ANALYST PRESENTATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Harvey Norman®

HOLDINGS LIMITED

ACN 003 237 545

CONTENTS

Harvey Norman®
Brand Ambassador
Ariarne Titmus

World Champion Swimmer

REPORTED PBT
$301.15m
DOWN $14.53m (▼ 4.6%) FROM $315.68m IN DEC 2018

REPORTED PROFIT AFTER TAX & NCI
$213.59m
DOWN $9.18m (▼ 4.1%) FROM $222.77m IN DEC 2018

PBT
Excluding AASB 16 net impact and net property revaluations
$285.87m
UP $6.74m (▲ 2.4%) FROM $279.12m IN DEC 2018

PROFIT AFTER TAX & NCI
Excluding AASB 16 net impact and net property revaluations
$203.04m
UP $5.88m (▲ 3.0%) FROM $197.17m IN DEC 2018

EBITDIA
up **$60.06 million** ▲ 15.7%

HY20	$443.43m
HY19	$383.37m

EBIT
up **$1.78 million** ▲ 0.5%

HY20	$332.39m
HY19	$330.61m

REPORTED PBT
down **$14.53 million** ▼ 4.6%

HY20	$301.15m
HY19	$315.68m

PBT
Excluding AASB 16 net impact and net property revaluations
up **$6.74 million** ▲ 2.4%

HY20	$285.87m
HY19	$279.12m

COMPANY-OPERATED SALES REVENUE
$1.24 billion
up **$63.84 million** (▲ 5.4%)
from $1.18 billion

REVENUE RECEIVED FROM FRANCHISEES
$497.84m
down **$21.92 million** (▼ 4.2%)
from $519.76 million

REVENUES AND OTHER INCOME ITEMS
$106.02m
down **$7.98 million** (▼ 7.0%)
from $114.00 million

544 FRANCHISEES
194 FRANCHISED COMPLEXES
IN AUSTRALIA

95
OFFSHORE HARVEY NORMAN® COMPANY-OPERATED STORES

$3 billion
FREEHOLD PROPERTY PORTFOLIO

NET ASSETS
$3.3 billion
up **$132.53 million** (▲ 4.2%)

NET DEBT TO EQUITY RATIO
16.57%
AN IMPROVEMENT FROM
22.35% IN DEC 2018

BASIC EARNINGS PER SHARE
17.70c
DOWN FROM 19.12c IN DEC 2018

DIVIDENDS PER SHARE (FULLY-FRANKED)
12.0c
12.0c IN DEC 2018

27%
OF TOTAL CONSOLIDATED PBT NOW COMES FROM OVERSEAS COMPANY-OPERATED STORES

RECORD HY20 OFFSHORE RETAIL REVENUE
$1.15 billion
up by **$73.69 million** (▲ 6.9%)

RECORD OFFSHORE RETAIL PBT OF
$81.69m
up by **$4.16 million** (▲ 5.4%)

RECORD OFFSHORE RETAIL PBT (EXCLUDING AASB 16 NET IMPACT) OF
$83.65m
up by **$6.12 million** (▲ 7.9%)

OPENED 5 NEW STORES IN MALAYSIA IN HY20:

- **Mid Valley Southkey, Johor Bahru**
  Opened July 2019 44,165 sq.ft
- **AEON Mall, Kota Bahru**
  Opened October 2019 42,289 sq.ft
- **IPC Toppen, Johor Bahru**
  Opened November 2019 53,003 sq.ft
- **Ipoh Parade, Ipoh**
  Opened November 2019 42,072 sq.ft
- **Batu Kawan, Penang**
  Opened December 2019, 49,482 sq.ft

Mid Valley Southkey, Johor Bahru

AEON Mall, Kota Bharu

IPC Toppen, Johor Bahru


Ipoh Parade, Ipoh

Batu Kawan, Penang

IMPACT OF ADOPTING AASB 16 LEASES IN HY20

EXPENSES UNDER AASB 16 LEASES:	HALF-YEAR ENDED 31 DECEMBER 2019 LEASES OF OWNER-OCCUPIED PROPERTIES	LEASES OF PROPERTIES SUB-LEASED TO EXTERNAL PARTIES	TOTAL LEASES
Property, plant & equiment: Right-of-use asset Depreciation expense	$29.62m	-	$29.62m
Investment properties (leasehold): Right-of-use asset Fair value re-measurement	-	$37.64m	$37.64m
Finance costs: Interest on lease liabilities (accretion)	$9.28m	$11.44m	$20.73m
TOTAL EXPENSES UNDER AASB 16 LEASES:	**$38.91m**	**$49.08m**	**$87.99m**
Less: Lease payments made during HY20 excluding variable lease payments (short-term, low-value leases)	(-$36.67m)	(-$45.37m)	(-$82.04m)
Less: Other reclassifications under AASB 16 Leases	(-$0.84m)	-	(-$0.84m)
Less: Foreign currency adjustments	(-$0.12m)	-	(-$0.12m)
INCREMENTAL DECREASE IN PROFIT BEFORE TAX OF ADOPTING AASB 16 LEASES:	**$1.28m**	**$3.71m**	**$5.00m**

