

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the fourth Annual General Meeting of Kathmandu Holdings Limited ("**the Company**") will be held at the Stamford Plaza, Albert Street, Auckland, New Zealand on Wednesday, 20 November 2013 at 11:00am (New Zealand time).

Ordinary Business

Financial Statements

1. To receive and consider the Financial Report of the Company for the year ended 31 July 2013 together with the Directors' and Auditor's reports.

Election of Directors

2.a. Mr. John Holland

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr. John Holland, who retires by rotation in accordance with Article 4.4 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."

2.b. Ms. Sandra McPhee

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Ms. Sandra McPhee who retires by rotation in accordance with Article 4.4 of the Company's Constitution and, being eligible, offers herself for re-election, be re-elected as a Director of the Company."

2.c. Ms. Christine Cross

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Ms. Christine Cross, being appointed as a Director on 11 December 2012, is now eligible for election in accordance with Article 4.3 of the Company's Constitution and, being eligible, offers herself for election, be elected as a Director of the Company."

In the Board's opinion Mr Holland, Ms McPhee, and Ms Cross would, if appointed as at the date of this Notice of Meeting, each be an Independent Director of the Company as defined in the NZSX Listing Rules.

Auditor's Remuneration

3. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:
"To record that PricewaterhouseCoopers continue in office as the Company's auditor and to authorise the Directors to fix the remuneration of PricewaterhouseCoopers for the ensuing year."

Approval of the issue of securities under the Long Term Incentive Plan for Employees

4. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:
"That approval is given for the purpose of Exception 9 in ASX Listing Rule 7.2 and for all other purposes for the grant of performance rights, and the subsequent issue or transfer of ordinary Kathmandu Holdings Limited shares to participants, under the Kathmandu Holdings Limited Long Term Incentive Plan on the terms contained in the Explanatory Statement, which are in all respects the same

as those previously approved by shareholders when the Plan was initially adopted on 24 November 2010."

Voting exclusion statement – Item 4

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Item 4 by any Executive Director of the Company or any other person to whom performance rights will be granted under the Plan (and any associate of such persons).

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Grant of performance rights to Peter Halkett under the Kathmandu Holdings Limited Long Term Incentive Plan

5. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:
"That for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is hereby given for the grant to Peter Halkett, Managing Director and Chief Executive Officer, of a number of performance rights up to a value of A\$483,900, calculated in accordance with the formula and terms described in the Explanatory Statement which forms part of this Notice of Meeting."

Voting exclusion statement – Item 5

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Item 5 by any Executive Director of the Company or their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Grant of performance rights to Mark Todd under the Kathmandu Holdings Limited Long Term Incentive Plan

6. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:
"That, for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is hereby given for the grant to Mark Todd, Finance Director, Chief Financial Officer and Company Secretary, of a number of performance rights up to a value of NZ\$292,500, calculated in accordance with the formula and terms described in the Explanatory Statement which forms part of this Notice of Meeting."

Voting exclusion statement – Item 6

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Item 6 by any Executive Director of the Company or their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

General business – Item 6

To consider such other business of the Company as may be properly brought before the meeting in accordance with the Company's Constitution.

Ordinary resolution

An ordinary resolution is a resolution passed by a simple majority (i.e. over 50% of the votes of shareholders of the Company entitled to vote and voting).

Addresses by Chairman and Chief Executive Officer

Please note that for shareholders who are unable to attend the meeting, transcripts of the Chairman's and Chief Executive Officer's addresses to the meeting (and any accompanying slide presentations) will be posted on the Company's website at www.kathmanduholdings.com and released to NZX's and ASX's market announcement platform at the same time or before they are delivered to the meeting.

Approvals

This notice of meeting has been approved by ASX and NZX.

By Order of the Board



Mark Todd

Company Secretary
16 October 2013

EXPLANATORY STATEMENT

Introduction

The purpose of this Explanatory Statement is to provide shareholders with further information on the items of business to be considered at the Annual General Meeting of Kathmandu Holdings Limited ("**the Company**") to be held on Wednesday, 20 November 2013.

