Harvey Norman
HOLDINGS LIMITED
A1 Richmond Road
Homebush West NSW 2140
Telephone: 02 9201 6111
Direct Facsimile: 02 9201 6250

company results financial year ended 30 june 2011

30 August 2011

UP 9%
RESULTS FOR THE YEAR ENDED 30 JUNE 2011
PROFIT AFTER TAX $252.26M VS $231.41M

Harvey Norman Holdings Limited announced today that profit after tax and non-controlling interests for the **year ended 30 June 2011** was **$252.26M** (2010: $231.41M), an **increase** of **9%**.

The Board recommended payment of a fully franked final dividend of 6¢ per share on 5th December 2011, full year 12¢, fully franked.

The franchising operations segment continued to underpin the overall performance of the group and although the operating margin fell from 5.99% for FY10 to 5.01% for FY11, it produced significant net operating cash flow of $301.8M for FY11 (FY10: $286.9M).

We have a strong balance sheet underpinned by a $2.04 billion property portfolio and generate strong free net cash flows from our franchising operations segment. We are well placed to take advantage of emerging opportunities.

Full details are set out in Appendix 4E, filed with the Australian Securities Exchange Limited today, copy attached.

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

G. HARVEY
CHAIRMAN

Harvey Norman
HOLDINGS LIMITED

OVERVIEW 2011

Harvey Norman
HOLDINGS LIMITED

OVERVIEW 2011

NET PROFIT AFTER TAX OF $252.26M UP 9%

Highlights

- Net profit after tax UP 9%
- Integrated franchising, property and retail business continues to deliver results
- Net assets (excluding goodwill & acquisition reserve) continues to grow year on year in a subdued market $2.235BN
- Conservative net debt to equity ratio of 21.87%
- Strong net operating cash flows from franchising operations $301.8M up from $286.9M
- Prudent management of working capital
- Strong growth maintained in the key categories of bedding, furniture, cooking, refrigeration, laundry and technology products like smart phones and smart TV
- Final fully franked dividend of 6¢ per share, full year 12¢ fully franked.

Harvey Norman Holdings Limited announced today that profit after tax and non-controlling interests for the **year ended 30 June 2011** was **$252.26M** an **increase** of **9%**.

Total revenue from continuing operations was $2.70 billion, compared to $2.45 billion in FY2010, resulting in a net profit after tax of $252.26 million, a 9% increase on the previous year. EPS has also increased from 21.78¢ for FY10 to 23.75¢, an increase of 9%.

The Directors recommended a fully franked final dividend of 6¢ per share, payable on 5 December 2011.

The franchising operations segment continued to underpin the overall performance of the group and although the franchising operations margin fell from 5.99% for FY10 to 5.01% for FY11, it produced significant net operating cash flow of $301.8M for FY11 (FY10: $286.9M).

Franchising Operations Segment Key Statistics:	2007	2008	2009	2010	2011
Franchising operations margin	6.30%	5.88%	5.79%	5.99%	5.01%
Return on franchising operations equity (a)	49.63%	47.95%	44.12%	44.13%	37.52%
Return on franchising operations assets (b)	27.08%	27.75%	24.85%	25.70%	20.88%
	$000	$000	$000	$000	$000
Revenue from franchising operations	828,676	865,836	913,312	944,323	938,927
Franchising operations EBITDA	356,035	354,454	377,277	384,800	332,459
Net operating cash flows from franchising operations	287,298	312,439	280,708	286,907	301,771

(a) Calculated as: EBIT from Franchising Operations ÷ Franchising Operations Equity*
[*equity allocated to franchising operations segment based on franchising operations assets as a proportion of total assets]
(b) Calculated as: EBIT from Franchising Operations ÷ Franchising Operations Segment Assets (after eliminations)

Harvey Norman has an integrated retail, franchising and property strategy and it is this strategy that continues to deliver results. To the end of June 2011, our net assets (excluding goodwill and acquisition reserve) were $2.235 billion, our net debt to equity ratio was a conservative 21.87% and our net operating cash flow from franchising operations for the year 30 ending June 2011 was $301.8 million up from $286.9 million in the preceding year.

The Harvey Norman brands experienced a strong increase in customer transactions even though revenue was down, mainly due to the strong Australian dollar reducing prices on imported goods. There has been much commentary about the cautious consumer, however our franchisees have never experienced so much customer traffic and transactions. Even though this is putting pressure on costs, as each franchisee business has many more customers yet lower revenue, the Australian consumer is being rewarded with lower prices.

