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press release

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RESULTS FOR HALF-YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

- **Net profit before tax up 25.8% to $200.79 million**
- **Net profit after tax up 27.4% to $141.98 million**
- **Global sales up 3.2% to $3.09 billion**
- **Global like-for-like sales up 3.4%**
- **Improved profitability of operating segments**
- **Net debt-to-equity down to 22.18% from 24.95%**

Harvey Norman Holdings Limited (ASX:HVN) announced today that profit before tax for the half year to 31 December 2014 was $200.79 million, a **25.8% increase** on the $159.64 million result in the previous corresponding period.

This result includes a net property revaluation increment of $3.86 million compared to a $8.61 million decrement in the previous corresponding period. Excluding net property revaluation adjustments, the net profit before tax for the period was $196.93 million**, a 17.0% increase** from $168.25 in the previous corresponding period.

Net profit after tax was $141.98 million, an **27.4% increase** on the $111.42 million result in the previous corresponding period. Excluding the effects of the net property revaluation adjustments, the net profit after tax for the half year was $139.13 million, **an increase of 18.5%** over $117.45 million in the previous corresponding period.

Global sales for the half year increased to $3.09 billion, 3.2% higher than the previous corresponding period and a 3.4% increase on a like-for-like basis.

Commenting on the result, Harvey Norman Chairman Gerry Harvey said, “The strength of our Omni Channel Strategy and the benefits of the integrated Harvey Norman system continue to shine through with this result. Our business has shown positive momentum for some time now, and it’s great to see improved segment performances in the half year.”

Franchisee sales increased by 1.8% to $1.17 billion in the September quarter and by 2.1% to $1.36 billion in the December quarter, with like-for-like sales increasing by 2.8% in both quarters. Tactical support to franchisees decreased by $11.47 million, or 22.4%, to $39.97 million for the half-year.

Mr Harvey said, “In Australia, our stores are benefitting from improved consumer confidence on the back of strong equity markets and strong growth in the housing market.”

“The franchising operations segment turned in a particularly strong performance during the period, delivering improved profitability and an eighth consecutive quarter of like-for-like sales growth. Against the backdrop of a strong residential property market, growth this half was weighted towards Homemaker categories as customers continued to turn to Harvey Norman as a one-stop destination for their Homemaker needs. We are seeing consistent strength in NSW, a state where property markets are particularly buoyant and home to more than 35% of our stores.”

The company-operated retail segment recorded an 8.1% increase in revenues to $842.87 million over the previous corresponding period and enhanced profitability. This was driven by an improved contribution from stores in New Zealand, where Harvey Norman continues to outperform competitors, and a reduction of trading losses in Ireland and Northern Ireland as consumer brand awareness improved and economic conditions continued to stabilise. The stronger company-operated segment result was partially offset by Asia, where weaker consumer sentiment in Singapore affected sales.

Harvey Norman maintains a strong balance sheet, with net assets of $2.54 billion at 31 December 2014. Net debt-to-equity of 22.18% was down from 24.95% in the previous corresponding period, reflecting the company’s prudent approach to financial management. Real property assets increased to $2.31 billion from $2.27 billion in the previous corresponding period and $2.29 billion at the end of the 2014 financial year.

Mr Harvey said, “Our vast portfolio of real property fortifies our balance sheet and provides a clear advantage over competitors. We have reduced gearing significantly over the last three years and more than doubled our net assets over the past decade. A balance sheet rich with tangible assets provides a solid platform for growth.”

“The housing market in Australia is likely to remain strong, supported by record low interest rates and major infrastructure investment in NSW. Notwithstanding a significant change in the broader economic environment in Australia, we expect consumer sentiment to remain stable and positive trends in our business to continue.”

The Board has recommended payment of a fully franked interim dividend of 9 cents per share. Together with the fully franked special dividend paid in December, this brings total dividends for the half year to 23 cents.