

A man wearing sunglasses and a blue checkered shirt is leaning out of the back of a white safari vehicle. He is smiling and looking towards a large herd of wildebeest and zebras crossing a red dirt road in a savanna landscape. In the background, there are green hills under a blue sky with white clouds.

KATHMANDU – FY10 RESULTS PRESENTATION



CONTENTS

- Results Overview
- Key Line Items
- Country Results
- Cash Flow, Dividend, Balance Sheet
- FY11 Outlook
- Growth Strategy Update
- Questions





RESULTS OVERVIEW

RESULTS OVERVIEW: Year-On-Year

Denominated in:	NZ \$m				A \$m ^{*1}			
	FY10	FY09	DIFF \$	DIFF %	FY10	FY09	DIFF \$	DIFF %
Sales	245.8	215.6	30.2	14.0%	196.6	175.5	21.1	12.0%
Gross Profit	155.3	138.8	16.5	11.9%	124.2	113.0	11.2	9.9%
<i>Gross Profit Margin</i>	63.2%	64.4%			63.2%	64.4%		
Operating expenses^{*2}	(101.4)	(90.6)	(10.8)	11.9%	(81.1)	(73.7)	(7.4)	10.0%
EBITDA	53.9	48.2	5.7	11.8%	43.1	39.3	3.8	9.7%
<i>EBITDA margin %</i>	21.9%	22.4%			21.9%	22.4%		
EBIT	47.9	42.6	5.3	12.4%	38.3	34.7	3.6	10.4%
<i>EBIT margin %</i>	19.5%	19.8%			19.5%	19.8%		
NPAT (excl. IPO costs)^{*3}	25.2	14.9	10.3	69.1%	20.2	12.1	8.1	66.9%
<i>IPO costs (net of tax)</i>	(15.8)				(12.6)			
Store numbers	97	82	15		97	82	15	

1. FY10 NZ\$/A\$ conversion rate 0.800, FY09 NZ\$/A\$ conversion rate 0.814
2. Operating expenses exclude depreciation and amortisation, but include FX gain / (loss) on inter-company loans
3. NPAT excludes IPO costs net of associated tax deductions
4. Unless otherwise stated, all amounts referred to in this presentation are denominated in NZ \$m



RESULTS OVERVIEW: Half-Year Split

NZ \$m	First half year				Second half year			
	1H FY10	1H FY09	DIFF \$	DIFF %	2H FY10	2H FY09	DIFF \$	DIFF %
Sales	106.6	83.6	23.0	27.5%	139.2	132.0	7.2	5.5%
Gross Profit	65.3	52.2	13.1	25.1%	90.0	86.6	3.4	3.9%
<i>Gross Profit Margin</i>	61.3%	62.4%			64.7%	65.6%		
Operating expenses ^{*2}	(47.2)	(39.4)	(7.8)	19.8%	(54.2)	(51.2)	(3.0)	5.9%
EBITDA	18.1	12.8	5.3	41.4%	35.8	35.4	0.4	1.1%
<i>EBITDA margin %</i>	17.0%	15.3%			25.7%	26.8%		
EBIT	15.5	10.4	5.1	49.0%	32.4	32.2	0.2	0.6%
<i>EBIT margin %</i>	14.5%	12.4%			23.3%	24.4%		
NPAT (excl. IPO costs)^{*3}	4.4	(2.4)	6.8		20.8	17.3	3.5	20.2%
IPO costs (net of tax)	(15.8)							
Store numbers	90	80	10		97	82	15	

1. First half year reconciles to interim report. Second half year is the remainder of FY10 full year results
2. Operating expenses exclude depreciation and amortisation, but include FX gain / (loss) on inter-company loans
3. NPAT excludes IPO costs net of associated tax deductions

RESULTS OVERVIEW: Comparison to Prospectus (Normalised FY10)

