Annual report 2016-17

Gabriel Holding A/S

Hjulmagervej 55 · 9000 Aalborg · Denmark
Company registration no. 58868728

Gabriel®

Gabriel Holding A/S delivers record financial results with 26% revenue growth and a 10% increase in profit before tax

Summary
Solid growth was the defining feature of this financial year, in a market showing modest improvement. Total growth of 26% in revenue is attributable to a combination of organic growth and the acquired company. Organic revenue growth of 14% (the equivalent of DKK 54.4 million) is a result of growth in all business areas and on all core markets. The share of growth that comes from the acquired company is DKK 48.0 million in the financial year.

At the beginning of the year, management expected a modest increase of 0-5% in profit before tax due to the following:
– acquisition and integration costs associated with the purchase of Screen Solutions Ltd in England, and
– establishment of upholstery production in Grand Rapids, Michigan, USA.

After six months, management noted that the acquisition and production establishment were both running to plan, that organic revenue growth was better than expected, and that the expected operating profit was consequently also higher than expected. On this basis, management raised its revenue growth expectations to 20-25% and adjusted its forecast increase in profit before tax to around 10%.

The realised increase in operating profit (EBIT) was 16%, while profit before tax improved by 10%.

In March 2016, the sale of the subsidiary Gabriel Ejendomme A/S was initiated. The subsidiary is still for sale and therefore continues to be classified as a discontinuing operation in the financial statements.

Selected financial ratios:
- Revenue increased to DKK 492.8 million (DKK 390.4 million), an increase of 26%.
- Operating profit (EBIT) from continuing operations was DKK 45.9 million (DKK 39.4 million), an increase of 16%.
- Operating margin was 9.3% (10.1%).
- Profit before tax from continuing operations was DKK 46.8 million (DKK 42.7 million), an increase of 10%.
- Profit after tax was DKK 35.3 million (DKK 34.3 million).
- Return on invested capital (ROIC) before tax was 29.5% (35.8%).
- Earnings per share (EPS) increased to DKK 19.1 (DKK 18.1).
- Cash flows from operating activities in the period was DKK 25.6 million (DKK 33.5 million).
- The Board of Directors proposes a dividend of DKK 7.65 per DKK 20 share.

The global market for contract furniture is expected to increase slightly in 2017/18 and management judges that growth is possible in both revenue and earnings. Based on the Group's outreach activities and constantly increasing investment in development and sales initiatives, revenue growth of 10-15% is expected.

The acquisition, Screen Solutions Ltd, was adapted structurally and strategically in 2016/17 and an expected fall in revenue was consequently realised. Focus in 2017/18 will be on integrating the company into the Group's strategy to create the basis for growth and earnings in subsequent financial years.

The establishment of upholstery production in Grand Rapids, Michigan, is expected to contribute positively to the Group's growth but, as a result of continued start-up costs, the unit is expected to deliver a small operating loss which will affect the Group's earnings in 2017/18.

On the strength of planned productivity improvements in the remaining part of the business and continued investments in sales and development activities, management expects an increase in profit before tax of the order of 10-15%.

The expectations for the 2017/18 financial year are: growth in revenue of the order of 10-15%; and an equivalent increase in profit before tax.

The Board of Directors recommends that the general meeting of Gabriel Holding A/S, to be held on 14 December 2017, should approve the following:
- to pay a dividend of DKK 7.65 per DKK 20 share;
- to re-appoint directors Jørgen Kjær Jacobsen, Hans O. Damgaard and Søren B. Lauritsen and Group CFO Pernille Fabricius as board members appointed by the general meeting; and
- to re-appoint KPMG Statsautoriseret Revisionspartnerselskab as auditors.
- The annual report is recommended for adoption at the company's general meeting to to be held at the company's office in Aalborg at 2:00 pm on Thursday, 14 December 2017.

The official annual report is published on the company's website and the printed version of the report will be available on 3 December 2017 at the company's office.

Financial highlights*

for the Group

KEY FIGURES	Unit	2016/17	2015/16	2014/15	2013/14	2012/13
Revenue	DKK million	**492.8**	390.4	334.8	281.8	264.9
Growth	%	**26.2**	16.6	18.8	6.4	7.0
of which exports	DKK million	**449.2**	355.0	301.5	251.2	240.2
Export percentage	%	**91**	91	90	89	91
Operating profit (EBIT) from continuing operations	DKK million	**45.9**	39.4	25.7	25.2	21.4
Net finance income and costs	DKK million	**-2.2**	-1.2	-0.9	2.6	1.1
Profit before tax from continuing operations	DKK million	**46.8**	42.7	26.8	27.8	22.5
Tax	DKK million	**-10.7**	-8.5	-5.6	-5.9	-4.5
Profit after tax from continuing operations	DKK million	**36.1**	34.2	21.1	21.9	18.0
Profit after tax from discontinuing operations	DKK million	**-0.9**	0.1	0.4	-	-
Profit for the year	DKK million	**35.3**	34.3	21.5	21.9	18.0
Cash flows from:						
Operating activities	DKK million	**25.6**	33.5	18.2	24.5	14.6
Investing activities	DKK million	**-47.3**	-6.7	-22.3	-5.9	-3.4
Financing activities	DKK million	**20.5**	-11.0	-1.5	-15.7	-11.9
Assets held for sale	DKK million	**-3.8**	-3.6	-9.2	-	-
Cash flows for the year	DKK million	**-4.9**	12.2	-14.8	2.9	-0.7
Investments in property, plant and equipment	DKK million	**13.7**	5.7	18.7	13.5	4.1
Depreciation, amortisation and impairment losses	DKK million	**10.9**	8.0	8.3	7.0	7.3
Equity	DKK million	**221.0**	201.6	178.1	166.0	155.8
Statement of financial position total	DKK million	**398.3**	289.7	278.4	245.2	230.2
Invested capital	DKK million	**195.0**	122.3	233.5	202.6	194.7
Working capital	DKK million	**100.5**	81.6	73.9	62.0	57.8
Number of employees	Number	**404**	292	238	142	106
Revenue per employee	DKK million	**1.2**	1.3	1.4	2.0	2.5
FINANCIAL RATIOS						
Gross margin	%	**41.4**	40.6	39.8	41.1	39.9
Operating margin (EBIT margin)	%	**9.3**	10.1	7.7	8.9	8.1
Return on invested capital (ROIC) before tax	%	**29.5**	35.8	12.3	12.7	11.1
Return on invested capital (ROIC) after tax	%	**22.8**	22.7	9.7	11.0	9.4
Earnings per share (EPS)	DKK	**19.1**	18.1	11.2	11.6	9.5
Return on equity	%	**17.1**	18.0	15.8	13.6	11.9
Equity ratio	%	**55.5**	69.6	64.0	67.7	67.7
Book value per share at year end	DKK	**117**	107	94	88	82
Market price at year end	DKK	**475**	570	199	185	137
Price/book value	DKK	**4.1**	5.3	2.1	2.1	1.7
Price earnings (PE)	DKK	**24.8**	31.5	17.8	16.0	14.4
Price cash flow (PCF)	DKK	**35.0**	32.2	20.7	14.3	17.7
Proposed dividend per DKK 20 share	DKK	**7.65**	7.25	5.50	5.25	4.75
Dividend yield	%	**1.6**	1.3	2.8	2.8	3.5
Payout ratio	%	**41**	40	49	45	50

Financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios 2015".
Please see page 59 for definitions of financial ratios.
*) Financial ratios for 2014/15 and earlier have not been adjusted for discontinued operations.

The Executive Board of Gabriel Holding A/S
From left: CFO Claus Toftegaard, CEO Anders Hedegaard Petersen and CCO Claus Møller.

Contents

Capture is a lightly felted and multi-coloured wool fabric
in a sophisticated and innovative tweed design.

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.

Twist Melange on
Sedus' screen "se:wall"
designed by Falk Blümler
(Sedus Design Team)

Gabriel profile

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

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

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

Financial targets
Gabriel aims to achieve:
- A return on invested capital (ROIC) averaging at least 15% before tax;
- An increasing average operating margin (EBIT margin);
- An average annual increase in earnings per share of at least 15%; and
- An average annual increase in revenue of at least 15%.

In years with acquisitions or major business set-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 close development partnerships and trading with approximately 60 selected major leading customers in a global strategy.

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

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

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

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

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

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

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

The activities of the Gabriel Group companies are described below:

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

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

Bond is a multifunctional upholstery fabric suitable for all types of furniture and accessories.
The fabric is made from post-consumer recycled polyester and is EU Ecolabel and Oeko-Tex certified.

Gabriel Asia Pacific

Gabriel Asia Pacific was established in 2003. Trading as Gabriel (Tianjin) International Trading Co. Ltd, it is engaged in development of the Asian region. Gabriel Asia Pacific is an important part of the total strategy: to service global contract furniture manufacturers and distributors and make innovative and competitive products for all markets. The company's Regional Head Office in Beijing was extended in 2015, and there have been offices in Shanghai and Guangzhou for a number of years. In 2017, sales offices also opened in Singapore and Thailand. There is strong focus on continous recruitment and, in particular, expansion of sales resources in China and the region as a whole.

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

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

Gabriel North America Inc.

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

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

In August 2016, the first steps were taken to establish a FurnMaster unit in the USA. A lease was thus entered into which makes approximately 3,000 m^2 of production premises available in Grand Rapids, Michigan. The 2016/17 financial year has been a start-up year for FurnMaster in the USA, with focus on establishing a competitive production unit and identifying specific potential customers. The production unit expanded during the year under review and now also has its own facilities for manufacturing wooden components.

After the 2016/17 start-up year, in which major start-up costs were paid, the identified potential is expected to be realised to a degree that will limit the company's loss and turn it into a profit by 2018/19.

Gabriel A/S

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

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

The upholstery company UAB FurnMaster, Lithuania

The operating company Gabriel A/S established the subsidiary UAB FurnMaster in Lithuania during the 2012/13 financial year. The ownership interest increased from 90% to 100% in 2013/14.

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

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

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

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

Screen Solutions Ltd

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

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

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

ZenXit A/S

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

It has taken longer than expected to fully develop and mature the product. Efforts with the product continue, however, as its potential is still judged to be attractive.

Gabriel Ejendomme A/S – Gabriel Erhvervspark

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

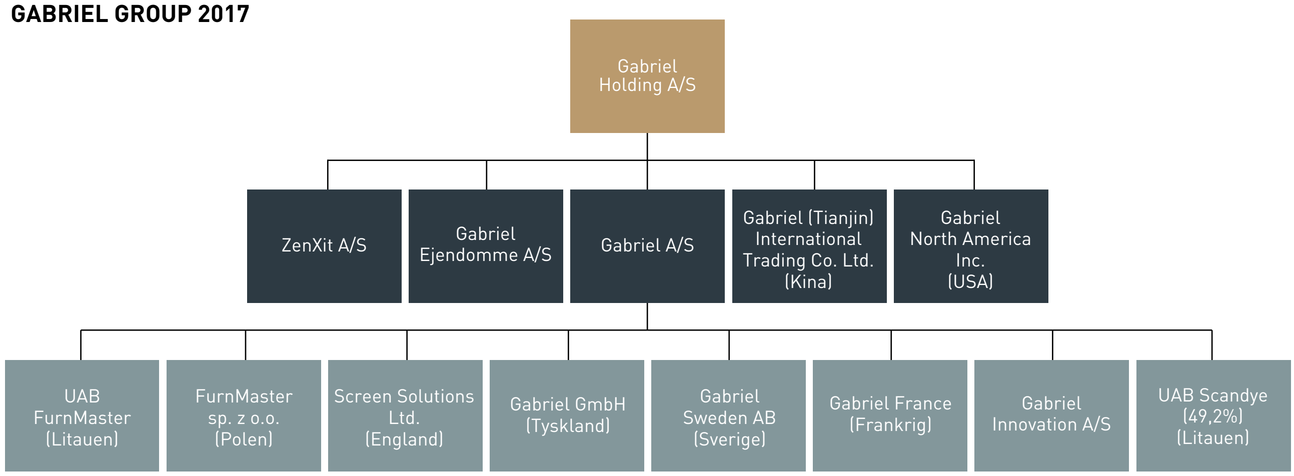
In March 2016, management began the process of selling the business park Gabriel Erhvervspark at the best possible price. Gabriel Erhvervspark comprises a block of offices with floor area of approximately 6,100 square metres, modern meeting and canteen facilities for tenants including Gabriel, and the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

Gabriel Erhvervspark is located near the centre of Aalborg, in the former rail freight yard, which is currently being converted into a modern, sustainable residential area with commercial and educational activities.

