

COMPANY ANNOUNCEMENT AND PRESS RELEASE

Gabriel Holding A/S

Irregularities in the Group's Mexican FurnMaster company influence the 2023/24 financial year negatively and lead to corrections of previous years' figures. Revenue for the year is DKK 912 million and the operating profit (EBIT) is DKK 10.9 million.

Summary

On 14 November 2024, Gabriel Holding A/S announced that publication of the financial statements for 2023/24 had to be postponed due to challenges with the financial reporting in the Group's Mexican FurnMaster company.

In consequence, detailed verification of the historical financial reporting was carried out. The verification was made difficult because the people who, historically, had prepared the financial reporting had left the company in August 2024. The verification process identified significant errors, including in the valuations of inventories in previous years. The process involved great efforts internally and by the Group's auditor. Additional external experts and advisers were also called in. The common purpose was to provide information and data to ensure and support accurate financial reporting, now and for the future. In addition, an investigation has been launched, involving professional advisers, to establish whether the irregularities were caused by fraudulent activity.

The identified errors have been corrected in the current year's results. The correction significantly influences the financial statements for the year. The correction negatively affects the fourth quarter of the year and thus the EBIT figure for the year by DKK 7.9 million. Significant corrections have also been made to previous years' figures, which means that the comparative figures were also corrected. Equity for the 2022/23 financial year was thus corrected by DKK 39.2 million and for 2021/22 by DKK 11.6 million. Please see Financial Review and note 29 for further details and a separate description.

In the 2023/24 financial year, all Gabriel business activities delivered revenue of DKK 912 million and operating profit (EBIT) of DKK 10.9 million.

In the annual report covering the 2022/23 financial year, management stated that it expected revenue of the order of DKK 850 – 900 million and operating profit (EBIT) of DKK 0 – 10 million for the 2023/24 financial year. After four months of the financial year, these expectations were upwardly adjusted to revenue of DKK 880 – 930 million and operating profit (EBIT) of DKK 8 – 15 million.

Apart from the above irregularities, the financial year was driven by the global fabric business, including the SampleMaster business unit, which was strengthened during the financial year and delivered growth in both revenue and profit.

During the financial year, the European FurnMaster business recorded an expected, but limited, decrease in revenue and despite this delivered growth in operating profit.

As part of a new growth strategy for the Gabriel Group, management announced in August 2024 that it would intensify the development of the Gabriel Fabrics and SampleMaster business units and that a carve-out of the FurnMaster business units had been initiated.

Management expects to complete the divestment during the 2024/25 financial year. In the consolidated financial statements and parent company financial statements for 2023/24, the FurnMaster business units will consequently be treated as discontinued operations in the income statement, and assets and liabilities held for sale will be shown on a separate line in the statement of financial position. There has been satisfactory interest in taking over the ownership of the Group's FurnMaster business since the process started. However, the dialogue with potential buyers is not yet sufficiently advanced to form the basis for estimating the effect on the Group of a completed divestment.

Activities that are not sold during the process will in future be treated as continuing operations in the Group.

The continuing operations comprise the Group's global fabric business, which delivered the following selected financial highlights in the 2023/24 financial year:

- Revenue increased by 6.4% to DKK 483.5 million (2022/23: DKK 454.5 million)
- Gross profit was 51.7% (2022/23: 51.4%)
- Earnings before depreciation, amortisation and impairment losses (EBITDA) were DKK 56.8 million (2022/23: DKK 46.9 million)
- EBITDA margin was 11.7% (2022/23: 10.3%)
- Operating profit (EBIT) was DKK 19.7 million (2022/23: DKK 13.1 million)
- EBIT margin was 4.1% (2022/23: 2.9%)
- Profit before tax was DKK 4.0 million (2022/23: DKK 3.1 million)
- The result after tax was DKK -1.5 million (2022/23: DKK -1.4 million)
- The result after tax including the discontinued operations was DKK -15.7 million (2022/23: DKK -44.1 million)

It should be noted that the continuing operations are not affected at EBIT level by the correction in Mexico, whereas the result after tax is affected by the secondary consequences as described in this annual report.

Expectations for the future

Management expects that the challenging market conditions affecting the furniture industry will continue in the 2024/25 financial year, primarily as a result of continued geopolitical risks and uncertainty about inflation, currencies and interest rate trends.

However, continuing business operations delivered growth in revenue and profit for the 2023/24 financial year and management expects that this trend will continue.

On this basis, revenue of DKK 485 – 530 million (0 – 10% growth) and operating profit (EBIT) of DKK 20 – 30 million (2023/24: DKK 19.7 million) are expected from continuing operations.

A high level of uncertainty surrounds the expectations for the 2024/25 financial year, primarily as a result of the above-mentioned market risks.