NZ \$m	FY10	PROSPECTUS	DIFF \$	DIFF %
Sales	245.8	240.0	5.8	2.4%
Gross Profit	155.3	153.7	1.6	1.0%
<i>Gross Profit margin %</i>	63.2%	64.0%		
Operating expenses*¹	(101.8)	(96.6)	(5.2)	5.4%
EBITDA	53.5	57.1	(3.6)	-6.3%
<i>EBITDA margin %</i>	21.7%	23.8%		
EBIT	47.5	50.6	(3.1)	-6.1%
<i>EBIT margin %</i>	19.3%	21.1%		
Finance costs*²	(6.3)	(5.8)	(0.5)	8.6%
NPBT (excl. IPO costs)	41.2	44.8	(3.6)	-8.0%
Store numbers	97	94	3	

1. Operating expenses include a normalisation adjustment of NZ\$0.4m for a full year of listed company costs
2. FY10 normalised Finance costs have been calculated by adjusting net debt up to the date of the IPO for the reduction of NZ\$85.7m in core debt.

RESULTS OVERVIEW: Summary

- Very strong first half followed by a much weaker second half. We noted at the half year and in subsequent market update there was the possibility of result being influenced by an uncertain economic environment. Trading was more challenging than we expected, particularly in New Zealand
- Second half was impacted by unseasonably hot weather during our Easter Sale and reduced consumer demand during June/July. This is consistent with results from other discretionary, winter orientated retailers
- Recognised the slowing and more challenging market, our response was additional promotions and enhanced product offers. This deliberate strategy reduced gross margin and increased marketing costs
- Incremental sales and profits were achieved, however not enough to close the gap to the Prospectus forecast
- Confident the actions taken were appropriate and led to optimum outcome in the circumstances – overly aggressive, short term discounting would damage the brand
- Overall the increased year on year FY10 result still clearly demonstrates the strength of the Kathmandu brand and continuing growth potential, despite difficulties outlined above



