



PRESENTATION OF RESULTS

FOR THE HALF-YEAR ENDED
31ST DECEMBER 2017

Harvey Norman[®]

HOLDINGS LIMITED

ABN 54 003 237 545

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FLAGSHIP STRATEGY: LEADING THE WAY AHEAD

In launching our Flagship strategy, our desire was to create a physical space that sets the tone of the brand for each territory in which we operate. In doing so, we were raising the bar for what we felt a retail experience both could and should be. These Flagship complexes and stores would feature the latest innovations and designs, with the biggest range of quality brands and products. They would offer a level of customer service – both before and after sale – that is unsurpassed in the industry.



The development and implementation of our first Flagship stores – at Millenia Walk in Singapore, at Boucher Road in South Belfast, at Tallaght in Dublin, and at Ljubljana in Slovenia – proved to be an immediate success, validating our strategy in identifying and developing Flagship stores that provide some of the finest shopping experiences in those regions.

Since then it's been full-steam ahead in preparing the rest of our Flagship complexes and stores for launch. October/November saw the completion of the first of two stages of the Flagship complex at Auburn in Sydney and the Flagship store at Wairau Park in Auckland, with the transformation of the Computers and Electrical categories. November then saw the upgrade and reinvigoration of the Flagship store at Ikano in Kuala Lumpur.



With the relaunch of the Flagship store at Zagreb in Croatia currently in progress, and with the second stage of reformatting in Auburn and Wairau Park also on the way to completion, our Flagship strategy will be fully realised by the end of June 2018 – ready for the start of the new financial year.

These Flagship complexes and stores represent the best of the Harvey Norman® brand, and are setting the course for our future.

Images: Ikano Flagship Store, Malaysia



KEY FINANCIAL HIGHLIGHTS: UNDERLYING PROFIT* (**excluding significant items*)

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RESULTS FOR HALF-YEAR ENDED 31 DECEMBER 2017

UNDERLYING NET
PROFIT BEFORE TAX*

\$296.08m

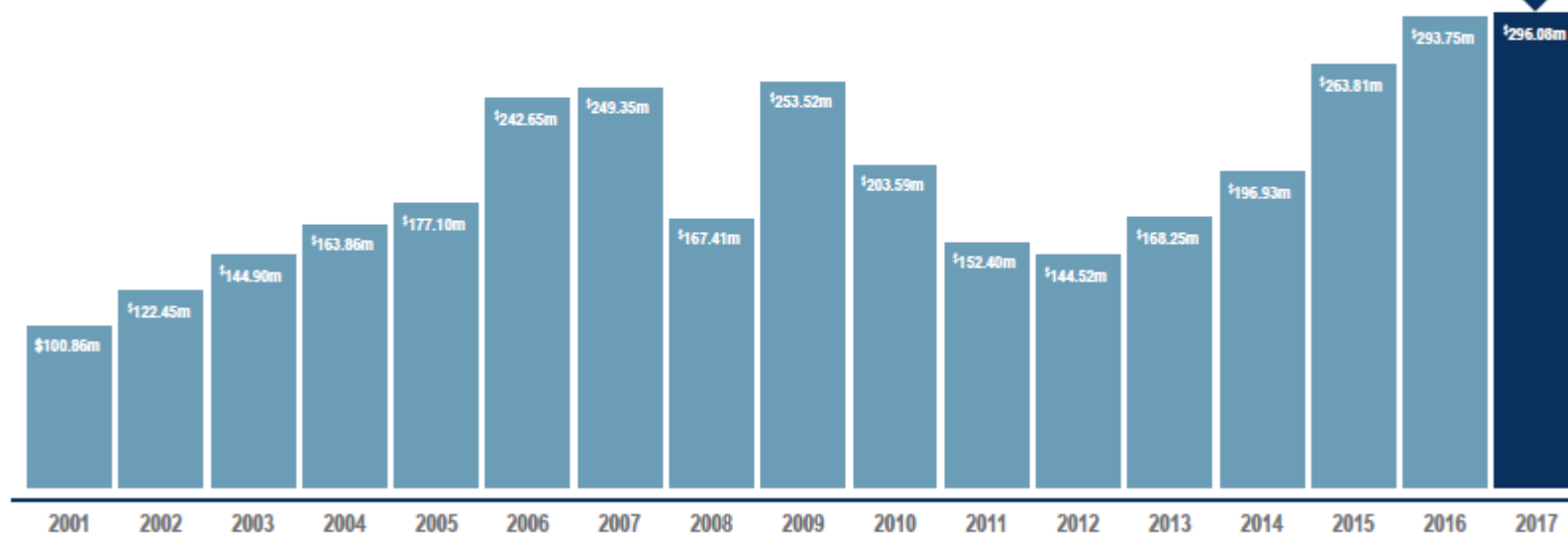
UP
BY **+0.8%**

(*Excluding net property revaluations, Coomboona JV trading losses and Coomboona JV impairment)

UNDERLYING PROFIT BEFORE TAX (\$M)

(Excluding net property revaluations, Coomboona JV trading losses and Coomboona JV impairment)

RECORD
UNDERLYING PROFIT
BEFORE TAX
RESULT IN DECEMBER
2017



HALF-YEAR ENDED 31 DECEMBER

(excluding net property revaluations, Coomboona JV trading losses and Coomboona JV impairment)