The dye works UAB Scandye, Lithuania

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

GABRIEL GROUP 2017

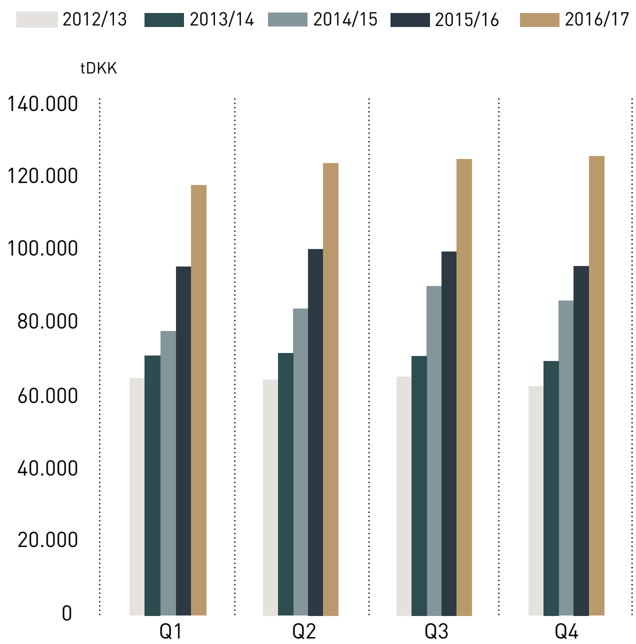


Financial review

The Group's sales activities and development in revenue

The Group's revenue increased by 26% to DKK 492.8 million in the financial year under review. In the annual report for 2015/16, management had expected an increase in revenue of 20% in the 2016/17 financial year. After the first six months, management adjusted its expectations upwards to growth of 25% in revenue.

REVENUE BY QUARTER



The development in revenue is a result of growth across all business areas and in all geographical markets, including from the acquisition of Screen Solutions Ltd.

Organic growth was DKK 54.4 million, while revenue from Screen Solutions Ltd was DKK 48.0 million.

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

The export percentage remains 91%.

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

The Group regularly injects resources, mainly into sales and product development activities and business development. This constantly expanding effort has resulted in continued growth. We note that the repayment period is measurable for both product development and staff increases in sales by appointment of committed Key Account Managers, both of which contribute to enhancing the potential in all business units. Actual productivity improvements in the sales work and market development efforts similarly contribute to the growth in revenue and profit.

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

Gabriel's focus on product and process innovation in all business units has a positive effect on sales. The most important global customers are assessed and selected on the basis of the total potential that can be realised from the Group's business units.

Gabriel's strategy of "growing with the largest market participants" ensures that effort is targeted on selected key accounts. The addition of sales resources to Gabriel's team of Key Account Managers in the financial year has resulted in higher call rates at these selected customers. Good results are being produced, in the form of growth in revenue, potential and current development tasks.

The Group's growth strategy is working and paves the way to additional growth. Management regularly examines and takes initiatives which will contribute to continued growth for the purpose of meeting the Group's target of average growth in revenue of at least 15%. Attention is focused in particular on constantly increasing activities within sales, product development, business development and acquisitions. In addition to increases in resources, continuous productivity improvement is ensured by investing in new tools, business processes etc.

As expected, the Group's upholstery business, FurnMaster, contributed satisfactory growth rates in 2016/17. The now well-established upholstery units in Poland and Lithuania contributed considerably to this. Management is regularly considering initiatives to ensure continued growth in these two units by means of focused sales efforts, bigger facilities and staff increases. New and bigger premises have therefore been leased in Lithuania, and this will support the company's growth for a number of years. A similar initiative is contemplated in Poland. The establishment of a similar upholstery unit in the USA progressed as planned.

The Group frequently participates in relevant fairs. Europe's biggest contract furniture fair, Orgatec, was held in Cologne, Germany in October 2016 and Scandinavia's Stockholm Furniture Fair in Sweden in February 2017. The Group experienced a positive response from the market's leading furniture manufacturers, designers and product developers at both fairs.

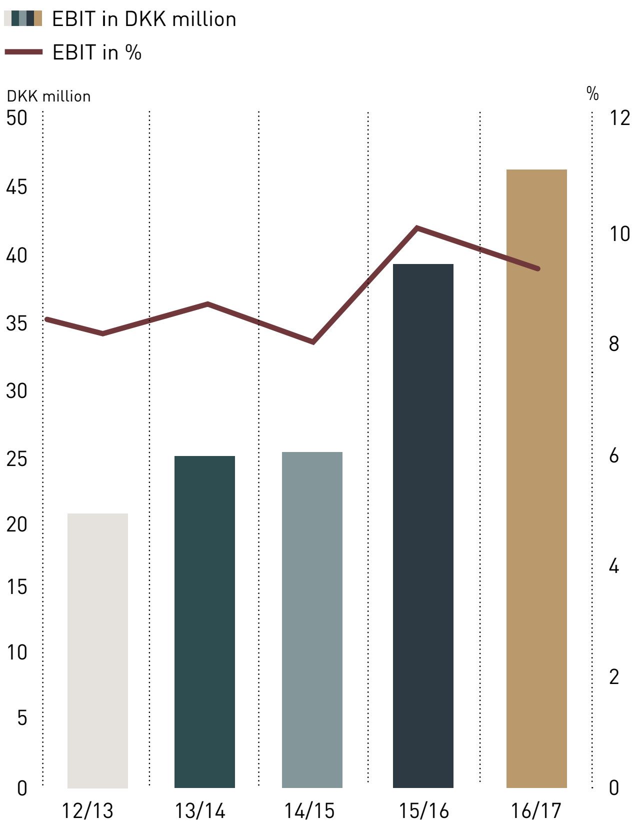
This year also saw record activity at the company's sales offices in Beijing, Shanghai, Guangzhou, Stockholm, Paris, London and Bingen near Frankfurt. Sales offices were established in Singapore and Bangkok in the fourth quarter of the financial year.

Earnings

Operating profit (EBIT) from continuing operations was DKK 45.9 million for 2016/17 (compared to DKK 39.4 million last year), an increase of 16%. Operating (EBIT) margin was 9.3% (10.1%).

Profit before tax from continuing operations was DKK 46.8 million (DKK 42.7 million), an increase of 10%. In the annual report for the 2015/16 financial year, management had expected an increase of 5% in profit before tax. After six months of the financial year, this expectation was adjusted upwards to an increase in profit before tax of the order of 10%, equivalent to DKK 47.0 million.

OPERATING PROFIT (EBIT)



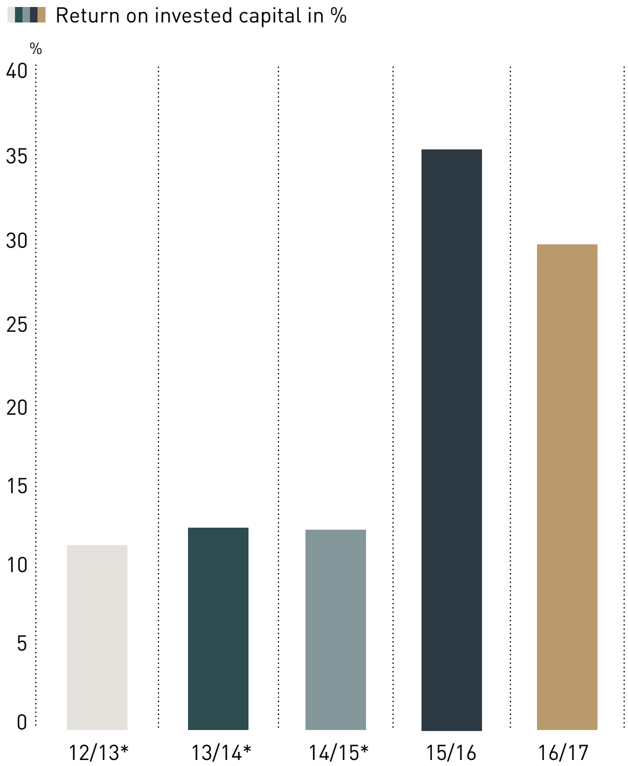
In the fourth quarter of the financial year, the Group realised revenue of DKK 125.5 million from continuing operations (DKK 95.7 million), operating profit (EBIT) of DKK 13.5 million (DKK 9.9 million) and profit before tax of DKK 12.5 million (DKK 11.1 million).

The improvement in profit for the 2016/17 financial year is a result of revenue realised above expectations at the beginning of the year and of productivity improvements across the Group.

The Group's total profit after tax was DKK 35.3 million (DKK 34.3 million).

Return on invested capital (ROIC) before tax was 29.5% (35.8%).

RETURN ON INVESTED CAPITAL (ROIC) BEFORE TAX



*Comparative figures for 12/13, 13/14 and 14/15 have not been restated to reflect discontinued operations.

Comments on the individual items are given below.

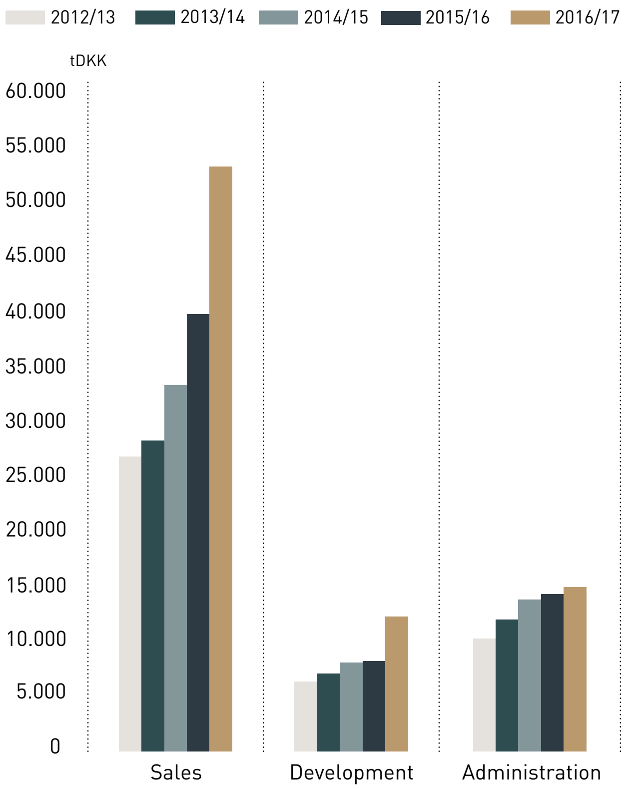
Cost of sales – gross margin

The Group's realised gross margin in 2016/17 was 41.4% (40.6%). The increase is primarily attributable to shifts in the product and customer mix and higher productivity in the production process. Wages for the Group's employees in production are included in cost of sales and specified in notes 3 and 5.