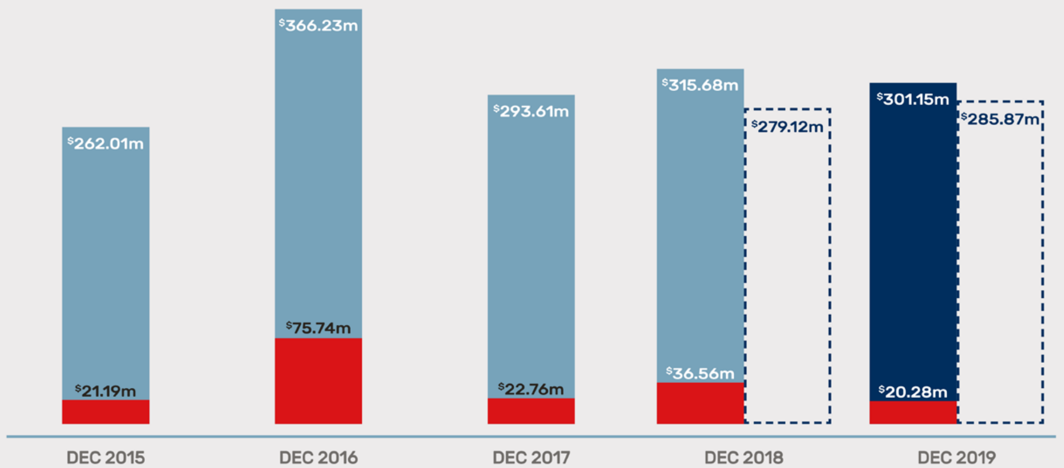
AASB 16 LEASES: IMPACT ON BALANCE SHEET ON TRANSITION	TRANSITION DATE: 1 JULY 2019 LEASES OF OWNER-OCCUPIED PROPERTIES	LEASES OF PROPERTIES SUB-LEASED TO EXTERNAL PARTIES	TOTAL LEASES
ASSETS:		INCREASE/(DECREASE)	
Property, plant & equiment: Right-of-use assets	$524.50m	-	$524.50m
Investment properties (leasehold): Right-of-use assets	-	$608.85m	$608.85m
Less: Reclassification of Property, plant & equiment assets under AASB 16	(-$74.78m)	(-$0.38m)	(-$75.16m)
IMPACT ON TOTAL ASSETS:	**$449.72m**	**$608.47m**	**$1,058.18m**
LIABILITIES:			
Lease liabilities	$538.15m	$622.86m	$1,161.01m
Less: Reclassification of liabilities under AASB 16	(-$3.56m)	-	(-$3.56m)
Less: Derecognition of existing lease payables and provisions under AASB 117	(-$13.70m)	(-$7.34m)	(-$21.04m)
Less: Deferred tax liabilities	(-$14.23m)	(-$2.12m)	(-$16.35m)
IMPACT ON TOTAL LIABILITIES:	**$506.65m**	**$613.41m**	**$1,120.06m**
IMPACT ON NET ASSETS:	**(-$56.94m)**	**(-$4.94m)**	**(-$61.88m)**
EQUITY:			
Retained Profits	(-$38.95m)	(-$4.94m)	(-$43.89m)
Reserves	(-$18.07m)	-	(-$18.07m)
Non-controlling interests	$0.08m	-	$0.08m
IMPACT ON TOTAL EQUITY:	**(-$56.94m)**	**(-$4.94m)**	**(-$61.88m)**

HALF-YEAR ENDED 31 DECEMBER 2019

REPORTED PROFIT BEFORE TAX	PBT excluding AASB 16 net impact and net property revaluations
$301.15m	$285.87m
▼ 4.6% ON PCP	▲ 2.4% ON PCP

- Reported PBT for HY20 was impacted by a decrease in the net property revaluation increment by $16.28 million or -44.5% from $36.56 million in HY19 to $20.28 million in HY20. The majority of the decrease related to a net decrement for a residential zoned property in NSW, with no flow-on impact to the rest of the portfolio.
- Reported PBT for HY20 was also impacted by the first-time application of AASB 16 Leases from 1 July 2019 which resulted in higher expenses recognised under the new leases standard by $5 million.
- Excluding net property revaluation adjustments and the incremental higher expenses resulting from the first-time adoption of AASB 16 Leases, profit before tax would have been $285.87 million for HY20 compared to $279.12 million for HY19, an increase of $6.74 million or 2.4% from PCP.

PROFIT BEFORE TAX AS REPORTED ($M)



HALF-YEAR ENDED 31 DECEMBER
(including property revaluations)

Denotes the contribution of net property revaluations to total PBT.

* PBT excluding AASB 16 net impact and net property revaluations.

REPORTED PBT
$301.15m
DOWN BY 4.6%
ON PCP

PBT*
$285.87m
UP BY 2.4%
ON PCP

HALF-YEAR ENDED 31 DECEMBER 2019

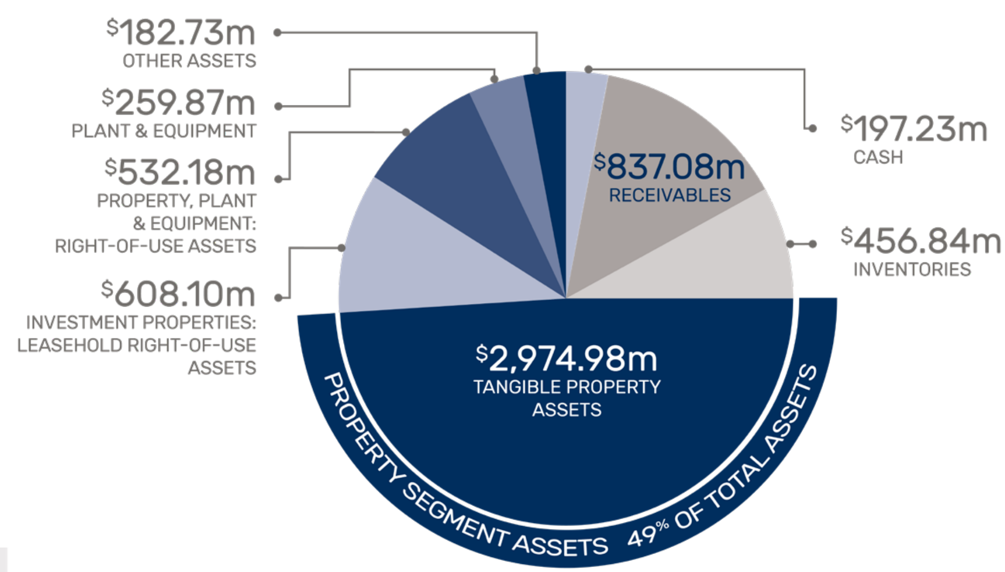
REPORTED PROFIT AFTER TAX & NCI	PAT & NCI excluding AASB 16 net impact and net property revaluations
$213.59m	$203.04m
▼ 4.1% ON PCP	▲ 3.0% ON PCP

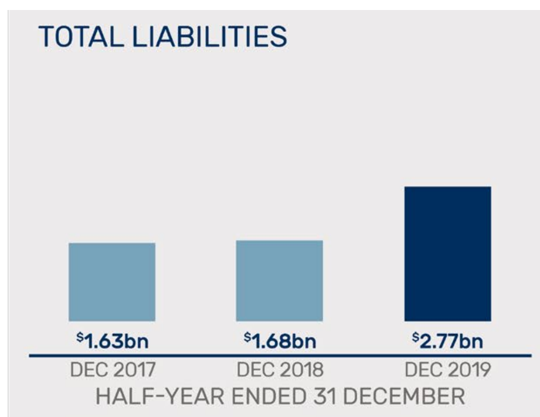
Decrease of $14.53m in Reported PBT due to:

