Harvey Norman®
HOLDINGS LIMITED

Presentation of Results for Half-Year Ended 31 December 2011

Agenda

1. Strategic Overview
2. Franchisee Sales Revenue
3. Franchisee Trading Performance
4. Net Assets
5. Key Financial Highlights
6. Review of the Income Statement for the HY ended 31/12/11
7. Review of the Balance Sheet as at 31/12/11
8. Review of the Statement of Cash Flows
9. Segment Analysis
10. Outlook
11. Questions (limited to 30 minutes)

Strategic Overview

The Future of Retail – Our Omni Channel Strategy

The **CUSTOMER IS FIRST** and ever changing. As a company we have always recognised this and in the past ten years we have implemented changes to have a true cross-channel retail offering. Harvey Norman Holdings is a unique retail / property company which leverages and integrates its extensive property portfolio. Different customers value parts of the experience differently, but want integration of the digital and physical. In fact digital and physical compliment each other and thereby increase sales.

The Omni Channel Strategy:

- We seamlessly integrate the customer experience across all channels.
- We interact and transact with our customers through our website, physical stores, kiosks, marketing, social media, mobile devices, smart televisions, networked appliances and gaming devices, distribution centres and home services. They are all integrated channels. We are neither just physical stores or just online.
- We give the customer a broad selection of product, detailed product information, customer reviews, and our physical stores provide personal services and the ability to touch products – we make shopping an experience!
- We have distribution points in over 247 sites in Australia and New Zealand for ease of collection and returns.
- We have powerful positioning with our brands (Harvey Norman has just been named third Most Valuable Asia Pacific Brand for 2012 by Interbrand), which means we are uniquely placed compared to nearly any other retailer in our space.
- We integrate our E-Commerce with our physical store channels and provide in-store pick-up, shipping from store and site to store services. All channels work from the same database.
- Ongoing supply chain optimisation to control the value chain.

Strategic Overview – The Omni Channel Strategy

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Our Channels

Physical Stores
247 sites covering country, city Australia & New Zealand.

Personal service, ability to touch product, the shopping experience.

Social Media
Active since 2009.

Across all brands and services.

An important part of our delivering seamless interaction with our customers.

Marketing
In-house agency integrating traditional & digital marketing to customers through all channels.

Distribution Centres
247 sites covering country, city Australia & New Zealand.

In our categories, a truly effective Omni Channel must have extensive coverage of distribution centres throughout the country and city.

Smart TV's, Networked Appliances & Gaming Devices
Retail: 30 years experience selling branded technology. This is a must with the latest in sophisticated product.

Customer: 1-stop shopping experience through to service in the home as customers grapple with the integrated digital home.

Kiosks
Utilises new technologies & Network & Internet Solutions to deliver the solutions.

2002: launched digital photo centres

2003: launched digital photo imaging online

2011: launched On-Demand software

The next generation of our kiosks products will include thin touch screen technology, Cloud based connectivity to the world's most popular social networking platforms and continued refinement to our network based, remote management model

Home Services
With 247 shopfronts in Australia and New Zealand our customers have thousands of knowledgeable sales people who provide personal assistance across a variety of categories to ensure their needs are met before, during and after their purchase.

Our brand partner, "Tech-2-Home", offers the full solution when buying technology products. Specialist advice, connection and installation services support the customer in this fast-paced technology space. Tech-2-Home is currently available in 124 Australian sites and this number will grow to 150 by April 2012.

Mobile Devices
Retail: 17 years experience selling mobile devices has transitioned us as the leader in selling the synchronisation of PC / mobile / tablet technology.

M-Commerce App being released this half

Web
Knowledge: Detailed product information. The web influences over 45% of sales offline globally.

Transactional: Approximately 5% Online transactional retail sales globally.