ITEM 1 RECEIVE AND CONSIDER THE FINANCIAL AND OTHER REPORTS

It is intended to provide an opportunity for shareholders to raise questions on the reports and on the performance and management of the Company generally.

ITEM 2 ELECTION OF DIRECTORS

Article 4.4 of Kathmandu Holdings Limited's constitution and NZSX Listing Rule 3.3.11 require one-third of the directors (or, if their number is not a multiple of three, then the number nearest to one-third) to retire from office at the annual meeting each year (with the retiring directors being those who have been longest in office since they were last elected or deemed elected).

A single Executive Director (the Chief Executive Officer) is exempt from these rotation requirements.

In addition, Article 4.3 of Kathmandu Holdings Limited's constitution and NZSX Listing Rule 3.3.6 require any director who is appointed by the Directors to fill a casual vacancy to retire from office at the next annual meeting of the issuer, but is eligible for election at that meeting.

Information about the candidate for election

a. Mr. John Holland

Independent non-Executive Director Mr Holland retires by rotation in accordance with the Constitution of the Company and the relevant Listing Rules and offers himself for re-election.

Mr Holland is a partner in the national New Zealand law firm of Chapman Tripp and specialises in general corporate and commercial law. Mr Holland was a Board member of Chapman Tripp for six years until 31 March 2009.

Mr Holland's securities law experience includes acting on initial public offerings, advising on employee share schemes and in the private equity area. Mr Holland is an accredited director of the New Zealand Institute of Directors, member of the Financial Markets Authority Capital Markets Disclosure Consultation Panel and is a Director of Southbase Construction Limited.

Mr Holland resides in Christchurch, New Zealand.

The Directors, with John Holland abstaining, recommend that shareholders vote in favour of this resolution.

b. Ms. Sandra McPhee

Ms. Sandra McPhee is a professional Director with an executive career background in sales and marketing including 10 years with Qantas Airways. Ms McPhee also served as Chief Executive Officer of the Ansett/Traveland group.

Ms. McPhee is currently a non-Executive Director of Fairfax Media Limited, AGL Energy, Westfield Retail Trust and Deputy President of the Art Gallery of New South Wales. She is also a member of the Advisory Council of JP Morgan, Advisory Board of MMC and St Vincent's and Mater Health.

Previous non-Executive roles include Coles Group, Australia Post, Perpetual, Primelife and South Australia Water.

The Directors, with Sandra McPhee abstaining, recommend that shareholders vote in favour of this resolution.

c. Ms. Christine Cross

Ms. Christine Cross is a professional Director with an executive career background in international retail and consumer goods and now runs a retail advisory consultancy business. She started her career with Tesco plc in 1989, holding many key positions throughout the company, including the Group Business Development Director for Tesco Plc.

Ms. Cross is currently a non-Executive Director of Woolworths, Next plc, Sonae Group plc, and Plantsgen. She is on the Advisory Board of Apax Partners Venture Capital & Private Equity, and Warburg Pincus Private Equity.

Previous non-Executive roles include Fairmont Hotels & Resorts Inc, Empire Company Limited, Taylor Wimpey plc and Premier Foods plc.

The Directors, with Christine Cross abstaining, recommend that shareholders vote in favour of this resolution.

ITEM 3 AUDITOR'S REMUNERATION

PricewaterhouseCoopers is the existing auditor of the Company and has indicated its willingness to continue in office. Pursuant to section 200(1) of the Companies Act 1993 of New Zealand, PricewaterhouseCoopers is automatically reappointed at the annual meeting as auditor of the Company. The proposed resolution is to authorise the Directors' to fix the Auditor's remuneration for the following year for the purposes of section 197 of the Companies Act 1993.

