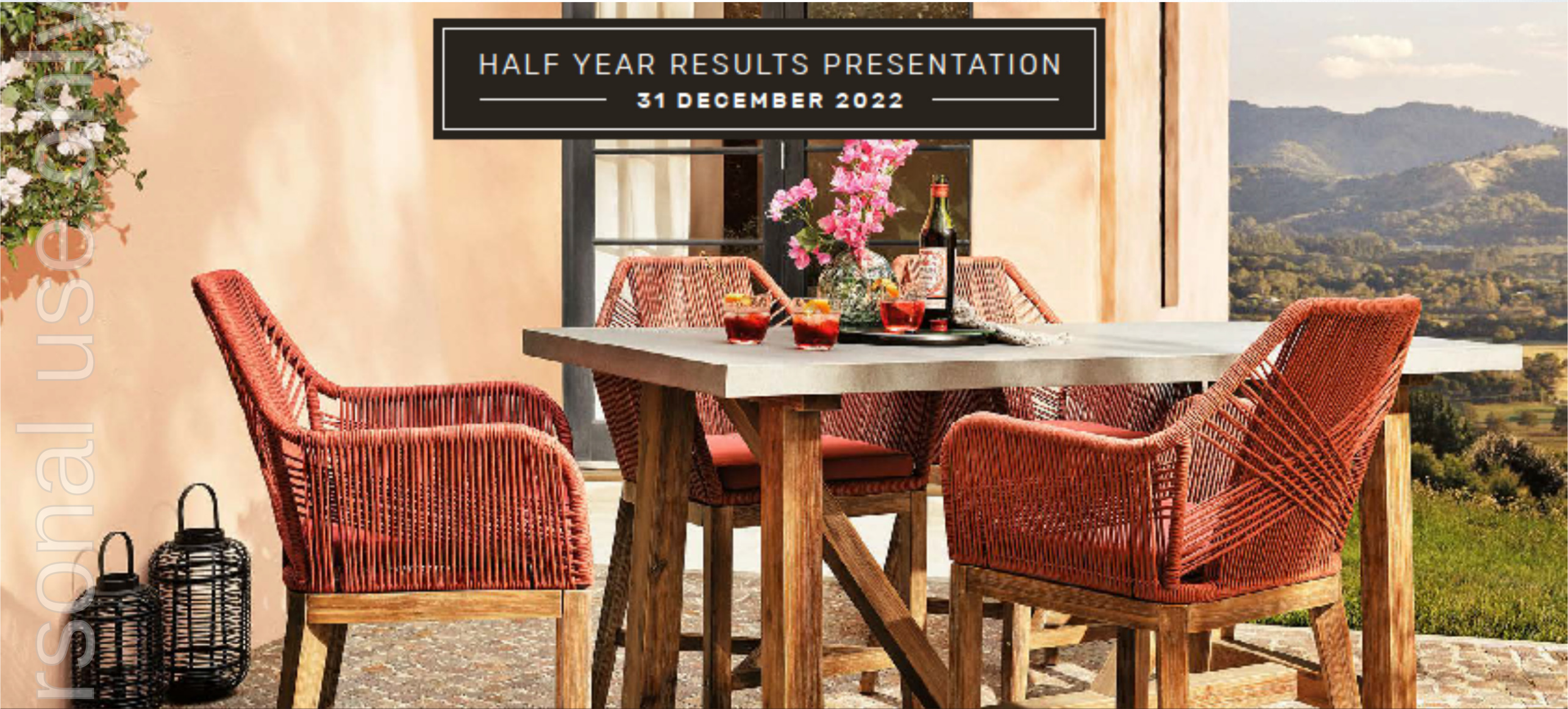
Harvey Norman

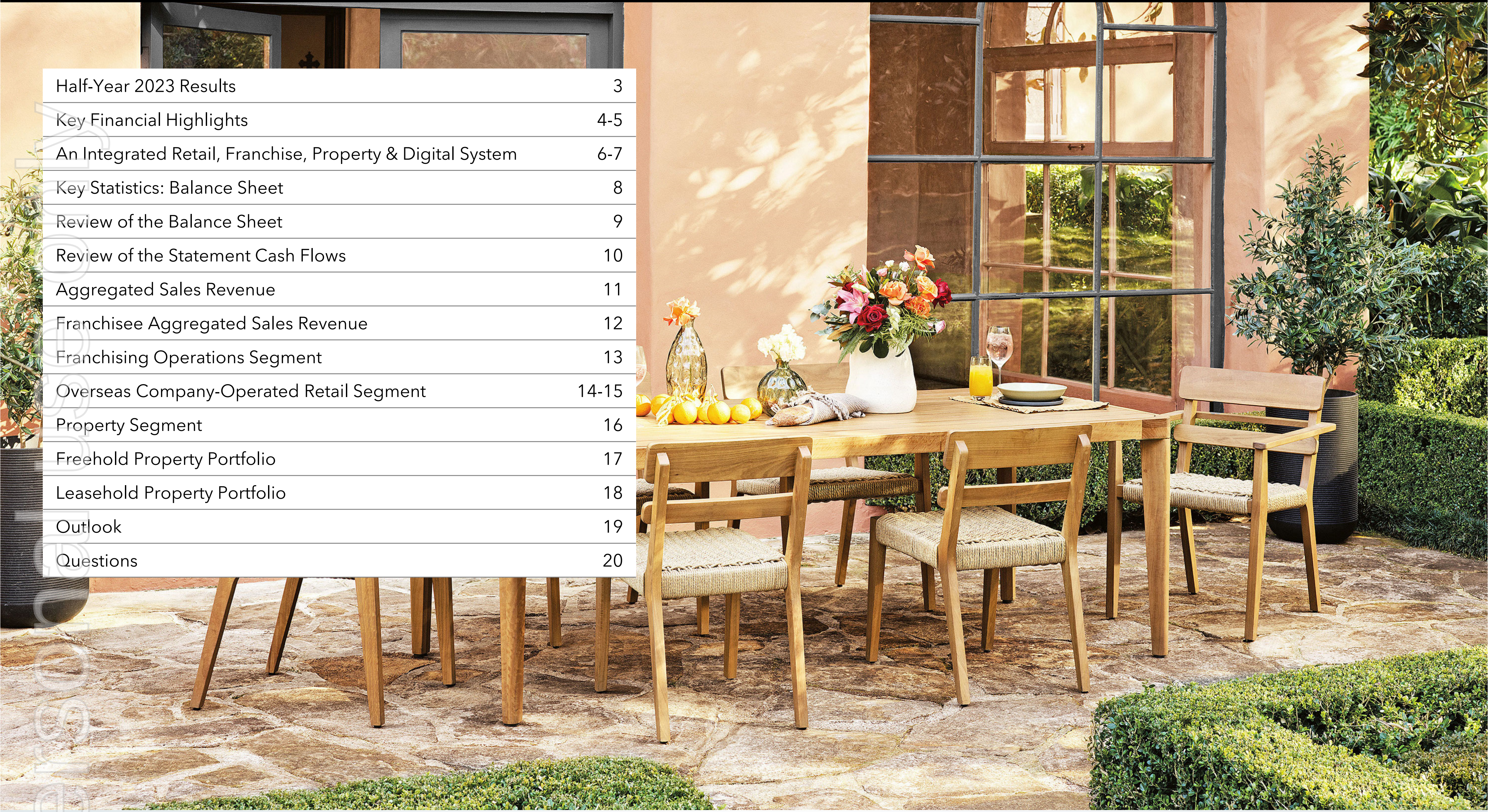
HOLDINGS LIMITED | ACN 003 237 545

HALF YEAR RESULTS PRESENTATION

31 DECEMBER 2022



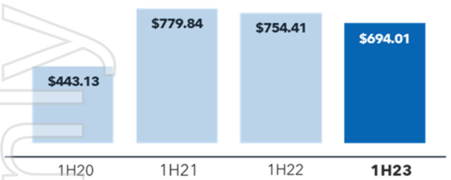
Australia
New Zealand
Singapore
Slovenia
Ireland
Northern Ireland
Malaysia
Croatia