Supply Chain Optimisation

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Franchisee Sales Revenue

Global Sales $AUD

- Sales from the franchised "Harvey Norman" complexes, commercial divisions & other sales outlets in Australia, New Zealand, Slovenia, Croatia, Ireland & Northern Ireland (excluding Singapore)("Global Sales") totalled $3.11 billion for the six (6) months ended 31 December 2011.
- 6.1% decrease from PCP
- 6.3% like-for-like decrease from PCP

Global Sales Increase / (Decrease) %

	Sales Growth (%)			
	Total (%)	Like-for-Like (%)		
	HY Dec-11	1Q12	2Q12	HY Dec-11
Australia $A	(-6.8%)	(-2.8%)	(-9.5%)	(-6.6%)
New Zealand $NZ	(-3.5%)	(-10.6%)	2.3%	(-4.1%)
Slovenia / Croatia € Euro	15.1%	(-8.9%)	(-19.3%)	(-14.9%)
Ireland € Euro	5.8%	(-0.5%)	10.0%	5.8%
Nth. Ireland £ Pound	(-3.8%)	(-11.1%)	1.8%	(-3.8%)
TOTAL in $A	**(-6.1%)**	**(-3.8%)**	**(-8.0%)**	**(-6.3%)**

Franchisee Trading Performance

The Australian sales data for the second quarter FY12 has been negatively impacted by the closure of the 7 Clive Peeters and Rick Hart stores, coupled with the transition of rebranding the remaining 18 stores to Harvey Norman and Joyce Mayne franchised complexes.

Australian franchisee sales data for the first half year ended December 2011 indicated that despite the decrease in sales turnover there was strong growth in units sold across all key categories.

- Furniture and bedding franchisee sales remained strong during the period. Even though the industry is experiencing a slowdown due to the soft housing market, these categories continue to perform. The recent placement of the Sleep City Everyday Living brand into administration should be a positive for our brands.

- Transactions in the Audio Visual and Information Technology (AV/IT) categories increased over the same period last year, however, ongoing price deflation, particularly in the flat panel television and computer hardware categories, has resulted in lower sales dollars. This deflation has been well publicised and highlighted by the placing into Administration this week of WOW Sight and Sound and the announcement of the restructure of the Dick Smith Brand. On the back of the home renovation market our home appliance business remains positive.

Franchisee Trading Performance

The decrease in franchisee turnover resulted in a reduction to franchise fees received and an increase in tactical support, ultimately reducing the franchising operations margin & cash flows from operating activities.

Current initiatives undertaken to improve both the franchising operations margin & cash flows from operating activities include:

- improved inventory efficiency program to realise a real reduction in the working capital requirements of franchisees;
- a cost reduction program for the franchisees, franchisor and company-operated stores.

Net Assets (5 Years)

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
Net Assets*	$1.87bn	$1.96bn	$2.10bn	$2.14bn	$2.23bn
Rate of increase from PCP	*24.8%*	*4.7%*	*7.4%*	*1.9%*	*4.2%*
Real Property Assets	$1.56bn	$1.77bn	$1.83bn	$1.98bn	$2.12bn
Rate of increase from PCP	*16.4%*	*13.5%*	*3.0%*	*8.4%*	*7.0%*

- we have MORE THAN DOUBLED our net asset base in 8.5 years
- our net assets were $1.02 billion in Dec-2003 vs $2.23 billion in Dec-2011
- included in net assets are real property assets of $2.12 billion valued at fair market value as at Dec-11
- we have a real, tangible asset base as opposed to many of our competitors whose asset value lies in intangibles such as goodwill, brand names & trademarks

* exclusive of non-controlling interests

Key Financial Highlights

	HY Dec 11	HY Dec 10	Mvmt on PCP
EBIT	$188.12m	$219.96m	down 14.5%
EBIT Margin %[1]	13.5%	15.7%	-220 bps
PBT	$163.47m	$198.61m	down 17.7%
NPAT [2]	$128.95m	$131.67m	down 2.1%
NPAT Margin %[1]	9.2%	9.4%	-20 bps
Net Assets [3]	$2.23bn	$2.14bn	up 4.2%
Net Debt to Equity %	29.74%	25.12%	
Interim Dividend	5.0c	6.0c	
EPS	12.14c	12.39c	down 2.0%