Other external costs

The Group's other external costs increased by 36% to DKK 66.6 million (DKK 48.9 million). The increase is attributable to one-off costs associated with the purchase of Screen Solutions Ltd. (DKK 2.0 million), the cost base taken over from Screen Solutions Ltd, the establishment of upholstery production in the USA and a higher level of activity in general. Approximately one-third of external costs depend on revenue.

DISTRIBUTION OF STAFF COSTS



Staff costs
The Group's staff costs (excluding employees in production, who are recognised under cost of sales as per notes 3 and 5) increased by 29% to DKK 81.2 million (DKK 62.8 million) primarily as a consequence of the acquisition of Screen Solutions Ltd, the establishment of upholstery production in the USA and the increase in sales staff.

The average number of employees for the financial year was 404 (225 of whom were in production and 88 in sales/development) against 292 (146 in production and 82 in sales/development) in 2015/16. The number of employees in the Group at the end of the 2016/17 financial year was 458 (259 of whom were in production and 109 in sales/development).

Depreciation, amortisation and impairment losses
Consolidated depreciation, amortisation and impairment losses in the Group were DKK 10.9 million, against DKK 8.0 million last year. The increase in depreciation, amortisation and impairment losses is primarily attributable to the increase in capital investments and the addition of Screen Solutions Ltd, including amortisation of the acquired technology assets.

Share of profit after tax in joint venture
Profit for the year includes a total share of the profit on the investment in UAB Scandye of DKK 3.1 million (DKK 4.5 million). The fall is attributable to a lower level of activity at customers other than Gabriel.

Finance income and costs
Finance income and costs show net costs of DKK 2.2 million (DKK 1.2 million). The increase is mainly due to an increase in foreign exchange losses and increased interest expenses resulting from drawing on the Group's credit facilities.

Tax on profit for the year
Tax on profit for the year was DKK 10.7 million (DKK 8.5 million). The Group's total tax rate increased from 20% to 22.8% as a result of shifts in shares of profit between Group companies, which are influenced by relatively major difference in tax rates in the countries in question.

Gabriel Ejendomme A/S – Gabriel Erhvervspark
As a consequence of the process started in 2016 to sell off Gabriel Ejendomme A/S, the activity "letting of office facilities" is accounted for as a "discontinued operation", and operating profit, statement of financial position and effect on consolidated cash flows are stated as separate line items under the individual headings. The sales process continued in 2016/17, with great interest in the business park, and will therefore be intensified in 2017/18.

Gabriel Ejendomme A/S reported a loss of DKK 0.9 million for 2016/17 against a profit of DKK 0.1 million last year. The decline was caused by an increase in depreciation following recent years' investments in the business park and a decline in rental income because a major tenant vacated its lease. Improved revenue and an increase in earnings are expected in 2017/18, as the business park again has a full complement of tenants.

Cash flows and financing

Cash flows and available liquidity
Consolidated cash flows from operating activities in 2016/17 amounted to DKK 25.6 million, against DKK 33.5 million in the same period last year. The decline is attributable to the higher level of activity and a substantial increase in tied-up funds in the sewing and upholstery business.

Gabriel made total investments of DKK 13.7 million in property, plant and equipment in 2016/17, against DKK 5.7 million in the previous year. Investments were primarily made in the sewing and upholstery business in Poland and the USA.

In November 2016, Gabriel bought the screen manufacturer Screen Solutions Ltd. DKK 28.2 million was paid on takeover, while the balance of the purchase price, DKK 11.4 million, has been deposited with a bank; the amount is thus included in cash and cash equivalents. The purchase price was financed by extending the Group's bank borrowings.

The Group's cash and cash equivalents net at the end of the year was DKK 5.6 million. The Group also has undrawn credit facilities with its banks.

Equity
The Group's equity amounted to DKK 221.0 million on 30 September 2017, against DKK 201.6 million on the same date

last year. Equity thus increased by DKK 19.4 million. DKK 35.3 million is attributable to profit for the year, while DKK 13.7 million was paid in dividends.

Dividends

The Board of Directors recommends to the general meeting that a dividend of DKK 7.65 (DKK 7.25) per share be distributed for 2016/17, equivalent to total dividends of DKK 14.4 million (DKK 13.7 million) and a pay-out ratio of 41% (40%).

Product development, business development and innovation

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

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

Among the results of business development and innovation are the establishment of the operating company in the USA and the establishment and development of the FurnMaster business units. Achievements in 2017 within product innovation were taking out a global patent, establishing partnerships to develop new, innovative products and initiation of a range of internal innovation tasks.

The patent is for an engineering-grade technical fibre material for use as insulation and sound-proofing.

For a number of years, the Group has set targets for launching of a substantial number of new fabrics on the world market. Only four new fabrics were launched during the year, which does not meet the Group's target of eight new fabrics. A product is deemed launched once it has been fully developed, a top customer has added it to its standard range and a certain quantity has been sold. The number of product launches is a key goal as it supports the Group's growth potential.

The share of revenue from new products (less than five years) met the 30% target in 2016/17. The share of revenue from new products among top customers was 30% in 2016/17.

The portfolio of tasks in progress includes products and services which are innovative and have attractive potential. In this light, eight to ten new launches and a minimum revenue share of 30% are expected for new products in 2017/18.

Gabriel's product and process innovation system from concept to upholstered product continued to be a high-priority core process in 2016/17. Investments in research and development were DKK 15.3 million (against DKK 9.4 million in the previous financial year), equivalent to 3% of revenue. New products and solutions are being developed in coordination with the Group's most important customers. These coordinated initiatives are helping to increase the accuracy of targeting and reduce the time to market of products, solutions and services launched.

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

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

The Group also works on a number of product innovation tasks with time to market of more than 18 months. These development projects offer significant – if uncertain – potential earnings. The projects are focused on the development of technical fabrics and related products expected to be used primarily within Gabriel's existing value chain.

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

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

Outlook

The global market for contract furniture is expected to increase slightly in 2017/18 and management is of the opinion that growth is possible in both revenue and earnings. Based on the Group's outreach activities and constantly increasing efforts in development and sales initiatives, revenue and earnings growth of 10-15% is expected.

The acquisition, Screen Solutions Ltd, was adapted structurally and strategically in 2016/17 and a fall in revenue was consequently realised. Focus in 2017/18 will be on establishing the company as an integrated part of the Group's strategy and creating a basis for growth and earnings in subsequent financial years.

The establishment of upholstery production in Grand Rapids, Michigan is expected to contribute positively to the Group's growth but, as a result of continued start-up costs, the unit is expected to deliver a small operating loss which will affect the Group's earnings.

The expectations for the 2017/18 financial year are thus growth in revenue of the order of 10-15% and a similar increase in profit before tax.

Harlequin on viasit's chair "Drumback"
designed by Martin Ballendat

Corporate Governance

Statement on corporate governance

Nasdaq Copenhagen A/S has adopted a set of corporate governance recommendations, most recently revised in November 2014. The recommendations on corporate governance can be obtained from the Committee on Corporate Governance's website, www.corporategovernance.dk.

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

Gabriel Holding A/S has prepared the statutory statement on corporate governance for the 2016/17 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. It makes recommendations on corporate governance and describes the main elements in the Group's internal control and risk management system in connection with the presentation of the financial statements. It presents the Group's top organs of management and their composition.

The individual recommendations and whether Gabriel complies with them are detailed on the Group's website (see the link above).

Statement on corporate social responsibility

Social responsibility is a part of Gabriel's business strategy, and the Group has always given top priority to the desire to act responsibly towards customers, staff, business connections and the external environment. Gabriel has prepared the statutory statement on social responsibility for the 2016/17 financial year in accordance with section 99a of the Danish Financial Statements Act. The statement can be viewed or downloaded at www.gabriel.dk/en/investor/reports/csr-and-enviromental-reports.

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

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

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

Gender balance

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

The Gabriel Group reassessed its targets for the under-represented sex in 2017 and will continue to work on increasing the number of female managers. It was decided to maintain the specific targets for the Board of Directors and Executive Board in future. The target for the share of the under-represented sex on the Board of Directors is thus 25% (the target was met for 2016/17), and the target for the Executive Board is 30% (the share of the under-represented sex on the Executive Board is currently 0). The target for middle management was increased from 30% to 40% (it is currently 30%), but the Board of Directors' overall policy remains to choose candidates for vacant positions on the basis of the candidate's expertise rather than gender.

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

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

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

Shareholder information

Share capital

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

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

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

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

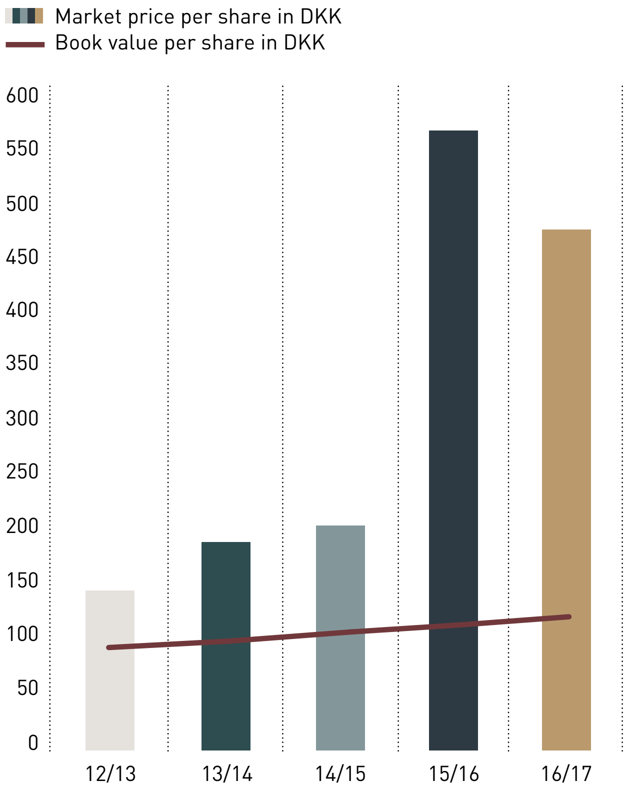
Share price trend

The 2016/17 financial year opened with a share price of 570 and closed on 30 September 2017 with a price of 475. Total market capitalisation of the company's shares was DKK 898 million on 30 September 2017.

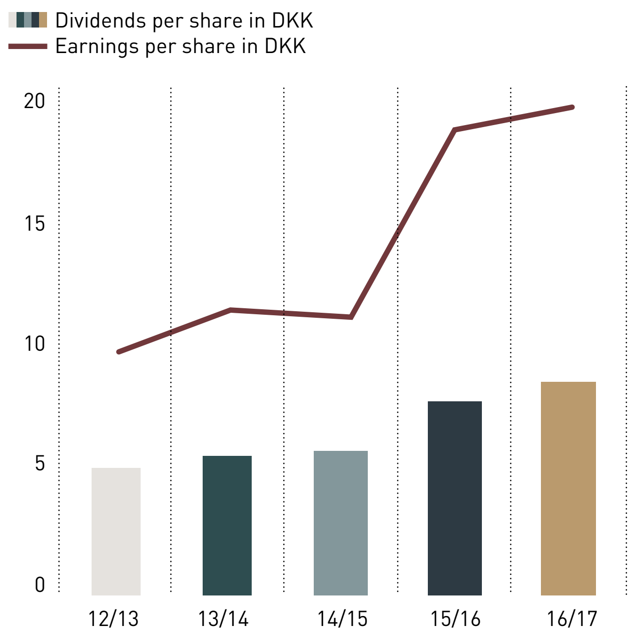
Capital management

The Group's operating activities still generate reasonable cash flows, enabling it to maintain solid financial resources. The Group regularly assesses the need to adjust its capital structure to balance the requirement for a higher return on equity against the greater uncertainty surrounding external financing. A high equity ratio has always been a top priority of Gabriel's management in order to maximise room for manoeuvre in all situations. The Group's equity ratio was 55.5% on 30 September 2017, 14 percentage points lower than on the same date last year. The decline is attributable to the substantial investments in expansion of existing business areas and in the new subsidiary, including capitalisation of goodwill. There is a continuing focus on regular reduction of the Group's working capital.