- > **\$61.82m profit from company-operated offshore retail operations, up +8.4% from \$57.04m in HY17** → all overseas Harvey Norman® company operated stores reporting sales growth, higher profitability and market share gains;
- > **\$167.21m profit from franchising operations segment, down -2.9% from \$172.13m in HY17** → solid performance from Australian franchisees given the increased competitive landscape and the franchisees' additional investment in their staff wages following the extra weekend trading day in Dec'17 compared to Dec'16;
- > **\$68.52m profit from property segments (excluding net property revaluations), down -3.4% from \$70.94m in HY17** → decrease mainly due to higher borrowing costs for property acquisitions;
- > **\$2.34m profit from equity investments segment, down -51.4% from \$4.81m in HY17; and**
- > **(\$3.82m) net loss from non-core joint ventures included in other segment and other non-franchised retail segment (excluding Coomboona joint venture).**

RECONCILIATION OF UNDERLYING PROFIT TO REPORTED PROFIT BEFORE TAX

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	HY2018	HY2017	Incr/(Decr)
REPORTED PROFIT BEFORE TAX	\$293.61m	\$366.23m	-19.8%
Less: Net property revaluation increment	(\$22.76m)	(\$75.74m)	
Profit Before Tax Excluding Net Property Revaluation Increment	\$270.85m	\$290.49m	-6.8%
Add back: Coomboona JV impairment losses (a)	\$20.67m	-	
Add back: Coomboona JV trading losses (a)	\$4.57m	\$3.26m	
UNDERLYING PROFIT BEFORE TAX	\$296.08m	\$293.75m	+0.8%

(a) HNM Galaxy Pty Limited (HN JV Entity) holds 49.9% of the issued shares in Coomboona Holdings Pty Limited (Coomboona JV). The Coomboona JV comprises dairy farm operations, land ownership and a pedigree breeding and genetics division in Northern Victoria. The Coomboona JV commenced trading in September 2015 and the equity-accounted trading losses were (\$4.57m) for HY18 vs trading losses of (\$3.26m) for HY17.

The recoverable amount of the outstanding commercial debt due by the Coomboona JV to the HN JV Entity and the equity-accounted investment held by the HN JV Entity were assessed as at balance date. The resulting assessment has estimated that the total value of the equity-accounted investment of \$20.67m is impaired and should be written-down. This resulted in the recognition of an impairment loss of \$20.67m to write-down the Coomboona JV equity-accounted investment to nil in HY18.

Subsequent to balance date, a dispute has arisen between the HN JV Entity and the Eternal Sound JV Entity in relation to a number of matters, including the future direction of the Coomboona JV.

REPORTED PROFIT BEFORE TAX: KEY CONTRIBUTORS

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RESULTS FOR HALF-YEAR ENDED 31 DECEMBER 2017

NET PROFIT
BEFORE TAX

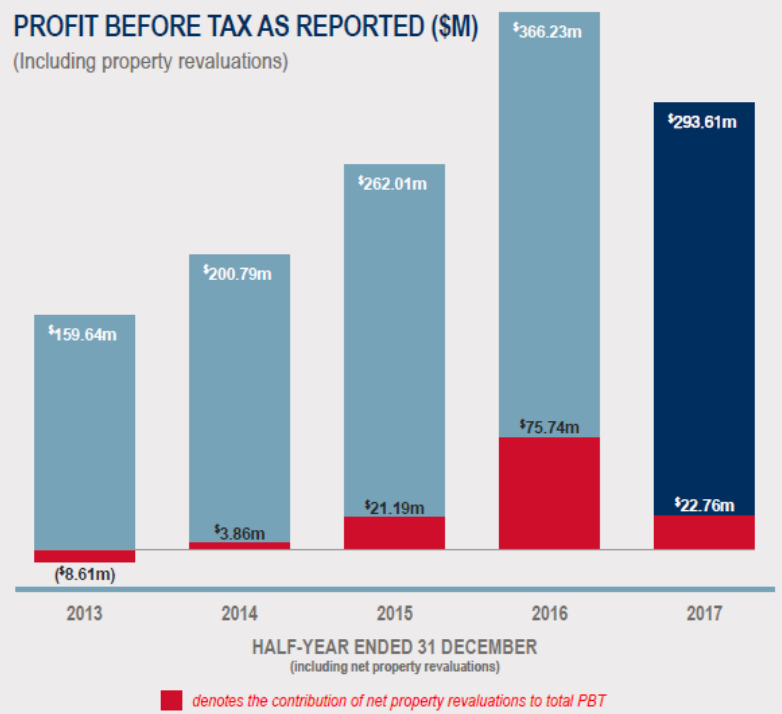
\$293.61m

DOWN
BY

-19.8%

PROFIT BEFORE TAX AS REPORTED (\$M)

(Including property revaluations)



Decrease of \$72.62m in reported PBT due to:

