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## HARVEY NORMAN ANNOUNCES BEST-EVER TRADING RESULTS FOR A FIRST HALF-YEAR PERIOD IN ITS 30-YEAR HISTORY

RESULTS FOR HALF-YEAR ENDED 31 DECEMBER 2016

**NET PROFIT AFTER TAX** **\$257.29m** | **UP BY 39%**

### HIGHLIGHTS

- Profit before tax of \$381.90 million (excluding impairment losses), up 36.6% on the PCP\*
- Net profit after tax of \$257.29 million, up 38.7% on the PCP\*
- Franchising operations segment profit of \$172.13 million, up 14.4% on the PCP\*
- Franchisee aggregated headline sales of \$2.86 billion, up 5.2% on the PCP\*
- Company-operated retail revenue of \$976.28 million, up 7.0% on the PCP\*
- Company-operated retail segment profit of \$51.56 million, up 22.6% on the PCP\*
- Property segment profit result of \$146.68 million, up 91.0% on the PCP\*
- Balance sheet robust with net assets of \$2.77 billion and net debt to equity ratio low at 19.91%

\* Previous corresponding period

Harvey Norman Holdings Limited (ASX:HVN) announced today that net profit after tax for the half year to 31 December 2016 was \$257.29 million, up \$71.79 million, from \$185.51 million in the previous corresponding period (PCP), representing a 38.7% increase.

Profit before tax was \$366.23 million, an increase of 39.8% from \$262.01 million in the PCP. Excluding net property revaluation adjustments, profit before income tax was \$290.49 million an increase of 20.6% from \$240.82 million in the PCP, representing the best-ever trading result for a first half-year period in the consolidated entity's 30-year history.

The net profit before tax result includes: a \$21.71 million, or 14.4%, increase in the profitability of the franchising operations segment to \$172.13 million; a net property revaluation increment of \$75.74 million, an increase of \$54.55 million over the net property revaluation increment of \$21.19 million recognised in the PCP; and strong improvements in the profitability of the

company-operated retail segments in New Zealand, Singapore and Malaysia, Ireland and Northern Ireland and Slovenia and Croatia.

Harvey Norman Chairman, Gerry Harvey said, "The Harvey Norman model, integrating retail, franchise operations, property and digital, is adapting to and managing the evolving retail environment. Our franchisees' dominance in the Home and Lifestyle categories and early recognition of the potential of the Internet of Things and connected devices has seen franchisees really capitalise on consumers' passion and demand for technology."

"Franchisee sales have increased 5.2% to \$2.86 billion compared to the first half of the 2016 financial year. Housing continues to be robust and franchisees' large-store formats and tech-savvy staff have been able to showcase the integration of home lifestyle and technology that is really exciting consumers," said Mr Harvey.

This result, demonstrating solid franchisee sales growth, reflects an economy where retail spending, particularly in NSW and Victoria, is above decade averages. It is underpinned by housing sector activity, lower unemployment and the wealth effect from higher home prices. With respect to housing activity, housing finance commitments, one of the key elements supportive of home and lifestyle retail spending, are positive in comparison with decade averages, although outside the eastern states there has been moderation from levels of one year ago. Similarly, dwelling starts paint a mixed national picture with strong results in NSW, Queensland and Victoria and weaker results in the other states.

The continued growth in franchisee sales contributed to a 14.4% increase in the result from the franchising operations segment to \$172.13 million from \$150.42 million in the PCP. Higher franchise fee revenue has resulted in a franchising operations margin of 6.01% for the December 2016 half, up from 5.53% in the December 2015 half and the highest return since the start of the global financial crisis.

Harvey Norman Chairman, Gerry Harvey said, "Technology is changing at an ever-increasing pace and everyday brings a new product to help us manage our work commitments and to better enjoy our home and leisure time. Consumers remain enthusiastic about enhancing their home and participating in the exciting technology available for home security, entertainment, health and fitness and communications. We understand this enthusiasm and our franchisees aim to be the retail destination for consumers interested in these products."

Harvey Norman's company-operated retail operations achieved a net profit before tax of \$51.56 million in the December 2016 half year, up 22.6% from \$42.06 million in the December 2015 half. With the exception of Northern Ireland, which reduced its losses by \$2.15 million during the current period, each offshore company-operated retail business recorded a profit, with Croatia closing the period in a profitable position for the first time. This is a pleasing result for our overseas markets.

Gerry Harvey noted, "We are seeing strong gains in brand recognition and market share in our overseas markets and this is translating into increased sales revenue. At the same time, the businesses have achieved material cost efficiencies and improved supplier relationships, which have driven profitability."

Property continues to underpin Harvey Norman's strength and stability with the portfolio valued at \$2.60 billion at 31 December 2016 and representing 54% of the consolidated entity's total asset base at the end of the period. The result before tax generated by the property segment was \$146.68 million, up 91.0% from \$76.80 million for the half year ended 31 December 2015. An increased net property valuation adjustment and strong returns through rental income contributed to the result.

Harvey Norman's balance sheet remains strong, anchored by real property assets and a solid working capital position. The value of net assets increased 4.5%, or \$120.16 million, to \$2.77 billion at 31 December 2016, from \$2.65 billion as at 31 December 2015.

The Board has recommended the payment of a fully-franked dividend of 14 cents per share, to be paid on 2 May 2017 to shareholders registered on 7 April 2017.

The details of this announcement will be made available on our website [www.harveynorman.com.au](http://www.harveynorman.com.au).

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Chris Mentis', with a stylized flourish at the end.

**Chris Mentis**  
Company Secretary