage lender. The carrying amount of land and buildings was tDKK 92,463 at 30 September 2022 (30 September 2021: tDKK 87,836), while mortgage debt to the mortgage lender was tDKK 41,570 (30 September 2021: tDKK 49,044). Land and buildings have been provided as collateral for the mortgage debt relating to Gabriel Ejendomme A/S. The carrying amount was tDKK 78,028 (30 September 2020: tDKK 77,129).

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

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

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

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

| | PARENT COMPANY | |
|---|---|---|
| tDKK | **2021/22** | 2020/21 |
| Administration fee from subsidiaries | **11,340** | 10,920 |
| Net interest income from subsidiaries | **-268** | 339 |
| Rent from subsidiaries | **341** | 336 |
| Dividends from subsidiaries | **27,536** | 10,000 |

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

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

| | CONSOLIDATED | |
|---|---|---|
| tDKK | **2021/22** | 2020/21 |
| Purchases from joint venture | **43,314** | 41,808 |

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

## 26 Accounting estimates and judgments

The carrying amount of certain assets and liabilities is stated on the basis of management's estimated impact of future events on the value of these assets and liabilities at the statement of financial position date. Estimates of importance to the financial reporting mainly concern acquisitions of subsidiaries, valuation of goodwill and deferred tax assets. Estimates are also made when calculating write-downs for inventory obsolescence and impairment tests on development projects.

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

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

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

The uncertainty of estimates of inventories is connected to write-downs to net realisable value. The need for write-downs is deemed to be unchanged and assessment is still based on the development within colour and product combinations and associated raw materials and consumables. Write-downs on inventories follow the Group's practice for write-downs, which includes an assessment of the inventory turnover ratio and possible losses as a result of obsolescence, quality problems and economic conditions. Total inventory write-down was tDKK 2,930 at 30 September 2022, compared to tDKK 3,628 last year.

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

### Judgments in applying accounting policies

In the application of accounting policies, management made no special judgments of major significance to the financial reporting.

## 27 Subsequent events

No events of significance to the 2021/22 financial statements have occurred since the statement date.

## 28 Accounting policies

Gabriel Holding A/S is a limited liability company domiciled in Denmark. The financial section of the annual report for the period 1 October 2021 – 30 September 2022 comprises the consolidated financial statements for Gabriel Holding A/S and its subsidiaries (the Group) and separate parent company financial statements.

The consolidated financial statements and the parent company financial statements of Gabriel Holding A/S for 2021/22 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and with the Danish disclosure requirements for listed companies.

The Board of Directors and the Executive Board discussed and approved the annual report for 2021/22 of Gabriel Holding A/S on 17 November 2022. The annual report will be presented to the shareholders of Gabriel Holding A/S for approval at the annual general meeting on 15 December 2022.

**Basis for preparation**

The consolidated financial statements and the parent company financial statements are presented in DKK rounded to the nearest DKK 1,000.

The accounting policies described below were applied consistently during the financial year and for the comparative figures.

**Implementation of new standards and IFRICs**

Gabriel Holding A/S has implemented the standards and IFRICs which entered into force for 2021/22. None of the new standards or IFRICs is deemed to influence financial reporting for the Group or the parent company.

**28 contd.** **Accounting policies**

## ACCOUNTING POLICIES APPLIED

### Consolidated financial statements

The consolidated financial statements comprise the parent company Gabriel Holding A/S and subsidiaries over which Gabriel Holding A/S exercises control, i.e. the power to govern the financial and operating policies so as to obtain benefits from its activities. An investor is deemed to control another enterprise when the investor exercises control (power) over it and has the possibility or right to receive variable returns from it and the ability to affect the size of the returns through this control. When control is assessed in the terms of IFRS 10, an investee must be consolidated when the parent has de facto control over it, even if the parent does not own the majority of shares or votes.

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

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

The consolidated financial statements include the parent company Gabriel Holding A/S and the subsidiaries Gabriel A/S, Gabriel Ejendomme A/S, Gabriel Innovation A/S, Gabriel (Tianjin) International Trading Co. Ltd., UAB FurnMaster, FurnMaster Sp. z o.o., Screen Solutions Ltd, Gabriel GmbH, Gabriel Sweden AB, Gabriel North America Inc., Gabriel Iberica SL, UAB Gabriel Textiles, UAB Gabriel Baltics, UAB SampleMaster, Grupo RyL S.A. de C.V. and Visiotex GmbH. UAB Scandye is considered a joint venture and was recognised under investments in joint ventures in the annual report.

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

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

### Business combinations

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

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

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

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

**28** **Accounting policies**

**contd.**

**Foreign currency translation**

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

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

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

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

**Derivative financial instruments**

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

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

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

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

**28 contd.** **Accounting policies**

**INCOME STATEMENT**

**Net revenue**

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

Net revenue is measured ex-VAT, taxes and discounts in relation to the sale.
The terms of payment in the Group's sales agreements with customers depend on the product, the performance obligation and the underlying customer relationship. Payment terms are typically 1-2 months.

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

**Other operating income and costs**

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

**Public subsidies**

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

**Cost of sales etc.**

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

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

**Other external costs**

Other external costs relate mainly to sales, distribution, maintenance, premises and administration.

**Profit/loss from investments in joint ventures in the consolidated financial statements**

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

**28 contd.** **Accounting policies**

### Finance income and finance costs

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

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

### Tax on profit for the year

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

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

## STATEMENT OF FINANCIAL POSITION

### Goodwill

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

### Acquired product technology assets

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

### Development projects

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

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

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

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

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

**28 contd.** **Accounting policies**

**Property, plant and equipment**

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

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

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

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

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

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

| | |
|---|---|
| Buildings | 10-50 years |
| Leasehold improvements | Term of the lease |
| Plant, fixtures and fittings and equipment | 3-15 years |

Land is not depreciated.

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

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

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

**Impairment test of non-current assets**

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

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

**Investments in joint ventures in the consolidated financial statements**

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

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

**28 contd.** **Accounting policies**

### Investments in subsidiaries in the parent company's financial statements

Investments in subsidiaries are measured at cost. Where the recoverable amount is lower than cost, investments are written down to this lower value.

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

### Inventories

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

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

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

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

### Receivables

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

### Equity

*Dividends*

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

*Translation reserve*

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

### Current tax and deferred tax

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

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

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

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

## 28 contd. Accounting policies

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

**Financial liabilities**

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

Other liabilities are measured at net realisable value.

**Leasing**

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

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

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

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

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

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

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

**28 contd.** **Accounting policies**

**CASH FLOW STATEMENT**

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

*Cash flows from operating activities*

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

*Cash flows from investing activities*

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

*Cash flows from financing activities*

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

*Bank loans/cash and cash equivalents*

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

**SEGMENTS**

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

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

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

**29** **New financial reporting regulations**

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

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

## Definitions of financial ratios

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

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

**EBITDA margin:** Earnings before depreciation, amortisation and impairment losses (EBITDA) as a percentage of net revenue.

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

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

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

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

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

**Equity ratio:** Equity's share of total assets.

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

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

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

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

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

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

**Payout ratio:** Yield relative to profit after tax.

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