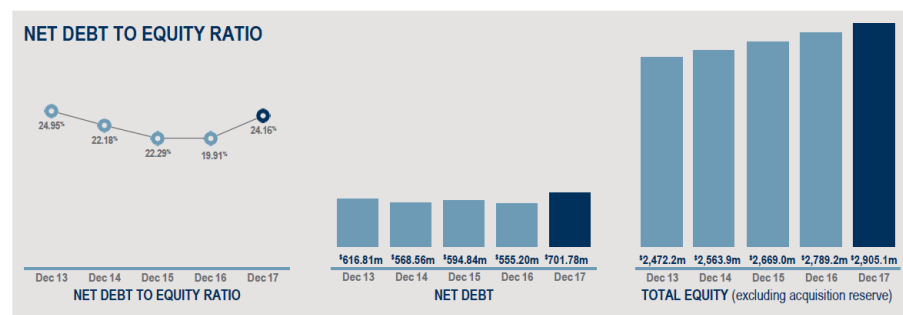
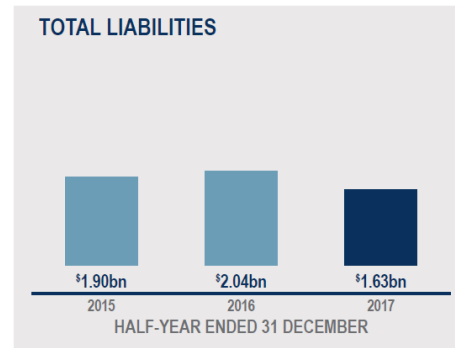
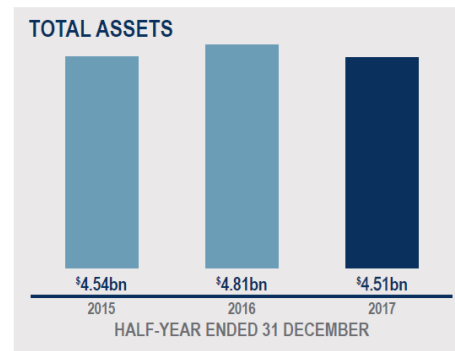
- > **+\$4.79m increase in profitability of overseas company-operated retail segment (\$61.82m vs \$57.04m) up +8.4%** → Slovenia & Croatia up +\$2.11m; Ireland & Northern Ireland up +\$1.00m; NZ up +\$0.93m; Singapore & Malaysia up +0.75m;
- > **(\$55.40m) decrease in overall property segment profit result (\$91.28m vs \$146.68m) down -37.8%** → due to (\$52.98m) decrease (-69.9%) in the net property revaluation increment relative to PCP (PCP had included the impact of rezoning potential to medium-density residential for property in NSW) and higher borrowing costs for property acquisitions, offset by increased rent and outgoings revenue;
- > **(\$14.63m) deterioration in net loss from non-core JVs included in the other segment & other non-franchised retail segment (loss of (\$29.05m) vs loss of (\$14.42m))** → includes recognition of Coomboona JV impairment loss of (\$20.67m) in HY18 & Coomboona JV trading losses (\$4.57m) loss vs (\$3.26m) trading loss in HY17;
- > **(\$4.91m) decrease in franchising operations segment result (\$167.21m vs \$172.13m) down -2.9%** → despite strong franchisee sales (up 4.8% to \$3bn for the half), franchise fees received increased by \$1.42m in HY18 and tactical support payments increased by \$2.83m to enhance, promote & protect the brand; and
- > **(\$2.47m) decrease in the equity investments segment result (\$2.34m vs \$4.81m) down -51.4%** → reflecting a reduction in the market value of listed securities.

KEY STATISTICS: BALANCE SHEET

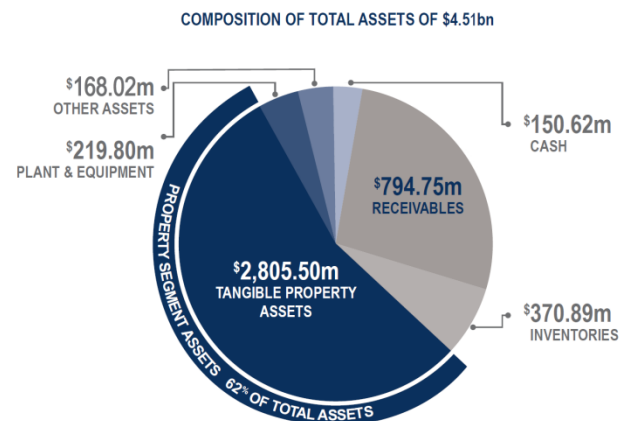
8

	HY2018	HY2017	Incr/(Decr)
Total Assets (a)	\$4.51bn	\$4.81bn	-6.2%
Total Liabilities (a)	(\$1.63bn)	(\$2.04bn)	-20.2%
Net Assets	\$2.88bn	\$2.77bn	+4.2%
Net Debt to Equity %	24.16%	19.91%	+425bps
Dividends Per Share	12.0c	14.0c	-14.3%
EPS	18.65c	23.13c	-19.4%

(a) Total Assets & Total Liabilities decreased due to the removal of committed commercial advances to franchisees. No impact on Net Assets. As at 31 December 2017 the consolidated entity had no constructive obligation to any supplier and no committed commercial advances to any franchisee.



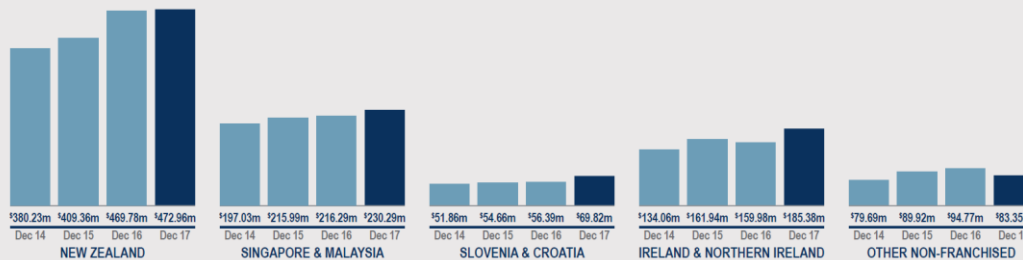
DEC 2017
24.16%
NET DEBT TO
EQUITY RATIO



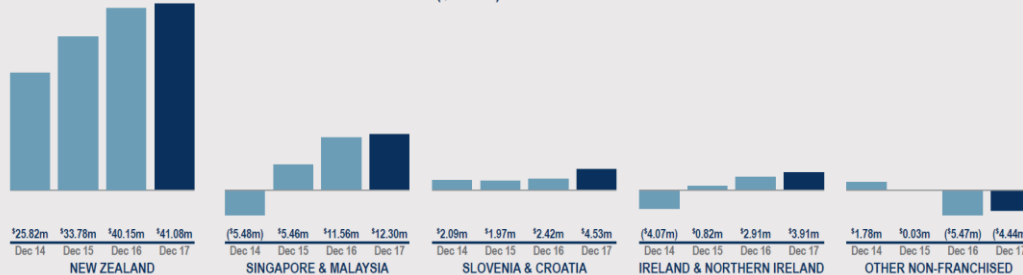
SOLID OFFSHORE RESULTS: Improvement in Company-Operated Retail Segment