ITEM 4 APPROVAL OF THE ISSUE OF SECURITIES UNDER THE LONG TERM INCENTIVE PLAN FOR EMPLOYEES

Item 4 seeks shareholder approval for the continuation of the issue of securities under the Kathmandu Holdings Limited Long Term Incentive Plan ("the Plan").

The Company's remuneration structure aims to align long term incentives for senior management and Executives including Executive Directors with the delivery of sustainable value to shareholders. This alignment of interests is important in ensuring that Executives and senior managers are focused on delivering optimal long term returns to shareholders, in conjunction with allowing the Company to attract and retain Executives and senior managers of a high calibre.

The Plan aims to link the long term remuneration of senior management and Executives including Executive Directors with the economic benefit derived by shareholders over a two to four year period and, subject to shareholder approval, will continue to form part of the Company's overall remuneration strategy.

Reason for the Plan

In line with the Company's existing remuneration philosophy and practice, the Board believes that appropriately designed equity based plans are an important component of the Company's remuneration arrangements.

The Board wishes to continue the Plan to enable the Board to grant long term incentives in the form of performance rights which will vest only on the satisfaction of appropriate performance hurdles and/or conditions (which may include tenure requirements).

The objectives of the Plan are:

- to attract, motivate and retain key employees in the Company;
- to provide an incentive to key employees to drive continuing improvement in the Company's performance;
- to provide market competitive reward mechanisms in line with the guidelines and expectations of Australian and New Zealand shareholders; and
- to provide key employees with the opportunity to acquire an ownership interest in the Company.

Reason for Plan Approval

ASX Listing Rules

Approval of shareholders is sought for the purpose of Exception 9 in ASX Listing Rule 7.2.

In general terms, ASX Listing Rule 7.1 requires the Company to obtain the prior approval of shareholders to issue securities if, when aggregated with securities issued by the Company during the previous 12 months, the issue will exceed 15% of the number of securities the Company has on issue at the commencement of that 12 month period. There are a number of exceptions to ASX Listing Rule 7.1, including ASX Listing Rule 7.2 (Exception 9).

ASX Listing Rule 7.2 (Exception 9) provides that ASX Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme (such as the Plan), if, within 3 years before the date of issue of securities, shareholders of the company have approved the issue of securities under the employee incentive scheme as an exception to Listing Rule 7.1.

If the Plan is approved for the purpose of ASX Listing Rule 7.2 (Exception 9), any performance rights issued under the Plan during the 3 years following the 2013 Annual General Meeting will not be included in determining whether any further issues of securities by the Company will breach the 15% limit under ASX Listing Rule 7.1 in respect of any 12 month period.

Since the Plan was last approved by shareholders at the 2010 annual general meeting the Company has issued 2,004,872 performance rights, and 215,894 fully paid ordinary shares under the Plan.

NZSX Listing Rules

Specific approval of the Plan itself is not required under the NZSX Listing Rules.

Summary of Plan Terms

Under the Plan, the Board may grant performance rights to any employee of the Company (including Directors holding salaried employment) or any related body corporate of the Company whom the Board decides in its absolute discretion is eligible to be invited to receive a grant of performance rights ("**Eligible Employee**").

The Company will not apply for ASX or NZX quotation of any performance rights issued under the Plan.

Vesting of performance rights will occur when the specified conditions and/or performance hurdles are satisfied within a performance period. Each performance right, when vested, will automatically convert to one fully paid ordinary share in the Company.

The Company may acquire fully paid ordinary shares on market and transfer, or issue new shares, on vesting of performance rights.

Any shares issued or transferred as a result of the vesting of performance rights issued under the Plan will rank equally with existing fully paid ordinary shares in the Company in all respects, including voting rights and entitlement to participate in dividends and in future rights and bonus issues.

Performance rights for which no share has been issued or transferred do not include any entitlement to participate in new issues of shares, dividends, rights, bonus issues or other pro-rata issue to the Company's shareholders, unless the Board in its absolute discretion determines otherwise.

