

KATHMANDU HOLDINGS LIMITED AGM 18 NOVEMBER 2011

CHAIRMANS ADDRESS

INTRODUCTION

Kathmandu Holdings Limited has had a successful first full year as a listed company. I am pleased to report to shareholders today on a record year of sales and earnings, and the continuation of our strategy to invest in the Kathmandu brand and business, in order to build on our market leading position. 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, unless stated otherwise.

COMPANY RESULTS

Kathmandu's first full year of trading as a listed company was a period of ongoing global economic uncertainty.

In all the countries in which we trade this was reflected by consumers becoming ever more focused on their personal debt management and seeking the best value from their discretionary spending.

Despite these circumstances, for the year ended 31 July 2011 Kathmandu's sales grew by over 24% to \$306.1 million, and Earnings before Interest and Tax grew by 32% to \$64 million. Net profit after tax increased by 55% to \$39.1 million and enabled the payment of a total dividend of 10 cents per share for the year, representing a payout ratio of just over 51%. The final dividend of 7 cents per share, which is being paid next week, is fully imputed and fully franked for shareholders in both New Zealand and Australia.

Kathmandu's Chief Executive Officer, Peter Halkett and his management team have delivered a stand out result this year amongst listed Australasian retailers. The key strategic decisions that were made in respect of the increased investment in inventory, product range extension, pricing and promotion all contributed to improved sales and gross margins.

This was supported by our continuing rollout of new stores, and the commencement of an extensive project refurbishing and relocating many of our existing stores.

The profit result achieved this year also reflected effective cost management, despite accommodating ongoing structural change and growth in our operations as we continue to focus on the opportunities that exist especially in the Australian market where cost of doing business is higher. It should also be remembered that the Kathmandu team achieved this result during a year in which our Christchurch operations were disrupted three times by the significant and tragic earthquake events that impacted that city. Many of our people live in Christchurch, which is also the location of our New Zealand distribution centre and several of our best performing stores. We are particularly grateful to them for their support during this devastating period. In these circumstances, your Board views the performance of our Kathmandu team in delivering this result as exceptional.

CORPORATE GOVERNANCE

Your Board of Directors were all appointed in conjunction with the IPO in 2009, and have a broad range of appropriate experience that is providing the necessary oversight for Kathmandu in our initial years as a listed company and as we continue to grow. The Board adopts and applies appropriate corporate governance policies and practices that shareholders expect from us. It should be noted that 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.

The Board size has been a matter of discussion during the year, and today we are seeking approval from shareholders for an increase of A\$200,000 in the total pool available to pay non-Executive directors. This increase is to enable the Board to appoint another non-Executive director, as and when the Board considers this appropriate.

On behalf of the Chairman James Strong, I would like to take this opportunity to thank all of the Board members for their commitment and support during our first full year.

INVESTMENT STRATEGY AND OUTLOOK

Our key growth strategies are underpinned by continuing investment in our brand, retail network and infrastructure.

In the past year circumstances arising in part from the Christchurch earthquakes meant there was a small year on year decrease in capital expenditure. Looking ahead, the Board is supporting a major increase in the level of capital investment in order to grow the business. Capital expenditure will approximately double in FY12. This will facilitate not only our new store rollout, but also an extensive store refurbishment program, the rollout of the new brand identity and key infrastructure improvements including a new distribution centre in New Zealand and new Australia support office in Melbourne.

We expect to have new banking facilities established by the end of this calendar year providing total lines of a similar amount to our existing facilities, to support our investment program for the next three years.

In order to support the planned growth in our business we will continue to recruit additional team members, particularly in the area of product innovation, design and sourcing. We will be flexible in

locating our people between Christchurch and Melbourne to meet our business requirements.

This will not only mitigate the risks to business growth that the earthquakes have unfortunately caused but will also allow us to provide increased focus on our markets in both countries. Whilst our cost of doing business will be impacted by both our continuing investment in infrastructure and the increase in costs of our retail network and supporting operational teams, the Board views this spend as appropriate in delivering sustained growth in earnings.

Given Kathmandu's market leadership in New Zealand and the increase in brand awareness and sales and profits that we are achieving in Australia, the planned increased investment will continue to support Kathmandu's strategic competitive advantage and our resilience in responding to any extended general economic downturn in our two key markets.

In Australia and New Zealand our focus will remain on driving growth opportunities in both product and retail footprint whilst ensuring the investment we make in the Kathmandu brand and our infrastructure support wider growth opportunities in the longer term.

Your Board believes the current economic environment does not preclude successful businesses from re-investing and growing profitably, and Kathmandu is a brand that has substantial growth potential yet to be realised.

I now pass the meeting over to our CEO Peter Halkett who will update you further on our result, our growth strategies and current trading performance.

Sandra McPhee

Acting Chairman