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COMPANY-OPERATED RETAIL REVENUE (\$AUDm)



COMPANY-OPERATED RETAIL RESULT BEFORE TAX (\$AUDm)



SEGMENT RESULT

	HY2018	HY2017	Incr / (Decr)
New Zealand	\$41.08m	\$40.15m	+2.3%
Singapore & Malaysia	\$12.30m	\$11.56m	+6.4%
Ireland & Northern Ireland	\$3.91m	\$2.91m	+34.4%
Slovenia & Croatia	\$4.53m	\$2.42m	+87.0%
TOTAL OVERSEAS	\$61.82m	\$57.04m	+8.4%
Other Non-Franchised Retail	(\$4.44m)	(\$5.47m)	-18.9%
TOTAL	\$57.38m	\$51.56m	+11.3%

SOLID OFFSHORE RESULTS: Improvement in Company-Operated Retail Segment

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<p>Company-operated retail segment revenue <u>up</u> by \$44.59m (+4.5%)</p>	<ul style="list-style-type: none"> ▪ \$25.09m increase in Ireland & Northern Ireland sales revenue: <i>Ireland</i> → up by \$24.93m due to the 3.73% appreciation in EUR & the opening of the Flagship store in Tallaght, Dublin in July 2017. <i>Northern Ireland</i> → up by \$0.16m due to the continued dominance of the Boucher Road , South Belfast Flagship store, slightly offset by the 0.15% devaluation of British Pound Sterling. ▪ \$13.11m increase in Singapore & Malaysia sales revenue: <i>Singapore</i> → due to the continued strong performance of the Flagship Millenia Walk superstore, the opening of the new Viva City Factory Outlet (July 2017) & the expansion of existing stores at Parkway Parade (August 2017) & North Point City (December 2017) to incorporate full-concept stores during HY18. <i>Malaysia</i> → full 6-months trading of the Sunway Velocity store & the re-opening of the reinvigorated Flagship store at Ikano, Kuala Lumpur (November 2017). ▪ \$13.08m increase in Slovenia & Croatia sales revenue: <i>Slovenia</i> → due to the 3.73% appreciation in EUR and the redevelopment of the Ljubljana Flagship store in Slovenia (full refurbishment completed in June 2017) providing an unparalleled, all-encompassing & interactive shopping experience in Slovenia & the greater Central European region. <i>Croatia</i> → performed well during HY18 & expect this trend to continue after the relaunch of the reinvigorated Zagreb Flagship store later this year. ▪ \$2.69m increase in New Zealand sales revenue → full 6-month's trading of the Queenstown store (opened October 2016) and strong sales growth during key promotional periods. <p>offset by:</p> <ul style="list-style-type: none"> ▪ \$10.25m reduction in sales revenue from other non-franchised retail controlled entities.
<p>Company-operated retail segment result <u>up</u> by \$5.82m (+11.3%)</p>	<ul style="list-style-type: none"> ▪ \$2.11m increase in profitability of the company-operated stores in Slovenia & Croatia due to strong sales and better cost management; ▪ \$1.00m increase in profitability of the company-operated stores in Ireland & Northern Ireland due to strong sales growth, stable gross margins and effective cost control measures taken; ▪ \$0.93m increase in profitability of the company operated stores in NZ due to moderate sales growth, coupled with measures to monitor and control operating costs ▪ \$0.75m increase in profitability of the company operated stores in Singapore & Malaysia due to strong sales growth in the Harvey Norman® retail stores in Singapore & Malaysia and stringent control of operating expenses. This was negatively impacted by the decrease in profitability of the Space Furniture branded retail stores in Singapore & Malaysia due to a lack of project sales and softer market sentiment in the high-end property and retail furniture markets. ▪ \$1.03m improvement in the losses incurred by the other non-franchised retail controlled entities → includes a \$9.19m write-down in commercial loans made to a retail joint venture in Australia in HY18 vs a write-down of \$11.05m in PCP.

Headline aggregated sales up 5.3% (\$AUD) for the half-year ended 31 December 2017

Aggregated comparable sales up 3.8% (\$AUD) for the half-year ended 31 December 2017

Aggregated franchisee sales in Australia plus Company-Operated Harvey Norman® Sales in New Zealand, Slovenia, Croatia, Ireland, Northern Ireland, Singapore and Malaysia

Aggregated Sales Increase / (Decrease) in Constant Local Currencies – TOTAL SALES

	1Q2018 vs. 1Q2017	2Q2018 vs. 2Q2017	HY 2018 vs. HY 2017
Australian Franchisees \$A	3.6%	5.8%	4.8%
New Zealand \$NZD	3.8%	5.0%	4.5%
Slovenia & Croatia € Euro	18.8%	19.3%	19.1%
Ireland € Euro	8.4%	15.6%	12.8%
Northern Ireland £ Pound	1.5%	2.1%	1.8%
Singapore \$SGD	17.2%	18.5%	17.9%
Malaysia RM	7.0%	(-1.0%)	2.7%