In summary, the key terms of the Plan are:

- The Board may grant performance rights for no cash consideration.
- The Board may establish rules for each grant of performance rights under the Plan which must be consistent with this summary. However, the Board has absolute discretion to vary the rules or waive performance conditions as it considers appropriate.
- Performance rights may be granted at intervals determined by the Board.
- The number of performance rights to which an Eligible Employee may be entitled will be determined by the Eligible Employee's position taking into account the person's role, seniority and contribution to the Company, consistent with the Company's remuneration philosophy.
- The Board will determine the number of performance rights for each Eligible Employee. The number will be calculated by dividing (i) the relevant dollar value which represents a particular percentage of the Eligible Employee's base salary (excluding superannuation, if applicable), plus for Executives any short term cash incentive payment that the Eligible Employee may receive or become entitled to, by (ii) the volume weighted average price of the Company's ordinary fully paid shares traded on the ASX or NZX (depending upon location of the Eligible Employee's employment) over a period determined by the Board.
- Performance rights will, subject to satisfaction of performance conditions, vest on the basis of one ordinary share for each performance right which vests, and on such dates as determined by the Board in its absolute discretion and set out in the invitation from the Board to the Eligible Employee to apply for performance rights under the terms of the Plan.
- Where an Eligible Employee's employment ceases, any performance rights held by them will lapse, except in the case of redundancy, death or total and permanent disability where the Board may in its absolute discretion determine to vest some or all of the Eligible Employee's performance rights or determine that those performance rights will not lapse and will remain subject to some or all of the performance conditions (to vest if those performance conditions are satisfied over the applicable performance period).
- Unless otherwise determined by the Board, an Eligible Employee will forfeit any performance rights or other rights or entitlements under the Plan if:
 - > the Eligible Employee is dismissed for cause;
 - > in the Board's reasonable opinion, the Eligible Employee acts fraudulently or dishonestly, is in serious breach of duty to the Company or commits any act of harassment or discrimination; or
 - > in the Board's reasonable opinion, the Eligible Employee has brought the Company into disrepute.
- Performance rights granted under the Plan are not capable of being transferred, sold, mortgaged, charged, hedged or made subject to any margin lending arrangement or otherwise disposed of or dealt with in any way. A performance right will lapse immediately if any such thing purports to occur.
- In the event of a change of control (where a person or entity becomes the holder or controller of more than 50% of the

issued shares of the Company) the Board may, in its absolute discretion but subject to relevant laws and the ASX and/or NZSX Listing Rules, determine if any performance rights will vest and allocate a number of shares on a pro rata basis, or determine whether any performance rights will automatically lapse.

- In the event of any alteration to the Company's capital or re organisation of the Company's capital (including consolidation, sub-division, cancellation, redemption, reduction, acquisition by the Company, return or other rearrangement or reconstruction), the Board may, in its absolute discretion, make adjustments to the number of performance rights to which Eligible Employees are entitled, subject to the ASX and or NZSX Listing Rules.
- The maximum number of performance rights that may be offered under the Plan at any time shall not exceed the lesser of:
 - > the maximum permitted under any applicable laws; or
 - > when combined with performance rights already on issue, 5% of the total number of issued fully paid ordinary shares of the Company at the time of the proposed grant of performance rights under the Plan.

The Directors (with Mark Todd and Peter Halkett abstaining) unanimously recommend that shareholders vote in favour this resolution.

ITEMS 5 & 6 GRANT OF PERFORMANCE RIGHTS TO PETER HALKETT AND MARK TODD UNDER THE KATHMANDU HOLDINGS LIMITED LONG TERM INCENTIVE PLAN

Grant of Performance Rights

Items 5 and 6 seek shareholder approval to issue further performance rights to two Executive Directors, Peter Halkett and Mark Todd under the shareholder approved Kathmandu Holdings Limited Long Term Incentive Plan ("**the Plan**"). Under the Plan the Board may grant performance rights to any employee of the Company (including Directors who are employees) or any related body corporate of the Company whom the Board decides in its discretion is eligible to be invited to receive a grant of performance rights.

