

KATHMANDU HOLDINGS LTD 11 NOVEMBER 2012

CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING

Good morning shareholders. I am pleased to report on another successful year for Kathmandu Holdings Limited. Although Kathmandu was unable to match its record earnings result of 2010/2011, the solid increase in same store sales and uplift in second half year profits was a good result for the Company in particularly difficult economic times.

Economic conditions globally are likely to continue to inhibit discretionary consumer spending for some time. Coinciding with this time of economic uncertainty is the accelerating development of multichannel retailing and this is providing Australasian consumers with enhanced and ever increasing opportunities to buy international brands online.

The combination of these two factors has had a very significant impact on the buying behaviour across most discretionary retail categories. As Kathmandu is a fully vertical brand with total control over how we develop and distribute our products we are well positioned to compete in these circumstances, and to do so we must continue to invest in our business, whilst managing our costs to maintain profit growth.

Our primary growth opportunity remains to grow our business and market share in Australasia, and particularly Australia, through increased and sustained investment in our brand, product and retail channels. By this investment we will maintain our leadership in the outdoor travel and adventure sector, and the profit growth available to us will enhance shareholder value.

Financial Results for 2011/12

A 13.4% increase in sales to NZ\$347.1 million, offset by a reduction in gross profit margin to 63.2% and an 18.4% increase in operating expenses resulted in a decrease in Earnings Before Interest and Tax in the year of 10.9%, from NZ\$64 million to NZ\$57 million. Whilst first half earnings were down

by 43% on the prior year, there was an increase in our earnings in the second half and over 80% of the full year profit was earned in this period.

We achieved satisfactory same store sales growth in both Australia (6.5%) and New Zealand (9.2%), but the smaller UK business same store sales result was negative. Although operating costs increased at a higher rate than sales, this was primarily as a result of non-recurring first half expenditure and expenses associated with investment in infrastructure. Store numbers increased by 10%, slightly below our target for the year.

Overall our EBIT margin reduced from 20.9% to 16.4%.

Growth Strategies

Kathmandu continues to focus overall on the 5 key growth strategies outlined at the time of our IPO in 2009, specifically:

- Continuing our new store rollout in Australia and New Zealand;
- Improvement of our existing store network;
- Enhancing the Kathmandu product offering;
- Growing our Summit Club, and
- Developing and growing our online and digital channel capabilities.

Peter Halkett will talk to you about our progress in these areas following my address. We are confident that successful execution will differentiate Kathmandu from competitors who either do not control their own brand or who are unable to adequately invest for growth in the current environment.

New store opportunities, particularly in Australia, remain our most significant and immediate growth opportunity. New stores and future growth in Summit Club membership will underpin increasing our market penetration in Australia, and similarly ongoing product development and investment in inventory will remain focused on what is appropriate to grow share in this market.

Looking to our wider opportunities, the online channel and the associated development of direct to customer communication and marketing opportunities through electronic and social media have already driven fundamental changes in retailing strategy globally. Our new online platform is a significant step in the development of our capability to sell and service customers across the world, and growing our online business in the UK is a first step in this strategy. We intend to invest further to support the international growth opportunity for Kathmandu through online and other related channels.

Capital Investment

The uplift in capital expenditure in 2011/2012 included substantial investment in new physical infrastructure with enlarged and improved distribution facilities in both Christchurch and Melbourne, the establishment of a new office in Melbourne for our Australian domiciled support team, and completion of the bulk of our rollout of the new brand identity to our stores. Whilst most of planned physical infrastructure investment not directly related to our store network is now complete, Kathmandu will continue to be investing in store refurbishments and relocations as well as our ongoing commitment to a target of 15 new store rollouts per annum. Our investment in improved information systems is also continuing, with our prime focus now being on enhancing the customer experiences both in store and on-line and ensuring we have the foundation to be able to deliver to the global market.

The investment strategy for Kathmandu is not just in capital assets and product. We continue to grow the depth and competency of our team in all the countries that where we operate, and we welcomed a number of them as shareholders for the first time this year under our long term incentive plan.

Recruitment over the past year has included specialist leadership roles and team establishment in areas as diverse as technical fabric development and quality control, retail training and development, and online customer service. Our growth strategies can only be delivered by talented people with passion for the Kathmandu brand.

Outlook

Economic prospects both globally and in Australasia have to be viewed with caution. Our approach to the U.K. exemplifies the care that we are taking in future expansion, but there is no change to our view that the Kathmandu brand has genuine potential to be a significant global presence in the outdoor travel and adventure market. We are very clear that in the short term our key strategy remains to invest and grow the business and build the Kathmandu brand in the Australasian market. As we grow profitably in this market we will also be investing in the wider capabilities your Company requires in order to pursue new growth opportunities for Kathmandu brand further afield, when the time is right to do so.



James Strong

Chairman