- **($34.61) million decrease in franchising operations segment result ($123.86m vs $158.47m), down -21.8%**
  - → Revenue from franchisees decreased by $21.92 million, or -4.2%, to $497.84 million in HY20, from $519.76 million in HY19, due to a reduction in franchise fees received from franchisees, coupled with a rise in tactical support to promote and protect the brand.
  - → The costs of running the franchising operations segment have increased as the franchisor has invested in technology and infrastructure assets and in the brand, to equip franchisees with the necessary tools to seamlessly serve their customers and deliver an immersive end-to-end retail experience.
  - → Additionally, the adoption of AASB 16 *Leases* saw leasing expenses increase by $3.81 million in the franchising operations segment. Excluding the AASB 16 net impact, the franchising operations segment result would have been down ($30.80) million, or -19.4% from PCP.
- **($10.19) million decrease in property segment result ($93.05m vs $103.24m), down -9.9%**
  - → mainly attributable to a ($16.28) million or -44.5% decrease in the net property revaluation increment ($20.28m vs $36.56m), offset by
  - → higher rent and outgoings collected from property segment assets and lower borrowing costs due to the decreased utilisation of debt facilities for property acquisition.
- **$4.16m increase in the profitability of the overseas company-operated retail stores ($81.69m vs $77.53m), up +5.4%. Excluding AASB 16 Leases impact, PBT would have been $83.65m, up +7.9%**
  - → **New Zealand +$6.51m** (+15.5%) a record half with strong sales toppling over half-a-billion in Australian dollars for the first time. NZ sales soared to $503.90 million, up +6.3%, an excellent result in light of the headwinds that continue to dampen the NZ economy.
  - → **Ireland & Northern Ireland +$2.10m** (+20.3%) 13 company-operated stores in Ireland continue achieving double-digit growth across all key product categories. The 2 stores in Northern Ireland continued to perform well in a difficult trading environment. On track to open the new store at Galway in April 2020, with another store in Sligo expected to open at the beginning of August 2020.
  - → **Slovenia & Croatia +$1.15m** (+26.0%) positive sales growth across all stores and across all key product categories.
  - → **Singapore & Malaysia -$5.60m** (-27.0%) of which ($2.08) million attributed to the first-time application of AASB 16 as all Harvey Norman® stores are leased from external landlords in Southeast Asia. Sales and profitability increased in Malaysia as the brand and retail footprint were enhanced throughout the region. This was offset by the softer retail conditions in Singapore, which saw sales and profitability decline due to the subdued macroeconomic climate negatively impacting consumer and business confidence in Singapore.
- **$5.63m improvement in the equity investments segment ($2.85m profit vs $2.78m loss)**
  - → primarily related to dividends received and improvement in market value of equity investments.
- **$20.48m reduction in the losses incurred by the non-core joint ventures included in the “Other” segment and “Other Non-Franchised Retail” segment (loss of $0.30m vs loss of $20.78m)**
  - → PCP included $8.25m impairment loss for the expected shortfall on loans advanced to Coomboona following the completion of Administrator Sale
  - → PCP included $9.67m loss on the restructure and consolidation of the KEH Partnership Pty Limited (KEH) during HY19.

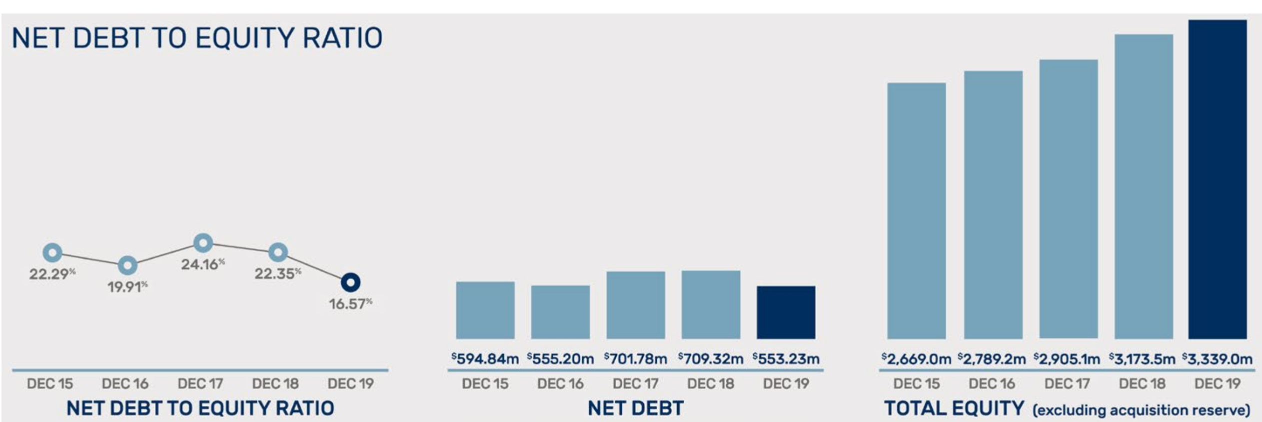
	HY2020	HY2019	Increase/ (Decrease)
TOTAL ASSETS	**$6.05bn**	$4.83bn	▲ 25.1%
TOTAL LIABILITIES	**($2.77bn)**	($1.68bn)	▲ 64.3%
NET ASSETS	**$3.28bn**	$3.15bn	▲ 4.2%
NET DEBT TO EQUITY %	**16.57%**	22.35%	
DIVIDENDS PER SHARE	**12.0c**	12.0c	
EPS	**17.70c**	19.12c	▼ (7.4%)

COMPOSITION OF TOTAL ASSETS OF $6.05bn





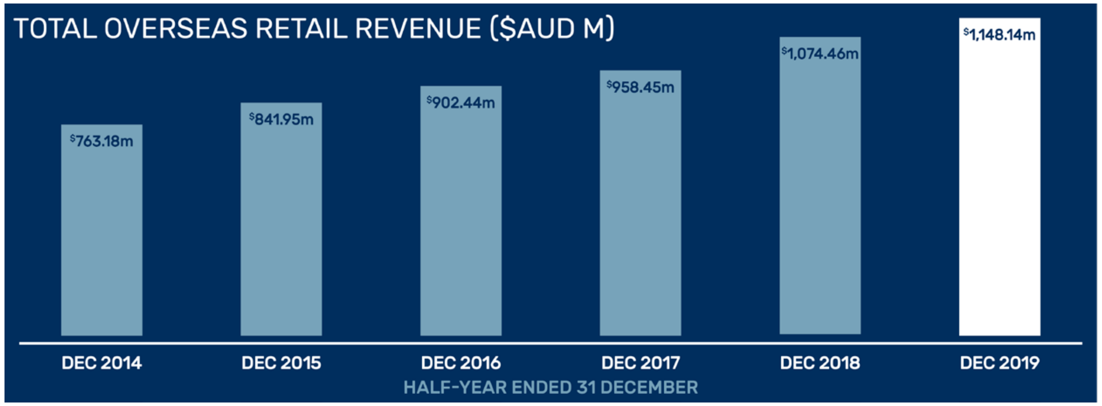
NET ASSET POSITION DECEMBER 2019 UP 4.2% TO $3.28bn