The Company seeks shareholder approval to grant performance rights under the Plan because under ASX Listing Rule 10.14 the Company must seek shareholder approval to grant equity securities in the Company to the two Executive Directors, Peter Halkett and Mark Todd. Subject to that shareholder approval, Peter Halkett and Mark Todd will be granted further performance rights which, subject to the achievement of certain performance conditions described below, may vest and convert to ordinary shares on a one-for-one basis.

The Board has decided to grant the further performance rights to Peter Halkett and Mark Todd, for the following reasons:

- the grant of performance rights is in accordance with acceptable market practice;
- the grant of performance rights has a minimal dilutionary effect on the issued share capital of the Company;
- the grant of performance rights, as the primary component of their incentive based remuneration, will reward these Executives for their performance; and
- performance rights which have been granted under transparent and robust performance conditions, containing stretch elements, will when they vest create recognisable

value to these Executives, which ensures alignment with value creation to Shareholders.

Vesting of the performance rights will only occur when the Performance Conditions specified below are satisfied within the relevant Performance Period. Financial Performance Conditions are determined inclusive of the cost of the performance rights granted. Each performance right, when vested, will automatically convert to one fully paid ordinary share in the Company.

On vesting of the performance rights, the Company may acquire fully paid ordinary shares on market and transfer, or issue new shares. Any shares issued or transferred as a result of the vesting of performance rights issued under the Plan will rank equally with existing fully paid ordinary shares in the Company in all respects, including voting rights and entitlements to participate in dividends and in future rights and bonus issues.

Details about the grant of Performance Rights to Executive Directors under the Kathmandu Holdings Limited Long Term Incentive Plan

Peter Halkett, Managing Director and Chief Executive Officer (Item 5)

Subject to shareholder approval, the Board wishes to grant to Peter Halkett performance rights to the value of A\$483,900 representing 60% of Mr. Halkett's fixed annual remuneration of A\$806,500.

The actual number of performance rights to be granted to Peter Halkett for nil cash consideration under the Plan will be determined by dividing the performance rights value of A\$483,900 by the average volume weighted price for the Company's ordinary shares as traded on the ASX on the 5 business days prior to the offer being made to Peter Halkett.

The performance rights will be granted to Peter Halkett on or prior to 1 December 2013. The performance rights will only vest if the Performance Conditions are satisfied during the applicable Performance Periods, both as specified below. Where relevant Performance Conditions are met a pre-determined proportion of the performance rights will, on the relevant Vesting Dates, convert to ordinary shares in the capital of the Company on a one-for-one basis. Any shares allotted to Mr. Halkett may be acquired on market or issued by the Company.

No consideration will be payable by Peter Halkett in respect of the grant of the performance rights or the transfer or issue of shares upon vesting of the performance rights.

Mark Todd, Finance Director, Chief Financial Officer and Company Secretary (Item 6)

Subject to shareholder approval, the Board wishes to grant to Mark Todd performance rights to the value of NZ\$292,500 representing 60% of Mr. Todd's base salary of NZ\$487,500.

The actual number of performance rights to be granted to Mark Todd for nil cash consideration under the Plan will be determined by dividing the performance rights value of NZ\$292,500 by the average volume weighted price for the Company's ordinary shares as traded on the NZX Main Board on the 5 business days prior to the offer being made to Mark Todd.

The performance rights will be granted to Mark Todd on or prior to 1 December 2013. The performance rights will only vest if the Performance Conditions are satisfied during the applicable Performance Periods, both as specified below. Where relevant Performance Conditions are met a pre-determined proportion of the performance rights will, on the relevant Vesting Dates, convert to ordinary shares in the capital of the Company on a one-for-one basis. Any shares allotted to Mr. Todd may be acquired on market or issued by the Company.

