Harvey Norman HOLDINGS LIMITED Press Release

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RESULTS FOR YEAR ENDED 30 JUNE 2016

NET PROFIT AFTER TAX $348.61M

UP BY 30%

HIGHLIGHTS

- **Profit before tax excluding impairment losses of $526.32 million up 39.1% on prior year**
- **Profit before tax of $493.76 million, up 30.6% on prior year**
- **Net profit after tax and controlling interests up 30.0% to $348.61 million**
- **Franchising operations segment result up 33.8% to $268.15 million**
- **Franchisee headline sales of $5.33 billion, growing 7.6% in FY16 compared to growth of 3.7% in FY15**
- **Company operated retail segment result of $73.11 million, up 78.2% on prior year following standout results in New Zealand, Singapore, Malaysia and Ireland**
- **Balance sheet gearing of 18.97%, underpinned by net assets of $2.69 billion**

Harvey Norman Holdings Limited (ASX:HVN) announced today that net profit after tax for the year ended 30 June 2016 was $348.61 million, a 30.0% increase over the comparative result of $268.10 million in the previous corresponding period.

Profit before tax was $493.76 million compared to $378.10 million in the 2015 financial year. Profit before tax excluding impairment losses was $526.32 million, a 39.1% increase from the $378.37 million reported in the 2015 financial year.

Harvey Norman Chairman Gerry Harvey said, “This is an outstanding result that once again demonstrates the strength of our integrated retail, franchise, property and digital business spanning eight countries.”

“Our franchisees have enjoyed sales to the value of $5.33 billion this year, a 7.6% increase on sales in the 2015 financial year. This rate of growth is more than double the rate of growth achieved in the 2015 financial year, demonstrating the strong position of Harvey Norman® in the Home and Lifestyle market,” Mr Harvey said.

Franchisee sales growth remains strong in the Home and Lifestyle market, underpinned by a resilient residential property market. Housing market conditions have been robust, responding positively to the reduction in interest rates in recent years. Population growth has also been an important driver of new dwelling construction growth and refurbishments of existing homes. The number of newly approved dwellings has been above completions for some time which suggests a continuation of solid housing activity, particularly in New South Wales and Victoria.

Franchisees have also capitalised on the growing category of connected devices forming a substantial part of the 'Internet of Things'. With expectations of 6.4 billion connected devices in use worldwide this year, Harvey Norman®, Domayne® and Joyce Mayne® branded franchisees offer the expertise and key product categories to meet this all-encompassing lifestyle trend.

"From connected fitness to home automation to intelligent mattresses, franchisees are selling the devices and technology so customers can connect their home, their work, their health and fitness and their recreation. The possibilities are enormous and we see it as a sustainable retail trend that franchisees intend to be at the forefront of with the best service and expertise and leading products," said Mr Harvey.

The strong growth in franchisee sales has contributed to a 33.8% increase in the franchising operations segment result to $268.15 million from $200.36 million in the 2015 financial year. The franchising operations segment remains the most significant contributor to the consolidated entity result, comprising 54% of total profit before tax.

The company-operated retail segment profit before tax result increased 78.2% this year to $73.11 million, compared to $41.03 million in the 2015 financial year. This is a record result built on strong performances from operations in New Zealand, Singapore, Malaysia and Ireland. While macroeconomic conditions have improved in some regions, concerted efforts to contain costs and manage inventory and supplier relationships have also contributed to the result.

Gerry Harvey noted, "We are delighted with the improved profitability of our stores outside Australia. Our Millenia Walk flagship store in Singapore has positioned the brand very well and the Asian business recorded a profit of $11.36 million. This is a substantial turnaround from the $6.03 million loss reported the year before. Ireland is close to break-even and we expect Northern Ireland's performance to improve this financial year with the successful opening of the Boucher Road, South Belfast superstore."

The Property segment result increased 25.2% to $169.29 million. The increase was underpinned by the net property revaluation increment of $48.36 million and also included increased revenue from rents, partially offset by the write-down of equity-accounted investments in mining camp accommodation joint ventures totalling $7.24 million during the year and the reduced profitability of property-related joint ventures.

The consolidated entity maintained its balance sheet strength with net assets increasing 5.2% or $131.81 million over the financial year to $2.69 billion at 30 June 2016. Total assets increased by $105.14 million and total liabilities reduced by $26.68 million. Overall gearing reduced to 18.97% from 19.88% in the prior year.

The Board has recommended the payment of a fully-franked dividend of 17.0 cents per share, to be paid on 1 December 2016 to shareholders registered on 1 November 2016.

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

Yours faithfully,

Chris Mentis
Company Secretary/CFO