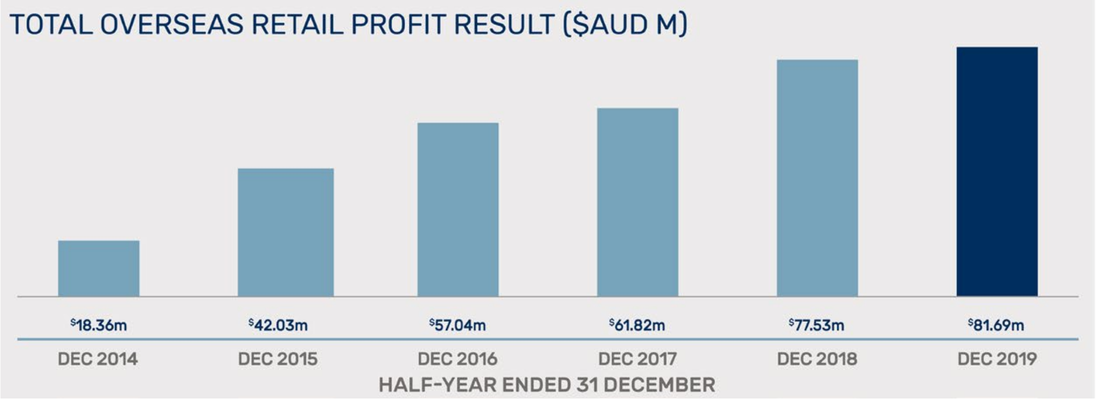
DECEMBER 2019 16.57% NET DEBT TO EQUITY RATIO

OFFSHORE SEGMENT PROFIT RESULT	31 DEC 2019			31 DEC 2018	INCREASE/(DECREASE)			
	REPORTED	*AASB 16 IMPACT*	PRE-AASB 16	PRE-AASB 16*	REPORTED		PRE-AASB 16*	
RETAIL - NEW ZEALAND	$48.53m	*(-$0.28m)*	$48.80m	$42.01m	$6.51m	15.5%	$6.79m	16.2%
RETAIL - SINGAPORE & MALAYSIA	$15.16m	*(-$2.08m)*	$17.24m	$20.76m	(-$5.60m)	-27.0%	(-$3.52m)	-17.0%
RETAIL - IRELAND & NORTHERN IRELAND	$12.45m	*$0.39m*	$12.06m	$10.34m	$2.10m	20.3%	$1.72m	16.6%
RETAIL - SLOVENIA & CROATIA	$5.57m	*$0.01m*	$5.56m	$4.42m	$1.15m	26.0%	$1.14m	25.7%
TOTAL OVERSEAS	**$81.69m**	***(-$1.96m)***	**$83.65m**	**$77.53m**	**$4.16m**	**5.4%**	**$6.12m**	**7.9%**

PRE AASB 16 = excluding the incremental (net) impact of adopting AASB 16 Leases from 1 July 2019
PRE AASB 16* = PCP excluding AASB 16; prior period comparatives have not been restated for AASB 16



UP BY **50%** OVER THE LAST 5 YEARS



UP BY **345%** OVER THE LAST 5 YEARS

Significant Increase in Offshore Company-Operated Retail Revenue

OFFSHORE COMPANY-OPERATED RETAIL REVENUE
$1.15 BILLION
FOR HY2020

REVENUE GROWTH OF 50%
OVER THE LAST 5 YEARS

OFFSHORE COMPANY-OPERATED RETAIL SALES REVENUE
UP BY $71.45m (▲ 6.8%)
FROM $1.05 BILLION IN HY19 TO $1.12 BILLION IN HY20

NEW ZEALAND
SALES UP BY $29.83m (▲ 6.3%)

IRELAND & NORTHERN IRELAND
SALES UP BY $26.57m (▲ 12.2%)

SLOVENIA & CROATIA
SALES UP BY $6.03m (▲ 7.8%)

SINGAPORE & MALAYSIA
SALES UP BY $9.02m (▲ 3.2%)

Record offshore retail revenue of $1.15bn for HY20 due to increase in offshore company-operated sales revenue by $71.45m (+6.8%), from $1.05bn to $1.12bn:

- **$29.83m increase in NZ sales revenue:**
  - → another record half, with sales revenue toppling over half-a-billion dollars in both local currency and on translation to Australian dollars.
  - → Flagship store at Wairau Park continues to be strong and continues to exhibit a noteworthy 'halo-effect' throughout existing store base.
- **$26.57m increase in Ireland & Northern Ireland sales revenue:**

  Ireland
  - → Up by $25.27m mainly due to significant growth in the technology category, with strong performance in connected health and wearables, accessories, hardware, connected home and mobile handsets.
  - → Tallaght Flagship continues to perform strongly and has a positive impact on the existing store base.
  - → Intend to open a new store in Galway in April 2020 and a new store at Sligo in August 2020.

  Northern Ireland
  - → Up by $1.30m mainly due to ongoing strength of the Boucher Road, which continues to report double digit growth in sales in a very difficult trading environment.
- **$9.02m increase in Singapore & Malaysia sales revenue:**

  Malaysia
  - → Up by $20.56m mainly due to 5 new store openings in HY20 and full 6 months' sales contribution from Miri, Sarawak that opened in April 2019.
  - → Existing stores in Malaysia, including the Ikano Flagship at Kuala Lumpur, continue to perform solidly and trade profitably.
  - → Intend to open +2 stores in 2nd half of FY20.

  Singapore
  - → Down by $11.53m mainly due to weaker retailer environment and the closure of Square Two store in December 2018.
  - → The protracted trade war between the United States and China has impacted retail trade in Singapore and, whilst the full impact of the Coronavirus was not felt during HY20, the potential long-lasting threat of exposure to the Coronavirus is expected to further dampen sales for the remainder of FY20.
  - → 2 new leases have been signed and intend to open 2 new stores in last quarter of FY20.
- **$6.03m increase in Slovenia & Croatia sales revenue:**

  Slovenia
  - → Up by $3.87m mainly due to positive sales growth across all key product categories.

  Croatia
  - → Up by $2.16m mainly due to full 6-months' contribution from the reinvigorated Flagship store at Zagreb which was relaunched in October 2018.
  - → Intend to open the new store at Pula in the first-half of FY21.