No consideration will be payable by Mark Todd in respect of the grant of the performance rights or the transfer or issue of shares upon vesting of the performance rights.

Note that at an exchange rate of NZ\$1.00 to A\$0.88 the grants proposed equate to NZ\$549,886 in respect of Peter Halkett (Item 5) and A\$257,400 in respect of Mark Todd (Item 6).

Allocation of Performance Rights

The proposed allocation of performance rights is in the same proportions for both Mr. Halkett and Mr. Todd.

Amounts and Vesting Dates

The performance rights will be divided into three equal tranches. Subject to the Performance Conditions being met over the applicable period of time as prescribed by the Board ("**Performance Period**"), these performance rights will, subject to satisfaction of the Performance Conditions, vest as follows:

- the first tranche of performance rights will vest on 1 December 2015 ("**First Tranche**");
- the second tranche of performance rights will vest on 1 December 2016 ("**Second Tranche**"); and
- the third tranche of performance rights will vest on 1 December 2017 ("**Third Tranche**").

Performance Conditions

The Performance Conditions for the vesting of performance rights to Peter Halkett and Mark Todd are comprised of a dual test of relative Total Shareholder Return ("**TSR**") and Earnings per Share ("**EPS Growth**") ("**Performance Conditions**").

The Board considered it appropriate to have a dual test since:

- a TSR component provides a challenging test (where reward is only delivered for 'out-performing' a target that is based on the Company's relative performance) against retail industry peers and also provides transparency for external stakeholders; and
- an EPS component which rewards achievement against a target is within management's influence, thereby focusing Executives on one of the Company's key business drivers.

The Board believes that the dual tests, if achieved, will demonstrably aid the creation of shareholder value. Each Performance Condition is weighted evenly.

TSR Condition

For each Tranche, vesting of 50% of the performance rights will depend upon the Company's relative TSR performance determined by the Board on the basis of the Company's relative TSR ranking calculated over the following Performance Periods:

- (a) for the First Tranche, the 24 months to 1 December 2015;
- (b) for the Second Tranche, the 36 months to 1 December 2016; and
- (c) for the Third Tranche, the 48 months to 1 December 2017;

in each case, compared with the TSR performance of the entities in a comparator group calculated over the same period.

Comparator Group

The Company's TSR will be compared to the TSRs over the same period of a comparator group of listed entities that are in the retail industry, listed on the ASX or NZX and with market capitalisation indicatively in a range between 300% & 40% of the Company's market capitalisation. The Board has a general discretion to the Company's TSR in any Performance Period (for example, in

circumstances where an entity subject to a takeover event during the year).

Vesting Measures

For each Tranche:

- No performance rights subject to the TSR condition (being 50% of the maximum number of performance rights for which the relevant Executive may be eligible for that tranche) will vest unless the Company's TSR over the Performance Period is greater than the TSR of the entity which is at the 50th percentile of the Comparator Group ranked by their TSR performance over the same period.
- If the Company's TSR is greater than the TSR of the entity which is at the 50th percentile of the Comparator Group ranked by their TSR performance over the same period, 50% of the performance rights subject to the TSR condition will vest.
- All of the performance rights subject to the TSR condition will vest if the Company's TSR over the applicable Performance Period is equal to or greater than the TSR of the entity which is at the 75th percentile of the Comparator Group of entities ranked by their TSR performance.
- The proportion of the performance rights subject to the TSR condition that will vest between the 50th and 75th percentiles will increase 2% for each whole 1 percentile increase in the Company's relative TSR performance.

The vesting scale for the performance rights subject to the TSR condition is summarised in the following table:

Percentile ranking of the Company at the end of a Performance Period	Percentage of performance rights in a particular Tranche subject to the TSR condition that will vest
At or below 50th percentile	0
Above 50th percentile	50%
51st to 74th percentile	50% plus 2% for each 1 percentile increase above the 50th percentile
75th percentile or above	100%

EPS Growth Condition

For each Tranche, vesting of 50% of the performance rights will be dependent upon the Company's EPS Growth Rate over the relevant Performance Period.