PRICE/BOOK VALUE



SHARE DIVIDENDS AND EARNINGS PER SHARE



The Group aims at providing its shareholders with a regular return on their investments, while maintaining an appropriate equity level to ensure the company's future development. The Board of Directors proposes that a dividend of DKK 7.65 per share be distributed for 2016/17, equivalent to total dividends of DKK 14.4 million. The dividend amounts to 7% of equity and 41% 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.

Stock exchange announcements in the 2016/17 financial year

11.11.16 Gabriel A/S has today acquired the share capital of the screen manufacturer Screen Solutions Ltd in England.
15.11.16 Annual report 2015/16: "Gabriel Holding A/S realises organic growth of 17% in revenue and an increase of 60% in profit before tax in the 2015/16 financial year."
22.11.16 Notice of annual general meeting of Gabriel Holding A/S.
14.12.16 Minutes of the annual general meeting of Gabriel Holding A/S
07.02.17 Interim report Q1 2016/17: "Gabriel Holding delivers as expected in the first quarter of 2016/17."
09.05.17 Interim report H1 2016/17: "Gabriel Holding A/S realises growth of 23% in revenue and an increase of 9% in profit before tax. Management is upwardly adjusting its expectations for the full financial year."
24.08.17 Interim report Q3 2016/17: "Gabriel Holding A/S realises growth of 25% in revenue and an increase of 9% in profit before tax."
Expectations for the financial year are maintained."
24.08.17 Financial calendar 2017/18.

Financial calendar 2017/18

16.11.17 Annual report 2016/17
14.12.17 Annual general meeting
19.12.17 Distribution of dividends
01.02.18 Q1 report 2017/18
08.05.18 Interim report H1 2017/18
23.08.18 Q3 report 2017/18
15.11.18 Annual report 2017/18
13.12.18 Annual general meeting

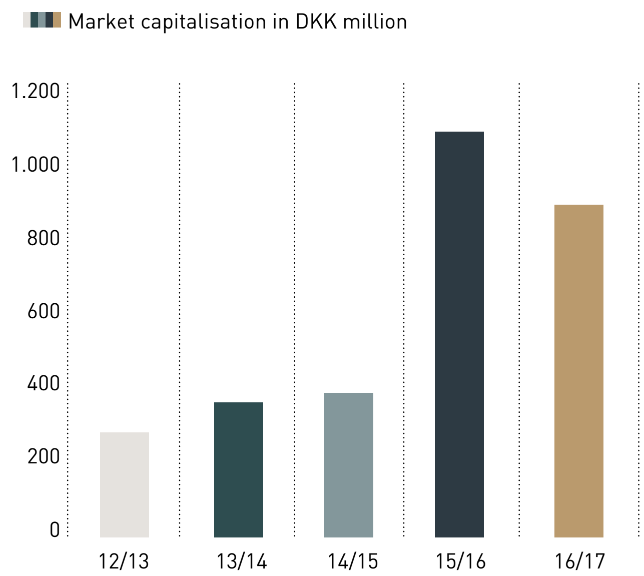
Investor Relations

Gabriel Holding A/S attempts 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
Phone: +45 9630 3100

MARKET CAPITALISATION END OF YEAR



Annual general meeting

The annual general meeting will be held at the company's office in Aalborg at 2:00 p.m. on Thursday, 14 December 2017.

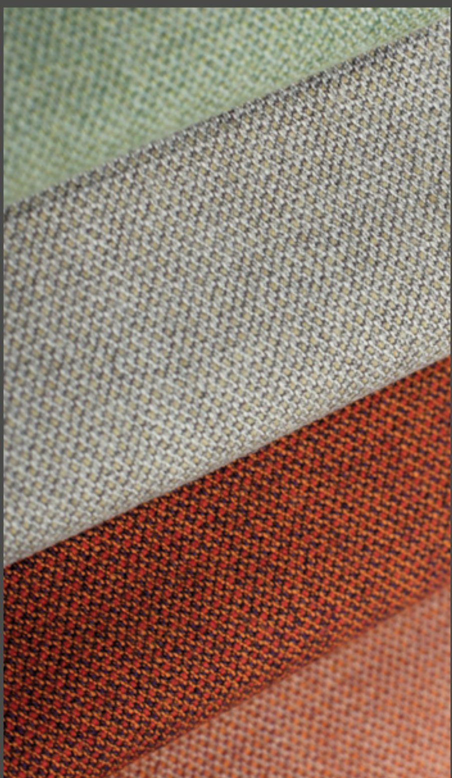
Runner on Haworth's chair "Fern"
designed by Haworth Design Studio & ITO Design

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.



Go Check has an exceptionally strong environmental profile and is made from the flame-retardant polyester material Trevira CS.

Company information

Board of Directors

Jørgen Kjær Jacobsen, General Manager
Chairman (age 65)
Joined the Board of Directors in 2010 (D)

Executive positions
Raskier A/S

Directorships
Roblon A/S (CM)
Nordjyske Holding A/S (CM)
MEDF Holding A/S (CM)
BKI Foods A/S
Raskier A/S
Egebjerggaard A/S
EM Fiberglas A/S

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

Hans Olesen Damgaard, Group Chief Executive
Vice-Chairman (age 52)
Joined the Board of Directors in 2015 (I)

Executive positions
Stibo A/S

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

Søren Brahm Lauritsen, General Manager
(age 50)
Joined the Board of Directors in 2010 (D)

Executive positions
ONE Marketing A/S

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

Pernille Fabricius, CEO
Group chief financial officer
(age 51)
Joined the Board of Directors in 2016 (I)

Executive positions
John Guest, London

Directorships
SAFEonNET®
MT Højgaard
MT Højgaard Holding
Royal Greenland A/S
Silverfleet Capital (Industrial Advisor)

Quinten Xerxes van Dalm, sales support
(age 45)
Elected by the employees
Joined the Board of Directors in 2010

Simon Sønderby Nielsen, Project Manager Acoustics
(age 36)
Elected by the employees
Joined the Board of Directors in 2014

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

Executive Board

Anders Hedegaard Petersen, CEO
(age 41)
Employed in 2004

External executive positions
KAAN ApS

Directorships
GAB Invest ApS (CM)
Dansk Mode & Textil (VC)
Development Centre UMT

Claus Møller, CCO
(age 51)
Employed in 2010

Executive positions
GAB Invest ApS

Directorships
Food Solutions ApS (CM)
GAB Invest ApS

Claus Toftegaard, CFO
(age 52)
Employed in 2011

Directorships
GAB Invest ApS
Complea A/S

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today discussed and approved the 2016/17 annual report of Gabriel Holding A/S.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 30 September 2017 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 October 2016 – 30 September 2017.
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 approved at the annual general meeting.

Aalborg, 16 November 2017

Executive Board

Anders Hedegaard Petersen
CEO

Claus Møller
CCO

Claus Toftegaard
CFO

Board of Directors

Jørgen Kjær Jacobsen
Chairman

Hans Olesen Damgaard
Vice-Chairman

Søren Brahm Lauritsen

Pernille Fabricius
Chairman of the audit committee

Quinten van Dalm
Employee representative

Simon Sønderby Nielsen
Employee representative

Note & CrissCross on Fredericias chair "No. 1"
designed by Børge Mogensen

Independent auditor's report

To the shareholders of Gabriel Holding A/S

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 30 September 2017 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 October 2016 – 30 September 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

What we have audited

The consolidated financial statements and the parent company financial statements of Gabriel Holding A/S for the financial year 1 October 2016 – 30 September 2017. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and notes, including accounting policies for the Group as well as for the Parent Company (the "financial statements"). The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark.

Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

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 three years up to and including the 2016/17 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 2016/17 financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Purchase of Screen Solutions Ltd and valuation of goodwill

Gabriel A/S purchased Screen Solutions Ltd in November 2016. The purchase and related goodwill are judged to be significant for the consolidated financial statements.

The assets, liabilities and contingencies acquired in connection with the purchase of Screen Solutions Ltd must be identified and valued at fair value.

In stating the fair values of the identified intangible assets and the impairment test of related goodwill, management has made a number of assumptions of expected future cash flows and the applied discount rate.

Given the uncertainty of estimates related to the valuation of the assets and related goodwill in the pre-acquisition balance sheet, this has been a focal point in our audit.

Please refer to note 10 to the consolidated financial statements for a description of the impairment test for goodwill, note 22 concerning the purchase of Screen Solutions Ltd, note 28 concerning accounting estimates and judgments and note 30 for the Group's accounting policies for business combinations.

How our audit addressed the purchase of Screen Solutions Ltd and the valuation of goodwill

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

- Reconciliation of purchase price and acquisition date to contractual basis.
- We obtained an understanding of the activities of the acquired entity, including by audit visits, and assessed whether assets, liabilities and contingencies identified are appropriate in proportion to the requirements laid down in IFRS 3.
- We have audited recognition and valuation of the acquired assets, liabilities and contingencies.

- We have gone through the valuation models and the assumptions on which the valuation of the identified intangible assets is based. This included assessing the relevance and reasonableness of the models and assumptions applied. We also assessed the reasonableness of growth expectations and earnings compared to the historic development and market expectations in order to reflect relevant risks in Screen Solutions Ltd.
- We have audited the impairment test for goodwill and the underlying assumptions, including revenue growth and earnings development and discount rate.
- Furthermore, we have gone through the related note disclosures and assessed whether the business combination and the impairment test have been appropriately accounted for.

Assets held for sale/discontinued operation
The property in Aalborg was put on the market in the 2015/16 financial year and is consequently classified as an asset held for sale/discontinued operation in the consolidated financial statements.

Given that the property has been on the market for more than one year, it must be judged whether it still meets the criteria for this classification. The criteria include that action has been taken on changed market conditions, and the offer price must match the changed conditions.

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

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

How our audit addressed assets held for sale/discontinued operation
We have gone through and assessed the management's judgment and basis for classifying the property activity as an asset held for sale/discontinued operation, including whether the criteria for maintaining the classification are met.

We have gone through the Group's sales activities and challenged management on whether the property operation is marketed actively and whether prospects of a sale within one year are realistic.