HALF-YEAR 23 RESULTS

THE HARVEY NORMAN® RETAIL & PROPERTY STRATEGY DELIVERS

EBITDA ($M)



EBITDA

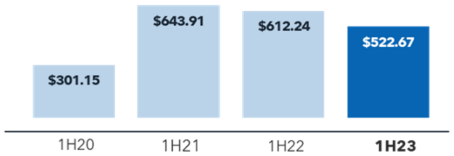
$ 694.01m

DOWN BY **$60.40m** FROM 1H22
UP BY **$250.89m** FROM 1H20

EBITDA: 1H23 vs 1H20

INCREASE OF **56.6%**
3-YEAR CAGR **16.1%**

REPORTED PBT ($M)



PBT

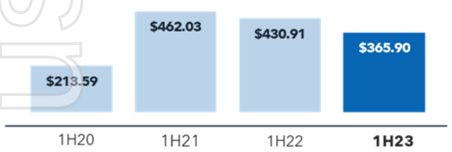
$ 522.67m

DOWN BY **$89.57m** FROM 1H22
UP BY **$221.52m** FROM 1H20

PBT: 1H23 vs 1H20

INCREASE OF **73.6%**
3-YEAR CAGR **20.2%**

REPORTED NPAT & NCI ($M)



REPORTED NPAT

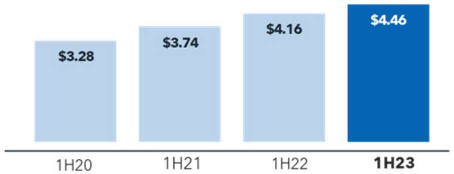
$ 365.90m

DOWN BY **$65.01m** FROM 1H22
UP BY **$152.31m** FROM 1H20

NPAT: 1H23 vs 1H20

INCREASE OF **71.3%**
3-YEAR CAGR **19.7%**

NET ASSETS ($BN)



NET ASSETS

$ 4.46bn

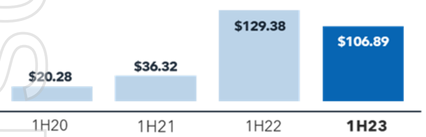
UP BY **$298.14m** FROM 1H22
UP BY **$1.18bn** FROM 1H20

NET ASSETS: 1H23 vs 1H20

INCREASE OF **35.9%**
3-YEAR CAGR **10.8%**

NET PROPERTY REVALUATIONS ($M)

[recorded in Profit or Loss (P&L)]



PROPERTY REVALUATIONS

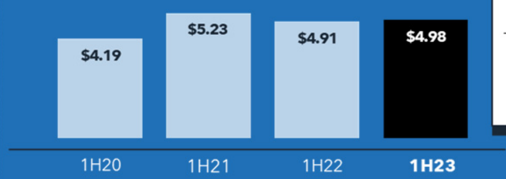
$ 106.89m

DOWN BY **$22.49m** FROM 1H22
UP BY **$86.61m** FROM 1H20

PROPERTY REVALUATIONS: 1H23 vs 1H20

INCREASE OF **427%**
3-YEAR CAGR **74.0%**

TOTAL SYSTEM SALES REVENUE ($BN)



TOTAL SYSTEM SALES

$ 4.98bn

UP BY **$68.31m** FROM 1H22
UP BY **$784.46m** FROM 1H20

TOTAL SYSTEM SALES: 1H23 vs 1H20

INCREASE OF **18.7%**
3-YEAR CAGR **5.9%**

Harvey Norman

HOLDINGS LIMITED | ACN 003 237 545

KEY FINANCIAL HIGHLIGHTS

EBITDA

$694.01m

DOWN BY $60.40m or -8.0% FROM $754.41m IN 1H22
UP BY $250.89m or 56.6% FROM $443.13m IN 1H20

EBITDA
Excluding AASB 16 net impact & net property revaluations

$490.26m

DOWN BY $47.91m or -8.9% FROM $538.16m IN 1H22
UP BY $148.72m or 43.5% FROM $341.54m IN 1H20

EBIT

$562.37m

DOWN BY $75.38m or -11.8% FROM $637.76m IN 1H22
UP BY $229.99m or 69.2% FROM $332.39m IN 1H20

EBIT
Excluding AASB 16 net impact & net property revaluations

$446.03m

DOWN BY $46.46m or -9.4% FROM $492.49m IN 1H22
UP BY $149.65m or 50.5% FROM $296.37m IN 1H20

REPORTED PBT

$522.67m

DOWN BY $89.57m or -14.6% FROM $612.24m IN 1H22
UP BY $221.52m or 73.6% FROM $301.15m IN 1H20

PBT
Excluding AASB 16 net impact & net property revaluations

$430.71m

DOWN BY $57.02m or -11.7% FROM $487.73m IN 1H22
UP BY $144.84m or 50.7% FROM $285.87m IN 1H20

REPORTED PROFIT AFTER TAX & NCI

$365.90m

DOWN BY $65.01m or -15.1% FROM $430.91m IN 1H22
UP BY $152.31m or 71.3% FROM $213.59m IN 1H20

PROFIT AFTER TAX & NCI
Excluding AASB 16 net impact & net property revaluations

$301.32m

DOWN BY $42.16m or -12.3% FROM $343.47m IN 1H22
UP BY $98.28m or 48.4% FROM $203.04m IN 1H20

547
FRANCHISEES IN AUSTRALIA

196
FRANCHISED COMPLEXES IN AUSTRALIA

109
OVERSEAS COMPANY OPERATED STORES

HNHL CONSOLIDATED REVENUES

$2.34 billion

SALES OF PRODUCTS TO CUSTOMERS..............................**$1.47bn**
REVENUE RECEIVED FROM FRANCHISEES.........................**$654.63m**
REVENUES AND OTHER INCOME ITEMS............................ **$216.96m**

NET ASSETS

$4.46 billion

UP 3.9% FROM $4.29BN in JUN-22
UP 7.2% FROM $4.16BN in DEC-21

NET DEBT TO EQUITY

12.17%

NET DEBT of $553.35M
vs NET DEBT of $450.77M in
JUN-22 and $61.95M in DEC-21

BASIC EARNINGS PER SHARE

29.37c

INTERIM DIVIDEND PER SHARE

13.0c
(FULLY-FRANKED)

TOTAL SYSTEM SALES REVENUE

$4.98 billion

AGGREGATED HEADLINE FRANCHISEE
SALES REVENUE* **$3.51bn**

COMPANY-OPERATED SALES REVENUE **$1.47bn**

*Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity.