KEY LINE ITEMS

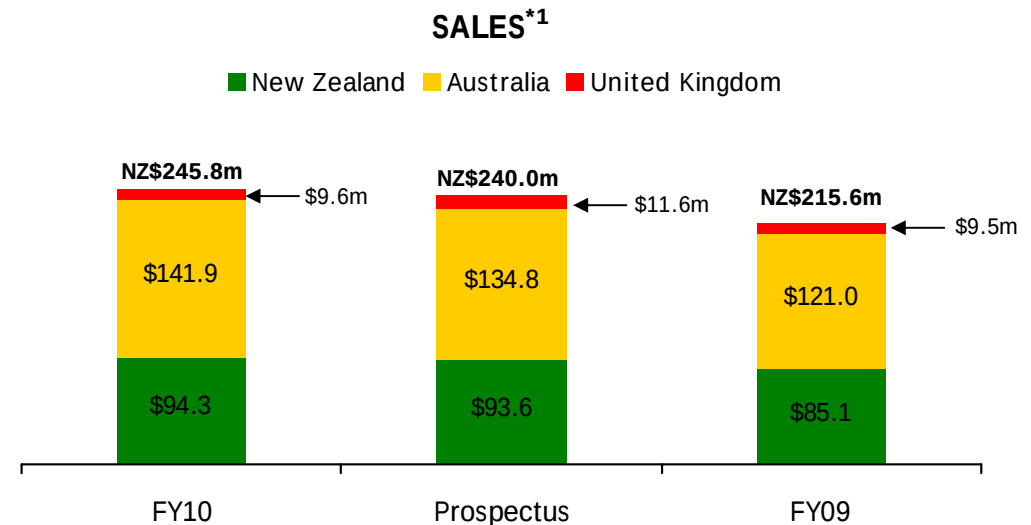


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KEY LINE ITEMS: Sales

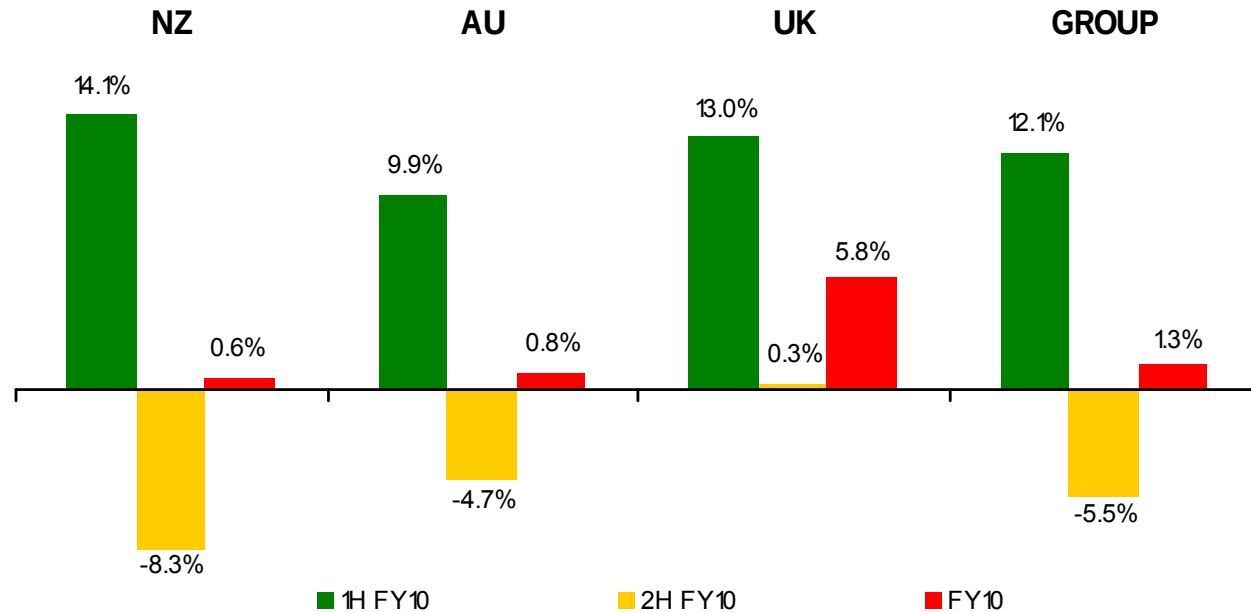
SALES: up 14.0% to NZ\$245.8m

- Sales growth year on year:^{*2}
NZ 10.8%, AU 15.2%, UK 16.7%.
- At constant exchange rates sales growth
\$29.3m / 13.5%.
- UK sales growth year on year 16.7% but in NZ\$
minimal because of GBP devaluation (FY10
NZ\$/UK£ 0.438, FY09 NZ\$/UK£ 0.380)



1. Country sales totals exclude inter-company sales
2. Calculated on local currency sales results (not affected by year-on-year exchange rate variation)