Highest Ever Offshore Company-Operated Retail Profit Result

OVERSEAS COMPANY-OPERATED RETAIL SEGMENT
NOW REPRESENTS 27%
OF TOTAL PROFIT BEFORE TAX

HARVEY NORMAN®
COMPANY-OPERATED RETAIL SEGMENT RESULT
UP BY 7.9%
FROM $77.53m IN HY19
TO $83.65m* IN HY20
*Excludes AASB 16 net impact

GROWTH OF 345%
OVER THE LAST 5 YEARS

- **$6.79m* (▲ 16.2%) increase in NZ result from $42.01m in HY19 to $48.80m* in HY20**
  - → Strong sales growth with improved margins, accentuated by exclusive product lines and strong supplier alliances, and an ongoing focus on cost control measures have resulted in increase in the New Zealand result.
- **$1.72m* (▲ 16.6%) increase in Ireland & Northern Ireland result from $10.34m in HY19 to $12.06m* in HY20**
  - → Double-digit sales growth for HY20, outperforming the discretionary retail market in Ireland with associated market share gains across all main categories.
  - → We continued to invest in our store network with the relocation of the Dublin metropolitan warehouse to a new, modern state-of-the-art facility to support the electrical category for 7 stores in the Dublin area.
- **$1.14m* (▲ 25.7%) increase in Slovenia & Croatia result from $4.42m in HY19 to $5.56m* in HY20**
  - → Slovenia result of $5.24m is a record result for Slovenia and it's strongest since inception.
  - → Croatia profit of $0.33m marks Croatia's 4th year of profitable trading.
  - → Enhanced brand awareness will continue to bolster expansion opportunities in Slovenia and Croatia.
- **($3.52m)* (▼ 17.0%) decrease in Singapore & Malaysia result from $20.76m in HY19 to $17.24m* in HY20**
  - → Profitability improved in Malaysia, assisted by new store openings and a geographically well-represented retail footprint. Profitability in Singapore reduced due to lower sales and its effect on tightening margins, reflective of subdued consumer, business and retail sentiment and the adverse effect of the protracted US and China trade war.

* Excluding AASB 16 net impact

HEADLINE AGGREGATED SALES OF
$4.1bn FOR HY20
vs $4.0bn FOR HY19
UP 1.9% ($AUD)

AGGREGATED COMPARABLE SALES OF
$4.03bn FOR HY20
vs $3.97bn FOR HY19
UP 1.6 % ($AUD)

COMPRISED OF AGGREGATED FRANCHISEE SALES REVENUE 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	1Q2020 vs. 1Q2019	2Q2020 vs. 2Q2019	HY2020 vs. HY2019
AUSTRALIAN FRANCHISEES $A*	+1.4%	(-0.9%)	+0.1%
NEW ZEALAND $NZD	+5.9%	+2.5%	+4.0%
SLOVENIA & CROATIA € EURO	+10.5%	+2.3%	+5.7%
IRELAND € EURO	+5.5%	+13.2%	+10.4%
NORTHERN IRELAND £ GBP	+8.6%	+10.8%	+9.8%
SINGAPORE $SGD	(-12.2%)	(-11.6%)	(-11.9%)
MALAYSIA RM	+10.0%	+20.2%	+15.0%

* Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Harvey Norman®, Domayne® and Joyce Mayne® retail sales in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results.

COMPARABLE SALES	1Q2020 vs. 1Q2019	2Q2020 vs. 2Q2019	HY2020 vs. HY2019
AUSTRALIAN FRANCHISEES $A*	+1.1%	(-0.8%)	+0.03%
NEW ZEALAND $NZD	+5.9%	+2.6%	+4.0%
SLOVENIA & CROATIA € EURO	+10.5%	+2.3%	+5.7%
IRELAND € EURO	+5.5%	+13.2%	+10.4%
NORTHERN IRELAND £ GBP	+8.6%	+10.8%	+9.8%
SINGAPORE $SGD	(-9.8%)	(-9.4%)	(-9.6%)
MALAYSIA RM	(-2.4%)	+0.8%	(-0.8%)

* Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Harvey Norman®, Domayne® and Joyce Mayne® retail sales in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results.

FRANCHISEE SALES REVENUE HY20

TOTAL FRANCHISEE SALES	COMPARABLE FRANCHISEE SALES
HY DECEMBER 2019	HY DECEMBER 2019
$2.95bn UP BY 0.11%	$2.93bn UP BY 0.03%

* Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Harvey Norman®, Domayne® and Joyce Mayne® retail sales in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results.

- 194 franchised complexes in Australia, with 544 independent franchisees carrying on their business under Harvey Norman®, Domayne® and Joyce Mayne® brands.

- Growth in aggregated franchisee sales revenue has moderated in HY20, within a challenging economic environment that has been influenced by a cautious consumer, changing promotional cycles and unforeseen, unprecedented natural disasters. Understandably, the ongoing bushfire crisis in Australia has had an adverse effect on our franchisees throughout the peak December trading period. The conditions have had adverse impacts on franchisees and their staff, with temporary store closures due to local conditions and a redirection of business investment towards a focus on relief and charitable activities.

- Franchisees worked tirelessly under extenuating circumstances as the disastrous combination of the prolonged drought, the severe smoke haze and fire-ravaged communities affected regional areas that represent a large geographical proportion (approx. 65%) of the franchised complexes, that are predominantly located in regional, open-air, standalone large-format centres.

- Franchisees in metropolitan locations were also negatively impacted by the severe reduction in air quality and bushfire threats across many states.

- Uncertainty surrounding the magnitude and tenure of the summer bushfire season was also a contributing factor that dampened consumer sentiment, further exacerbating the subdued sentiment as the recent macroeconomic initiatives to stimulate the economy did not generate the desired effect on retail spend.

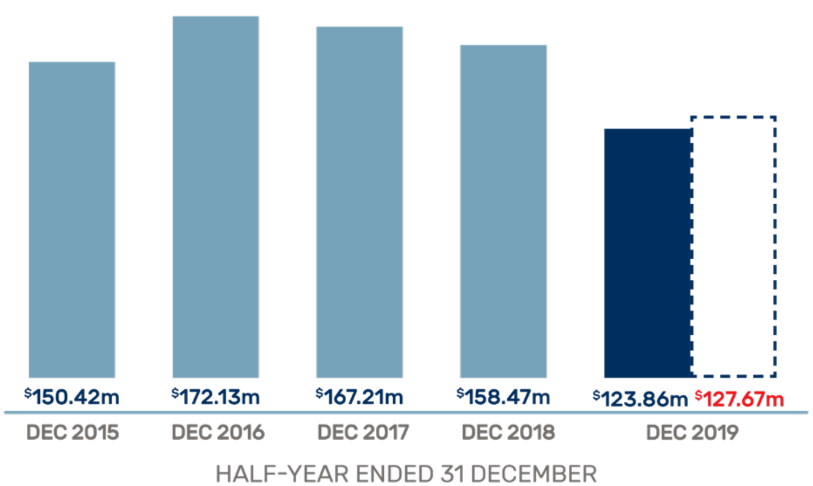
- The consolidated entity is proud of the contributions made by each Harvey Norman®, Domayne® and Joyce Mayne® franchisee throughout this challenging half and early into the 2020 calendar year.