[1] EBIT & NPAT Margins are calculated on Total Revenues
[2] HY Dec 11 NPAT has been affected by a lower tax charge in the current period resulting from the Advanced Pricing Arrangement with the ATO and the reversal of future tax liabilities previously recognised on certain pre-CGT properties
[3] Net Assets is after the exclusion of non-controlling interests primarily relating to Singapore

Review of the Income Statement

Revenue Items	HY Dec 11	HY Dec 10	Mvmt on PCP
Sales Revenue	$806.88m	$804.13m	up 0.3%
Gross Profit	$205.00m	$215.39m	down 4.8%
Revenues & Other Income	$584.11m	$590.38m	down 1.1%

Sales Revenue ↑ of $2.75m due to:	▪ increase in CP & RH sales by $9.65m due to “closing-down” sales of 7 store closures in Aug-11 & sale of all inventory to HN & JM franchisees upon conversion to franchised model ▪ opening of the 1st Croatian store in Zagreb in Oct-11 contributed $5.32M sales for the half Offset by: ▪ lower sales in NZ (natural disasters in Christchurch & subdued NZ economy) ▪ FX deterioration for Ireland, Nth. Ireland & Slovenia
Gross Profit ↓ of $10.39m due to:	▪ price deflation in key categories, aggressive local and overseas competition and heavy discounting ▪ continue to grow or at least maintain market share in key categories in overseas markets
Revenues & Other Income ↓ $6.27m due to:	▪ revenue received from franchisees down by $24.33m or -4.5% due to 6.0% decline in franchise sales revenue [$2.58bn in Dec-11 vs $2.74bn in Dec-10] due to challenging retail sector in Australia, price deflation in key product categories & aggressive competition to maintain & grow market share Offset by: ▪ revaluation increment on Australian investment properties of $11.90m ▪ revaluation increment for a store in Slovenia of $2.87m to reverse a previous decrement ▪ increased rental income & interest from other third parties by $3.29m

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Review of the Income Statement

Expenses & Profit	HY Dec 11	HY Dec 10	Mvmt on PCP
Total Expenses	($628.03m)	($618.45m)	up 1.5%
Share of JV investments	$2.39m	$11.30m	down 78.8%
Profit Before Tax	$163.47m	$198.61m	down 17.7%
Income Tax Expense	($32.64m)	($64.61m)	down 49.5%
Non-Controlling Interests	($1.89m)	($2.34m)	down 19.2%
Profit After Tax & NCI	$128.95m	$131.67m	down 2.1%

Total Expenses ↑by $9.58m due to:	▪ a higher level of tactical support to assist franchisees to effectively compete in local markets ▪ restructuring and closure costs associated with the impaired CP & RH brand names of $8.07m ▪ higher borrowing costs by $3.30m due to increased utilisation of the facility and the modification of the Syndicated Loan Facility in Dec-11
Share of JV profit ↓ by $8.91m due to:	▪ revaluation decrement of $3.70m in Dec-11 (increment of $0.16m in PCP) ▪ profit on sale of a development property held by a JV entity in PCP of $7.34m
Lower tax charge by $31.97m due to:	▪ reduction in current period profit before tax translating to a decrease in tax liability by ~ $10m ▪ tax benefit of $12.29m associated with treatment of support payments to Ireland & Nth. Ireland during 2010 & 2011 as agreed under the terms of an Advance Pricing Agreement with the ATO dated 6 Feb 2012 ▪ tax benefit of $7.25m for the reversal of future tax liabilities previously recognised on certain pre-CGT properties

Review of the Balance Sheet (5 Years)

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
Total Assets	$3.46bn	$3.78bn	$3.82bn	$4.06bn	$4.23bn
Return on Total Assets %	6.65%	2.63%	4.15%	3.25%	3.05%
Total Liabilities	$1.54bn	$1.76bn	$1.67bn	$1.87bn	$1.96bn
Net Assets	$1.87bn	$1.96bn	$2.10bn	$2.14bn	$2.23bn