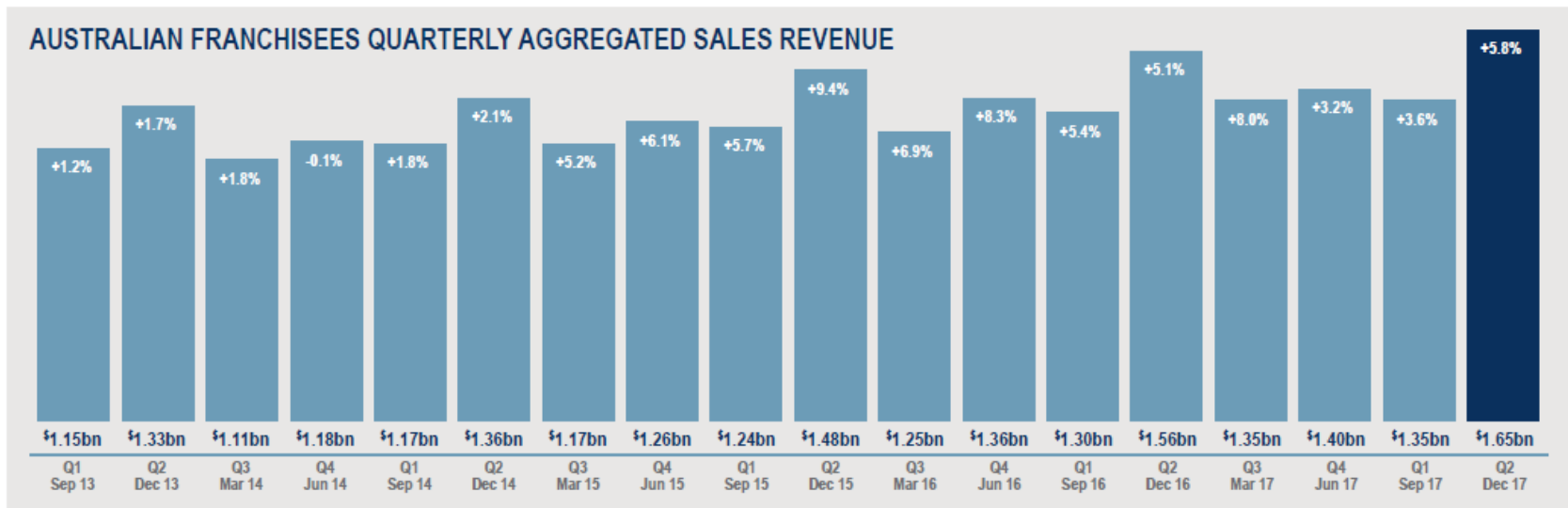
Aggregated Sales Increase / (Decrease) in Constant Local Currencies – COMPARABLE SALES

	1Q2018 vs. 1Q2017	2Q2018 vs. 2Q2017	HY 2018 vs. HY 2017
Australian Franchisees \$A	2.9%	5.1%	4.1%
New Zealand \$NZD	2.5%	4.8%	3.8%
Slovenia & Croatia € Euro	18.8%	19.3%	19.1%
Ireland € Euro	2.6%	6.1%	4.7%
Northern Ireland £ Pound	1.5%	2.1%	1.8%
Singapore \$SGD	5.6%	6.6%	6.1%
Malaysia RM	(-0.2%)	(-7.9%)	(-4.4%)

FRANCHISEE SALES REVENUE: Underpins the Franchising Operations Segment

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AGGREGATED FRANCHISEE SALES REVENUE



January & February 2018 Australian Franchisee Aggregated Sales Revenue

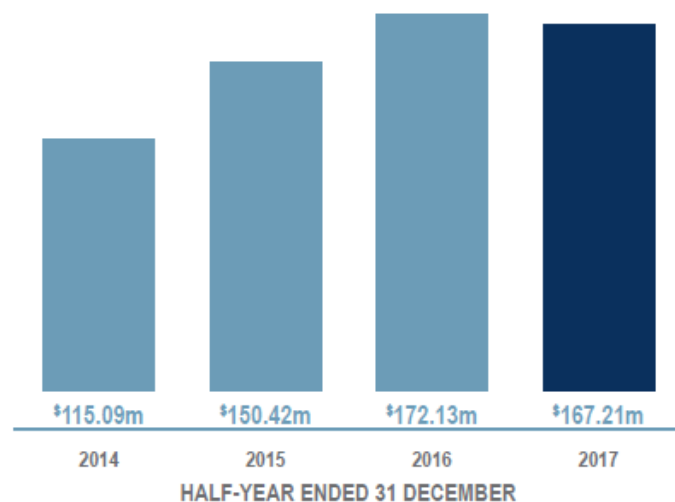
Harvey Norman®, Domayne® and Joyce Mayne® branded Australian franchisee aggregated sales for the period 1 January 2018 to 26 February 2018, increased by 0.5% compared to the period 1 January 2017 to 26 February 2017, and 0.2% on a comparable sales basis. The increase in Australian franchisee aggregated sales was on the back of a very strong increase in the previous corresponding period period of 8.7%. Seasonal sales fell double digits during this period which impacted Australian franchisee aggregated sales.