The EPS Growth Rate is the Compound Average Annual Growth rate in the Company's basic earnings per share (**EPS**) (expressed as a percentage) over the Performance Period using the 2012/2013 financial year EPS as the base. The 2012/2013 financial year EPS has been determined as 22.1 cents per share. This has been calculated as follows:

- Company earnings, net profit after tax, was \$44.174 million
- Weighted average shares on issue of 200.2 million
- Resulting earnings per share 22.1 cents per share

Performance Periods

The applicable Performance Periods are:

(a) 1 August 2013 to 31 July 2015 for the First Tranche;

(b) 1 August 2013 to 31 July 2016 for the Second Tranche; and

(c) 1 August 2013 to 31 July 2017 for the Third Tranche.

The EPS Growth Rate over each of the Performance Periods is calculated using the following formula:

[EPS Growth Rate = [EPS pp/EPS base]^{1/x} - 1] where:

EPS pp = EPS over the Performance Period

EPS base = EPS in the 2012/2013 financial year

x = no of years in the Performance Period (i.e. 2 for the First Tranche, 3 for the Second Tranche and 4 for the Third Tranche).

The calculation of EPS over the Performance Period:

- Will include in the earnings calculation all costs of performance rights that are expensed during the Performance Period; and
- Will ignore any performance rights for which a share has not been issued (i.e. unvested performance rights).

For each Tranche:

- No performance rights subject to EPS Growth Condition will vest unless the EPS Growth Rate over the Performance Period is equal to or greater than 10%.
- 100% of the performance rights subject to the EPS Growth Condition will vest if the EPS Growth Rate over the Performance Period is equal to or greater than 15%.
- The proportion of the performance rights subject to the EPS Growth Condition that will vest will increase on a straight-line basis for an EPS Growth Rate of between 10% and 15% so that the number of EPS performance rights that vest increases by an additional 10% for each additional 1% increase in the Company's EPS Growth Rate.

The vesting scale for the proportion of the performance rights subject to the EPS Growth Condition is summarised in the following table:

Compound Average Annual Growth in Company's EPS over the relevant Performance Period	Percentage of performance rights in a particular Tranche subject to the EPS Growth Condition that will vest
Less than 10%	0
10%	50%
11%	60%
12%	70%
13%	80%
14%	90%
Equal to or greater than 15%	100%

ASX Listing Rule Requirements

Pursuant to the requirements of ASX Listing Rule 10.15, the following additional information is provided with regard to Items 5 and 6 respectively:

- No consideration was payable for any of the performance rights.
- Peter Halkett and Mark Todd were granted 229,688 and 135,724 performance rights respectively, on 11 December 2012 under the Plan. The rights granted at that time which related to the short term incentive portion (65,625 and 38,778 respectively) have now lapsed. None of the current

performance rights proposed to be issued to Peter Halkett and Mark Todd for which shareholder approval is being sought relate to the short term incentive portion of the plan.

- The Plan provides that any Director of the Company who holds salaried employment is eligible to participate in awards under the Plan. The only Directors who are eligible to participate in the Plan are the Executive Directors, Peter Halkett and Mark Todd.
- There is no loan attaching to the offer under the Plan.
- Any additional Directors who become entitled to participate in the Plan after the shareholders have approved it who are not named in this notice of meeting will not participate until approval is obtained under ASX Listing Rule 10.14.
- Performance rights will be issued on or prior to 1 December 2013, and all Shares to be issued or transferred upon vesting of performance rights, will be issued or transferred (as the case may be) no later than 20 December 2017.

The Directors (with Peter Halkett and Mark Todd abstaining) unanimously recommend that shareholders vote in favour of the resolutions for items 5 and 6.