Total Assets	▪ steady increase in total assets over the above 5-year period ▪ strength of the asset base is in ownership of real, tangible property assets comprising $2.12bn in Dec-11 ▪ balance sheet not clouded by intangible assets pinned to the “underlying worth” of the business ▪ solid cash reserves of $122.47m as at Dec-11 ($87.73m net of bank overdraft)
Total Liabilities	▪ rise in total liabilities slower than the growth in total assets ▪ rise in liabilities primarily due to higher current & non-current borrowings from external financiers to fund expansion & development, working capital of overseas entities & to assist franchisees as and when required ▪ despite higher utilisation of facilities, debt levels remain low and gearing ratios continue to be conservative
Net Assets	**We have MORE THAN DOUBLED our net asset base in 8.5 years**

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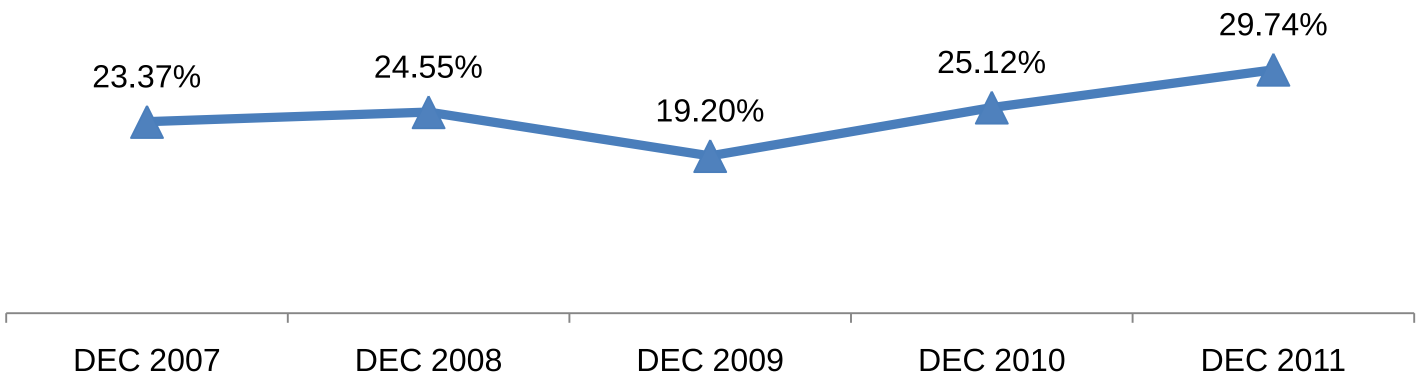
Review of the Balance Sheet – Net Debt to Equity Ratio (%)

	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11
TOTAL DEBT	$515.14m	$655.24m	$579.57m	$682.77m	$799.40m
Less: CASH RESERVES	($67.03m)	($159.67m)	($166.35m)	($132.92m)	($122.47m)
NET DEBT	$448.11m	$495.57m	$413.22m	$549.85m	$676.93m
TOTAL EQUITY	$1.92bn	$2.02bn	$2.15bn	$2.19bn	$2.28bn
Net Debt to Equity Ratio %	**23.37%**	**24.55%**	**19.20%**	**25.12%**	**29.74%**

