



ASX and Media Release – Tuesday 28 February, 2017

NPAT from continuing operations up 17.0%

- Net Profit after tax from continuing operations increased 17.0% to \$5.5m mainly driven by a 59.6% increase in the share of profit from the PVH Brands Australia joint venture ("JV").
- The JV revenue increased 11.6% to \$103.3m driven by the strong momentum of the *Calvin Klein* and *Tommy Hilfiger* businesses through new stores and the development of new categories
- EPS of continuing operations increased 16.8% to 9.6 cents per share
- An interim dividend of 6 cents per share fully franked, an increase of 1 cent per share from last year's interim dividend

REVIEW AND RESULTS OF OPERATIONS

Continuing Operations

Sales revenue in the PVH Brands Australia Pty Ltd jointly controlled entity (the 'PVHBA JV') has increased by 11.6% to \$103.3m. The PVHBA JV after tax has also increased 70.5% to \$7.5m from \$4.4m last year. Gazal's share of the PVHBA JV profit increased 59.6% to \$3.8m from \$2.4m last year.

The sales and profit growth in the PVHBA JV has been driven by the continuing development of new product categories across Calvin Klein and Tommy Hilfiger with our key trading partners Myer and David Jones, the ongoing development of our retail channel, and 9 new stores since 31 December 2015. The additional stores include a world first opening of the new Tommy Hilfiger design concept in the latest extension of Chadstone Shopping Centre in Melbourne.

Gazal sales for continuing operations in the first half decreased to \$26.7m compared to the first half last year as a result of difficult trading conditions in the workwear industry continuing from FY16. However, as a result of strong cost control in the workwear segment, higher fees from the joint venture and a higher share of profit from PVHBA, the NPAT of continuing operations increased 17.0% to \$5.6m.

Non-IFRS Operating Results

The PVHBA JV is a Joint Arrangement under IFRS 11. The Directors are of the opinion that due to the significance of the JV to the operating results of Gazal, it is useful to present non-IFRS (unaudited) combined results of Gazal and the JV as follows:

Continuing Operations Non-IFRS (unaudited)	H1 FY17 \$m	H1 FY16 \$m	Variance %
Sales Revenue	130.0	122.9	5.8%
NPBT	13.5	9.9	36.4%
NPAT	9.3	6.8	36.8%

Please refer to the note for the reconciliation between the IFRS results and the non-IFRS financial information above.

On a non-IFRS combined results basis, the sales revenue of Gazal and PVHBA JV increased by 5.8% to \$130.0m for the six months to 31 December 2016 and NPAT improved 36.8% to \$9.3m.

Net Debt Position

During the period, a second special dividend of 35 cents per share (\$20.4 million) was paid in October 2016 following the sale of the Trade Secret business. Additionally in the six months, the capital gains tax on the profit on sale of Trade Secret (\$13.2m) was paid.

The timing of these two non-recurring items has resulted in the Company's net debt increasing to \$25 million as at 31 December 2016. This compares to a net cash position of \$6 million as at 31 December 2015 (with no debt). It is expected that Gazal's debt levels will decrease moving towards 30 June 2017.

At 31 December 2016, the PVHBA JV had a cash balance of \$14.6m with no debt.

Dividends

The Directors resolved to pay an interim dividend in the first half of 6 cents per share fully franked. This compares to last year's interim dividend of 5 cents per share fully franked. The record date for determining shareholders' entitlement for the interim dividend is 14th March, 2017 and the interim dividend is payable on 4th April, 2017. The Dividend Reinvestment Plan will not apply to the interim dividend.

Outlook

In the second six months of FY17, Gazal will continue to recognise profits on the wholesale segment, the share of JV profits and other services revenue from the PVHBA JV.

Wholesale segment

We expect the challenging market conditions in the Australian work-wear sectors to continue in the second half of the year. Given the trend seen in the first half, we expect earnings for continuing operations for FY17 will be below last year.

Share of profits from JV and other services revenue

In line with the trends seen in the first six months, we expect second half sales to be higher than the prior year. Second half sales performance in Calvin Klein, Tommy Hilfiger, Van Heusen and Nancy Ganz will be supported by further new stores openings in Bondi and the Sydney domestic terminal as well as new product categories introduced over the last 12 months.

In addition, we expect that the combined share of profits and other services revenue from the PVHBA JV to be higher than the contribution in the second 6 months of FY16.

Note – Reconciliation of Non-IFRS information to IFRS information

The financial information provided includes non-IFRS information which has not been audited or reviewed in accordance with Australian Accounting Standards. The information is based on the combined results of Gazal and the PVHBA joint venture.

This non-IFRS information for continuing operations is reconciled as follows:

Sales Revenue	H1 FY17 \$m	H1 FY16 \$m
Gazal IFRS Sales revenue	26.7	30.4
PVHBA JV Sales (unaudited)	103.3	92.5
Combined non-IFRS sales	130.0	122.9

Net Profit Before Tax	H1 FY17 \$m	H1 FY16 \$m
Gazal IFRS Net Profit Before Tax (NPBT)	6.5	5.9
Less: Gazal's Share of PVHBA JV Net Profit After Tax (NPAT)	(3.8)	(2.4)
Add: PVHBA JV NPBT	10.7	6.4
Combined non-IFRS NPBT	13.5	9.9

Net Profit After Tax	H1 FY17 \$m	H1 FY16 \$m
Combined non-IFRS NPBT (see above)	13.5	9.9
Less: Gazal tax expense	(1.0)	(1.1)
Less: PVHBA JV tax expense	(3.2)	(2.0)
Combined non-IFRS NPAT	9.3	6.8

IFRS means International Financial Reporting Standards.

This release includes "forward-looking statements" within the meaning of securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words, and include statements regarding certain plans, strategies and objectives of management and expected financial performance. These forward-looking statements involve known and unknown risks uncertainties and other factors, many of which are outside the control of Gazal, and its officers, employees, agents or associates. Actual results, performance or achievements may vary materially from any projections and forward looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and Gazal assumes no obligation to update such information.