During the financial year there were serious disruptions in our Queensland and Northern New South Wales markets due to extensive flooding and also the devastating earthquakes experienced by our stores in Christchurch New Zealand.

The outlook for 2011/12 remains cautious due to global volatility, increased utility costs, possible increase in unemployment numbers (especially in the crucial part-time work sector that employs so many students and mums), dampened housing markets and weak equity markets.

Sales from the franchised “Harvey Norman” complexes, commercial divisions and other sales outlets in Australia decreased by 5.3% for the period 1 July 2011 to 29 August 2011 when compared to the corresponding prior year period. Like for like sales for the period 1 July 2011 to 29 August 2011 decreased by 6.5% when compared to the corresponding prior year period.

We look forward to the Rugby World Cup enhancing the television category and of course in the second half of the upcoming financial year the world will be gearing up for the biggest ever Olympics in London which is always good for our AV/IT business.

The conversion of most of the Clive Peeters and Rick Hart stores to Harvey Norman and Joyce Mayne should result in an overall benefit to the consolidated entity.

The most significant addition to our business in the first half of FY12 will be the launching of our e-commerce site for Harvey Norman in early October 2011. Using market intelligence we have already gained from our successful photo-finishing and Domayne sites, we are confident our on-line transactional strategy will produce incremental dollars to the existing channel. Added to this, we will be pioneering a "software on demand" multi-channel offer as an extension to our successful photo-finishing business.

On the property side, our 72,000 sqm Springvale, Victoria homemaker centre is on track to open in October this year. This will be the largest homemaker centre in Australia and is anchored by Harvey Norman and IKEA.

On the overseas front, our new Space Singapore store opens in September. This truly iconic development brings all the leading designer brands under one roof in a central address to meet the demands of the fast growing Asian region. This store will be complemented by a new sister store in the equally fast growing city of Kuala Lumpur.

Maribor, Slovenia will be opening in October as will Zagreb, Croatia. Both superstores will be in excess of 10,000 sqm to meet the demands of these emerging economies. Our management and staff have delivered a much stronger result on last year in a challenging environment.

New Zealand continues to be a key market and the team are to be congratulated on their result in such a tumultuous year for that country.

Finally, Ireland and Northern Ireland continue to endure stagnant economic conditions as these countries try valiantly to stabilise. Our team is first class and growing market share is their priority whilst maintaining a well trained and service oriented team. We look forward to a better year this year.

SPACE, BENCOOLEN STREET, SINGAPORE
OPENING SEPTEMBER 2011

2011 Geographical Spread

■ Acquisitions, New Complex and Store Openings, Closures and Conversions

In July 2010 the consolidated entity acquired the Clive Peeters and Rick Hart brand names and the inventory and plant and equipment assets of twenty-eight (28) former CP and RH stores and a discounts “seconds” store at Osborne Park. The retail sites continued to trade under the Clive Peeters and Rick Hart brand names, with the exception of the stores located at Mt. Druitt, Maryborough and Moonah, which were rebranded to Harvey Norman during the year, and Bundaberg which was rebranded to Joyce Mayne.

As at 30 June 2011, there were seventeen (17) CP stores located in Victoria and Queensland and seven (7) Rick Hart stores and one (1) Rick Hart seconds store located in Western Australia.

In August 2011, the consolidated entity announced its intention to restructure the Clive Peeters and Rick Hart businesses with the proposed closure of seven (7) CP and RH retail sites and the conversion of sixteen (16) CP and RH stores to the Harvey Norman brand format and two (2) CP stores to the Joyce Mayne brand format. This restructure will take place during the first half of the 2012 financial year.

Franchised Complex Openings, Conversions and Closures

Two (2) new franchised Harvey Norman complexes, located at Morwell and Ipswich, commenced trading during the current year. There were 195 franchised complexes in Australia as at 30 June 2011 under the following brand names:

- Harvey Norman 166
- Domayne 15
- Joyce Mayne 14

Included in the above figures are the rebranding of the HN Bernoths store at Toowoomba and the former Clive Peeters Bundaberg store to Joyce Mayne and the rebranding of three (3) former CP stores to Harvey Norman.