Net Debt To Equity Ratio



Review of the Statement of Cash Flows

	HY Dec 11	HY Dec 10	Mvmt on PCP
Operating Cash Flows	$19.88m	$93.52m	down 78.7%

Operating cash flows ↓ by $73.64m due to:	1) Reduction in net receipts from franchisees by $77.78m due to the following: ▪ lower revenue received from franchisees by $24.33m (franchise fees & interest) due to difficult retail trading conditions ▪ a higher net outflow by the franchisor for working capital advances to franchisees by $65.15m relative to PCP due to an additional purchase of $35m of computer hardware & Digital SLR inventory in Q2 of FY12 to cater for component shortage resulting from the floods in Thailand (bringing forward Jan & Feb 2012 purchases) & a lower rate of reduction in franchisee loan balances due to reduced cash receipts from franchisee sales ▪ offset by lower other receivables due to the franchisor of $11.7m 2) Reduction in receipts from customers by $23.87m due to conversion of CP & RH business from company operated stores to franchised stores during period & lower sales by NZ stores 3) Higher payments for GST by $9.38m & interest by $3.08m & lower distributions received from JV's by $18.98m 4) Offset by: a) lower payments to supplier & employees by $24.59m despite heavy investment in our Omni-channel of approximately $22m during the period (digital, on-line, photo centres, software on-demand kiosks, E-commerce & wireless); b) lower income tax payments by $34.57m due to lower profits generated & tax benefit of support payments to Ireland & Nth. Ireland

Review of the Statement of Cash Flows

	HY Dec 11	HY Dec 10	Mvmt on PCP
Investing Cash Flows	($128.40m)	($226.44m)	down 43.3%
Financing Cash Flows	$77.52m	$115.53m	down 32.9%
Net Decrease in Cash Flows	($31.00m)	($17.39m)	down 78.3%
Cash & Cash Equivalents At Beginning of the Period	$118.73m	$100.91m	
Cash & Cash Equivalents At End of the Period	$87.73m	$83.52m	up 5.0%

Investing cash flows ↓ by $98.04m due to:	▪ prior year included the payment of $55m for the purchase of the CP & RH assets ▪ reduction in payments for investment properties by $75.62m as the prior period included several large property acquisitions including the At Home Centre at Penrith & extensive costs for the construction of the Springvale development & the Space Asian showroom in Singapore
Financing cash flows ↓ by $38.01m due to:	▪ down due to lower rate of increase in the utilisation of the Syndicated Loan Facility & other external debt ▪ reduction in dividends paid by HNHL by $10.62m

Segment Analysis – Franchising Operations Segment

Franchising Operations	HY Dec 11	HY Dec 10	Mvmt on PCP
Segment Revenue	$466.26m	$498.99m	down 6.6%
Segment EBITDA	$134.88m	$189.14m	down 28.7%
Segment Result Before Tax	$95.51m	$150.36m	down 36.5%
Franchising Operations Margin %	3.70%	5.48%	-178 bps

FO segment revenue ↓ by $32.73m due to:	▪ comprises 33.4% of total revenue for Dec-11 (Dec-10: 35.5%) ▪ lower franchise fees received due to tough retail trading conditions experienced by franchisees, price deflation in key categories and aggressive competition ▪ reduction partially offset by the conversion of 18 former CP & RH stores to the franchised model & the opening of 4 new complexes during the period
FO segment EBITDA ↓ by $54.26 m due to:	▪ comprises 58.4% of total EBITDA for Dec-11 (Dec-10: 71.3%) ▪ profitability of franchisees adversely affected by falling product margins (price deflation in key categories and heavy discounting) resulting from their attempt to maintain & grow market share ▪ a higher level of tactical support payments made to franchisees during the period to enable them to effectively compete in their local markets
FO segment result before tax ↓ by $54.85m	▪ comprises 58.4% of consolidated profit before tax for Dec-11 (Dec-10: 75.7%) ▪ higher funding costs allocated to FO segment due to higher borrowing costs resulting from increased utilisation of debt facility

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Segment Analysis – Total Property Segments

Total Property	HY Dec 11	HY Dec 10	Mvmt on PCP
Segment Revenue	$116.61m	$91.58m	up 27.3%
Segment EBITDA	$83.37m	$60.78m	up 37.2%
Segment Result Before Tax	$68.77m	$47.18m	up 45.8%