SEGMENT ANALYSIS:
Franchising Operations Segment

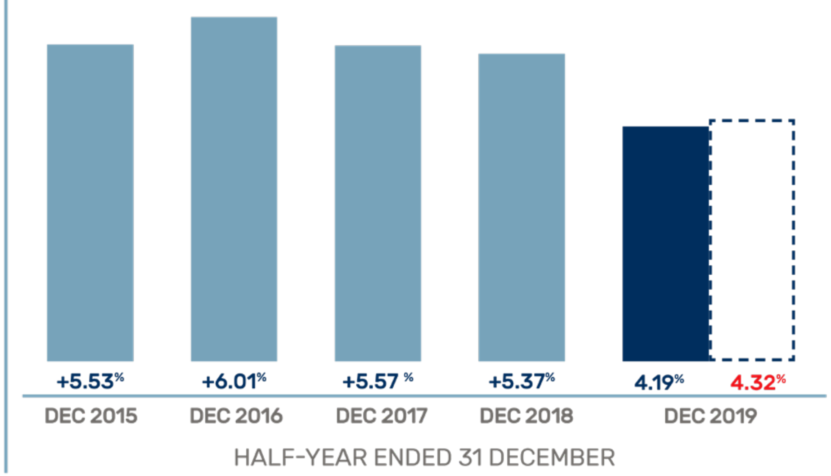
FRANCHISING OPERATIONS SEGMENT	31 DEC 2019			31 DEC 2018	INCREASE/(DECREASE)			
	REPORTED	*AASB 16 IMPACT*	PRE-AASB 16	PRE-AASB 16*	REPORTED		PRE-AASB 16*	
FRANCHISING OPERATIONS SEGMENT REVENUE	$443.81m		$443.81m	$468.64m	(-$24.82m)	-5.3%	(-$24.82m)	-5.3%
AGGREGATED FRANCHISEE HEADLINE SALES REVENUE*	$2.953b		$2.953b	$2.953b	$3.16m	0.11%	$3.16m	0.11%
FRANCHISING OPERATIONS SEGMENT RESULT	$123.86m	*(-$3.81m)*	$127.67m	$158.47m	(-$34.61m)	-21.8%	(-$30.80m)	-19.4%
FRANCHISING OPERATIONS MARGIN %	4.19%	*(13bps)*	4.32%	5.37%	(118bps)		(105bps)	

* Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Harvey Norman®, Domayne® and Joyce Mayne® retail sales in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results.

FRANCHISING OPERATIONS SEGMENT RESULT
DOWN BY 21.8% FROM $158.47m TO $123.86m



FRANCHISING OPERATIONS MARGIN
DOWN FROM 5.37% TO 4.19%



FRANCHISING OPERATIONS MARGIN
4.19%

FRANCHISING OPERATIONS MARGIN
Excluding AASB 16 Leases
4.32%

Excludes net impact of adopting AASB16 Leases.

FRANCHISING OPERATIONS SEGMENT REVENUE
DOWN BY $24.82m (▾ 5.3%)
FROM $468.64m IN HY19
TO $443.81m IN HY20

- **Impacted by $21.92m (-4.2%) decrease in revenue received from franchisees [$497.84m vs $519.76m] due to:**
  - → A reduction in franchise fees received from franchisees by $23.67 million, incorporating a rise in tactical support payments, both of which were adversely affected by the unprecedented, severe natural disasters endured by franchisees during this half that further exacerbated the subdued retail sentiment;
  - → Offset by a rise in rent, outgoings and interest received from franchisees by $1.75 million.

Tactical support payments were made, where necessary, to protect, enhance and preserve the brand to assist franchisees to effectively compete in their local markets. For presentation purposes, tactical support payments have been netted off against franchisee fees received in both reportig periods in accordance with AASB 15 Revenue from Contracts with Customer, which required revenue received from franchisees to be recognised based on the amount a franchisor expects to receive in exchange for the provision of franchising operations' activities to a franchisee, pursuant to a franchise agreement.

FRANCHISING OPERATIONS SEGMENT RESULT
Excluding AASB 16 net impact
DOWN BY $30.80m (▾ 19.4%)
FROM $158.47m IN HY19
TO $127.67m IN HY20

- **Franchising operations segment result down by $30.80m* (-19.4%) from $158.47m to $127.67m (excluding AASB 16 Leases financial impact) due to:**
  - → A reduction in franchising operations segment revenue by $21.92m as described above.
  - → An increase in operating costs as the franchisor has invested in technology and infrastructure assets and in the brand, to equip franchisees with the necessary tools to seamlessly serve their customers and deliver an immersive end-to-end retail experience.

* Excludes AASB 16 net impact.

	HY2020	HY2019	Increase/(Decrease)	%
PROPERTY SEGMENT REVENUE	**$156.91m**	$164.80m	($7.89m)	▼ (4.8%)
NET PROPERTY REVALUATION INCREMENT	**$20.28m**	$36.56m	($16.28m)	▼ (44.5%)
PROPERTY SEGMENT EBITDIA	**$107.09m**	$119.85m	($12.76m)	▼ (10.7%)
PROPERTY SEGMENT RESULT BEFORE TAX	**$93.05m**	$103.24m	($10.19m)	▼ (9.9%)

PROPERTY SEGMENT REVENUE
DOWN BY $7.89m (▼ 4.8%)
FROM $164.80m IN HY19
TO $156.91m IN HY20

- $16.28m decrease in net property revaluation increment
  → $20.28m in HY20 vs $36.56m in HY19 - the majority of the decrease related to a net decrement for a residential zoned property in NSW, with no flow-on impact to the rest of the portfolio.
- Higher rent and outgoings received from freehold investment properties in Australia leased to franchisees and other external tenants.

PROPERTY SEGMENT RESULT BEFORE TAX
DOWN BY $10.19m (▼ 9.9%)
FROM $103.24m IN HY19
TO $93.05m IN HY20

- Mainly due to $16.28m decrease in net property revaluation increment (as noted above), offset by higher rent & outgoings received and lower borrowing costs due to decreased utilisation of debt facilities.

