Kathmandu – December Market Update

22 December 2011

Agenda

- Overview of trading performance
- Growth strategy update
- Response to changing trading conditions
- Outlook and summary
- Questions

Overview of trading performance

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Period	Total sales growth % (constant currency)	Same store sales growth % (constant currency)	*Last year same store sales growth % (same period at constant currency)**
15 weeks to 13 November 2011	17.6%	9.2%	*0.6%*
20 weeks to 18 December 2011	10.6%	2.8%	*4.4%*

- Given recent sales performance and general discretionary retail trends, earnings for 1H FY12 will be less than NZ $23.2m EBITDA achieved in 1H FY11.

- New Zealand same store sales growth higher than Australia YTD, and New Zealand market stronger to date in Xmas trading. UK same store sales continue to decrease.

- Substantial portion of period earnings still dependent upon trading to 31 January.

- Last year (and generally in past years) first half was one-third of full year EBITDA result.

* Note 1H FY11 26 weeks same store sales growth at constant currency was 9.5%, and 1H FY10 same store sales growth at constant currency was 11.7%

Growth strategy update

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- **New store rollout:** new stores profitable in a tough market, 5 new stores either already open or confirmed to date in FY12.
- **Improve existing store network:** successful relocations of Wellington, Chatswood (Sydney), Camberwell (Melbourne) completed. 3 or 4 more planned in 2H FY12.
- **Grow product offering:** contribution of new lines helping to offset declines in mature and low growth products and categories.
- **Summit Club:** ongoing member growth in line with expectations.
- **Online:** sales performance YTD again ahead of expectations, and major enhancement project commenced.

New Camberwell (Melbourne) store

Response to changing trading conditions

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- Additional promotional activity in place to stimulate incremental sales
- Reviewing balance of FY12 capital expenditure and on-going cost base
- Commenced UK review and restructure - third party warehousing and store review
- New A$110m bank facility in place until end of FY14 with improved flexibility and reduced costs

Outlook and summary

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- Well positioned to cope with market challenges
- Growth strategies remain successful and business model strong
- Not immune to volatile and potentially extended decline in discretionary retail spend
- Full year profit growth still achievable


Questions