KEY LINE ITEMS: Same Store Sales Growth

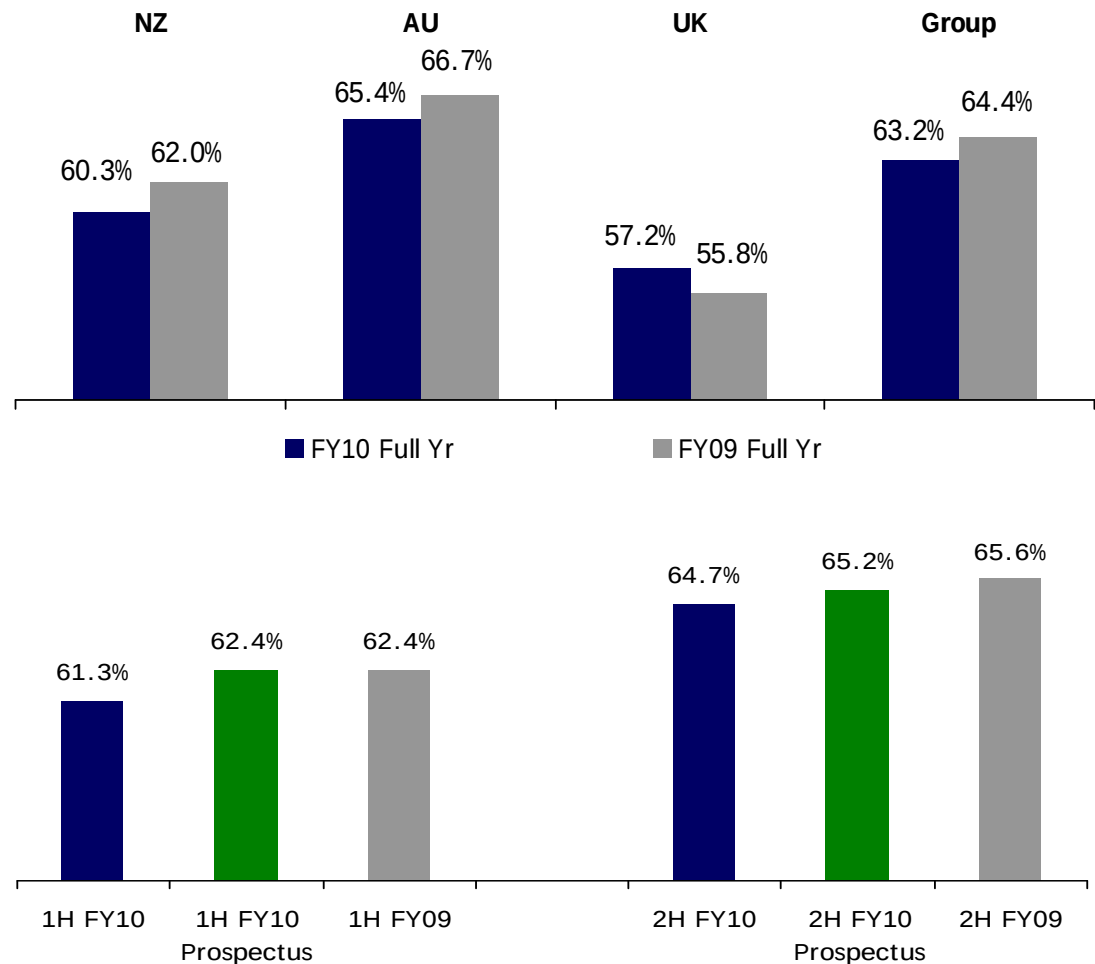


- Full year same store sales growth 1.3%: first half year 12.1%, second half year (5.5%)
- Second half year:
 - Easter trading in AU and NZ was adversely affected by weather – weaker result than Winter
 - NZ final quarter sales were below expectations
 - AU final quarter sales were consistent with the final quarter last year
 - Sales shortfall generally consistent regardless of cannibalisation

1. Same store sales measurement not adjusted for cannibalised stores. Effect of cannibalisation estimated to be NZ\$2.3m (1.1%)
 2. Group same store sales results consolidated at FY10 NZ\$/A\$ conversion rate 0.800, FY09 NZ\$/A\$ conversion rate 0.814
 3. At constant exchange rates, Group results would be 1H FY10 11.7%, 2H FY10 -5.9%, FY10 0.9%

KEY LINE ITEMS: Gross Profit Margin %

- Gross Profit margin 120 bps below FY09 and 80 bps below Prospectus forecast.
- Gross Profit margin variations
 - First half clearance activity level (not expected to repeat in FY11) and New Zealand mix
 - Second half competitive market pricing and product mix
- Within long-term target range



- Consolidated Gross Profit Margin % is not adjusted for currency fluctuations
- Country Gross Profit Margin % shown on a currency neutral basis