SEGMENT ANALYSIS: FRANCHISING OPERATIONS

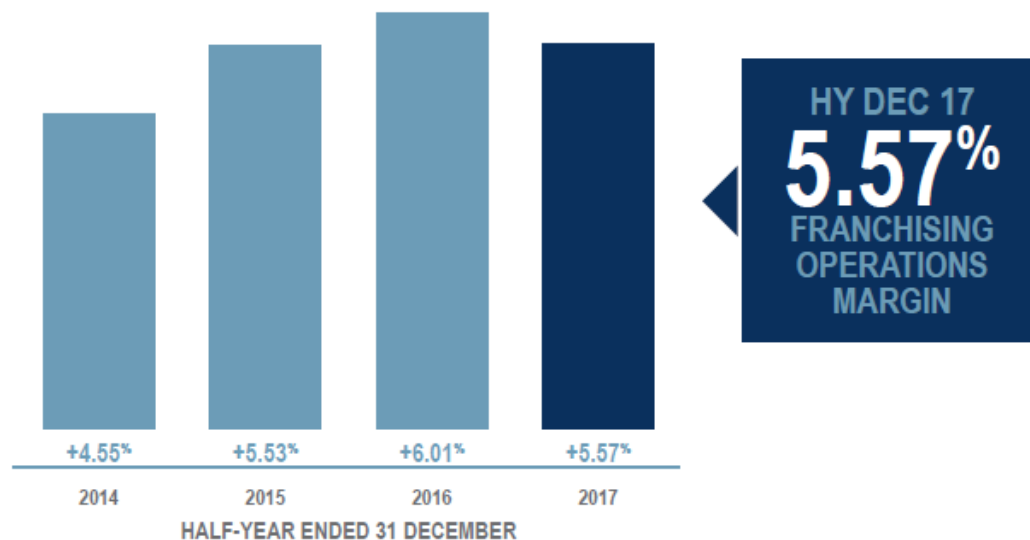
13

	HY2018	HY2017	Incr/(Decr)	%
Aggregated Franchisee Headline Sales Revenue	\$3,001.68m	\$2,863.41m	+\$138.27m	+4.8%
Franchising Operations Segment Result	\$167.21m	\$172.13m	-\$4.91m	-2.9%
Franchising Operations Margin %	5.57%	6.01%	-44bps	

FRANCHISING OPERATIONS SEGMENT RESULT
DOWN BY 2.9% FROM \$172.13m TO \$167.21m

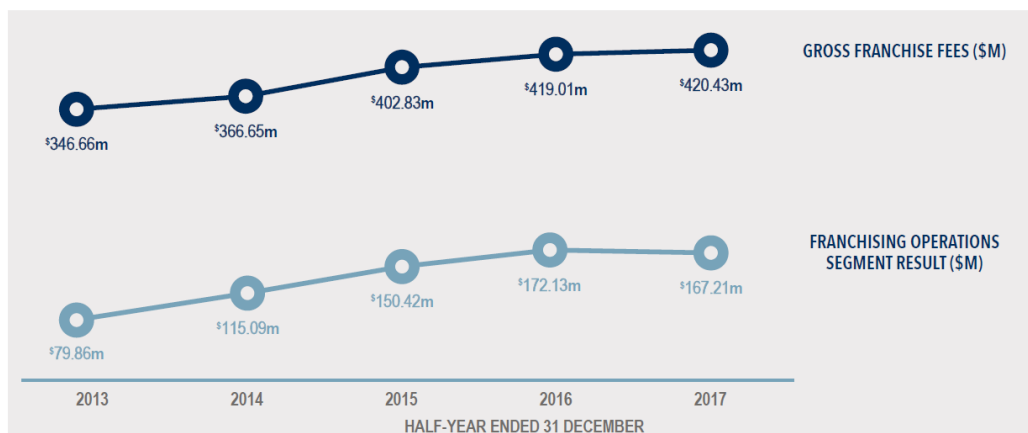


FRANCHISING OPERATIONS MARGIN
DOWN FROM 6.01% TO 5.57%



SEGMENT ANALYSIS: FRANCHISING OPERATIONS (CONTINUED)

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Franchised Complexes	HY2016	HY2017	HY2018
Number of franchised complexes in Australia	191	193	195
Openings during period	+1 HN	+1 HN	+1 DM
Rebranded during period	+1 DM -1 JM	-	-
Closures during period	-3 HN -2 JM	-	-
Number of franchisees in Australia	546	531	543

Franchising operations segment revenue **up** by \$0.79m

Increase in the franchising operations segment revenue primarily due to a \$1.42m increase in franchise fees received in HY18 resulting from a 4.8% increase in aggregated franchisee sales revenue for HY18 relative to PCP.

Franchising operations segment result **down** by \$4.91m

The franchising operations segment result decreased due to increase in costs to operate the franchising operations segment (including tactical support payments that increased by \$2.83m during HY18) which were necessary to protect, promote and enhance the Harvey Norman®, Domayne® and Joyce Mayne® brands during the period.

REVIEW OF THE INCOME STATEMENT

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	HY2018	HY2017	Incr/(Decr)	%
Sales Revenue*	\$1,022.24m	\$976.28m	+\$45.96m	+4.7%
Gross Profit	\$324.96m	\$312.04m	+\$12.92m	+4.1%
Revenues & Other Income	\$650.37m	\$699.71m	-\$49.34m	-7.1%

* Includes the sales revenue of company-operated stores in NZ, Singapore, Malaysia, Ireland, Northern Ireland, Slovenia & Croatia under the Harvey Norman® brand name but does not include the sales revenue made by independent franchisees