Group Results

- **Reported profit before tax (PBT) of $522.67 million**, down by $89.57 million or -14.6% from $612.24 million in 1H22. Compared to pre-COVID 1H20, the **PBT result was well above pre-pandemic levels increasing by $221.52 million, or 73.6%, from $301.15 million in 1H20 delivering a CAGR of 20.2% over the past 3 years.**

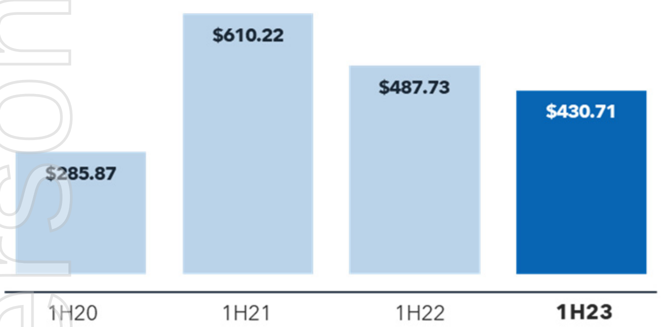
- PBT (excluding AASB 16 impact and net property revaluations) of $430.71 million, up $144.84 million, or up 50.7%, from 1H20 delivering a CAGR of 14.6% over the past 3 years.

- **This solid growth demonstrates the strength of the integrated retail, franchise, property and digital system in generating sustainable returns throughout the pandemic to deliver a substantial increase in net assets and a stronger balance sheet post-COVID. This gives us the capacity to access additional liquidity should we require it.**

- Trading conditions started to normalise in 1H23 vs 1H22 where approx. 60% of the total number of Australian Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes were mandated to close for nearly 4 months.

- Our company-operated stores in New Zealand and Malaysia were also subjected to extensive lockdowns in 1H22 but sales accelerated quickly from pent-up demand resulting in significantly elevated sales once the restrictions lifted.

PROFIT BEFORE TAX ($M)
[excluding impact of AASB 16 *Leases* & net property revaluations]



PBT (excl AASB 16 & net property revaluations)
$430.71m
DOWN BY **$57.02m** FROM 1H22
UP BY **$144.84m** FROM 1H20

INCREASE OF **50.7%** FROM 1H20 | 3-YEAR CAGR OF **14.6%**

- **Total operating expenses as a percentage of total system sales revenue remain efficient at 16.4% for 1H23**, compared to 15.1% in 1H22 and 17.0% in 1H20.

- Total revenues for the consolidated entity remained consistent with 1H22 at $2.34 billion. The reduction in franchise fees received have been offset by higher rent and outgoings received from franchisees because last year included $27.07 million of rent waivers provided to those franchisees that were affected by lockdowns in 1H22.

- Post-COVID, 1H23 saw operating expenses in the 8 countries rise after being abnormally low in 1H22 primarily due to closures and COVID restrictions.

- Global marketing expenses have risen by $27.17 million to $201.66 million due to the low base last year but are now comparable to prior periods at 4% of total system sales revenue for 1H23 vs the pre-pandemic level of 5.1% in 1H20.

- Other expenses have increased by $18.77 million, or 47.3%, to $58.43 million in 1H23 as franchisees strengthen customer loyalty, primarily through bonus gift cards.

- Rising costs of borrowing have driven up finance costs this half, which is the main contributor to the increase in net expenses recognised under AASB 16 *Leases* by $10.07 million in 1H23 vs 1H22.

- **Reported profit after tax and non-controlling interests (NPAT) was $365.90 million for 1H23**, a decrease of $65.01 million or –15.1% from $430.91 million in 1H22. NPAT was up by $152.31 million, or 71.3%, compared to 1H20.

- Excluding the effects of net property revaluation adjustments, profit after tax and non-controlling interests for 1H23 was $291.09 million, a decrease of $49.26 million or –14.5% when compared to 1H22 but up by $91.70 million, or 46.0%, from 1H20.

- The effective tax rate for the consolidated entity was 29.26% for 1H23 compared to an effective tax rate of 29.16% for 1H22.

HALF-YEAR ENDED 31 DECEMBER 2022

REPORTED PROFIT AFTER TAX & NCI

$365.90 m | DOWN BY $65.01m or –15.1% on 1H22
UP BY $152.31m or +71.3% on 1H20

HARVEY NORMAN® AUSTRALIAN FRANCHISED RETAIL AND OVERSEAS COMPANY-OPERATED RETAIL OPERATIONS ARE SUPPORTED BY AN INTEGRATED RETAIL, FRANCHISE, PROPERTY & DIGITAL SYSTEM

HARVEY NORMAN® RECOGNISED HOME, LIFESTYLE AND TECHNOLOGY RETAIL BRANDS

170 Franchised complexes – Harvey Norman®

19 Franchised complexes – DOMAYNE®

7 Franchised complexes – JOYCE MAYNE®

109 Overseas company-operated stores – Harvey Norman

AUSTRALIAN FRANCHISING OPERATIONS

- 196 franchised complexes in Australia comprising 547 independent franchisees
- 1H23 Aggregated Franchisee Sales Revenue: $3.51 billion
- 1H23 PBT: $237.65 million

OVERSEAS COMPANY-OPERATED RETAIL

- 109 company-operated stores in 7 countries (New Zealand, Singapore, Malaysia, Ireland, Northern Ireland, Slovenia & Croatia)
- 1H23 Overseas Company-Operated Revenue: $1.39 billion
- 1H23 PBT: $99.60 million

STRATEGIC 'LARGE-FORMAT' RETAIL PROPERTY PORTFOLIO

- 95 franchised complexes owned (48% of total)
- 450 diverse third-party tenants (large proportion ASX listed)
- $3.37 billion LFR portfolio (largest single owner in Australia)
- 1H23 PBT: $186.29 million (including revaluations)

- 26 international owned retail property assets (24% of total)
- $543.61 million owner-occupied and investment property portfolio

STRONG BALANCE SHEET

- Total assets of $7.81 billion, growing by $565.78 million, or 7.8%, over the past 6 months. Growth in total assets of $1.76 billon, or 29.1%, since 1H20
- Anchored by tangible property assets exceeding $3.9 billion across 8 countries that continues to deliver growth in terms of rental returns & capital appreciation
- Ample liquidity and we continue to maintain a low net debt to equity ratio of 12.17%
- Omni-channel strategy has delivered a significant uplift in net assets by $1.18 billion from pre-COVID levels of $3.28 billion in 1H20 to $4.46 billion in 1H23

INVESTMENT IN TECHNOLOGY, DIGITAL TRANSFORMATION AND IT INFRASTRUCTURE ASSETS

- Online sales channel
- Click & Collect
- Quick Reserve
- Store Finder
- Trak by Harvey Norman®
- LiveChat

The consolidated entity operates an integrated retail, franchise, property and digital strategy, comprising three main pillars: 1. Retail - 2. Franchise - 3. Property, complemented by a robust and sustained investment in technology, digital transformation and IT infrastructure assets.

This strategy has delivered sustainable growth throughout the pandemic and a significant uplift of $1.18 billion in net assets from pre-COVID levels of $3.28 billion as at 31 December 2019 to $4.46 billion as at 31 December 2022.