INCOME STATEMENT	31 DEC 2019			31 DEC 2018	INCREASE/(DECREASE)			
	REPORTED	*AASB 16 IMPACT*	PRE-AASB 16	PRE-AASB 16*	REPORTED		PRE-AASB 16*	
SALES OF PRODUCTS TO CUSTOMERS*	$1,239.08m		$1,239.08m	$1,175.25m	$63.84m	5.4%	$63.84m	5.4%
GROSS PROFIT	$403.87m		$403.87m	$376.09m	$27.78m	7.4%	$27.78m	7.4%
REVENUE RECEIVED FROM FRANCHISEES	$497.84m		$497.84m	$519.76m	(-$21.92m)	-4.2%	(-$21.92m)	-4.2%
REVENUES AND OTHER INCOME	$106.02m		$106.02m	$114.00m	(-$7.98m)	-7.0%	(-$7.98m)	-7.0%
TOTAL EXPENSES	(-$710.80m)	*(-$5.00m)*	(-$705.80m)	(-$698.76m)	(-$12.04m)	-1.7%	(-$7.04m)	-1.0%
SHARE OF NET PROFIT OF JV ENTITIES	$4.23m		$4.23m	$4.59m	(-$0.37m)	-8.0%	(-$0.37m)	-8.0%
PROFIT BEFORE TAX	$301.15m	*(-$5.00m)*	$306.15m	$315.68m	(-$14.53m)	-4.6%	(-$9.53m)	-3.0%
INCOME TAX EXPENSES	(-$84.04m)	*$1.04m*	(-$85.07m)	(-$89.48m)	$5.44m	6.1%	$4.40m	4.9%
NON-CONTROLLING INTERESTS	(-$3.52m)	*$0.32m*	(-$3.84m)	(-$3.43m)	(-$0.09m)	-2.7%	(-$0.41m)	-11.9%
PROFIT AFTER TAX & NCI	$213.59m	*(-$3.64m)*	$217.24m	$222.77m	(-$9.18m)	-4.1%	(-$5.54m)	-2.5%

* Relates to sales revenue generated by company-operated stores and excludes the sales made by franchisees in Australia.

SALES OF PRODUCTS TO CUSTOMERS
UP BY $63.84m (▲ 5.4%)
FROM $1.18 BILLION IN HY19
TO $1.24 BILLION IN HY20

- **+$29.83m (+6.3%) increase for New Zealand (39 stores)**
  → Local currency up by NZ$20.61m (+4.0%). [FX impact was 2.19% appreciation of NZD vs AUD].
- **+$25.27m (+12.1%) increase for Ireland (13 stores)**
  → Local currency up by €13.07m (+10.0%). [FX impact was 1.96% appreciation of Euro vs AUD].
- **+$20.56m (+20.7%) increase for Malaysia (23 stores)**
  → Local currency up by SG$13.67m (+13.9%). [FX impact was 6.03% appreciation of SGD vs AUD].
- **+$3.87m (+6.4%) increase for Slovenia (5 stores)**
  → Local currency up by €1.65m (+4.3%). [FX impact was 1.96% appreciation of Euro vs AUD].
- **+$2.16m (+13.0%) increase for Croatia (1 store)**
  → Local currency up by €1.13m (+10.9%). [FX impact was 1.96% appreciation of Euro vs AUD].
- **+$1.30m (+13.0%) increase for Northern Ireland (2 stores)**
  → Local currency up by £0.55m (+9.8%). [FX impact was 2.91% appreciation of GBP vs AUD].
- **-$11.53m (-6.6%) decrease for Singapore (12 stores)**
  → Local currency down by SG$20.72m (-11.9%). [FX impact was 6.03% appreciation of SGD vs AUD].
- **-$6.76m (-5.6%) decrease in other non-franchised retail**

REVENUE RECEIVED
FROM FRANCHISEES
DOWN BY $21.92m (▼ 4.2%)
FROM $519.76m IN HY19
TO $497.84m IN HY20

- **-$21.92m decrease in revenue received from franchisees**
  → Franchisees were negatively impacted by unprecedented, severe natural disasters during the Christmas peak trading period.
  → Tactical support payments were made to protect, enhance and preserve the brand, to assist franchisees to effectively compete in their local markets.

REVENUE & OTHER INCOME ITEMS
DOWN BY $7.98m (▼ 7.0%)
FROM $114.00m IN HY19
TO $106.02m IN HY20

- **-$16.28m decrease in net property revaluation increment**
  → $20.28m in HY20 vs $36.56m in HY19.

Offset by:

- **+$3.40m increase in rent, interest and dividends received**
  → $54.47m in HY20 vs $51.07m in HY19
- **+$5.63m improvement in the equity investment segment due to higher dividends and market value**

TOTAL EXPENSES
UP BY $12.04m (▲ 1.7%)
FROM $698.76m IN HY19
TO $710.80m IN HY20

- +$16.31m increase in finance costs relating to recognition of $20.73m interest on lease liabilities (accretion) as a result of adoption of AASB 16 *Leases*.
- +$7.05m increase in marketing expenses to drive sales, mainly for overseas company-operated stores, and includes the impact of any foreign currency movements.
- +$5.05m increase in administrative expenses mainly due to an increase in wages & salaries and on-costs resulting from offshore expansion.

Offset by:

- -$14.58m decrease in other expenses is mainly due to $9.67m loss recognised on the restructure and consolidation of KEH Partnership in HY19.

SHARE OF NET PROFIT OF JV ENTITIES
DOWN BY $0.37m (▼ 8.0%)
FROM $4.59m IN HY19
TO $4.23m IN HY20

- Decrease in share of net profit for JV is mainly due to the increased trading loss by $0.42m incurred by the Byron Bay joint venture prior to its sale in HY20.

LOWER TAX CHARGE
BY $5.44m

- Mainly due to lower profit before tax in HY20 vs HY19
- HY20 effective tax rate of 27.90% vs 28.34% in HY19

	31 DEC 2019			31 DEC 2018	INCREASE/(DECREASE)			
	REPORTED	*AASB 16 IMPACT*	PRE-AASB 16	PRE-AASB 16*	REPORTED		PRE-AASB 16*	
TOTAL ASSETS	$6,049.01m	*(-$1,066.02m)*	$4,982.99m	$4,834.43m	$1,214.57m	25.1%	$148.56m	3.1%
TOTAL LIABILITIES	$2,765.02m	*(-$1,132.86m)*	$1,632.16m	$1,682.97m	$1,082.05m	64.3%	(-$50.81m)	-3.0%
EQUITY	$3,283.99m	*$66.84m*	$3,350.83m	$3,151.46m	$132.53m	4.2%	$199.37m	6.3%

TOTAL ASSETS
UP BY $1,214.57m (▲ 25.1%)
FROM $4.83 BILLION IN HY19
TO $6.05 BILLION IN HY20

- +$1,140.28m attributed to the recognition of right-of-use assets for leases of owner-occupied properties, plant and equipment leases and investment properties (leasehold): right-of-use assets relating to leases of properties sub-leased to external parties resulting from the first-time adoption of AASB 16 Leases.
- +$78.13m (+3.2%) increase in value of freehold investment property primarily due to the net property revaluation increment over the past 12 months and the acquisition and refurbishments of other freehold investment property assets since the previous corresponding period.
- +$73.93m (+59.96%) increase in cash and cash equivalents due to higher receipts from customers (due to more stores) and higher net receipts from franchisees (due to lower financial accommodation provided to franchisees in HY20 vs HY19).