Sales Revenue up by \$45.96m (+4.7%)	<ul style="list-style-type: none"> ▪ \$25.09m increase in Ireland & Northern Ireland sales revenue: Ireland → up by €12.90m (+12.8%) in local currency or up \$A24.93m (+17.1%) in AUD. Northern Ireland → up by £0.11m (+1.8%) in local currency or up by \$A0.16m (+1.7%) in AUD. ▪ \$13.11m increase in Singapore & Malaysia sales revenue: Singapore → Harvey Norman® branded sales up by \$S24.79m (+17.9%) in local currency or up \$A21.40m (+16.1%) in AUD. Malaysia → Harvey Norman® sales remained consistent at \$S68m for both periods in local currency or down -\$0.83m (-1.3%) to \$A64.54m for HY18. Space Singapore & Space Malaysia → sales lower due to lack of project work in Singapore. ▪ \$13.08m increase in Slovenia & Croatia sales revenue: Slovenia → up by €6.63m (+23.0%) in local currency or up \$A11.58m (+27.6%) in AUD. Croatia → up by €0.66m (+7.0%) in local currency or up \$A1.50m (+11.0%) in AUD. ▪ \$2.69m increase in New Zealand sales revenue → up by \$NZ21.64m (+4.5%) in local currency but up only \$A 2.69m (+0.6%) due to 3.73% devaluation of the NZD relative to the AUD during the period. <p>offset by:</p> <ul style="list-style-type: none"> ▪ \$10.25m reduction in sales revenue from other non-franchised retail controlled entities.
Revenues & Other Income down by \$49.34m (-7.1%)	<ul style="list-style-type: none"> ▪ \$52.98m reduction in net property revaluation increment → from \$75.74m in HY17 to \$22.76m in HY18 (prior period figure included the impact of rezoning potential to medium-density residential for property in NSW) ▪ \$2.47m decrease in revaluation of equity investments → reflecting a reduction in the market value of the listed securities portfolio <p>offset by:</p> <ul style="list-style-type: none"> ▪ \$1.42m increase in franchise fees received primarily due to the 4.8% increase (up \$138.27m) in franchisee sales revenue ▪ \$4.15m increase in rental & outgoings received from franchisees & other external entities and other property-related income

REVIEW OF THE INCOME STATEMENT (CONTINUED)

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EXPENSES & PROFIT	HY2018	HY2017	Incr/(Decr)	%
Total Expenses	(\$682.56m)	(\$647.50m)	-\$35.06m	-5.4%
Share of net profit of JV entities	\$0.84m	\$1.98m	-\$1.14m	-57.5%
Profit Before Tax	\$293.61m	\$366.23m	-\$72.62m	-19.8%
Income Tax Expense	(\$83.84m)	(\$106.22m)	+\$22.38m	+21.1%
Non-Controlling Interests	(\$2.08m)	(\$2.72m)	-\$0.64m	-23.5%
Profit After Tax & NCI	\$207.69m	\$257.29m	-\$49.60m	-19.3%

Total Expenses <u>up</u> by \$35.06m	<ul style="list-style-type: none"> ▪ \$27.71m increase in administrative expenses due to: <ul style="list-style-type: none"> ▪ \$14.18m increase in impairment losses (\$29.85m in HY18 vs. \$15.67m in HY17) due to write-down of investment in Coomboona JV of \$20.67m in HY18 offset by lower impairment losses recognised on commercial loans to non-core businesses by \$1.87m. PCP included an impairment loss for the expected shortfall on the repayment of an external finance facility for a mining camp accommodation JV (nil in HY18); ▪ \$6.64m higher employee benefits expense due to new company-operated stores; ▪ \$2.27m increase in depreciation expense due to new offshore company-operated stores and the acquisition of other plant and equipment assets; ▪ \$5.66m increase in occupancy expenses mainly due to new company-operated stores; ▪ \$2.94m increase in finance costs due to the increased utilisation of external financing facilities for the acquisition of properties; ▪ \$1.71m increase in distribution expenses primarily due to increase in sales; <p><i>offset by:</i></p> <ul style="list-style-type: none"> ▪ \$1.22m decrease in marketing expenses; and ▪ \$1.73m decrease in other expenses.
Share of net profit of JV entities <u>down</u> \$1.14m	<ul style="list-style-type: none"> ▪ Primarily due to the \$1.30m deterioration in the trading losses incurred in respect of the 49.9% shareholding in the Coomboona joint venture.
Lower tax charge by \$22.38m	<ul style="list-style-type: none"> ▪ \$22.38m decrease in tax expense in HY18 due to lower taxable income vs. HY17; ▪ HY18 effective tax rate of 28.55% vs. HY17 effective tax rate of 29.00%.

REVIEW OF THE BALANCE SHEET

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	DEC 2013	DEC 2014	DEC 2015	DEC 2016	DEC 2017
Total Assets	\$4.35bn	\$4.32bn	\$4.54bn	\$4.81bn	\$4.51bn
Return on Total Assets %	2.54%	3.29%	4.12%	5.41%	4.65%
Total Liabilities	\$1.90bn	\$1.78bn	\$1.90bn	\$2.04bn	\$1.63bn
Total Equity	\$2.45bn	\$2.54bn	\$2.65bn	\$2.77bn	\$2.88bn
Return on Equity %*	4.59%	5.63%	7.06%	9.38%	7.27%

* excludes non-controlling interests

<p>Total Assets down by \$296.93m</p>	<ul style="list-style-type: none"> ▪ \$590.26m (-51.5%) decrease in Receivables from Franchisees from \$1,145.42m in Dec-16 to \$555.16m in Dec-17 → largely attributed to the removal of committed commercial advances to franchisees. As at 31 December 2017, the consolidated entity had no constructive obligation to any supplier and no committed commercial advances to any franchisee; ▪ \$19.31m (-81.7%) decrease in investments accounted for using equity method mainly due to write-down of investment in Coomboona JV of \$20.67m in HY18; <p>offset by:</p> <ul style="list-style-type: none"> ▪ \$182.52m (+8.3%) increase in value of the Australian investment property portfolio due to net property revaluation increments of \$22.76m and the acquisition of other investment property assets in HY18; ▪ \$96.11m (+176.3%) increase in cash and cash equivalents due to increased borrowings from the Syndicated Facility; ▪ \$40.31m (+6.8%) increase in property, plant & equipment due to acquisition of properties in New Zealand, development of the new Flagship store at Tallaght, Dublin and the refurbishment of other company-operated Flagship stores (Ikano, Kuala Lumpur; Ljubljana, Slovenia; Zagreb, Croatia; Wairau Park, New Zealand) and the Flagship franchised complex at Auburn, NSW.
<p>Total Liabilities down by \$412.89m</p>	<ul style="list-style-type: none"> ▪ Primarily due to the removal of the constructive obligation by Dorni to any supplier to any franchisee from June 2017 (therefore no constructive obligation present as at 31 December 2017). <p>offset by:</p> <ul style="list-style-type: none"> ▪ \$242.68m increase in interest-bearing loans and borrowings due to higher utilisation of the Syndicated Facility and other external borrowings to fund the acquisition of properties during HY18.