KEY LINE ITEMS: Cost Of Doing Business

OPERATING EXPENSES: up 11.9% to NZ\$101.4m
NORMALISED OPERATING EXPENSES: NZ\$101.8m

- Normalised operating expenses*¹ NZ\$5.2m (5.4%) above Prospectus forecast. Made up of:
 - Rent & Rates: NZ\$0.5m of which NZ\$0.2m is three additional stores and temporary stores
 - Other expenses including salaries and wages for three additional stores and temporary stores: NZ\$1.3m
 - Advertising: NZ\$1.6m
 - FX loss on inter-company: NZ\$0.6m
 - Other expenses: NZ\$1.2m

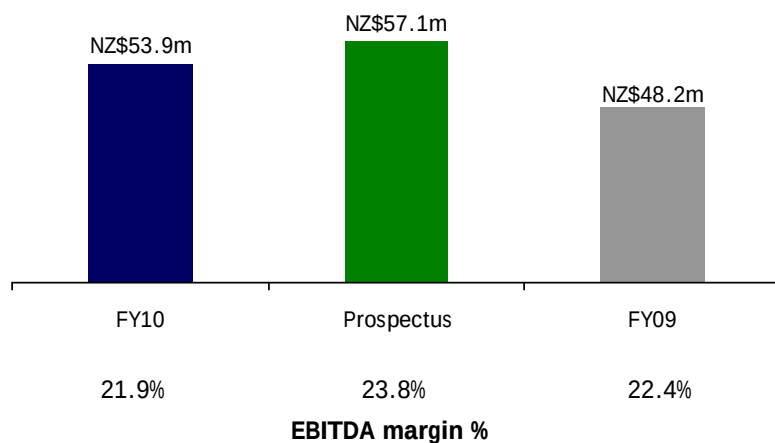
NZ \$m	COMPARISON TO FY09			
	FY10	FY09	DIFF \$	DIFF %
Rent	25.6	23.1	2.5	10.8%
% of Sales	10.4%	10.7%		
Other operating expenses	75.8	67.5	8.3	12.3%
% of Sales	30.8%	31.3%		
Total operating expenses	101.4	90.6	10.8	11.9%
% of Sales	41.3%	42.0%		
Depreciation	6.0	5.6	0.4	7.1%
% of Sales	2.4%	2.6%		
Cost of doing business	107.4	96.2	11.2	11.6%
% of Sales	43.7%	44.6%		

1. Normalised operating expenses include an additional NZ\$0.4m for a full year of listed company costs

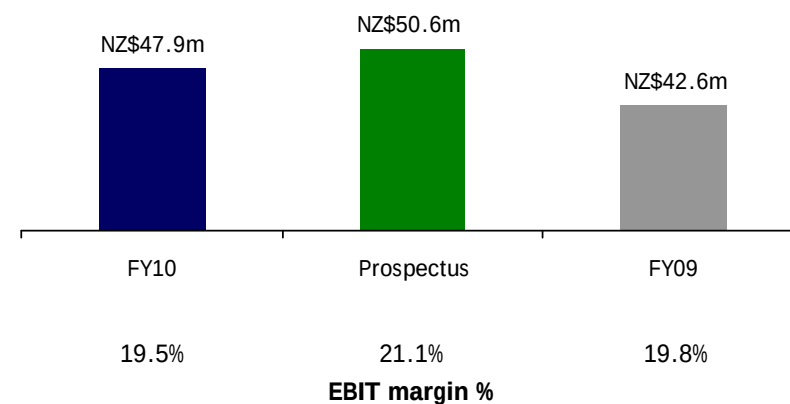
KEY LINE ITEMS: EBITDA and EBIT

SALES: up 14.0% to NZ\$245.8m
OPERATING EXPENSES: up 11.9% to NZ\$101.4m
EBITDA: up 11.8% to NZ\$53.9m