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

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of 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 in the audit, or otherwise appears to be materially misstated.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when 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 overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the parent company's internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or the business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Aalborg, 16 November 2017

KPMG
Statsautoriseret Revisionspartnerselskab
Company registration no. 25578198

Jon Beck
State Authorised Public Accountant

Steffen S. Hansen
State Authorised Public Accountant

Income statement
for the year 01.10.2016 - 30.09.2017

Note	tDKK	CONSOLIDATED 2016/17	2015/16	PARENT COMPANY 2016/17	2015/16
1	**Net revenue**	**492,828**	390,433	**7,800**	2,250
2	Other operating income	**794**	495	**-**	-
3	Cost of sales	**-288,775**	-231,751	**-**	-
4	Other external costs	**-66,647**	-48,914	**-1,919**	-825
5	Staff costs	**-81,176**	-62,781	**-11,482**	-3,564
2	Other operating costs	**-195**	-62	**-**	-
10/11	Depreciation/amortisation and impairment losses on intangible assets and property, plant and equipment	**-10,940**	-7,987	**-125**	-52
	Operating profit (EBIT)/loss from continuing operations	**45,889**	39,433	**-5,726**	-2,191
13	Share of profit after tax in joint venture	**3,087**	4,478	**-**	-
6	Finance income	**347**	106	**14,911**	9,193
7	Finance costs	**-2,528**	-1,298	**-2,634**	-2,526
	Profit before tax from continuing operations	**46,795**	42,719	**6,551**	4,476
8	Tax on profit for the year from continuing operations	**-10,664**	-8,486	**997**	446
	Profit for the year from continuing operations	**36,131**	34,233	**7,548**	4,922
22	Profit for the year after tax from discontinued operations	**-877**	80	**-**	-
	Profit for the year	**35,254**	34,313	**7,548**	4,922
9	**Earnings per share (DKK):**				
	Earnings per share (EPS) for continuing and discontinued operations, basic	**18.7**	18.2		
	Earnings per share (EPS-D) for continuing and discontinued operations, diluted	**18.7**	18.2		
	Earnings per share (EPS) for continuing operations, basic	**19.1**	18.1		
	Earnings per share (EPS-D) for continuing operations, diluted	**19.1**	18.1		

Statement of comprehensive income

for the year 01.10.2016 - 30.09.2017

Note	tDKK	CONSOLIDATED 2016/17	CONSOLIDATED 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
	Profit for the year	**35,254**	34,313	**7,548**	4,922
	Other comprehensive income:				
	Exchange rate adjustment on translation of foreign entities	**-2,378**	-471	**-**	-
	Tax on other comprehensive income	**260**	-	**-**	-
	Other comprehensive income after tax	**-2,118**	-471	**-**	-
	Total comprehensive income	**33,136**	33,842	**7,548**	4,922

Statement of financial position

Assets at 30.09.2017

Note	tDKK	CONSOLIDATED 2016/17	2015/16	PARENT COMPANY 2016/17	2015/16
	Non-current assets				
10	Intangible assets:				
	Goodwill	**27,167**	-	**-**	-
	Acquired product technology assets	**6,670**	-	**-**	-
	Development projects in progress	**10,050**	5,973	**-**	-
	Completed development projects	**6,245**	7,541	**-**	-
	Software	**3,526**	3,370	**-**	-
		53,658	16,884	**-**	-
11	Property, plant and equipment:				
	Land and buildings	**12,394**	11,402	**-**	-
	Leasehold improvements	**3,883**	2,185	**-**	-
	Plant, fixtures and fittings and equipment	**24,555**	10,219	**675**	800
		40,832	23,806	**675**	800
	Other non-current assets:				
12	Investments in subsidiaries	**-**	-	**68,794**	68,794
12	Amounts owed by subsidiaries	**-**	-	**11,898**	-
13	Investments in joint venture	**28,114**	29,794	**-**	-
14	Amount owed by joint venture	**178**	1,301	**-**	-
19	Deferred tax assets	**1,723**	-	**-**	-
		30,015	31,095	**80,692**	68,794
	Total non-current assets	**124,505**	71,785	**81,367**	69,594
	Current assets				
15	Inventories	**83,903**	63,802	**-**	-
16	Receivables	**74,189**	50,946	**32,939**	33,139
	Prepayments	**4,294**	2,344	**54**	-
26	Cash and cash equivalents	**29,992**	19,798	**118**	115
	Total current assets	**192,378**	136,890	**33,111**	33,254
22	**Assets held for sale**	**81,426**	80,989	**-**	-
	Total assets	**398,309**	289,664	**114,478**	102,848

Statement of financial position

Equity and liabilities at 30.09.2017

		CONSOLIDATED		PARENT COMPANY	
Note	tDKK	**2016/17**	2015/16	**2016/17**	2015/16
	Equity				
18	Share capital	**37,800**	37,800	**37,800**	37,800
	Translation reserve	**-1,307**	811	**-**	-
	Retained earnings	**170,076**	149,281	**31,199**	38,110
	Proposed dividends	**14,459**	13,703	**14,459**	13,703
	Total equity	**221,028**	201,595	**83,458**	89,613
	Liabilities				
	Non-current liabilities				
19	Deferred tax	**6,436**	2,927	**21**	21
20	Credit institutions	**7,236**	8,202	**-**	-
21	Lease liabilities	**3,224**	2,172	**453**	582
	Total non-current liabilities	**16,896**	13,301	**474**	603
	Current liabilities				
20	Credit institutions	**60,163**	1,256	**-**	-
21	Lease liabilities	**1,146**	540	**128**	124
	Amounts owed to subsidiaries	**-**	-	**26,364**	10,806
	Trade payables	**27,388**	18,119	**113**	72
	Amounts owed to joint venture	**1,489**	1,260	**-**	-
	Corporation tax	**7,146**	4,994	**-**	-
	Other payables	**31,797**	15,374	**3,941**	1,630
	Deferred income	**1,227**	695	**-**	-
	Total current liabilities	**130,356**	42,238	**30,546**	12,632
	Total liabilities	**147,252**	55,539	**31,020**	13,235
22	**Liabilities related to assets held for sale**	**30,029**	32,530	**-**	-
	Total equity and liabilities	**398,309**	289,664	**114,478**	102,848

Statement of changes in equity

tDKK	CONSOLIDATED Share capital	Translation reserve	Retained earnings	Proposed dividends	Total equity
2016/17					
Equity 01.10.16	**37,800**	**811**	**149,281**	**13,703**	**201,595**
Comprehensive income for the year					
Profit 2016/17	-	-	20,795	14,459	35,254
Other comprehensive income					
Exchange rate adjustment on translation of foreign entities	-	-2,378	-	-	-2,378
Tax on other comprehensive income	-	260	-	-	260
Total other comprehensive income	-	-2,118	-	-	-2,118
Total comprehensive income	**-**	**-2,118**	**20,795**	**14,459**	**33,136**
Transactions with shareholders					
Distributed dividends	-	-	-	-13,703	-13,703
Total transactions with shareholders	**-**	**-**	**-**	**-13,703**	**-13,703**
Equity 30.09.17	**37,800**	**-1,307**	**170,076**	**14,459**	**221,028**
2015/16					
Equity 01.10.15	**37,800**	**1,282**	**128,671**	**10,395**	**178,148**
Comprehensive income for the year					
Profit 2015/16	-	-	20,610	13,703	34,313
Other comprehensive income					
Exchange rate adjustment on translation of foreign entities	-	-471	-	-	-471
Total other comprehensive income	-	-471	-	-	-471
Total comprehensive income	**-**	**-471**	**20,610**	**13,703**	**33,842**
Transactions with shareholders					
Distributed dividends	-	-	-	-10,395	-10,395
Total transactions with shareholders	**-**	**-**	**-**	**-10,395**	**-10,395**
Equity 30.09.16	**37,800**	**811**	**149,281**	**13,703**	**201,595**

	PARENT COMPANY			
tDKK	Share capital	Retained earnings	Proposed dividends	Total equity
2016/17				
Equity 01.10.16	**37,800**	**38,110**	**13,703**	**89,613**
Comprehensive income for the year				
Profit 2016/17	-	-6,911	14,459	7,548
Total comprehensive income	**-**	**-6,911**	**14,459**	**7,548**
Comprehensive income with shareholders				
Distributed dividends	-	-	-13,703	-13,703
Equity 30.09.17	**37,800**	**31,199**	**14,459**	**83,458**
2015/16				
Equity 01.10.15	**37,800**	**46,891**	**10,395**	**95,086**
Comprehensive income for the year				
Profit 2015/16	-	-8,781	13,703	4,922
Total comprehensive income	**-**	**-8,781**	**13,703**	**4,922**
Comprehensive income with shareholders				
Distributed dividends	-	-	-10,395	-10,395
Equity 30.09.16	**37,800**	**38,110**	**13,703**	**89,613**

Cash flow statement

Note	tDKK	CONSOLIDATED		PARENT COMPANY	
		2016/17	2015/16	**2016/17**	2015/16
	Cash flows from operating activities				
	Profit before tax from continuing operations	**46,795**	42,719	**6,551**	4,476
	Dividends from joint venture	**4,765**	-	**-**	-
	Adjustment for non-cash items:				
	Depreciation, amortisation and impairment losses	**10,940**	7,987	**125**	52
	Impairment of investments in subsidiaries	**-**	-	**2,500**	2,500
	Gains and losses on the disposal of non-current assets	**182**	-81	**-**	-
	Share of profit after tax in joint venture	**-3,087**	-4,478	**-**	-
	Cash generated from operations before changes in working capital and tax	**59,595**	46,147	**9,176**	7,028
	Changes in inventories	**-17,487**	-6,143	**-**	-
	Changes in receivables	**-14,465**	2,779	**5,128**	5,673
	Changes in trade and other payables	**7,635**	-1,200	**2,376**	507
	Net payment of corporation tax	**-9,632**	-8,128	**-349**	-190
		25,646	33,455	**16,331**	13,018
	Cash flows from investing activities				
22	Purchase of subsidiary	**-28,195**	-	**-**	-
	Addition of intangible assets	**-7,303**	-4,157	**-**	-
	Addition of property, plant and equipment	**-13,693**	-5,729	**-**	-852
	Disposal of property, plant and equipment	**798**	1,979	**-**	-
	Capital contribution subsidiary	**-**	-	**-2,500**	-2,500
	Instalment received from joint venture	**1,123**	1,196	**-**	-
		-47,270	-6,711	**-2,500**	-3,352
	Cash flows from financing activities				
	External financing:				
20	Increase in credit facility	**35,000**	-	**-**	-
	Repayment of debt to credit institutions	**-2,672**	-3,332	**-125**	-146
	Lease liability	**1,921**	2,744	**-**	852
	Shareholders:				
	Dividends distributed	**-13,703**	-10,395	**-13,703**	-10,395
		20,546	-10,983	**-13,828**	-9,689
23	**Cash flows from discontinued operations:**	**-3,816**	-3,590	**-**	-
	Changes for the year in cash and cash equivalents	**-4,894**	12,171	**3**	-23
	Opening bank loans/cash and cash equivalents	**19,324**	7,710	**115**	138
	Addition on purchase of subsidiary	**-8,046**	-	**-**	-
	Exchange rate adjustment of bank loans/cash and cash equivalents	**-775**	-557	**-**	-
	Closing bank loans/cash and cash equivalents	**5,609**	19,324	**118**	115
	Composed of:				
	Cash and cash equivalents	**29,992**	19,798	**118**	115
	Drawing from credit facility at bank	**-24,383**	-474	**-**	-
		5,609	19,324	**118**	115

Notes to the financial statements

Note

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to the financial statements

1 **Segment information**

The Gabriel Group is accountable for two business segments:

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

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

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

Geographical information

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

Revenue and non-current assets are distributed across markets as follows:

	CONSOLIDATED			
	Revenue		Non-current assets	
tDKK	**2016/17**	2015/16	**2016/17**	2015/16
Denmark	**43,672**	35,382	**23,899**	20,740
Other Scandinavian countries	**57,865**	47,407	**214**	295
Germany	**100,893**	92,643	**1,253**	1,317
Other European countries	**222,189**	163,658	**64,043**	16,487
America	**33,957**	24,945	**4,062**	555
Asia	**34,252**	26,398	**1,019**	1,296
	492,828	390,433	**95,464**	40,690