ADMISSION TO MEETING

The Company has determined that for the purpose of voting at the meeting, shares will be taken to be held by those persons recorded on the Company's register as at 5.00pm (New Zealand time) on Monday, 18 November 2013.

Shareholders who will be attending the meeting, and who will not be appointing a proxy, are requested to bring the proxy form to the meeting to help speed admission.

Shareholders who do not plan to attend the meeting are encouraged to complete and return the proxy form for each of their holdings of Kathmandu Holdings Limited shares or to complete a postal vote.

QUESTIONS BY SHAREHOLDERS

In addition to asking questions at the meeting, written questions to the Board, Senior Management and the Auditors of Kathmandu Holdings Limited, may be submitted no later than 5:00pm (New Zealand time) on Monday, 11 November 2013 to:

The Chairman
Kathmandu Holdings Limited
C/- Company Secretary
Kathmandu Holdings Limited
11 Mary Muller Drive
Heathcote
Christchurch
New Zealand

Facsimile: +64 3 373 6116

Email: Company.secretary@kathmandu.co.nz

Copies of written questions and answers will be available at the meeting and a full transcript of the meeting will be posted on Kathmandu Holdings Limited's website within 24 hours of the meeting.

PROXIES & POSTAL VOTES

1. If you are unable to attend and vote at the meeting and wish to appoint a person who will be attending as your proxy, please complete the enclosed proxy form.

2. Proxy and Postal voting can also be completed online;

New Zealand Register Holders

<https://investorcentre.linkmarketservices.co.nz/voting/kmd.aspx>

You will require your CSN/Holder Number and FIN to complete your vote.

Australian Register Holders

<https://investorcentre.linkmarketservices.com.au/voting/kmd.aspx>

You will require your SRN/HIN and postcode to complete your vote.

3. The Chairman of the meeting offers themselves as a proxy to shareholders.
4. A proxy need not be a shareholder.
5. Alternatively, you may submit a postal vote by ticking the relevant box on the proxy form and providing your voting directions for each of the resolutions. If you submit a postal vote, your votes will be counted on a vote by a show of hands at the meeting and/or if a poll is called at the meeting. If you submit a postal vote you do not need to appoint a proxy.
6. If you return your postal vote form without indicating on any resolution how you wish to vote, you will be deemed to have abstained from voting on that resolution.
7. If you complete the postal vote section and also appoint a proxy your postal vote will take priority over your proxy appointment.
8. A member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies (who need not be members of the Company) to attend and vote for the member at the meeting.
9. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes. A single proxy exercises all voting rights.
10. The form of proxy must be signed by the member or the member's attorney duly authorised in writing or if the member is a corporation under its corporate seal or by its duly authorised attorney or representative. If an attorney is to attend the meeting please submit the relevant certified power of attorney for noting and return. If a representative of the corporation or body corporate is to attend the meeting the appropriate Letter of Representation should be produced prior to admission.
11. In the case of joint holders the proxy form must be signed by all shareholders.
12. Proxy forms will only be valid and accepted if they are signed and forwarded to the Company's share registry, Link Market Services, at the address or facsimile number quoted below, or by being scanned and emailed to meetings@linkmarketservices.co.nz (please put the words "KMD Proxy Form" in the subject line for easy identification) so as to be received by 11:00am (New Zealand time) or 9:00am (Sydney time) on Monday, 18 November 2013, being at least 48 hours before the meeting.

13. The Company's share register is maintained at the following address:

In Australia:

Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000

Postal Address: Locked Bag A14
Sydney South NSW 1235

Telephone: 1300 554 474
+61 2 8280 7111

Facsimile Number: +61 2 9287 0309

In New Zealand:

Link Market Services Limited
Level 7, Zurich House
21 Queen Street
Auckland, 1010
New Zealand

Postal Address: PO Box 91976
Auckland 1142
New Zealand

Telephone: +64 9 375 5998

Facsimile Number: +64 9 375 5990



KATHMANDU HOLDINGS LIMITED

www.kathmanduholdings.com