EBITDA



EBIT



KEY LINE ITEMS: NPAT

SALES: up 14.0% to NZ\$245.8m

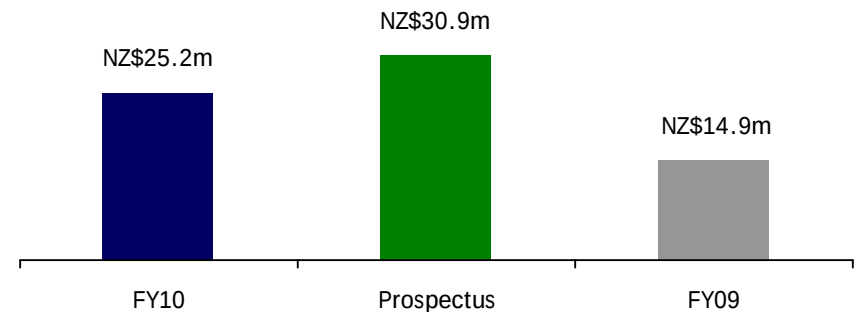
OPERATING EXPENSES: up 11.9% to NZ\$101.4m

EBITDA: up 11.8% to NZ\$53.9m

NPAT (EXCL IPO COSTS): up NZ\$10.3m to NZ\$25.2m

- Reduced net debt levels from FY09 NZ\$155.7m to FY10 NZ\$49.3m
- Total net finance cost (incl. facility fees) NZ\$9.1m.
 - NZ\$4.5m since IPO, estimated NZ\$6.3m annualised cost
 - Prospectus forecast \$5.8m
- Tax excluding IPO deductions, prior period deferred tax adjustment, UK loss effect is approx 31c/\$ effective rate as per Prospectus.
- IPO costs, unchanged from 1H FY10: total amount NZ\$21.3m. Expensed NZ\$16.8m / Equity Reduction NZ\$4.5m

NPAT (excl. IPO costs net of tax)





COUNTRY RESULTS



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COUNTRY RESULTS: New Zealand

- Sales up 10.8% to NZ\$94.3m
- Same store sales growth 0.6%
- New Stores 2H FY10:
 - 3 new stores opened – Hastings, Gisborne, and Tauranga CBD (had traded as a temporary store)
- Refurbishments / Relocations 2H FY10:
 - Christchurch city relocation and Dunedin refurbishment
- Total operating expenses (excl. depreciation):
 - FY10 30.9% of sales
 - FY09 34.2% of sales
- EBITDA (trading result) up 16.9% to NZ\$27.7m

NZ \$m	FY10	FY09	DIFF
Sales	94.3	85.1	10.8%
Same store sales	0.6%	-1.0%	160 bps
EBITDA (trading result)	27.7	23.7	16.9%
EBITDA margin %	29.4%	27.8%	160 bps
Store numbers	36	31	

Reconciliation to annual report (NZ \$m)

NZ \$m	FY10	FY09
Segment profit	36.2	14.2
Net interest	1.4	7.7
Facility fees	1.0	0.8
Depreciation	1.8	1.7
Inter-Co. Cost recoveries (Royalties only)	(2.9)	(2.4)
Inter-Co. financing	(3.0)	-
Holding Co. costs	1.5	0.1
UK Loan provision write back (conversion to equity)	(8.3)	-
IPO FY09 Bonuses	-	1.6
EBITDA (trading result)	27.7	23.7

COUNTRY RESULTS: Australia

- Sales up 15.2% to A\$113.5m
- Same store sales growth 0.8%
- New Stores 2H FY10:
 - 4 new stores opened – Ballarat, Fremantle, Tea Tree Adelaide, and Adelaide Harbourtown (Outlet)
- Refurbishments 2H FY10:
 - Bourke St and Sydney central city store
- Total operating expenses (excl. depreciation):
 - FY10 44.7% of sales
 - FY09 45.3% of sales
- EBITDA (trading result) up 11.4% to A\$23.5m

A \$m	FY10	FY09	DIFF
Sales	113.5	98.5	15.2%
Same store sales	0.8%	-0.8%	160 bps
EBITDA (trading result)	23.5	21.1	11.4%
EBITDA margin %	20.7%	21.4%	-70 bps
Store numbers	55	45	