2 **Other operating income**

Sales of services etc.	**630**	328	**-**	-
Gain on the disposal of non-current assets	**15**	143	**-**	-
Other income	**149**	24	**-**	-
	794	495	**-**	-

Other operating costs

Loss on the disposal of non-current assets	**-195**	-62	**-**	-
	-195	-62	**-**	-

Note	tDKK	CONSOLIDATED 2016/17	CONSOLIDATED 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
3	**Cost of sales**				
	Cost of sales for the year	**-268,279**	-220,611	**-**	-
	Write-down of inventories for the year	**-551**	-2,244	**-**	-
	Reversal of write-downs on inventories	**930**	54	**-**	-
	Production wages etc.	**-20,875**	-8,950	**-**	-
		-288,775	-231,751	**-**	-
	Reversal of write-downs on sales of written-down inventories				
4	**Other external costs**				
	Other external costs include fees for the auditors appointed by the general meeting as follows:				
	Statutory audit services	**-267**	-220	**-45**	-45
	Other assurance engagements	**-**	-	**-**	-
	Tax advice	**-128**	-13	**-**	-6
	Other services	**-328**	-151	**-80**	-22
		-723	-384	**-125**	-73
	Other services for 2016/17 include tDKK 191 for services associated with the purchase of Screen Solutions Ltd.				
5	**Staff costs**				
	Wages and salaries etc.	**-91,391**	-61,496	**-10,699**	-3,351
	Defined contribution pension schemes	**-3,994**	-2,584	**-716**	-209
	Other social security costs	**-6,527**	-6,890	**-31**	-4
	Other payroll-related costs	**-2,699**	-2,532	**-36**	-
		-104,611	-73,502	**-11,482**	-3,564
	Payroll costs capitalised regarding development projects	**2,560**	1,771	**-**	-
	Payroll costs transferred to cost of sales	**20,875**	8,950	**-**	-
		-81,176	-62,781	**-11,482**	-3,564
	Remuneration of the Board of Directors of the parent company	**-1,028**	-750	**-1,028**	-750
	Remuneration of the Executive Board of the parent company (the Executive Board was joined in the parent company on 1 October 2016)	**-6,514**	-2,636	**-6,514**	-2,636
	Pension contributions for the parent company's Executive Board	**-559**	-209	**-559**	-209
	Remuneration of other managerial employees	**-6,465**	-12,466	**-2,769**	-
	Pensions for other managerial employees	**-144**	-998	**-104**	-
	Average number of employees	**404**	292	**5**	1
6	**Finance income**				
	Dividends from subsidiary	**-**	-	**14,799**	9,000
	Interest income, cash etc.	**305**	-	**-**	4
	Interest income from subsidiary	**-**	-	**112**	189
	Interest income from joint venture	**42**	106	**-**	-
		347	106	**14,911**	9,193

Note	tDKK	CONSOLIDATED		PARENT COMPANY	
		2016/17	2015/16	**2016/17**	2015/16
7	**Finance costs**				
	Interest expenses etc.	**-1,698**	-621	**-134**	-11
	Net foreign exchange loss	**-759**	-663	**-**	-
	Impairment write-down of investment in subsidiary	**-**	-	**-2,500**	-2,500
	Other finance costs	**-71**	-14	**-**	-15
		-2,528	-1,298	**-2,634**	-2,526
8	**Tax on profit for the year**				
	Current tax	**-12,138**	-8,766	**-**	-
	Joint taxation contribution	**-**	-	**997**	467
	Adjustment of deferred tax	**1,669**	665	**-**	-21
	Adjustment of deferred tax to change in corporate tax rate	**-**	-248	**-**	-
	Adjustment in respect of previous years	**-195**	-137	**-**	-
		-10,664	-8,486	**997**	446
	Tax on profit for the year is specified as follows:				
	Computed tax on profit before tax, 22%	**-10,315**	-9,398	**-1,441**	-985
	Tax effect of:				
	Non-taxable income	**45**	1	**-**	1
	Non-deductible costs	**-654**	-26	**-578**	-550
	Non-taxable dividends	**-**	-	**3,016**	1,980
	Share of profit after tax in joint venture	**699**	985	**-**	-
	Adjustment of tax on foreign subsidiaries to 22%	**-244**	89	**-**	-
	Adjustment in respect of previous years	**-195**	-137	**-**	-
		-10,664	-8,486	**997**	446
	Effective tax rate	**22.8%**	19.9%	**-15.2%**	-10.0%
9	**Earnings per share**				
	Profit for the year after tax	**35,254**	34,313		
	Average number of shares	**1,890,000**	1,890,000		
	Average number of treasury shares	**-**	-		
	Average number of shares in circulation	**1,890,000**	1,890,000		
	Earnings per share (EPS) for continuing and discontinued operations, basic	**18.7**	18.2		
	Earnings per share (EPS-D) for continuing and discontinued operations, diluted	**18.7**	18.2		
	Earnings per share (EPS) for continuing operations, basic	**19.1**	18.1		
	Earnings per share (EPS-D) for continuing operations, diluted	**19.1**	18.1		

		CONSOLIDATED				
Note	tDKK	Goodwill	Acquired product technology assets	Completed internal development projects	Internal development projects in progress	Software
10	**Intangible assets**					
	2016/17					
	Cost at 01.10.2016	-	-	16,205	5,973	5,033
	Value adjustment	-782	-211	-3	-	-1
	Addition by acquisition	27,949	7,554	63	-	55
	Brought forward	-	-	1,251	-1,251	-
	Additions during the year	-	-	-	5,805	1,498
	Disposals during the year	-	-	-130	-477	-
	Cost at 30.09.2017	27,167	7,343	17,386	10,050	6,585
	Amortisation at 01.10.2016	-	-	8,664	-	1,663
	Value adjustment	-	-19	-1	-	1
	Disposals during the year	-	-	-130	-477	-
	Amortisation for the year	-	692	2,608	-	1,395
	Impairment losses for the year	-	-	-	477	-
	Amortisation at 30.09.2017	-	673	11,141	-	3,059
	Carrying amount at 30.09.2017	**27,167**	**6,670**	**6,245**	**10,050**	**3,526**
	2015/16					
	Cost at 01.10.2015	-	-	14,025	6,337	3,909
	Value adjustment	-	-	-	-	-3
	Brought forward	-	-	2,180	-2,180	-
	Additions during the year	-	-	-	3,031	1,127
	Disposals during the year	-	-	-	-1,215	-
	Cost at 30.09.2016	-	-	16,205	5,973	5,033
	Amortisation at 01.10.2015	-	-	6,431	-	558
	Disposals during the year	-	-	-	-1,215	-
	Amortisation for the year	-	-	2,233	-	1,105
	Impairment losses for the year	-	-	-	1,215	-
	Amortisation at 30.09.2016	-	-	8,664	-	1,663
	Carrying amount at 30.09.2016	**-**	**-**	**7,541**	**5,973**	**3,370**

The carrying amount of goodwill related to Screen Solutions was tested using a discounted cash flow model based on a value in use approach. The impairment test was based on the business case prepared in connection with the purchase of Screen Solutions, the approved budget for 2017/18 and projections for the period 2018/19-2022/23. The business case is based on Screen Solutions' realised earnings and on expected increases in revenue and earnings resulting from strategic initiatives and the realisation of synergies which are anticipated because Screen Solutions' products can be sold to Gabriel's existing customers. The budget and projection period therefore covers six years prior to the terminal period. Because it will take time for the expected sales synergies to take effect and because the time horizon of the business case made for the purchase of Screen Solutions was seven years, a projection period of six years is judged to best reflect the expected value of the cash generating unit.

The period 2018/19-2022/23 includes an annual increase of 10-12% in revenue in accordance with the business case. Expected revenue based on the business case will thus correspond to growth of around 40% compared to revenue before the acquisition. A discount rate after tax of 10.4% (11.3% before tax) was used and the terminal period includes growth of 1.5%, which is equivalent to the inflation rate.

In 2016/17, as expected, the company made an operating loss deriving from the implemented strategic initiatives, but the EBIT margin is expected to improve to more than 10% primarily via revenue growth. The calculated recoverable amount exceeds the carrying amount of the cash generating unit by DKK 7 million. The impairment test is particularly sensitive to expected revenue growth. Impairment will occur if average annual revenue growth is 1% lower than expected. Impairment will also occur if the discount rate is higher than 11.3%.

Note

10 cont. A number of projects were closed after re-evaluation of the project portfolio, which resulted in impairment charges totalling tDKK 477 (2015/16: tDKK 1,215). The Group also performed an impairment test on the carrying amounts of the recognised development projects. The test included an evaluation of the project development sequence in the form of expenses paid and results obtained relative to the approved project and business plans. The values of certain completed development projects are only maintained if increased sales are realised in the following year. It was judged on this basis that the recoverable amount exceeds the carrying amount.

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

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

2015/16				
Cost at 01.10.2015	110,453	1,840	32,511	-
Value adjustment	-218	-49	-98	-
Additions during the year	109	861	4,758	852
Transferred to assets held for sale	-98,528	-	-209	-
Disposals during the year	-	-	-7,369	-
Cost at 30.09.2016	11,816	2,652	29,593	852
Depreciation at 01.10.2015	18,599	159	22,537	-
Value adjustment	-3	-5	-152	-
Disposals during the year	-	-	-5,766	-
Depreciation for the year	283	313	2,842	52
Transferred to assets held for sale	-18,465	-	-87	-
Impairment losses for the year	-	-	-	-
Depreciation at 30.09.2016	414	467	19,374	52
Carrying amount at 30.09.2016	**11,402**	**2,185**	**10,219**	**800**
of which assets held under finance leases	-	-	2,883	800

The carrying amount for land and buildings includes payment of tDKK 1,486 for leased land, which will be depreciated over the term of the lease until 2089.

Note	tDKK	PARENT COMPANY 2016/17	2015/16
12	**Investments in and amounts owed by subsidiaries**		
	Cost at 01.10	**71,294**	68,794
	Capital injection for subsidiary	**2,500**	2,500
	Cost at 30.09	**73,794**	71,294
	Impairment write-down 01.10	**2,500**	-
	Impairment write-down for the year	**2,500**	2,500
	Impairment write-down 30.09	**5,000**	2,500
	Carrying amount at 30.09	**68,794**	68,794

Name	Registered office	Stake	Share capital	Equity	Profit for the year	Carrying amount
Gabriel A/S	Aalborg	100%	25,500	153,963	45,627	34,145
ZenXit A/S	Aalborg	100%	1,000	1,388	-1,242	2,500
Gabriel Ejendomme A/S	Aalborg	100%	1,000	24,047	-877	30,932
Gabriel (Tianjin)	China	100%	1,566	14,269	5,358	1,211
Gabriel North America Inc.	USA	100%	6	-4,624	-3,587	6
				189,043	45,279	68,794

The negative results and the low equity of ZenXit A/S led management to conduct an impairment test. The test was based on anticipated growth over a five-year period and on increased activity and improved results. A discount rate of 12% before tax was applied. The parent company granted ZenXit A/S a tax-free contribution of tDKK 2,500 in the financial year. On the basis of the impairment tests, management judged that the investment in ZenXit A/S should be written down by tDKK 2,500, to cover realised operating costs.

The loss realised by Gabriel North America Inc. in 2016/17 was due to the start-up of new activities. For this reason, and on the basis of expectations for future earnings, management judged that there are no indicators of impairment of the investment.

There are no indicators of impairment for other investments.