1 Franchising Operations Segment

$237.65m

Profit Before Tax
Representing 45% of PBT

DOWN BY **$55.21M** OR **-18.9%** ON 1H22

POST-COVID vs PRE-COVID
1H23 vs 1H20

INCREASE OF **91.9%**
3-YEAR CAGR **24.3%**

Profitability of the franchising operations segment declined by $55.21 million or –18.9% to $237.65 million for 1H23, compared to $292.85 million for 1H22. When compared to pre-COVID 1H20, the franchising operations segment result was higher by $113.79 million, or 91.9%, delivering a 3-year CAGR of 24.3%.

The franchising operations margin was 6.78% for 1H23, compared to 8.53% for 1H22 and 4.19% for 1H20.

2 Overseas Company–Operated Retail Segment

$99.60m

Profit Before Tax
Representing 19% of PBT or 24% (excluding net property revaluations)

DOWN BY **$28.88M** or **-22.5%** ON 1H22

POST-COVID vs PRE-COVID
1H23 vs 1H20

INCREASE OF **21.9%**
3-YEAR CAGR **6.8%**

Offshore profitability was $99.60 million for 1H23, a decrease of $28.88 million or –22.5%, primarily in our NZ company-operated stores, due to a slowdown in sales growth, a contraction in gross margins due to discounting and the normalisation of operating costs following two years of COVID disruptions.

Compared to pre-pandemic levels, offshore profits increased by $17.91 million, or 21.9%, from 1H20, delivering a 3-year CAGR of 6.8%.

3 Property Segment

$186.29m

Profit Before Tax
Representing 36% of PBT

DOWN BY **$11.45M** OR **-5.8%** ON 1H22

POST-COVID vs PRE-COVID
1H23 vs 1H20

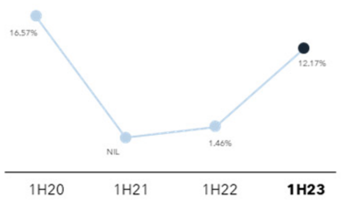
INCREASE OF **100.2%**
3-YEAR CAGR **26.0%**

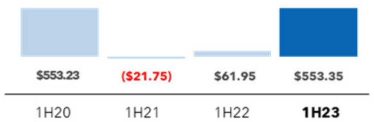
The retail property segment result was $186.29 million for 1H23, compared to a result of $197.74 million in 1H22, a decrease of $11.45 million or –5.8%.

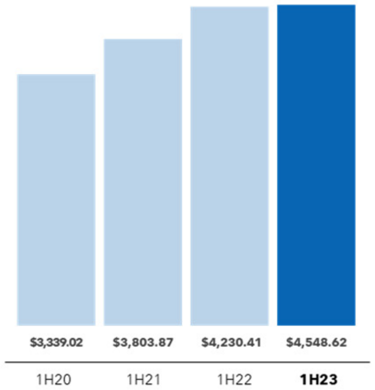
When compared to 1H20, the property segment result was higher by $93.24 million, or 100.2%, delivering a 3-year CAGR of 26.0%.

NET DEBT TO EQUITY RATIO

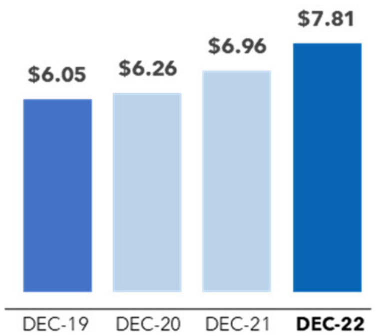
DEC 22 NET DEBT OF **$553.35m** VS **DEC 21** NET DEBT OF **$61.95m**



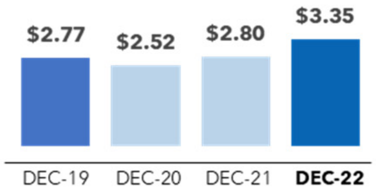




TOTAL ASSETS ($bn)
HALF-YEAR ENDED 31 DECEMBER



TOTAL LIABILITIES ($bn)
HALF-YEAR ENDED 31 DECEMBER



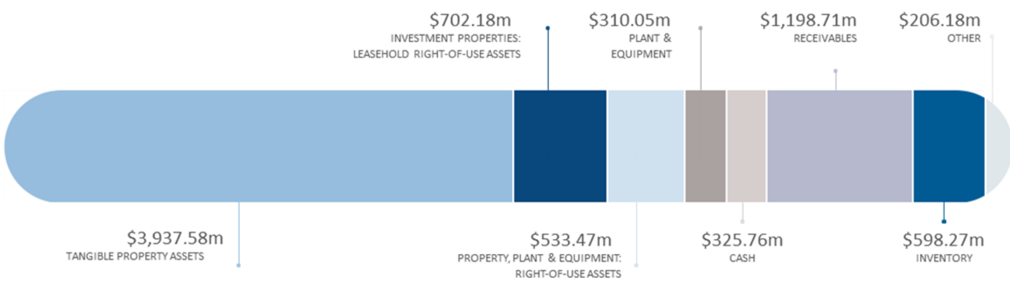
TOTAL ASSETS

INCREASE of **12.2%** from DEC-21
INCREASE of **29.1%** from DEC-19
3-YEAR CAGR of **8.9%**

NET ASSETS

INCREASE of **7.2%** from DEC-21
INCREASE of **35.9%** from DEC-19
3-YEAR CAGR of **10.8%**

COMPOSITION OF TOTAL ASSETS OF $7.81bn



	31 DECEMBER 2022	31 DECEMBER 2021	INCREASE / (DECREASE)	
TOTAL ASSETS	$7,812.19m	$6,961.37m	$850.82m	12.2%
TOTAL LIABILITIES	$3,349.77m	$2,797.09m	$552.68m	19.8%
EQUITY	$4,462.42m	$4,164.28m	$298.14m	7.2%

Total Assets
up by $850.82m (+12.2%)
from $6.96bn as at 31 December 2021

INCREASE OF **29.1%** FROM 1H20
3-YEAR CAGR OF **8.9%**

- **$351.28m** increase in the value of the freehold investment property portfolio
  - primarily due to net property revaluation increments totalling $191.19 million recognised over the past 12 months, refurbishment of freehold investment property assets and acquisition of new freehold investment properties in Australia and the Eastgate Retail Park in Cork, Ireland .
- **$310.92m** increase in the franchisee loan receivables
  - due to higher financial accommodation provided to franchisees to assist franchisees in their strategy of increasing their inventory reserves in the lead up to the peak trading periods in November and December and to fund their operating expenses as they transitioned to the post-COVID environment (expenses were abnormally low in1H22 due to COVID closures).
- **$78.07m** increase in the property, plant and equipment
  - due to the acquisition of Eastgate Retail Park in Ireland , fit-out of the new 1 Utama Shopping Centre store in Malaysia, the new Fonthill store in Ireland, the 2 new Harvey Norman® franchised complexes and the net property revaluation increments for the owner-occupied freehold properties over the past 12 months.
- **$111.42m** net increase in right-of-use assets of leasehold property portfolio and plant and equipment assets
- **$38.60m** increase in inventory
  - due to the new store openings coupled with their concerted efforts to increase inventory to meet demand in peak trading periods and to mitigate any remaining global supply chain constraints that have persisted in certain product categories.