The Board of Directors recommends the following to the general meeting of Gabriel Holding A/S, to be held on 29 January 2025:

- Approval of the annual report for 2023/24
- Submission of the remuneration report for an advisory vote
- Approval of the remuneration of the Board of Directors for the current financial year
- Re-appointment of Søren Mygind Eskildsen, Hans O. Damgaard, Søren B. Lauritsen and Randi Toftlund Pedersen as board members. Chair of the board Jørgen Kjær Jacobsen wishes to stand down.
- Re-appointment of KPMG Statsautoriseret Revisionspartner-selskab as auditors.

The official annual report is published on the company's website. As a result of the Group's sustainability efforts, there will be no printed version of the report.

Financial highlights for the Group*

FINANCIAL HIGHLIGHTS	Unit	2023/24	2022/23 (corrected)	2021/22 ¹ (corrected)	2020/21 ¹	2019/20 ¹
Revenue	DKK million	483.5	454.5	1,065.0	809.7	727.3
Growth ²	%	6.4	-57.3	31.5	11.3	2.7
of which exports	DKK million	447.3	423.1	884.6	688.0	629.0
Export percentage	%	93	93	83	85	86
Earnings before depreciation, amortisation and impairment losses (EBITDA)	DKK million	56.8	46.9	96.0	96.5	80.3
Operating profit (EBIT)	DKK million	19.7	13.1	53.5	58.6	41.9
Net finance income and costs	DKK million	-16.6	-10.4	15.5	-2.8	-12.8
Profit from continuing operations before tax	DKK million	4.0	3.1	69.1	58.8	32.0
Tax	DKK million	-5.5	-4.6	-22.4	-12.6	-7.0
Profit/loss from continuing operations after tax	DKK million	-1.5	-1.4	46.7	46.2	25.0
Loss from discontinued operations after tax	DKK million	-14.2	-42.7			
Profit/loss for the year	DKK million	-15.7	-44.1	46.7	46.2	25.0
Cash flows from:						
Operating activities	DKK million	37.3	26.5	9.1	39.4	57.2
Investing activities	DKK million	-20.9	-34.8	-41.1	-36.6	-30.5
Financing activities	DKK million	-15.9	-27.6	-45.2	-32.0	-18.1
Cash flows for the year	DKK million	0.5	-52.2	-77.2	-29.2	8.6
Investments in property, plant and equipment	DKK	13.9	23.7	32.2	27.8	22.7

Depreciation, amortisation and impairment losses	million DKK	37.1	33.8	42.6	37.9	38.4
Equity ²	million DKK	261.6	275.7	347.1	322.1	283.4
Statement of financial position total ²	million DKK	777.2	773.7	861.0	731.2	645.5
Invested capital	million DKK	362.6	538.3	569.2	474.7	411.3
Working capital	million DKK	156.9	258.1	299.6	223.8	172.3
Average number of employees	Number	389	396	1,358	1,163	1,151
Revenue per employee	DKK million	1.2	1.1	0.8	0.7	0.6
FINANCIAL RATIOS						
Gross margin	%	51.7	51.4	32.5	36.4	37.6
EBITDA margin	%	11.7	10.3	9.0	11.9	11.0
EBIT margin	%	4.1	2.9	5.0	7.2	5.8
Return on invested capital (ROIC) before tax	%	0.9	0.6	15.3	13.3	8.4
Return on invested capital (ROIC) after tax	%	-0.3	-0.3	11.0	10.4	6.6
Earnings/loss per share (EPS)	DKK	-8.3	-23.4	24.7	24.4	13.2
Loss per share from continuing operations	DKK	-0.8	-0.7			
Return on equity	%	-0.5	-0.5	17.1	15.3	8.9
Equity ratio	%	33.7	35.6	40.3	44.1	43.9
Equity ratio, continuing operations	%	36.7				
Book value per share at year end	DKK	138	146	184	170	150
Market price at year end	DKK	270	306	515	630	690
Price/book value	DKK	2.0	2.1	2.8	3.7	4.6
Price earnings (PE)	DKK	-32.5	-13.1	20.8	25.8	52.2
Price cash flow (PCF)	DKK	13.7	21.8	107.1	30.3	22.8
Proposed dividend per DKK 20 share	DKK	0.00	0.00	10.75	9.75	5.00
Dividend yield	%	0.0	0.0	2.1	1.5	0.7
Payout ratio	%	0	0	35	40	38

Please see page 79 for definitions of financial ratios.

The figures for the years 2021/22 and 2022/23 have been adjusted due to corrections of significant errors. See also note 29.

¹ No adjustment was made to the financial highlights for the years 2019/20 – 2021/22 regarding discontinued operations.

² No adjustment was made to the financial highlights for the years 2019/20 – 2022/23 regarding discontinued operations.