	HY2018	HY2017	Incr/(Decr)	%
Operating Cash Flows	\$262.61m	\$279.50m	-\$16.90m	-6.0%

Operating cash flows **down** by \$16.90m

- \$78.87m decrease in net receipts from franchisees → due to the higher movement in aggregate financial accommodation provided to franchisees in HY18 vs. the movement in the HY17, offset by an increase in gross revenue from franchisees in HY18;
- \$8.91m increase in GST payments;
- \$2.51m increase in interest and other costs of finance paid.

offset by:

- \$44.91m increase in receipts from customers due to higher sales revenue from company-operated stores;
- \$31.16m decrease in payments to suppliers & employees.

REVIEW OF THE STATEMENT OF CASH FLOWS (CONTINUED)

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	HY2018	HY2017	Incr/(Decr)	%
Investing Cash Flows	(\$191.32m)	(\$127.13m)	-\$64.19m	-50.5%
Financing Cash Flows	\$11.73m	(\$235.06m)	+\$246.79m	+105.0%
Net Increase/(Decrease) in Cash Flows	\$83.01m	(\$82.68m)	+\$165.70m	
Cash & Cash Equivalents At Beginning of the Period	\$42.88m	\$103.63m	-\$60.75m	
Cash & Cash Equivalents At End of the Period	\$125.90m	\$20.95m	+\$104.95m	+501.0%

Investing cash outflows <u>up</u> by \$64.19m	<ul style="list-style-type: none"> \$34.21m increase in loans granted to joint venture entities, joint venture partners and unrelated entities; \$26.75m increase in cash outflows to acquire new investment properties and redevelop existing sites; \$8.60m increase in payments for purchase of property, plant and equipment due to new acquisition in New Zealand; \$1.21m increase in capital contributions to joint venture entities; <p><i>offset by:</i></p> <ul style="list-style-type: none"> \$6.58m decrease in payments for purchase of listed securities.
Financing cash outflows <u>down</u> by \$246.79m	<ul style="list-style-type: none"> \$160.00m proceeds from Syndicated Facility during HY18 compared to a repayment of \$50.00m during HY17; \$55.50m decrease in final FY17 dividend payment; \$9.48m decrease in repayments of other borrowings compared to PCP; <p><i>offset by:</i></p> <ul style="list-style-type: none"> \$29.23m increase in loan repayments to related parties.

	HY2018	HY2017	Incr/(Decr)	%
Property Segment Revenue	\$148.54m	\$196.27m	-\$47.73m	-24.3%
Net Property Revaluation Increment	\$22.76m	\$75.74m	-\$52.98m	-69.9%
Property Segment EBITDIA	\$105.15m	\$157.26m	-\$52.11m	-33.1%
Property Segment Result Before Tax	\$91.28m	\$146.68m	-\$55.40m	-37.8%

Property segment revenue down by \$47.73m	<ul style="list-style-type: none"> \$52.98m decrease in the net property revaluation increment relative to previous corresponding period (\$22.76m in HY18 vs. \$75.74m in HY17). The prior period figure included the impact of rezoning potential to medium-density residential for property in NSW; <p><i>offset by:</i></p> <ul style="list-style-type: none"> \$4.20m increase in rent and outgoings received from investment properties in Australia due to annual rent increases, new investment properties acquired and full 6-month's contribution from complexes opened in FY17. \$1.05m increase in other property-related income during HY18.
Property segment result before tax down by \$55.40m	<ul style="list-style-type: none"> \$47.73m decrease in property segment revenue (as outlined above); \$2.83m increase in finance costs (higher utilisation of external financing facilities for the acquisition of properties); \$4.84m increase in other property-related expenses during HY18.

- Continue to invest in the Flagship Strategy with the refurbishment and upgrades of the Flagship store at Zagreb, Croatia and the second stage of the Flagship complex at Auburn, NSW and Flagship store Wairau Park, New Zealand all expected to be completed by the end of June 2018.
- Intend to open a total of two (2) new stores in the second-half of the 2018 financial year: 1 Harvey Norman® franchised complex in Western Australia and 1 company-operated store in Malaysia.
- In April 2018, the Gold Coast will host the largest sporting event Australia will see this decade. The immediate and ongoing financial benefit that the Commonwealth Games will bring to the QLD economy cannot be underestimated. In excess of 6,600 athletes and officials along with 672,000 visitors will be in QLD prior, during and after the games. This will lead to an injection of dollars that will benefit QLD for years to come. The games will also have a positive impact and create demand across several categories within Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
- The FIFA World Cup commences in June 2018 and runs through until mid-July. Historically, the FIFA World Cup has increased demand for technology and visual products namely big screen TV's. This event, coupled with the launch of new television ranges from the world's major manufacturers presents a substantial opportunity for Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
- Harvey Norman®, Domayne® and Joyce Mayne® branded Australian franchisee aggregated sales for the period 1 January 2018 to 26 February 2018, increased by 0.5% compared to the period 1 January 2017 to 26 February 2017, and 0.2% on a comparable sales basis. The increase in Australian franchisee aggregated sales was on the back of a very strong increase in the previous corresponding period of 8.7%. Seasonal sales fell double digits during this period which impacted Australian franchisee aggregated sales.

Questions (limited to 30 minutes)