Total Liabilities
up by $552.68m (+19.8%)
from $2.80bn as at 31 December 2021

- **$405.43m** increase in the loans and borrowings (current & non-current)
  - primarily due to an increase in utilisation of the Syndicated Facility by $380m.
- **$131.48m** increase in lease liabilities of leasehold property portfolio and plant and equipment assets
- **$58.12m** increase in deferred tax liabilities
  - mainly due to $191.19m of net property revaluation increments over the past 12 months relating to freehold investment properties.

NET ASSETS OF $4.46 BILLION AS AT DEC-22
INCREASE OF **$298.14 MILLION** OR **7.2%** FROM DEC-21
INCREASE OF **$1.18 BILLION** OR **35.9%** FROM DEC-19
3-YEAR CAGR OF **10.8%**

REVIEW OF THE STATEMENT OF CASH FLOWS

	31 DECEMBER 2022	31 DECEMBER 2021	INCREASE / (DECREASE)	
NET CASH FLOWS FROM OPERATING ACTIVITIES	$341.07m	$566.16m	($225.09m)	(-39.8%)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	($150.61m)	($77.78m)	($72.83m)	(-93.6%)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	($113.29m)	($340.04m)	$226.76m	66.7%
NET INCREASE IN CASH & CASH EQUIVALENTS	$77.18m	$148.34m	($71.16m)	(-48.0%)
CASH & CASH EQUIVALENTS AT BEGINNING OF THE YEAR	$234.36m	$248.73m	($14.37m)	(-5.8%)
CASH & CASH EQUIVALENTS AT END OF THE YEAR	$311.54m	$397.07m	($85.53m)	(-21.5%)

Operating Cash Flows down by $225.09m

from $566.16m in 1H22
to **$341.07m** in 1H23

- **$199.14m** decrease in net receipts from franchisees due to the movement in the aggregate amount of financial accommodation provided to franchisees in 1H22 relative to the movement in 1H23. During 1H23, the movement in the aggregate amount of financial accommodation provided to franchisees increased significantly compared to 1H22. The quantum of funding requested by franchisees to fund their 1H23 inventory purchases increased compared to 1H22 to meet the expected demand for peak trading periods in November and December 2022. Additionally, the funding requested by franchisees to fund their operating expenses increased in 1H23 relative to 1H22 as approximately 60% of franchised complexes were closed for up to 4 months during 1H22.
- **$51.64m** increase in payments to supplier and employees due to higher stock purchases and higher operating costs due to new store openings.

Offset by:

- **$52.38m** decrease in income taxes paid due to the higher final tax payments made in 1H22 attributable to FY2021 taxable profits.

Investing Cash Outflows up by $72.83m

from $77.78m in 1H22
to **$150.61m** in 1H23

- **$47.38m** increase in payments for purchases and refurbishment of investment properties
- **$24.27m** increase in the payments for purchases of property, plant & equipment and intangible assets

Financing Cash Outflows down by $226.76m

from $340.04m in 1H22
to **$113.29m** in 1H23

- **$180m** net drawdown of the Syndicated Facility during 1H23, compared to a net repayment of $80m in 1H22.

Offset by:

- **$31.15m** increase in dividends paid.

AGGREGATED SALES REVENUE

AGGREGATED SALES INCREASE / (DECREASE) IN CONSTANT LOCAL CURRENCIES:

TOTAL SALES

TOTAL SALES	Local Currency	1Q23 vs. 1Q22	2Q23 vs. 2Q22	1H23 vs. 1H22
AUSTRALIAN FRANCHISEES*	$ AUD	11.5%	(-5.0%)	2.1%
NEW ZEALAND	$ NZD	5.8%	(-12.7%)	(-5.2%)
SLOVENIA & CROATIA	€ EURO	11.3%	8.9%	10.0%
IRELAND	€ EURO	(-0.3%)	2.7%	1.5%
NORTHERN IRELAND	£ GBP	(-16.1%)	(-22.4%)	(-19.6%)
SINGAPORE	$ SGD	2.3%	6.8%	4.7%
MALAYSIA	MYR	63.8%	6.2%	27.5%

COMPARABLE SALES

Comparable sales growth has not been adjusted for the temporary closures mandated by each local Government overseas as a result of the COVID-19 response

COMPARABLE SALES	Local Currency	1Q23 vs. 1Q22	2Q23 vs. 2Q22	1H23 vs. 1H22
AUSTRALIAN FRANCHISEES*	$ AUD	11.2%	(-5.1%)	1.9%
NEW ZEALAND	$ NZD	5.5%	(-13.0%)	(-5.6%)
SLOVENIA & CROATIA	€ EURO	11.3%	8.9%	10.0%
IRELAND	€ EURO	(-3.6%)	(-2.4%)	(-2.9%)
NORTHERN IRELAND	£ GBP	(-16.1%)	(-22.4%)	(-19.6%)
SINGAPORE	$ SGD	4.4%	10.0%	7.4%
MALAYSIA	MYR	56.8%	0.8%	21.5%

Aggregated Franchisee Sales of $3.51bn for 1H23

vs $3.43bn for 1H22 up by 2.1%
vs $2.95bn for 1H20 up by 18.7%

Aggregated Comparable Franchisee Sales of $3.50bn for 1H23

vs $3.43bn for 1H22 up by 1.9% and up by 19.2% on 1H20

Total System Sales Revenue of $4.98 Billion for 1H23

Comprised of aggregated Franchisee sales in Australia plus Company-Operated sales in New Zealand, Slovenia, Croatia, Ireland, Northern Ireland, Singapore and Malaysia:

Aggregated Franchisee sales* of **$3.51bn**
Company-Operated sales Revenue of **$1.47bn**

* Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Harvey Norman®, Domayne® and Joyce Mayne® retail sales in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results.

AUSTRALIAN FRANCHISEE AGGREGATED SALES REVENUE*

TOTAL FRANCHISEE SALES
HALF-YEAR ENDED 31 DECEMBER 2022

$3.51 bn

UP BY 2.1% ON 1H22
UP BY 18.7% ON 1H20

COMPARABLE FRANCHISEE SALES
HALF-YEAR ENDED 31 DECEMBER 2022

$3.50 bn

UP BY 1.9% ON 1H22
UP BY 19.2% ON 1H20

** Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Retail sales in Harvey Norman®, Domayne® and Joyce Mayne® in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results. Australian franchisee aggregated sales revenue is provided to the market as it is a key indicator of the performance of the franchising operations segment.*

- In the first half of FY23, trading conditions started to normalise following two years of COVID-related disruptions. Post-COVID, Australian franchisee sales in 1H23 increased by 2.1% to $3.51 billion from a strong base of $3.43 billion in 1H22.
- When compared to 1H20, franchisee sales are well above pre-pandemic levels growing by $553.12 million, or 18.7%, from $2.95 billion in 1H20.
- In 1H22, 58% of the Australian population bunkered down to work, study and entertain from home due to the protracted, rolling hard lockdowns that mandated retail closures of approximately 60% of the total number of Australian Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes for nearly 4 months of the previous half.
- Post-lockdowns, franchisee sales were significantly elevated through to the 2021 Christmas period due to pent-up demand as consumers deferred purchases until the restrictions lifted, coupled with the buoyant macroeconomic outlook at the time.
- Cooler than usual temperatures experienced by the East Coast of Australia led to a substantial decrease in the sales of seasonal products by Electrical and Furniture franchisees such as air conditioning units, fans, air treatment units, outdoor furniture and barbeques.
- The technology franchisees have a strong partnership with Optus. A cyber-attack on Optus and its customers' data occurred at the end of September 2022. Initially, the Optus business with franchisees remained resilient, but by November 2022, the news surrounding the attack had an adverse impact on the technology franchisees and the Optus partner. The Optus brand is strong as is the Optus / Franchisee partnership. We are confident that the demand for Optus offers will continue to improve and return to prior levels.

