

26 February 2016

RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

NET PROFIT AFTER TAX \$185.51 MILLION, UP 30.7%

Harvey Norman Chairman Gerry Harvey said "This is an outstanding result that once again demonstrates the strength of our integrated retail, franchising, and property business."

HIGHLIGHTS

- Profit before tax and excluding impairment losses up 35.9% to \$279.52 million
- Profit before tax up 30.5% to \$262.01 million
- Net profit after tax up 30.7% to \$185.51 million
- Improved profitability of the franchising operations segment up 30.7% to \$150.42 million with a franchising operations margin of 5.53%
- Headline global sales up 8.0% to \$3.33 billion and like-for-like global sales up 8.7% to \$3.32 billion
- Balance sheet gearing of 22.29%, underpinned by net assets of \$2.65 billion

Harvey Norman Holdings Limited (ASX:HVN) announced today that statutory net profit after tax for the half year to 31 December 2015 was \$185.51 million, a 30.7% increase on the \$141.98 million result in the previous corresponding period.

Profit before tax and excluding impairment losses was \$279.52 million compared to \$205.75 million, an increase of 35.9%.

Net profit before tax increased 30.5% to \$262.01 million from \$200.79 million in the previous corresponding period. This result includes a \$35.33 million, or 30.7% increase in the profitability of the franchising operations segment to \$150.42 million; a net property revaluation increment of \$21.19 million for the December 2015 half year compared to a \$3.86 million increment in the prior period; and strong improvements in the profitability of the company operated retail segments in Asia, New Zealand and Ireland and Northern Ireland. The result was negatively impacted by the recognition of an impairment loss of \$17.51 million relating to the write-down of equity-accounted investments and loans advanced to mining camp accommodation joint ventures and the write-down of commercial loans in Australia.

Excluding net property revaluation adjustments, the net profit before tax for the December 2015 half would have increased 22.3%, or \$43.90 million to \$240.82 million from \$196.93 million in the previous corresponding half year.

Global sales for the half year increased to \$3.33 billion, 8.0% higher than the previous corresponding period and an 8.7% increase on a like-for-like basis. This solid result was underpinned by the strong sales performance of franchisees in Australia. Headline Australian franchisee sales revenue increased 7.7% or \$193.76 million, to \$2.72 billion for the half year ended 31 December 2015 from \$2.53 billion in the previous corresponding period, and an 8.8% increase on a like for like basis.

Australian franchisees have recorded 3 years of like-for-like sales growth since January 2013. The strong performance of franchisees this half, led to a marked decline in tactical support extended to franchisees from \$39.70 million in the prior half year to \$29.16 million in the December 2015 half year.

Harvey Norman Chairman, Gerry Harvey said, "Harvey Norman is a homemaker, lifestyle and connected home retail concept and the appeal and strong positioning of the franchise offering is apparent in these results today. Our brands continue to focus on providing customers with the right products in the right environment whether that be in-store or online, and to deliver a seamless experience.

Homemaker categories benefitted from the strong Australian housing market in 2015 with house prices and building approvals reaching record levels. Coupled with much cheaper petrol prices, low interest rates and increased household wealth remain supportive of property investment and household and lifestyle consumption and Harvey Norman, with its flexible property model and large store footprints is well-placed to capitalise on these trends and to capture demand.

Our franchisee's enviable same store sales growth record illustrates the discipline and hard work that goes into our stores as well as our strong understanding of the market, and this work will continue. Harvey Norman franchisees are well positioned to continue to grow and to bring their loyal customers the best products for the modern home and lifestyle." concluded Mr Harvey.

"Australian macroeconomic conditions have had an upward trend for 3 years and have been favourable for consumption in the homemaker and lifestyle categories. We anticipate robust construction and housing activity to continue this year, in response to pent-up demand and, particularly in New South Wales, Victoria and the ACT, dwelling starts are materially above long term averages." said Chairman Gerry Harvey.

The company operated retail segment net profit before tax increased 108.8% to \$42.06 million in the December 2015 half year, from \$20.14 million in the prior half year. Underpinning the result, operations in New Zealand performed very well, driven by Harvey Norman's leadership position and solid macroeconomic conditions in New Zealand. Gross margins improved in Asia as a result of more effective inventory management assisted by the implementation of the new information technology system in 2014. The new flagship homemaker superstore at Millenia Walk, Singapore opened in December 2015 and is unrivalled in Asia in store design and its premium product offering. The Irish business

recorded its first profit since December 2007 and is now in its 7th consecutive year of loss reduction as the Irish economy continues to recover and consumer confidence improves. Operations in Slovenia and Croatia were down slightly as European consumer confidence remains low, however Harvey Norman was able to maintain and, in some cases grow, market share in the region.

Harvey Norman maintained its strong financial position with growth in net assets of 4.1% to \$2.65 billion, including tangible property assets of \$2.37 billion at 31 December 2015. The value of property assets increased 2.4% or \$54.66 million due to increases in the fair market value of Australian investment properties, new store openings in overseas markets as well as renovations and refurbishments of existing sites in Australia. Net debt to equity remains steady at 22.29% compared to 22.18% at 31 December 2014.

The Board has recommended the payment of a fully-franked dividend of 13 cents per share, to be paid on 2 May 2016 to shareholders registered on 8 April 2016.

The details of this announcement will be made available on our website www.harveynorman.com.au this afternoon.

Yours faithfully,

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

Chris Mentis

Company Secretary/CFO