Offset by:

- -$76.60m reduction in trade receivables due to lower receivables from franchisees by $38.78m and lower receivables from non-trade debts by $22.77m attributable to the the repayment of loans from the Coomboona joint venture following the completion of the Administrator Sale on 16 January 2019.
- -$34.76m reduction in property, plant and equipment assets mainly due to $75.16m reclassification of an overseas property from PP&E to right-of-use assets upon adoption of AASB 16 *Leases*

TOTAL LIABILITIES
UP BY $1,082.05m (▲ 64.3%)
FROM $1.68 BILLION IN HY19
TO $2.77 BILLION IN HY20

+$1,173.27m attributed to the recognition of lease liabilities for leases of owner-occupied properties, plant and equipment leases and leases of properties sub-leased to external parties resulting from the first-time adoption of AASB 16 Leases.

Offset by:

- -$82.16m reduction in interest bearing loans and borrowings due to the repayment of the Syndicated Facility by $70m since the end of the previous corresponding period.

	31 DEC 2019			31 DEC 2018	INCREASE/(DECREASE)			
	REPORTED	*AASB 16 IMPACT*	PRE-AASB 16	PRE-AASB 16*	REPORTED		PRE-AASB 16*	
NET CASHFLOWS FROM OPERATING ACTIVITIES	$298.77m	*(-$61.86m)*	$236.91m	$145.36m	$153.41m	105.5%	$91.55m	63.0%
NET CASHFLOWS USED IN INVESTING ACTIVITIES	(-$84.98m)		(-$84.98m)	(-$63.15m)	(-$21.83m)	-34.6%	(-$21.83m)	-34.6%
NET CASHFLOWS USED IN FINANCING ACTIVITIES	(-$222.93m)	*$61.86m*	(-$161.07m)	(-$103.87m)	(-$119.06m)	-114.6%	(-$57.20m)	-55.1%
NET DECREASE IN CASH & CASH EQUIVALENTS	(-$9.14m)		(-$9.14m)	(-$21.66m)	$12.52m	57.8%	$12.52m	57.8%
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	$185.82m		$185.82m	$125.46m	$60.35m	48.1%	$60.35m	48.1%
CASH & CASH EQUIVALENTS AT END OF PERIOD	$176.67m		$176.67m	$103.80m	$72.87m	70.2%	$72.87m	70.2%

OPERATING CASH FLOWS
UP BY $153.41m

Solid operating cash flows in HY20 of $298.77m achieved by receiving $1.30bn receipts from customers, $486.56m net receipts from franchisees, offset by $1.37bn payments to suppliers and employees.

- $83.21m increase in net receipts from franchisees
  - → Increase in net receipts from franchisees despite a reduction in gross revenue from franchisees as net receipts from franchisees were affected by the movement in the aggregate amount of financial accommodation provided to franchisees for HY20 relative to the movement in HY19. During HY20, the movement in the aggregate amount of financial accommodation provided to franchisees decreased compared to the movement in HY19 primarily due to a reduction in the inventory levels held by franchisees during HY20 relative to HY19.
- $75.53m increase in receipts from customers
  - → primarily due to higher sales from company-operated stores.
- $20.98m decrease in payments to suppliers and employees
  - → Primarily due to adoption of AASB 16, where only variable lease payments and payments for short term and low-value leases form part of operating cash flows. All other lease payments are allocated between interest and principal components which is classified within operating and financing cash flows respectively.

Offset by:

- $20.73m increase in interest paid on lease liabilities (accretion) as required under AASB 16 *Leases*.

INVESTING CASH OUTFLOWS
UP BY $21.83m

- $17.57m increase in cash outflows for the purchase and refurbishments of investment properties.
- $16.93m increase in cash outflows for the purchase of property, plant and equipment and intangible assets

Offset by:

- $21.05m increase in proceeds from sale of property, plant and equipment and properties held for resale
  → primarily due to the completion of the sale for the Byron at Byron Bay Resort in HY20.

FINANCING CASH OUTFLOWS
UP BY $119.06m

- $61.86m increase in cash outflows due to the inclusion of the principal component of lease payments upon first-time adoption of AASB 16 *Leases* in HY20.
- $45m increase in net repayment of the Syndicated Facility.
- $47.19m increase in dividend payments in HY20 vs HY19.

Offset by:

- $38.64m reduction in loans repaid to related parties.

- Locally, the economic outlook appeared to be more positive going into calendar 2020 – with record low interest rates, the momentum building up in the residential property market, ongoing spending on infrastructure and a brighter outlook for the resources sector.
- However, the first three weeks of January saw bushfire conditions worsen across New South Wales, Victoria and into South Australia, with consumers very cautious and unwilling to spend on discretionary retail until the threat had moderated. This saw a resultant shift in consumer and business focus towards the immediate priorities of safeguarding homes, flora and fauna, local communities and affected businesses. The community as a whole responded to the devastation by directing their energies into relief efforts and charitable contributions to assist those in need.
- With the containment of most fires towards late January, the expectation was to see a change in the retail atmosphere - however the bushfire crisis was immediately followed by extreme rainfall and flooding in some areas – causing a continuing hesitancy towards discretionary retail expenditure.
- On a global scale, many industries worldwide will be adversely affected by the threat and potential widespread reach of the Coronavirus. Consumer and business confidence will take another toll until this threat is understood and mitigated.
- Aggregated franchisee sales for the period 1 January 2020 to 27 February 2020 decreased by 3.2% compared to the period 1 January 2019 to 27 February 2019, and decreased by 3.0% on a comparable sales basis.
- Total overseas sales revenue and comparable overseas sales revenue increases/(decreases) for each of our overseas controlled entities for the period 1 January 2020 to 25 February 2020 vs 1 January 2019 to 25 February 2019 is as follows:

	$A TOTAL SALES	$A COMPARABLE SALES	CONSTANT LOCAL CURRENCIES TOTAL SALES	CONSTANT LOCAL CURRENCIES COMPARABLE SALES
NEW ZEALAND	1.2%	1.2%	0.2%	0.3%
SLOVENIA & CROATIA	7.4%	7.4%	5.6%	5.6%
IRELAND	17.4%	17.4%	15.4%	15.4%
NORTHERN IRELAND	4.5%	4.5%	(-1.6%)	(-1.6%)
SINGAPORE	(-7.7%)	(-7.7%)	(-11.5%)	(-11.5%)
MALAYSIA	33.8%	5.5%	27.5%	0.6%


SMEG
Dolce & Gabbana
SMEG
SMEG
Dolce & Gabbana
Dolce & Gabbana
SMEG
SMEG
Dolce & Gabbana
Dolce & Gabbana
SMEG
Dolce & Gabbana
$1099