FRANCHISING OPERATIONS SEGMENT

	31 DECEMBER 2022	31 DECEMBER 2021	INCREASE / (DECREASE)	
FRANCHISING OPERATIONS SEGMENT REVENUE	$595.08m	$595.93m	(-$0.85m)	(-0.1%)
AGGREGATED FRANCHISEE HEADLINE SALES REVENUE*	$3.51bn	$3.43bn	$73.29m	2.1%
FRANCHISING OPERATIONS SEGMENT RESULT	$237.65m	$292.85m	(-$55.21m)	(-18.9%)
FRANCHISING OPERATIONS MARGIN %	6.78%	8.53%	-175bps	

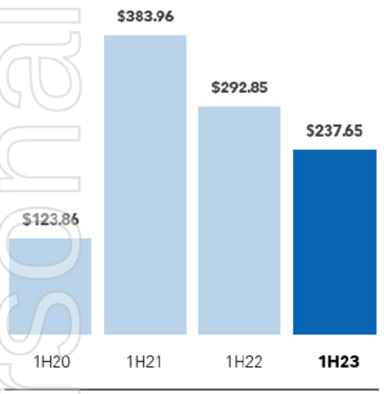
* Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Harvey Norman®, Domayne® and Joyce Mayne® retail sales in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results.

Franchising Operations Segment Revenue down by $0.85m (-0.1%)

from $595.93m in 1H22 **to $595.08m in 1H23**

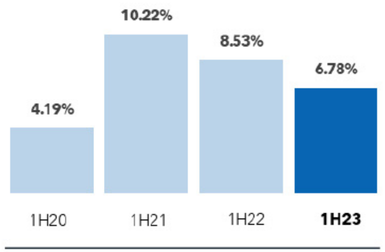
INCREASE OF **34.1%** FROM 1H20 | 3-YEAR CAGR OF **10.3%**

- Primarily due to a decrease in franchise fees received from franchisees by $21.54 million due to the challenging retail conditions experienced by the franchisees this half.



FRANCHISING OPERATIONS SEGMENT PBT ($AUDM)

HALF-YEAR ENDED 31 DECEMBER



FRANCHISING OPERATIONS MARGIN (%)

HALF-YEAR ENDED 31 DECEMBER

FRANCHISING OPERATIONS SEGMENT PBT

$ 237.65m

DOWN BY -$55.21m OR -18.9% FROM 1H22
UP BY $113.79m OR 91.9% FROM 1H20

FRANCHISING OPERATIONS MARGIN

6.78%

DOWN FROM 8.53% FROM 1H22
UP FROM 4.19% FROM 1H20

Franchising Operations Segment PBT down by $55.21m (-18.9%)

from $292.85m in 1H22 **to $237.65m in 1H23**

INCREASE OF **91.9%** FROM 1H20 | 3-YEAR CAGR OF **24.3%**

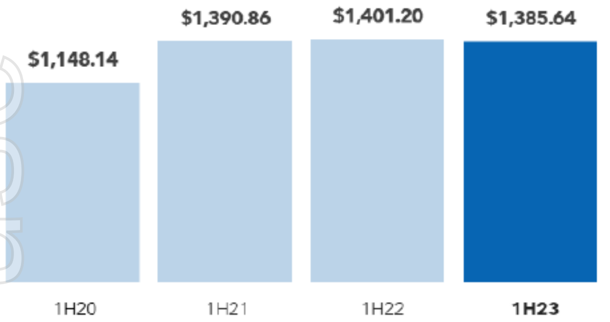
The franchising operations segment PBT decreased by $55.21 million due to:

- Decrease in franchising operations segment revenue by $0.85 million attributable to:
  - lower franchise fees received from franchisees by $21.54 million

  Offset by:
  - higher rent and outgoings received from franchisees as the previous half incurred the cost of rent waivers during COVID lockdowns totalling $27.07 million, of which $12.28 million related to properties leased by the consolidated entity (and recorded in the Franchising Operations Segment).
  - higher interest to administer franchisee financial accommodation facilities by $2.97 million.

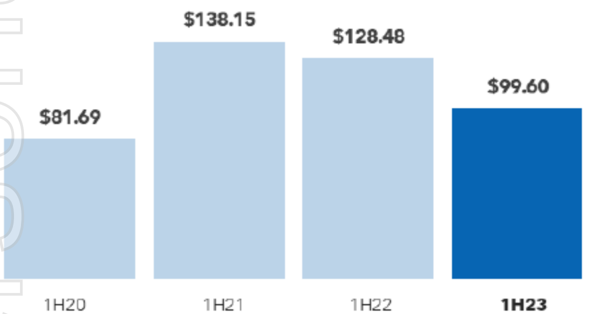
- Increase in costs to operate the franchising operations segment mainly due to:
  - higher marketing expenses by approx. $21 million to promote and enhance the Harvey Norman® brands as the world transitioned to post-COVID normality. Brand advertising costs were abnormally low in 1H22 due to COVID closures.
  - higher costs to assist franchisees to invest in their customers by $20.21 million as franchisees strive to strengthen customer loyalty, primarily in the form of bonus gift cards.
  - higher expenses from the net impact of applying AASB 16 *Leases* by $10.05 million due to higher interest costs on lease liabilities and the expectation of rising future incremental borrowing rates

OVERSEAS SEGMENT PROFIT RESULT	31 DECEMBER 2022	31 DECEMBER 2021	INCREASE / (DECREASE)	
RETAIL - NEW ZEALAND	$45.28m	$67.61m	(-$22.33m)	(-33.0%)
RETAIL - SINGAPORE & MALAYSIA	$26.97m	$20.61m	$6.35m	30.8%
RETAIL - IRELAND & NORTHERN IRELAND	$19.30m	$33.11m	(-$13.81m)	(-41.7%)
RETAIL - SLOVENIA & CROATIA	$8.05m	$7.15m	$0.90m	12.6%
RETAIL - OVERSEAS	**$99.60m**	**$128.48m**	**(-$28.88m)**	**(-22.5%)**



TOTAL OVERSEAS RETAIL REVENUE ($AUD M)

HALF-YEAR ENDED 31 DECEMBER



TOTAL OVERSEAS RETAIL PROFIT ($AUD M)

HALF-YEAR ENDED 31 DECEMBER

PROPOSED EXPANSION PLANS IN MALAYSIA

This diagram shows the location of the current 28 stores in Malaysia as at 31 December 2022 (red pins). The blue pins show the proposed location of the new full-format stores and the orange pins show the proposed location of the new Electrical and Computer stores by the end of 2028.

- We have doubled the number of Malaysian stores over the past 5 years. We continue to recognise the significant opportunity to grow from 28 stores in Malaysia to 80 stores by the end of 2028, as announced at the 2022 Annual General Meeting of the Company.
- The intention is to fund the Malaysian expansion plans from existing cash reserves in Malaysia and through Malaysian operating cash flows.

