



KATHMANDU HOLDINGS LIMITED AGM 24 NOVEMBER 2010

CHAIRMANS ADDRESS

INTRODUCTION

Kathmandu Holdings Limited listed on the ASX and NZX on 13 November 2009, after a successful initial public offer of 200 million shares. The IPO was well supported on both sides of the Tasman, and it has provided the opportunity for over 4000 investors to participate in the ownership of Australasia's leading retailer of clothing and equipment for travel and adventure. Shareholders should note that the addresses today and any supporting presentation material refer to NZ dollar denominated results, which is the company's base reporting currency.

COMPANY RESULTS

Kathmandu's first year of trading as a listed company has coincided with a sustained period of weak consumer confidence and real reduction in discretionary retail spending across the three countries that we trade in. Despite these circumstances, for the year ended 31 July 2010 Kathmandu's sales grew by 14% to \$245.8 million,



and earnings before interest and tax grew by 12.4% to \$47.9 million. This result was after eliminating the one-off costs associated with the IPO last November.

Whilst this profit increase was slightly below our IPO prospectus forecast, your Board considers this was a creditable outcome given the economic environment became considerably more challenging as 2010 progressed.

Adjusting for the one-off IPO costs net of tax, net profit after tax grew from \$14.9 million to \$25.2 million, and the Board approved an initial dividend of 7 cents per share. We anticipate continuing to adopt a dividend pay out ratio of around 55% of tax paid profit in the medium term, whilst the company continues to invest in the expansion and upgrading of its retail store network in both New Zealand and Australia.

Kathmandu's Chief Executive Officer, Peter Halkett and his management team have steered the company through a challenging 12 months. There were very substantial demands placed upon them throughout the IPO process, and in their subsequent effective adaptation to the rigor of operating as a public company. The team's competency and commitment were critical to the successful public listing, and this year's increase in earnings.



CORPORATE GOVERNANCE

Your Board of Directors was appointed in conjunction with the IPO last year, and the Board members have a broad range of appropriate experience that will provide the necessary oversight for Kathmandu in our initial years as a listed company. We have made a successful and appropriate transition from private equity ownership, and the Board has adopted the key corporate governance policies and practices that shareholders expect in any listed entity. Given the smaller Board size it has been efficient and effective for all of the independent Directors to be members of each of our subcommittees.

I thank all of the Board members for their commitment and support during our first year.

OUTLOOK

Our trading performance since balance date will be commented on by Peter shortly. It is possible that the economic environment will continue to adversely affect overall consumer spending in at least the short term. Despite these circumstances and the disappointing current share price, Kathmandu's continuing market leadership, brand positioning and value proposition, which is underpinned by its vertical integrated



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business model, will continue to provide strategic competitive advantage and resilience to deal with any extended market downturn.

The store rollout programme identified in our prospectus which projects a Kathmandu potential store network across Australia and New Zealand of up to 150 stores remains on track and is achievable. We expect to again open around 15 new stores in the forthcoming year, primarily in Australia. The economic environment in the UK is certainly challenging and the Board does not currently contemplate any expansion in that market.

Our focus remains on taking up the investment opportunities, in both product and retail footprint, which exist in Australia and New Zealand. In this way we will seek to maximise returns to shareholders from the ongoing growth in sales in these markets. Your Board and the Kathmandu management team are clearly focused on achieving this outcome. Thank you.

James Strong

Chairman