Property segment revenue ↑ by $25.03m due to:	▪ rent received from owned properties in Australia increased by $5.22m ▪ recognition of profit of $10.00m on the successful completion & opening of the Springvale development ▪ net property revaluation increment of $11.90m for Aust investment properties (decrement in PCP) ▪ reversal of a previous revaluation decrement relating to a property in Slovenia of $2.87m ▪ comprises 8.3% of total revenue for Dec-11 (Dec-10: 6.5%) ▪ ownership of high-quality property portfolio of $2.12bn is an integral component of our system and underpins the franchising operations segment ▪ provides a steady & reliable income stream from rent charged to franchisees & external tenants
Property segment EBITDA ↑ by $22.59 m due to:	▪ comprises 36.1% of total EBITDA for Dec-11 (Dec-10: 22.9%) ▪ increase in property-related expenses proportional to the rise in property revenue ▪ higher expenses associated with the opening of several large developments during the period
Property segment result before tax ↑ by $21.59m	▪ comprises 42.1% of consolidated profit before tax for Dec-11 (Dec-10: 23.8%) ▪ the rising value of the property portfolio has necessitated a higher level of financing costs

Segment Analysis – Company-Operated Retail Operations

Total Retail Operations	HY Dec 11	HY Dec 10	Mvmt on PCP
Segment Revenue	$822.53m	$818.96m	up 0.4%
Segment EBITDA	$9.94m	$5.54m	up 79.5%
Segment Result Before Tax	($1.14m)	($6.89m)	up 83.5%

Retail Ops segment revenue ↑ by $3.57m due to:	▪ increase in CP & RH sales by $9.65m due to “closing-down” sales of 7 store closures & sale of all inventory to HN & JM franchisees upon conversion to franchised model ▪ increase in sales in local currency for stores located in Singapore & Malaysia ▪ increase in Slovenian sales in local currency due to opening of Maribor store in Oct-11 ▪ new store in Zagreb, Croatia generated $5.32m sales since opening in Oct-11 ▪ offset by reduction in NZ sales revenue by $10.75m due to subdued state of NZ economy, effect of natural disasters in Christchurch & increased local and overseas competition ▪ sales generated by 14 stores in Ireland & 2 stores in Nth. Ireland similar to PCP
Retail Ops segment EBITDA ↑ by $4.40m.	▪ comprises 4.3% of total EBITDA for Dec-11 (Dec-10: 2.1%)
Retail Ops segment result before tax ↑ by $5.75m	▪ pleased with the performance of NZ retail segment: despite 3.7% decrease in sales, profit decreased by only 0.6% from PCP ▪ includes closure & restructuring costs for the CP & RH businesses of $8.07m in current period ▪ reduction in trading loss incurred by former CP & RH stores by $13.19m ▪ lower trading losses incurred by Ireland & Nth. Ireland stores by $2.07m ▪ reduction in profitability of the Slovenian & Croatian segment by $3.0m due to the challenging economic conditions in Europe and store opening costs associated with the Maribor & Zagreb stores

Outlook

- continued investment in strengthening our Omni channel strategy
- improved inventory efficiency program & enhanced supply chain controls to reduce the working capital requirements of franchisees
- strategy continues to be underpinned by a strong asset base
- franchising operations within Australia has continued strength from furniture & bedding categories
- the audio visual and information technology categories will continue to remain challenged in the next 6 months.
- our home appliances category continues to remain positive on the back of the home renovation market
- confident that our on-line transactional strategy will produce incremental revenue to the existing franchisee and company-operated stores
- the Space Asia Hub opened in November 2011 and is performing to expectations. Our upgraded store in Kuala Lumpur opens in April 2012. The Space brand is ideally placed for the growing prestige market in Asia / Pacific.
- positive results expected to continue in NZ despite upheaval caused by natural disasters & intense competition
- Irish business continues to improve & outperform the Irish market although economic environment remains very challenging

Outlook

- positioned for growth in Slovenia and Croatia in the year ahead with the opening of our Maribor and Zagreb stores.
- property portfolio continues to be a key asset base of the company
- construction of a 32,600 sqm homemaker centre at Maroochydore, Queensland is on schedule to open in Oct-2012
- balance sheet remains strong through conservative fiscal management
- low debt to equity ratio with tangible property assets in excess of $2.12 billion has us well positioned to manage the core business within respective territories and take advantage of opportunities in the future

Questions (limited to 30 minutes)