Reconciliation to annual report (NZ \$m)*1

NZ \$m	FY10	FY09
Segment profit	13.0	11.0
Net interest	6.0	9.2
Facility fees	0.9	-
Depreciation	3.6	3.3
Inter-Co. Cost recoveries (Royalties only)	2.9	2.4
Inter-Co. financing	3.0	-
EBITDA (trading result)	29.4	25.9

1. FY10 NZ\$/A\$ conversion rate 0.800, FY09 NZ\$/A\$ conversion rate 0.814

COUNTRY RESULTS: United Kingdom

- Sales up 16.7% to £4.2m
- Same store sales growth 5.8%
- Total operating expenses (excl. depreciation):
 - FY10 69.1% of sales
 - FY09 75.2% of sales
- Continue to expect small loss
- Long term intra-group funding to date converted to equity
- No plans to open additional stores, will continue to monitor

UK £m	FY10	FY09	DIFF
Sales	4.2	3.6	16.7%
Same store sales	5.8%	16.3%	-1050 bps
EBITDA (trading result)	(0.5)	(0.7)	-28.6%
EBITDA margin %	-11.9%	-19.4%	750 bps
Store numbers	6	6	

Reconciliation to annual report (NZ \$m)¹

NZ \$m	FY10	FY09
Segment profit	(3.8)	(2.5)
Net interest	-	-
Loss on foreign currency borrowings	2.1	0.1
Depreciation	0.6	0.6
Inter-Co. Cost recoveries (Royalties only)	-	-
Inter-Co. financing	-	-
EBITDA (trading result)	(1.1)	(1.8)

1. FY10 NZ\$/UK£ conversion rate 0.438, FY09 NZ\$/UK£ conversion rate 0.380



CASHFLOW DIVIDEND BALANCE SHEET



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CASH FLOW

- Capital expenditure \$13.6m vs Prospectus forecast NZ\$12.6m:
 - New stores capex - NZ\$8.3m for 15 new stores and 2 relocations (Prospectus NZ\$5.6m for 12 new stores)
 - Maintenance capex - NZ\$5.3m (Prospectus NZ\$7.0m)
- NZ\$85.7m core debt paid down from IPO, reduced levels for 8.5 months in year

NZ \$m	FY10	PROSPECTUS Pro forma	FY09
EBITDA	53.9	57.1	48.2
Change in working capital	(1.8)	1.9	3.3
Change in other non-cash items	2.6	(3.0)	(3.9)
Capital expenditure	(13.6)	(12.6)	(8.1)
Operating cash flow after capital expenditure	41.1	43.4	39.5
Net interest paid (including facility fees)	(10.2)	(7.4)	(16.8)
Income taxes paid	(11.9)	(9.9)	(6.1)
Net operating cash flow	19.0	26.1	16.6

DIVIDEND

- 7.0 cents per share, compared to 6.7 cents per prospectus forecast
- Payout ratio of 55% of NPAT adjusted for IPO costs net of tax
- AU dividends franked to 100%, but note that some future interim dividends may be franked at a lower level
- NZ dividends fully imputed
- Payout ratio at the midpoint of the expected range whilst store rollout and refurbishment at current levels.

BALANCE SHEET

- Year-end inventories per store down 20.1%:
 - FY10 NZ\$0.386m
 - FY09 NZ\$0.483m
 - Average month-end inventories per store across year down 22.6%
- Reduced net external debt by NZ\$128.0m. IPO proceeds used to pay down \$85.7m, and the remaining \$42.3m paid down since that date.
- Variability in total debt levels end May 10 (peak) to end July 10 (low point) NZ\$38.9m
- NZ\$39.8m debt hedged by 2-3 year swaps (NZ\$15m; AU\$20m)