New Zealand

- Sales for 1H23 declined by $57.57m or, -9.8% to $528.86m for 1H23, from $586.43m in 1H22. NZ sales are still ahead of pre-pandemic levels, growing by $24.96m, or 5.0% compared to 1H20.
- Retail result was $45.28m for 1H23, down by $22.33m, or –33.0%, from $67.61m in 1H22.
- Sale of all key categories were affected from the decline in consumer discretionary spend and reduced store foot traffic.
- The fall in retail profit for 1H23 was as a result of a decrease in sales turnover, a contraction in gross margin due to discounting and an increase in operating costs.

Ireland & Northern Ireland

- Aggregated sales revenue for Ireland & Northern Ireland decreased by $15.47m or -4.0%, from $384.39m in 1H22 to $368.92m in 1H23.
- Aggregated retail result for Ireland & Northern Ireland decreased by $13.81m or -41.7% in 1H23, from $33.11m in 1H22 to $19.30m in 1H23.

Ireland

- Sales decreased by $12.18m or –3.3%, from $370.84m in 1H22 to $358.67m for 1H23. When compared against 1H20, the 1H23 increase was $125.33m or 53.72%.
- Retail result decreased by $11.57m or -36.5%, from $31.68m in 1H22 to $20.10m in 1H23.
- Sales increased in local currency but declined on translation to AUD due to a 4.73% devaluation in the Euro relative to the AUD. The marginal increase in sales (in local currency) is mainly due to the contribution of the 16th Irish store which opened at Fonthill, Dublin on the 22nd July 2022, coupled with a general rise in average selling prices caused by inflationary pressures.
- Margins have tightened from discounting and operating costs have normalised compared to the COVID disruptions of the last two years which helped curtail costs.

Northern Ireland

- Sales was $10.25m for 1H23 compared to $13.55m in 1H22, a decrease of $3.30m or -24.3%.
- The difficult trading conditions in Northern Ireland has resulted in a loss of $0.80m for 1H23, compared to a profit of $1.44m for 1H22.

Singapore & Malaysia

- Aggregated sales revenue for Asia combined was $347.56m, an increase of $51.41m, or 17.4%, from $296.15m in 1H22.
- Aggregated retail result for Singapore and Malaysia was $26.97m for 1H23, a solid increase of $6.35m, or 30.8%, from $20.61m in 1H22.

Malaysia

- Sales have been strong in 1H23, up by $32.19m, or 28.5%, to $145.25m, assisted by a full 6-month's contribution of the Pavilion Bukit Jalil store (opened in December 2021) and the new store at 1 Utama Shopping Centre (opened on 22 November 2022). Sales in 1H22 were negatively impacted by COVID closures and severe floods which caused disruption to the main warehouse.

Singapore

- Despite the closure of 2 small company-operated stores in 1H23, sales for 1H23 increased by $19.52m, or 11.2%. Business in Singapore has started to normalise. All COVID restrictions have been lifted resulting in more travellers and new housing projects have resumed. The impending increase in GST from 1 January 2023 also led to a surge in sales in December 2022.

Slovenia & Croatia

- Aggregated sales revenue for Slovenia and Croatia increased by $4.94m, or 4.8%, from $102.59m in 1H22 to $107.53m in 1H23.
- Aggregated retail result for Slovenia and Croatia increased by $0.90m, or 12.6%, from $7.15m in 1H22 to $8.05m in 1H23.

Slovenia

- Sales increased by $4.22m, or 5.4%, from $77.73m in 1H22 to $81.95m for 1H23
- All Slovenian stores including the flagship store at Ljubljana have continued to beat elevated sales of prior periods and the heightened demand during the pandemic.
- The growth in sales and continued focus on controlling costs has delivered a profit of $8.34m for 1H23, an increase of $0.69m increase, or 9.1%, from $7.65m for 1H22.

Croatia

- Sales were $25.58m for 1H23, increased by $0.72m, or 2.9%, from $24.86m in 1H22 .
- The result for 1H23 was a marginal loss of $0.29m, a reduced loss compared to 1H22 of $0.49m.

	31 DECEMBER 2022	31 DECEMBER 2021	INCREASE / (DECREASE)	%
PROPERTY SEGMENT REVENUE	$257.79m	$259.38m	($1.60m)	(-0.6%)
NET PROPERTY REVALUATION INCREMENT	$106.89m	$129.38m	($22.49m)	(-17.4%)
PROPERTY SEGMENT EBITDIA	$201.56m	$206.25m	($4.69m)	(-2.3%)
PROPERTY SEGMENT RESULT BEFORE TAX	$186.29m	$197.74m	($11.45m)	(-5.8%)

Property Segment Revenue down by $1.60m (-0.6%)

from $259.38m in 1H22 to **$257.79m** in 1H23

INCREASE OF **64.3%** FROM 1H20
3-YEAR CAGR OF **18.0%**

- This decrease is primarily due to a lower net revaluation increment recognised this half by $22.49 million, or –17.4%, to $106.89 million for 1H23 compared to $129.38 million net increments for 1H22.
- Excluding property revaluations, retail property revenues increased by $20.89 million due to higher rent received from franchisees and other third-party tenants this half, partially contributed by the cessation of rent waivers given to franchisees and other third-party tenants affected by the COVID 'Delta' lockdowns in the previous half year.
- In 1H22, total rent waivers amounted to $27.07 million, of which $14.79 million related to properties owned by the consolidated entity (and recorded in the Property Segment).

Property Segment Result Before Tax down by $11.45m (-5.8%)

from $197.74m in 1H22 to **$186.29m** in 1H23

INCREASE OF **100.2%** FROM 1H20
3-YEAR CAGR OF **26.0%**

- The decrease is mainly due to a lower net revaluation increment recognised this half by $22.49 million.
- Excluding net property revaluations for both periods, the total property segment result would have been $79.40 million for 1H23 compared to $68.37 million for 1H22, an increase of $11.04 million, or 16.1%, mainly due to $14.79 million rent waivers given to franchisees and other third-party tenants in 1H22.

FREEHOLD PROPERTY PORTFOLIO

COMPOSITION OF FREEHOLD PROPERTY SEGMENT ASSETS	December 2022	# of Owned Retail Property Assets	# of Owned Other Property Assets	Net Increase in Fair Value (Income Statement)	Net Increase / (Decrease) in Fair Value (Equity)
(1) Investment Properties (Freehold) and Assets Held for Sale					
- Australia	$3,365.36m	95	41	$107.66m	-
- New Zealand	$10.45m	-	2	($0.76m)	-
- Ireland	$29.76m	-	1	-	-
- Singapore (Property asset held for sale)	$12.74m	-	1	-	-
Total Investment Properties (Freehold) and Assets Held for Sale	**$3,418.31m**	**95**	**45**	**$106.89m**	**-**
(2) Owner–Occupied Land & Buildings					
- Australia	$13.44m	-	1	-	-
- New Zealand	$379.99m	19	1	-	($11.84m)
- Singapore	$13.98m	-	1	-	-
- Slovenia	$82.87m	5	-	-	-
- Ireland	$26.57m	2	-	-	-
Total Owner–Occupied Land & Buildings	**$516.85m**	**26**	**3**	**-**	**($11.84m)**
(3) Joint Venture Assets	**$2.43m**	**-**	**7**		**-**
Total Freehold Property Segment Assets	**$3,937.58m**	**121**	**55**	**$106.89m**	**($11.84m)**

