



LIVE THE DREAM®

KATHMANDU HOLDINGS Ltd

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KATHMANDU HOLDINGS LIMITED

(A.R.B.N 139 836 918)

ASX/NZX/MEDIA ANNOUNCEMENT

2 AUGUST 2011

TRADING UPDATE FOR YEAR ENDED 31 JULY 2011

Kathmandu Holdings Limited (ASX/NZX code: KMD) today advises an update on its sales performance and forecast earnings for the year ended 31 July 2011. Chairman James Strong noted that the substantial improvement in results year on year warranted early advice to the market. "We anticipate the Kathmandu result will be against the general trend for the retail sector this reporting season. It is clear that market conditions throughout this year have been particularly difficult for retailers dependent on discretionary consumer spend, particularly in the apparel category", said Mr Strong. "The winter season appears to have been especially tough, and given these circumstances we considered it was appropriate to update the market as soon as possible on Kathmandu's trading performance".

Kathmandu's consolidated sales for the year ended 31 July 2011 were NZ\$306.0 million. This was an increase of NZ\$60.2 million (24.5%) on the previous year. Measured on a constant currency exchange rate the increase in sales was NZ\$54.2 million (21.5%) on the previous year. Same store sales increased by 15.7% on the previous year (12.9% on a constant currency basis).

Sales by country for the year were:

- Australia A\$143.4 million, up A\$29.9 million (+26.3%);
- New Zealand NZ\$111.3 million, up NZ\$17.0 million (+18.0%);
- United Kingdom £3.9 million, down £0.3 million (-6.7%).

EBIT for the year is expected to be between NZ\$63 million and NZ\$65 million, compared to NZ\$47.9 million¹ for the previous year. This will be an increase of between 31 and 36%.

¹ Previous year's EBIT excluded the impact of IPO listing costs.

Kathmandu attributes the increase in sales in Australia and New Zealand to:

- Increased investment in inventory, which has supported sales growth particularly during the three key promotional periods in the year;
- Generally favourable weather patterns across both Australia and New Zealand for the Easter and Winter promotional periods;
- Better than expected results from new stores opened during the year.

Chief Executive Officer Peter Halkett said that the result for the year had to be considered a good outcome given the very uncertain economic environment and the impact this has had on discretionary spending by consumers over the second half of the financial year, particularly in Australia. "Our key strategies of new store rollout, upgrading of existing stores and ongoing growth in our product range have all delivered increased sales", said Mr Halkett. "However we also have to acknowledge that autumn and winter weather was overall a positive for us, and we also believe the strong A\$ and NZ\$ has encouraged growth in travel overseas, which has a flow on benefit for us."

Mr Halkett concluded by observing that " This result reinforces our confidence that the continuing investment we are making in the Kathmandu brand and product range is being strongly supported by our customers, and despite the exceptionally challenging environment we are very well positioned to continue to grow the business in the year ahead".

Further details on Kathmandu's performance will be provided when the full year audited result is released on Wednesday 21 September.

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(Note that no further media comment will be made by Company Directors or Management on trading performance until the audited result is released)