Key Ratios	FY10	FY09
Gearing ^{*1}	17.1%	54.0%
Stock turns ^{*2}	2.4	2.0

NZ \$m	FY10	FY09
Inventories	37.4	39.6
Property, plant and equipment	28.0	21.3
Intangible assets	241.8	243.9
Other assets	7.5	12.4
Total assets (excl. cash)	314.7	317.2
Net interest bearing liabilities and cash	49.3	155.7
Other non-current liabilities	0.3	0.3
Current liabilities	26.0	28.5
Total liabilities (net of cash)	75.6	184.5
Net assets	239.1	132.7

- Net Debt / (Net Debt + Equity) at balance date
- COGS / Average Inventories (start and end of period)

FOREIGN CURRENCY

- Effective US\$ hedge rates FY10 similar to FY09:
 - A\$/US\$ 0.812 FY10 vs 0.812 FY09
 - NZ\$/US\$ 0.680 FY10 vs 0.687 FY09
- Forward Hedging Position:
 - Longest dated hedges September 2011
 - FY11 over 90% cover for full year
 - Rolling cover applied 12 months forward
- No hedging NZ\$:A\$.

FORWARD HEDGING POSITION		FY11	FY12
A\$ / US\$	% covered	90%+	20%+
	Effective Rate	0.840	0.878
NZ\$ / US\$	% covered	90%+	20%+
	Effective Rate	0.672	0.701

FY11 OUTLOOK



FY11 OUTLOOK

Kathmandu

- Store rollout in FY11 readily achievable- matches what we achieved in FY10
- Approximately 50% of stores over 3 yrs old will have been refurbished and/or relocated by end of FY12
- Significant product design and development investment over recent years will lead to an acceleration of new range, product and category introductions over the next 12/24 months
- Summit Club membership and sales will continue to grow as % of total business
- The brand refresh project is underway. Enhanced image, positioning and brand presentation
- Maintaining gross margins within our target 62% to 64% range remains a key priority

The Market

- Much uncertainty and volatility still exists
- Supply arrangements and costs out of Asia an ongoing focus given recent developments
- Competition continues to increase and also move towards the vertical model
- General economic stability, local and offshore an important requirement for discretionary retail

Summary

- Following completion of the IPO process, Management and Board are confident that Kathmandu has the business model, brand and proven strategies to continue to grow despite the challenging and unpredictable environment

A man in a blue shirt is smiling and leaning out of a bus window, looking down at a large crowd of people on a dirt road. The crowd is diverse and appears to be gathered for an event. In the background, there are trees and a billboard. The overall scene is vibrant and suggests a sense of community and growth.

GROWTH STRATEGY UPDATE

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GROWTH STRATEGY UPDATE

Kathmandu core growth paths continue to provide varied strategic choices

GROWTH STRATEGY

UPDATE

New store rollout

- Objective is 15 stores in FY11

- 4 already confirmed, Logan (Queensland), Whitford City (Perth), Wollongong, Orange. At least 2 more confirmations expected for 1H FY11
- Australia 12 stores, New Zealand 3 stores would be ideal mix this year
- Similar potential for FY12, focus on under represented areas in Australia

Store improvements

- Refurbishments, increasing store sizes, and tailoring product offering to the climates and demographics of store locations have been identified as strategies to drive top line growth

- Major central stores now refurbished in new format Canberra, Queenstown last financial year, Brisbane 1H FY10, and Melbourne, Sydney, Christchurch and Dunedin 2H FY10.
- 2 already confirmed store relocations in 1H FY11 (Palmerston North, New Plymouth)
- Queen St and Sylvia Park Auckland expansions also underway for 1H FY11
- 2 WA stores being extended (Perth, Innaloo)
- All above in new format. Total of 12 refurbishments/ relocations budgeted for FY11

Product opportunities

- Opportunity to improve the breadth and the depth of the range, offering more product categories and more options within each category to better suit Kathmandu's customer base

- Summer 10 new Quick Dry range next to skin, and further Basecamp expansion
- Winter 11 several significant new offerings in lightweight protective products (rain and insulation) and further merino range expansion
- Commitment to increase inventory investment in key categories that underpin promotional activity



QUESTIONS?

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