- **The consolidated entity continues to be the largest owner of LFR real estate in the Australian market.**
- Our Australian freehold investment property portfolio has **grown to $3.37 billion as at 31 December 2022, rising by $175.01 million during 1H23, on the back of the resilient local LFR market**. Throughout the pandemic, we attributed the strength of our properties to strong consumer household spending, the significant uptick in new dwellings and renovations and the high levels of investor demand for LFR property assets. This trend has extended post-COVID with solid investment at record prices underpinning buoyant LFR property values.
- 196 Australian franchised complexes geographically spread throughout the country, with a local Harvey Norman®, Domayne® and Joyce Mayne® branded store located within close proximity to customers. 95 of the franchised complexes (48% of total), and their associated warehouses, are owned by the consolidated entity, which are then licensed or leased to external parties, including Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
- Our LFR centres also accommodate a complimentary mix of over 450 third-party tenants that are diversified across a variety of different categories including Hardware, Medical, Pharmacies, Pets and Auto related products, a number of which are ASX-listed and are national retailers that support the underlying value of our properties.
- The solid performance across the LFR sector has resulted in another material increase in the value of our Australian investment property portfolio by **$175.01 million** this half, of which $107.66 million is for the capital appreciation in property fair values during 1H23 and $67.36 million relating to capital additions and refurbishments.
- Globally, we have 109 company-operated stores across 7 countries. 26 of the stores located overseas (24% of total) are owned by the consolidated entity. The aggregate value of the overseas property portfolio is $543.61 million, increasing in value by $23.12 million during the period.

COMPOSITION OF LEASEHOLD PROPERTY SEGMENT ASSETS	Right -of-Use Asset Dec 2022	Lease Liabilities Dec 2022	# of Leased Retail Property Assets	# of Leased Other Property Assets
(1) Leases of Properties Sub-Leased to External Parties				
- Australia	$702.18m	$759.23m	101	200
(2) Leases of Owner-Occupied Properties and Plant and Equipment Assets				
- Australia	$31.98m	$46.62m	-	17
- New Zealand	$119.21m	$137.61m	25	36
- Singapore & Malaysia	$256.58m	$202.27m	40	19
- Slovenia & Croatia	$16.01m	$18.00m	2	6
- Ireland & Northern Ireland	$109.69m	$141.85m	16	17
Total Owner–Occupied Properties and Plant and Equipment Assets	**$533.47m**	**$546.35m**	**83**	**95**
Total Leasehold Property Segment Assets	**$1,235.65m**	**$1,305.58m**	**184**	**295**

Right-of-Use Assets: Leasehold Investment Properties (Sub-Leased to External Parties)

- Primarily for the purposes of being sub-leased to Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia.

Right-of-Use Assets: Leasehold Owner-Occupied Properties and Plant and Equipment Assets

- Primarily include company-operated stores, warehouses and offices that are leased from external landlords.

Financial Impact of AASB 16 Leases:	Leases of Owner-Occupied Properties $000	Leases of Properties Sub-Leased to External Parties $000	Total Leases $000
Property, plant and equipment: Right-of-use asset - Depreciation expense	$34,553	-	**$34,553**
Investment properties (leasehold): Right-of-use asset - Fair value re-measurement	-	$52,856	**$52,856**
Finance costs: Interest on lease liabilities (accretion)	$8,802	$15,580	**24,382**
Total AASB 16 Expenses Recognised	**$43,355**	**$68,436**	**$111,791**
Less: Lease payments made during 1H23 (excluding variable lease payments (short-term, low-value leases)	($42,062)	($54,804)	**($96,866)**
AASB 16 Incremental Decrease in PBT for 1H23	**$1,293**	**$13,632**	**$14,925**

- The consolidated entity is confident in the resilience of its integrated retail, franchise, property and digital system and in its continued ability to deliver stable returns and sustainable growth for its stakeholders. Despite the macroeconomic headwinds and cost of living pressures affecting discretionary retail, our strong balance sheet and our substantial growth in net assets throughout the pandemic has left us in a solid position to withstand these challenging circumstances.
- We have sufficient liquidity and a low net debt to equity ratio, affording us the capacity to access additional liquidity should the need arise. We remain confident in our brands and the strong market position held by our Australian franchisees and overseas company-owned stores.
- We will continue to invest in technological initiatives and the digital infrastructure necessary to strengthen customer loyalty in order to enhance, protect and promote the Harvey Norman®, Domayne® and Joyce Mayne® brands.
- Last year, we announced the recommencement of the premium refit program and the revised expectations to complete up to 25 premium refits over the next 5 years. During 1H23, the premium refit of the furniture and bedding categories of the Fyshwick (ACT) franchised complex was completed and the premium refits of the Balgowlah (NSW), Erina (NSW) and Preston (VIC) franchised complexes are currently underway.
- As planned, during 1H23 we opened one Harvey Norman® franchised complex in Australia located at Manjimup, QLD in November 2022. Two company-operated stores were opened overseas in Ireland (Fonthill, Dublin was opened on 22 July 2022) and Malaysia (1 Utama Shopping Centre, Selangor was opened on 22 November 2022). Two small company-operated stores were closed in Singapore in 1H23.
- In the second half of FY23, we intend to open an additional franchised complex in Australia and relocate 1 franchised complex from a leased site to a freehold property. We will continue with our offshore expansion plans with the anticipated opening of a further 2 company-operated stores within the next 6 months: 1 in New Zealand and 1 in Malaysia. We are on track to open our third Croatian store by the end of calendar 2023.
- Beyond FY23, we anticipate opening a further 2 franchised complexes in Australia and intend to relocate 2 franchised complexes from leased sites to freehold properties during the 2024 financial year. In New Zealand, we expect to open 3 new company-operated stores during FY24. Our first 2 company-operated stores in Budapest, Hungary are anticipated to open during calendar 2024.
- We continue to recognise the significant opportunity to grow from 28 stores in Malaysia to 80 stores by the end of 2028, as announced at the 2022 Annual General Meeting of the Company. The intention is to fund the Malaysian expansion plans from existing cash reserves in Malaysia and from Malaysian operating cash flows. 10 of these stores are anticipated to open in FY24, with 4 sites already confirmed and 6 sites currently in progress.

RETAIL TRADING UPDATE: January 2023 vs January 2022

Aggregated Sales increase / (decrease) from January 2023 vs January 2022 in local currencies

COUNTRY (% increase calculated in local currencies)		January 2023 vs January 2022	
		Total %	Comparable %
Australian Franchisees	$A	(-10.2)	(-10.4)
New Zealand	$NZD	(-8.1)	(-8.5)
Slovenia & Croatia	€Euro	10.0	10.0
Ireland	€Euro	4.9	(-0.1)
Northern Ireland	£GBP	(-27.2)	(-27.2)
Singapore	$SGD	(-10.0) <B>	(-7.5) <A>
Malaysia	MYR	(-5.5) <B>	(-10.2)

<A> Closure of 2 small stores.
<B> Timing of Chinese New Year. This year in January 2023. Last year in February 2022.

QUESTIONS

(LIMITED TO 30 MINUTES)