Amounts owed by subsidiaries are tDKK 11,898 (zero in 2015/16) and concerns capital lent to Gabriel North America Inc. The loan is expected to be repaid within four to five years.

Note	tDKK	CONSOLIDATED 2016/17	2015/16
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	**15,983**	11,505
	Share of profit for the year	**3,040**	4,691
	Dividends distributed	**-4,766**	-
	Intra-Group profit	**103**	-155
	Value adjustment, property	**-57**	-58
	Adjustments for the year	**-1,680**	4,478
	Adjustments at 30.09	**14,303**	15,983
	Carrying amount at 30.09	**28,114**	29,794

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

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

	2016/17	2015/16
Net revenue	**39,888**	44,273
Depreciation	**-5,032**	-4,981
Finance income	**33**	7
Finance costs	**-103**	-237
Tax on profit for the year	**-545**	-1,275
Profit/comprehensive income for the year	**6,167**	9,517
Non-current assets	**41,931**	39,638
Current assets	**7,272**	8,016
Cash and cash equivalents	**4,911**	14,085
Non-current liabilities	**15**	2,928
Current liabilities	**8,081**	9,275
Equity	**46,018**	49,536
Reconciliation of carrying amount at 30 September:		
The Group's share of equity	**22,710**	24,438
Value adjustment, property	**920**	977
Intra-Group profit	**-315**	-420
Goodwill	**4,799**	4,799
Carrying amount at 30.09	**28,114**	29,794

Management has impairment-tested the carrying amount of goodwill. The test was based on the budget for 2017/18 and projection for the years 2018/19 to 2021/22 using projected cash flows and a discount rate after tax of 10.4%. The test has not resulted in any impairment and the margin is considerable. Probable changes in key assumptions are therefore judged not to result in impairment.

Note	tDKK	CONSOLIDATED 2016/17	2015/16
14	**Non-current amounts owed by joint venture**		
	Cost at 01.10	**1,301**	2,496
	Disposals	**-1,123**	-1,195
	Carrying amount at 30.09	**178**	1,301
	Gross receivables are specified as follows:		
	Due within 1 year	**185**	1,167
	Due within 1-5 years	**-**	184
	Due after 5 years	**-**	-
	Unearned future financing income	**-7**	-50
	Total receivables	**178**	1,301
	Net receivables are specified as follows:		
	Due within 1 year	**178**	1,123
	Due within 1-5 years	**-**	178
	Due after 5 years	**-**	-
	Total receivables	**178**	1,301

The receivable arises from finance leasing of production equipment to UAB Scandye. At the end of the lease term of 1-3 years, the lessee has the option of acquiring the production equipment. The assets leased out have been provided as collateral for the Group's receivables.

Note	tDKK	CONSOLIDATED 2016/17	2015/16
15	**Inventories**		
	Raw materials and consumables	**41,148**	29,055
	Work in progress	**4,946**	4,669
	Finished goods and goods for resale	**37,809**	30,078
		83,903	63,802

Goods with a gross value of tDKK 12,619 (2015/16: tDKK 9,448) have been written down by tDKK 5,508 (2015/16: tDKK 8,539) to expected net realisable value.

Note	tDKK	CONSOLIDATED		PARENT COMPANY	
		2016/17	2015/16	**2016/17**	2015/16
16	**Receivables**				
	Trade receivables	**66,127**	45,655	**-**	-
	Amounts owed by subsidiaries	**-**	-	**35,739**	25,623
	Other receivables	**8,062**	5,291	**9,098**	7,516
		74,189	50,946	**44,837**	33,139

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

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

Denmark	**3,565**	2,404
Scandinavia	**7,421**	6,823
Europe	**44,272**	31,178
America	**5,633**	3,038
Asia	**5,214**	2,177
Other countries	**22**	35
	66,127	45,655

The Group's trade receivables at 30 September 2017 include receivables totalling tDKK 832 (2015/16: tDKK 1,047), written down by tDKK 711 after individual assessment (2015/16: tDKK 986). Other external costs include bad debts of tDKK 55 net (2015/16: tDKK 93). Write-downs of trade receivables are due to customer bankruptcy or anticipated payment default.

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

Denmark	**-**	50
Scandinavia	**25**	100
EU	**611**	686
Asia	**60**	100
Other countries	**15**	50
	711	986

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

Up to 30 days	**12,308**	5,595
Between 30 and 60 days	**3,210**	1,353
Over 60 days	**2,085**	1,519
	18,323	8,467

Interest income arising from receivables written down is not recognised.

Note	tDKK	CONSOLIDATED 2016/17	2015/16
17	**Research and development costs**		
	The correlation between research and development costs incurred and expensed is specified as follows:		
	Research and development costs incurred	**15,334**	9,390
	Development costs recognised as intangible assets	**-5,800**	-3,031
	Research and development costs for the year recognised in the income statement under staff and other external costs	**9,534**	6,359

18 **Share capital**

	SHARES ISSUED Number 2016/17	Number 2015/16	Nominal value (tDKK) 2016/17	Nominal value (tDKK) 2015/16
1 October	**1,890,000**	1,890,000	**37,800**	37,800
30 September	**1,890,000**	1,890,000	**37,800**	37,800

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

Neither the Group nor the parent company holds treasury shares.

Capital management

The Group's ordinary activities still generate reasonable cash flows, enabling the Group to maintain solid financial resources. The Group regularly assesses the need for adjusting its capital structure to weigh the required higher return on equity against the higher degree of uncertainty surrounding external financing. A high equity ratio has always been a top priority of Gabriel's management in order to maximise room for manoeuvre in all situations. The Group's equity ratio was 55.5% on 30 September 2017, 14 percentage points lower than on the same date last year. The decline is attributable to the substantial investments in expanding existing business areas and the investment in the new subsidiary, including capitalisation of goodwill. Solid growth was the defining feature of the 2016/17 financial year, including the purchase of Screen Solutions. This has resulted in an increase in tied-up funds, but management continues to focus on reducing tied-up funds in the Group to improve the equity ratio.

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 7.65 per share be distributed for 2016/17 (DKK 7.25), equivalent to total dividends of DKK 14.4 million (DKK 13.7 million).

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

Note	tDKK	CONSOLIDATED 2016/17	CONSOLIDATED 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
19	**Deferred tax**				
	Deferred tax at 01.10	**2,927**	5,684	**21**	-
	Addition on purchase of subsidiary	**3,148**	-	**-**	-
	Transferred to liabilities related to assets held for sale	**-**	-2,481	**-**	-
	Exchange rate adjustment	**-59**	10	**-**	-
	Deferred tax for the year recognised in the income statement	**-1,669**	-665	**-**	21
	Adjustment due to reduction in the Danish corporation tax rate	**-**	248	**-**	-
	Adjustment in respect of previous years	**366**	131	**-**	-
	Deferred tax at 30.09	**4,713**	2,927	**21**	21
	Deferred tax is recognised as follows in the statement of financial position:				
	Deferred tax assets	**-1,723**	-		
	Deferred tax liabilities	**6,436**	2,927	**21**	21
	Deferred tax at 30.09, net	**4,713**	2,927	**21**	21
	Deferred tax concerns:				
	Intangible assets	**4,912**	2,973	**-**	-
	Plant, fixtures and fittings and equipment	**2,392**	264	**21**	21
	Financial assets	**39**	286	**-**	-
	Current assets	**-395**	-338	**-**	-
	Tax loss carryforwards	**-1,723**	-	**-**	-
	Current liabilities	**-512**	-258	**-**	-
		4,713	2,927	**21**	21

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

Note	tDKK	CONSOLIDATED 2016/17	CONSOLIDATED 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
20	**Credit institutions**				
	Amounts owed to credit institutions relate to:				
	Mortgage debt, bank	**8,016**	8,984	**-**	-
	Increase in credit facility (not regarded as cash or cash equivalents)	**35,000**	-	**-**	-
	Withdrawal from credit facility at bank	**24,383**	474	**-**	-
	Total carrying amount	**67,399**	9,458	**-**	-
	Amounts owed to credit institutions were recognised in the statement of financial position as follows:				
	Non-current liabilities	**7,236**	8,202	**-**	-
	Current liabilities	**60,163**	1,256	**-**	-
	Total carrying amount	**67,399**	9,458	**-**	-
	Fair value is calculated at market value (level 1)	**67,399**	9,458	**-**	-

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

		CONSOLIDATED 2016/17	CONSOLIDATED 2015/16	PARENT COMPANY 2016/17	PARENT COMPANY 2015/16
	The mortgage debt falls due as follows:				
	0-1 years	**969**	1,326	**-**	-
	1-5 years	**3,687**	3,768	**-**	-
	> 5 years	**4,377**	5,277	**-**	-

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.

Note	tDKK	CONSOLIDATED 2016/17		2015/16	
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	**1,190**	**1,146**	588	540
	1-5 years	**3,271**	**3,224**	2,201	2,172
	> 5 years	**-**	**-**	-	-
		4,461	**4,370**	2,789	2,712
	Interest component	**-91**	**-**	-77	-
	Net present value of minimum lease payments	**4,370**	**4,370**	2,712	2,712

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

22 Purchase of subsidiary

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

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

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

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

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

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

Note

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

23 **Assets held for sale and discontinued operations**

In March 2016, the Group started the process of selling all or parts of Gabriel Ejendomme A/S (the business park Gabriel Erhvervs-park) at the best possible price. The sales process continues and completion of a sale of the property is ultimately expected to have a positive effect on the Group's profit and equity. In consequence, the activity "letting of office facilities" is accounted for as a discontinued operation ("assets held for sale"), and operating profit, statement of financial position and effect on consolidated cash flow are stated separately under the individual headings.

	GABRIEL EJENDOMME A/S	
tDKK	**2016/17**	2015/16
Net revenue	**5,543**	6,615
Other external costs	**-3,843**	-3,895
Depreciation/amortisation and impairment losses on intangible assets and property, plant and equipment	**-2,216**	-2,006
Operating profit (EBIT)	**-516**	714
Finance costs	**-608**	-611
Profit before tax from discontinued operations	**-1,124**	103
Deferred tax on profit for the year	**-321**	280
Current tax on profit for the year	**74**	-303
Profit for the year after tax from discontinued operations	**-877**	80
Earnings per share (EPS) for discontinued operations, basic	**-0.5**	0.0
Earnings per share (EPS) for discontinued operations, diluted	**-0.5**	0.0
Property, plant and equipment	**80,862**	80,701
Receivables	**226**	151
Cash and cash equivalents	**338**	137
Total assets held for sale	**81,426**	80,989
Deferred tax	**1,877**	2,198
Credit institutions	**25,921**	28,158
Trade payables	**890**	471
Corporation tax	**377**	647
Other payables	**964**	1,056
Liabilities related to assets held for sale	**30,029**	32,530
Cash flows from operating activities	**999**	1,323
Cash flows from investing activities	**-2,377**	-2,523
Cash flows from financing activities	**-2,438**	-2,390
Total cash flows	**-3,816**	-3,590

Cost of property, plant and equipment is tDKK 103,637 (tDKK 101,260), and additions during the year are tDKK 2,377 (tDKK 2,523). Cumulative depreciation is tDKK 22,775 (tDKK 20,559), and depreciation for the year is tDKK 2,216 (tDKK 2,006).

Of amounts owed to credit institutions, tDKK 2,219 (tDKK 2,205) is due within one year, tDKK 11,341 (tDKK 11,332) is due within one to five years, while tDKK 12,361 (tDKK 14,621) is due after five years. The debt is a floating-rate mortgage loan in EUR (F5). If the interest rate increases or decreases by 1% when the current loan period expires in 2020, annual interest expenses will increase/decrease by DKK 0.2 million per year.