One (1) Harvey Norman franchised complex located at Ulverstone, Tasmania ceased trading during the year.

Company-Owned Store Openings and Closures in Offshore Markets

One (1) new store was opened in Novo Mesto, Slovenia in October 2010 bringing the total number of stores in Slovenia to four (4). In New Zealand, one (1) new store opened in May 2011 at Gisborne and the Norman Ross Lower Hutt store ceased trading. There are thirty-one (31) stores in total in New Zealand under the Harvey Norman and Norman Ross brand names. There are seven (7) HN stores in Malaysia with the opening of a new store at Mont Kiara in January 2011. There are thirteen (13) HN stores in Singapore following one (1) store closure during the year. We remain committed to our company-owned stores in the Republic of Ireland and Northern Ireland with fourteen (14) and two (2) HN stores respectively.

There were 71 company-owned stores located in offshore markets as at 30 June 2011.

■ Property Portfolio

The property portfolio will be expanded by the addition of a number of significant new developments being undertaken. The Springvale development in Victoria, comprising an area of 72,000sqm, will open in October 2011 accommodating Harvey Norman, Domayne and IKEA along with 25 other retail tenancies all integrated under the one roof. This landmark development will be the largest of its kind in Australia. Strategically located on one of Melbourne's major arterial carriageways, it will draw on an extensive population catchment throughout the south eastern suburbs of Melbourne. Additionally, construction has recently commenced at Maroochydore Queensland to develop an internal centre comprising 32,600sqm of space, accommodating both Harvey Norman and Domayne along with 23 other retail tenancies. With an impressive street frontage exposure only a short distance from the Sunshine Motorway and Sunshine Plaza, this contemporary development will set a new benchmark for Bulky Goods retailing on the Sunshine Coast. Completion is scheduled for October 2012.

New Developments and Store Refurbishment Programme

The consolidated entity has embarked on an extensive new development and store refurbishment programme that is driven by a commitment to growing the Harvey Norman brands and maintaining the high standard of presentation of the franchised complexes and company-owned stores. The highlights of the programme are large-scale developments at Springvale and Maroochydore and a boutique restoration in Singapore to house the flagship Space Furniture retail brand.

Springvale, VIC: Opening October 2011

Springvale is a landmark development that showcases for the first time the joint retail powers of Harvey Norman and IKEA together under one roof. The development includes both Harvey Norman and Domayne as part of the 72,000 sqm centre.

Maroochydore, QLD: Opening October 2012

The Maroochydore development is well located close to the CBD. The centre will boast over 32,600 sqm of lettable area anchored by Harvey Norman and Domayne. Construction of the multi-level centre commenced in April 2011 and is due for completion in October 2012.

Bencoolen Street, Singapore: Opening September 2011

In Singapore, a mixture of conservation restoration and cutting-edge design will combine to form the new SPACE Asian hub. The heritage site in the very heart of Singapore's arts district was purchased in 2007. An intense design and construction programme will see the world class showroom open in September 2011.

■ Key Statistics Relating to the Australian Property Portfolio:

Australian Property Portfolio Statistics	FY2007	FY2008	FY2009	FY2010	FY2011
Weighted average capitalisation rates	8.69%	8.21%	8.36%	8.7%	8.77%
Average occupancy rates	98.56%	98.46%	97.89%	96.96%	97.56%
Net property yield (a)	14.11%	14.95%	6.76%	4.61%	9.10%
Return on equity (b)	25.86%	25.84%	12.00%	7.91%	16.35%
Australian Retail Property Portfolio:	**$000**	**$000**	**$000**	**$000**	**$000**
Australian Retail Property Segment Result	139,128	177,666	82,813	53,639	123,313
Australian Retail Property EBIT	156,228	189,783	96,044	67,457	141,051
Revaluation increment/(decrement):					
(a) Australian investment properties	64,483	64,709	(4,620)	(30,052)	15,297
(b) Share of joint venture properties	866	37,572	14,304	(9,854)	158
Total revaluation increment/(decrement)	65,349	102,281	9,684	(39,906)	15,455

(a) Calculated as: EBIT from Australian Retail Property Segment ÷ Australian Retail Property Segment Assets (after eliminations)
(b) Calculated as: EBIT from Australian Retail Property Segment ÷ Australian Retail Property Equity*
[*equity allocated to Australian retail property segment based on Australian retail property assets as a proportion of total assets]