

GAZAL CORPORATION LIMITED

CHAIRMAN'S ADDRESS

DELIVERED BY

MR M. GAZAL

AT THE THIRTIETH FIRST ANNUAL GENERAL MEETING OF THE COMPANY HELD AT THE OFFICES OF
ERNST & YOUNG, CHARTERED ACCOUNTANTS AT LEVEL 34 200 GEORGE STREET, SYDNEY
ON WEDNESDAY, NOVEMBER 29, 2017 AT 10.00AM

The Annual Report for 2017 containing the Financial Statements and Directors' and Auditors' Reports are already in the hands of shareholders and I trust gave a comprehensive review of the Company's operations for the year ended 30 June 2017.

I am pleased to report that profit after tax from continuing operations for FY2017 was up 15.3% against the same corresponding period last year. This was a satisfactory result in the current retail climate and was driven mainly by the after tax profit in the PVH Brands Australia Joint Venture ("JV") which increased profit after tax by 32.8% to \$13.9 million up from \$10.2 million last year. Gazal's equity accounted share of the JV profit after tax was \$6.9 million compared to \$5.1 million for the previous year.

Sales revenue for the JV increased by 9.7% to \$198.2 million for the year ended 30 June 2017.

The sales and profit growth in the JV was driven by the continuing development of new product categories across *CALVIN KLEIN* and *TOMMY HILFINGER* with our key wholesale trading partners Myer and David Jones, the ongoing development of our retail channel including strong like-for-like stores sales growth of +12.9%, and 9 new stand-alone stores opened. The additional stores include a world first opening of the new *TOMMY HILFINGER* design concept in the extension of Chadstone Shopping Centre in Melbourne.

Workwear sales improved in the second half of the financial year mainly due to increased sales of Bisley's fire retardant garments and a good 'in-stock' position of basic replenishment stock items. Whilst sales increased by 4.2% to \$62.1 million, gross margins were impacted by lower Australian dollar exchange rate contracts compared to last year.

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, the capital gains tax on the profit on sale of Trade Secret of \$13.2 million was paid in December 2016.

The timing of these two non-recurring items resulted in the Company's net debt increasing to \$22.8 million as at 30 June 2017. This compares to a net cash position of \$11.6 million as at 30 June 2016 with no debt.

At 30 June 2017, the JV had a net cash position of \$6.6 million with \$2.0 million of borrowings.

Banksmeadow Property

In June 2017, CBRE were commissioned to undertake an independent valuation of the Banksmeadow head office and distribution centre. The valuation ascribed a value to the property of \$56.0 million, up from the \$47.5 million book value last year. Your directors adopted the new valuation in the balance sheet as at 30 June 2017.

Final Dividend

In line with the increased results your directors declared a final dividend of 8 cents per share fully franked, up from last year's final dividend of 7 cents per share fully franked. Taking into account the interim dividend of 6 cents per share, total ordinary dividends for the year totalled 14 cents per share fully franked compared to 12 cents per share fully franked an increase of 16.7%.

Substantial shareholding in OrotonGroup Limited

In early July 3.1 million shares in Oroton were acquired at \$1.00 per share for a total investment of \$3.1 million. Since the acquisition the Oroton share price has declined and is currently trading just below 50 cents per share. Subject to developments and the share price at the next balance date, an impairment charge on this investment may need to be considered.

Sale of Bisley Workwear

As shareholders would be aware Gazal previously announced that it has entered into a conditional agreement to sell its Bisley Workwear business and related assets for \$35 million to DJG Corporation Pty Ltd (previously DG Holdco Pty Ltd), a company owned by Mr David Gazal.

Associated with the deal, it is proposed that the Company buy back approximately 9.8 million shares owned by companies associated with Mr David Gazal at \$2.50 per share. As Mr David Gazal is a related party, the transactions are subject to an independent expert's report and ultimately shareholders' approval.

Later in this meeting the company will put resolutions to the shareholders to vote on these transactions and I trust the Explanatory Memorandum assisted shareholders in their deliberations on this matter.

Change in financial year-end

Gazal's financial year currently commences on 1 July and ends on 30 June. Gazal's JV partner, PVH Corp. listed on the NYSE, however, has a 52-week year financial calendar ending on or around 31 January.

To align ourselves closer with our JV partner and to the retail industry calendar generally, Gazal's Board of Directors resolved to change the Company's financial year end date from 30 June to a 52-week year ending around 31 January each year.

In order to transition to a 52-week period, Gazal will initially have a 31-week transitional financial period beginning on 1 July 2017 and ending on 3 February 2018. Thereafter, the Company will revert to a 52-week financial year commencing on 4 February 2018 and end on 2 February 2019.

In respect of the transitional financial period, Gazal will lodge an annual report by 31 May 2018 and hold an annual general meeting by 30 June 2018. The date of this annual general meeting will be determined and advised to shareholders in due course.

Outlook for the 31-week period to 3 February 2018

Trading results for the first four months (or 17 weeks) of the transitional financial period have been ahead of budget and last year, excluding any impairment on the investment in Oroton shares. Provided there is no material adverse change to trading conditions, the Group's earnings forecast for the transitional 31-week financial period are likely to be ahead of the prior year's corresponding period, excluding any impairment on the investment in Oroton shares.