Gabriel Erhvervspark has leases with tenants with notice periods between three months and eight years. Total rent in the periods of interminability is DKK 23.0 million (DKK 21.6 million), of which DKK 3.4 million (DKK 2.8 million) terminates within one year, DKK 11.2 million (DKK 9.4 million) terminates in between one and five years and DKK 8.4 million (DKK 9.4 million) terminates after five years. The leases concern office premises of varying sizes, and amounts for operating expenses and the use of parking spaces are added.

Note

24 Financial risks and financial instruments

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

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

Following the acquisition in England and the expansion of activities in North America, the Group's financial risks relating to the currencies in those areas have increased. Except for the above, the Group's risk exposure and risk management has not changed materially since 2015/16.

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

	CARRYING AMOUNT	
tDKK	**2016/17**	2015/16
Derivatives taken up to hedge future cash flows	**-**	-
Financial assets used as hedging instruments	**-**	-
Amounts owed by joint venture	**178**	1,301
Receivables	**74,189**	50,946
Cash and cash equivalents	**29,992**	19,798
Assets held for sale	**564**	289
Loans and receivables	**104,923**	72,334
Credit institutions	**67,399**	9,458
Financial lease liabilities	**4,370**	2,712
Trade payables	**27,388**	18,119
Amounts owed to joint venture	**1,489**	1,260
Liabilities related to assets held for sale	**26,811**	28,629
Financial liabilities measured at amortised cost	**127,457**	60,178

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

Derivative financial instruments in the form of forward exchange contracts entered into to hedge items on the statement of financial position and future transactions are recognised as current liabilities at a fair value of tDKK 176 (2015/16 current assets: tDKK 144). Forward exchange contracts are valued in accordance with generally recognised valuation techniques, based on relevant observable exchange rates and classified as level 2 "other input" under the fair value hierarchy.

Note

24 cont.

Currency risk

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

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

The Group's foreign exchange positions in Danish kroner were as follows on 30 September 2016:

DKK	2,907	-14,784	-
EUR	44,239	-52,022	-4,454
SEK	4,885	-462	-
NOK	339	-14	-
GBP	4,075	-60	-
USD	7,352	-204	5,250
PLN	907	-1,007	4,454
RMB	10,324	-	-
Other	337	-48	-
Abroad	72,458	-53,817	5,250

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

The Group has used forward exchange transactions to hedge its risks related to changes in cash flows resulting from exchange rate movements for both items on the statement of financial position and future transactions. Outstanding forward exchange contracts (gross) at 30 September 2017 of tDKK 25,409 (2015/16: tDKK 9,704) cannot be imputed to specific transactions and are thus recognised in the income statement, since the criteria for hedge accounting are not met.

Forward exchange contracts mature within nine months.

Any reasonably possible changes in the exchange rates on 30 September 2017 are not deemed to have any material impact on results or equity because of the currency exposure on this date. However, the Group also experienced major exchange rate fluctuations in the 2016/17 financial year, in particular attributable to falls in the exchange rates of the USD, GBP and RMB, and if this development continues in the next financial year, the effect will be as follows for selected, major currencies (a change in the opposite direction will have the opposite effect on profit for the year before tax and equity):

Currency exposure at 30 September 2017

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

Note

24 cont. Currency exposure at 30.09.2016

Currency	Net position	Probable change in exchange rate	Effect on profit for the year before tax	Effect on equity
SEK/DKK	12,398	5%	620	484
USD/DKK	-16,421	-1%	164	128
EUR/DKK	10,324	-5%	-516	-387
RMB/DKK	4,015	-5%	-201	-157

In 2017/18, the Group's foreign currency exposure is expected to be essentially unchanged relative to 2016/17.

Liquidity and interest rate risks
The Group has generated positive cash flows for many years and has thus not been dependent on external financing. At 30 September 2017, the Group had net cash and cash equivalents of DKK 5.9 million (2015/16: DKK 19.3 million) plus still undrawn lines of credit. The Group is thus judged to have adequate liquidity to ensure the ongoing financing of future operations and investments.

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

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

Risks relating to raw materials
The Group typically enters into cooperation agreements with its most important suppliers to ensure reliability of delivery and to lock prices. As indicated in note 26, Gabriel has concluded purchase agreements for raw material supplies for 2017/18. The Group is not exposed to any major price risks arising from its use of raw materials.

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

The Group aims to reduce risk through efficient monitoring, follow-up and credit insurance of major foreign and domestic receivables or alternative collateral. Credit insurance was taken out for all major foreign and domestic receivables at 30 September 2017. The Group's trade receivables are usually paid no later than one to two months after delivery. The Group has a past record of minor bad debts and is usually exposed to only a limited risk of major losses. We refer to note 16.

Under non-current financial assets, the Group financed production equipment for the joint venture UAB Scandye. Gabriel has been provided with collateral in the leased equipment. The lessee may perform the contracts at their residual values.

25 Operating leases
At 30 September 2017, the Group held operating leases for vehicles with a residual lease liability of tDKK 481 (2015/16: tDKK 923), of which tDKK 385 (2015/16: tDKK 440) is due within one year, while the rest is due within one to two years. An amount of tDKK 438 was expensed in the financial year as against tDKK 463 in 2015/16.

At 30 September 2017, the Group had entered into leases for its sales offices and production facilities in various countries. The rental periods expire in 2027 at the latest and the total liability for future rent payments is tDKK 42,087 (2015/16: tDKK 9,130), of which tDKK 6,764 (2015/16: tDKK 2,121) is due within one year, while tDKK 12,498 (2015/16: tDKK 1,564) is due after five years.

26 Contingent liabilities and collateral
PARENT COMPANY
The parent company has issued a letter of subordination to the bankers of the subsidiary Gabriel A/S covering the subsidiary's current bank loans. The Group's credit facility was increased by DKK 35 million in connection with the purchase of Screen Solutions Ltd.

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

Note

26 cont. *CONSOLIDATED*

As part of usual Group operations, the Group has entered into purchase agreements for future raw material supplies amounting to tDKK 28,991 (30 September 2016: tDKK 22,916) to ensure raw material supplies in 2017/18.

For assets held for sale, collateral in land and buildings has been provided to the credit institution for the mortgage debt. The carrying amount of land and buildings was tDKK 80,756 at 30 September 2017 (30 September 2016: tDKK 80,621), while mortgage debt to the credit institution was tDKK 26,260 (30 September 2016: tDKK 28,526), Collateral in land and buildings has been provided for bank debt to a bank in Poland. The carrying amount was tDKK 12,394 (30 September 2016: tDKK 11,401), while the debt to the bank was tDKK 8,016 (30 September 2016: tDKK 8,984). An amount of tDKK 11,394 has been deposited with the Group's bank as security for payment of the balance of the purchase price for Screen Solutions Ltd. The amount is included in the Group's cash and cash equivalents.

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

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

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

	PARENT COMPANY	
tDKK	**2016/17**	2015/16
Administration fee from affiliated enterprises	**7,800**	2,250
Interest income from affiliated enterprises	**112**	189
Dividend from affiliated enterprises	**14,799**	9,000

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

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

	CONSOLIDATED	
tDKK	**2016/17**	2015/16
Purchases from associates	**33,298**	26,177
Interest etc. from associates	**42**	106

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.

28 **Accounting estimates and judgments**

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

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

Note

28 cont. 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. The impairment test is described in note 10.

The uncertainty of estimates of inventories is connected to write-downs to net realisable value. The need for write-downs is deemed to be unchanged and assessment is still based on the development within colour and product combinations and associated raw materials and consumables. Write-downs on inventories follow the Group's practice for write-downs, which includes an assessment of the inventory turnover ratio and possible losses as a result of obsolescence, quality problems and economic conditions. Total inventory write-down was tDKK 5,509 at 30 September 2017 against tDKK 8,536 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 the following judgments of major significance to the financial reporting: The most important part of the Group's activities is carried out from headquarters in Aalborg. Part of this property is let to external commercial tenants under the auspices of Gabriel Erhvervspark. Management judges that division of the property into headquarters and tenancies for letting will not be a fair presentation. Management consequently is of the opinion that presentation of the property as headquarters in the financial statements gives a true and fair view. This annual report classifies the property as an asset held for sale, because the property complex was put on the market in March 2016.

29 Subsequent events

No events of significance to the 2016/17 financial statements have occurred since the statement date.

30 Accounting policies

Gabriel Holding A/S is a limited liability company domiciled in Denmark. The financial section of the annual report for the period 01.10.2016-30.09.2017 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 2016/17 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 2016/17 of Gabriel Holding A/S on 16 November 2017. The annual report will be presented to the shareholders of Gabriel Holding A/S for approval at the annual general meeting on 14 December 2017.

Basis for preparation

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

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

Implementation of new standards and IFRICs

Gabriel Holding A/S has implemented the standards and IFRICs which entered into force for 2016/17. None of them has influenced recognition and measurement or is expected to materially influence the Gabriel Group.

ACCOUNTING POLICIES APPLIED

Consolidated financial statements

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

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

Note

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

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

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

The consolidated financial statements were prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, prepared in accordance with the Group's accounting policies, with elimination of intra-Group income and expenses, shareholdings, intra-Group balances and dividends and realised and unrealised gains on intra-Group transactions. Unrealised gains on transactions with associates are eliminated in proportion to the Group's ownership share of the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, 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 purchased company's identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Deferred tax on the revaluations made is recognised.

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

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

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

On recognition in the consolidated financial statements of subsidiaries with a functional currency other than the DKK, the income statements are translated at the exchange rates on the transaction date, and the statement of financial position items are translated at the exchange rates 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 on the transaction date to the exchange rates applicable at the end of the reporting period, are recognised in other comprehensive income under a separate translation reserve under equity.

On recognition in the consolidated financial statements of associates 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 at the end of the reporting period. Foreign exchange differences arising on the translation of the share of the opening equity of foreign associates, 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 under a separate translation reserve under equity.

Note

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

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

INCOME STATEMENT

Net revenue

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

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

Other operating income and costs

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

Public subsidies

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

Cost of sales etc.

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

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

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

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

Finance income and finance costs

Finance income and finance costs comprise interest income and expenses, gains and losses as well as write-downs on securities, 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.

Note

30 cont. 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 10 years.

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

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

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

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

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

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

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

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

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

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

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

Buildings .... 10-25 years
Leasehold improvements .... Term of the lease
Plant, fixtures and fittings and equipment .... 3-8 years
Land is not depreciated.

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

Note

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

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

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

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

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

Investments in joint ventures are measured in the statement of financial position at the Group's share of the enterprises' equity values, calculated in accordance with the Group's accounting policies plus or minus the proportionate share of unrealised intragroup 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.

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

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

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

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

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

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

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

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

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

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

Note

30 cont. *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.

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

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

Other liabilities are measured at net realisable value.

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

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

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

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

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

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

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

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

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

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

30 cont. 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.

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

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

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

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

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

The Group's and the parent company's undiscounted lease liabilities at 30 September 2017 are given in note 25 to the consolidated and parent company financial statements on the basis of minimum lease payments in accordance with IAS 17. Under IFRS 16, lease agreements with extension options must be recognised and measured taking these options into account. This will impact property leases in particular and may result in the liabilities recognised under IFRS 16 significantly exceeding the amounts given in the notes in accordance with IAS 17.

Definitions of financial ratios

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

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

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

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

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

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

Return on equity: Profit after tax as a percentage of average equity.
Equity ratio: Equity's share of total assets.

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

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

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

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

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

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

Payout ratio: Yield relative to profit after tax.

Gabriel®

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