

**Kathmandu Holdings Limited
2013 Annual General Meeting
20 November 2013
11am NZ Time**

Mr Harvey: I have much pleasure in opening the fourth Kathmandu Holdings Annual General Meeting and extending a warm welcome to all who are present. On the information conveyed to me I declare that a quorum of shareholders is present and the meeting has been duly convened.

For those who don't know me, I'm John Harvey, the Chairman of Kathmandu. Before we start the formal business, I'd like to introduce you to the other directors – on my right, on your left, we have Peter Halkett, our CEO, John Holland, Sandra McPhee, Christine Cross and Mark Todd, our CFO and company secretary.

I wish to advise that 140,355,838 proxies have been received, representing approximately 70% of the issued shares. More than 91.2% of the proxies directed are in favour of all the resolutions.

Before moving on to the formal business of the meeting, I'd outline some of the meeting procedures. An opportunity will be given to shareholders to ask questions about, and make comments on, the items of business on the agenda for today's meeting. Where appropriate I will refer detailed questions best answered by management to Peter Halkett.

Shareholders have been given an opportunity of submitting written questions via the AGM question form that accompanied the Notice of Meeting. I can advise that no written questions have been received.

Once we have considered the financial reports, shareholders will be given the opportunity to ask general questions. Shareholders with questions relating to specific resolutions are requested to ask those questions when we are considering the relevant resolution.

When we do open up the floor to discussion I ask that, for the convenience of all present, that those shareholders who wish to speak use the available microphone. Please hold up your yellow or red cards and state your name if you wish to ask a question.

Before moving to the various motions, I will briefly run through the voting procedures. At registration you will have received an attendance or voting card. If you have a white voting card, this indicates you are a shareholder and are entitled to vote and to address the meeting. If you have green non-voting investor card, as such you are either a joint shareholder or have already returned a proxy vote prior to the commencement of the meeting. You are entitled to address the meeting.

A gold card, differently meaning to a normal gold card, a gold card indicates you are a visitor to the meeting – you are welcome here today, but will not be able to address the meeting. If you do not have a voting card and believe you are entitled to vote, please see one of the registry staff from Link Market Services at the registration desk outside the room.

Kathmandu Holdings Ltd

11 Mary Muller Drive, Heathcote 8022
PO Box 1234, Christchurch 8140, New Zealand
Phone: +64 3 373 6110 **Fax:** +64 3 373 6116
kathmandu.co.nz

249 Park Street, South Melbourne, Victoria 3205
PO Box 984, South Melbourne, Victoria 3205, Australia
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kathmandu.com.au

Minutes.

The minutes of the third Annual General Meeting held last year were available at the meeting room entrance and will be available after meeting if anybody wishes to look at those.

The first item on the agenda is to receive and consider the financial statements and auditor's report as contained in the company's annual report for the year ended 31 July 2013. Before seeking shareholders comment's on the report, I would like to give you an overview of the 2012/13 year, and I will then ask our managing director, and chief executive officer, Peter Halkett, to provide a review of our activities in the year and an update on the trading to date and outlook for the current financial year.

I note that both my address and Peter's address will be available on the company's website – www.kathmanduholdings.com. I am pleased to report record sales and earnings results for Kathmandu Holdings Limited in the 2012/13 year. Kathmandu's continued leadership of outdoor travel and adventure categories in New Zealand and Australia was reflected in solid same store sales growth in both markets, and a 26.6% uplift in group profits for the year to a record \$44.2 million.

This result was reviewed positively by investor markets in both countries, particularly in comparison to the listed retail sector, and our share price has been significantly re-rated since the result was announced in late September.

Before talking further about our performance, I want to note as I did in our Annual Report the very tragic loss earlier this year of James Strong, our founding chairman. Kathmandu's success is an already substantial but still growing trans-Tasman retailer, owes much to the leadership and guidance James provided us over our first three years as a listed company.

In May we were very pleased to announce the James Strong Memorial Project in his honour, providing additional education funding to benefit children in the Solukhumbu, one of the most remote regions of Nepal. It is fitting in our view that we have been able to remember James in this way, in association with the Australian Himalayan Foundation, recognising the source of our heritage as an outdoor brand. James was a true lover of the outdoors and a passionate adventurer, and he is sadly missed by us all.

I will comment more on the makeup of the Board shortly in my address, but I now turn to the financial performance for the 2012-2013 year. Kathmandu's group sales increased in the year by \$37 million to \$384 million. This reflected relatively consistent same store sales performance across the whole year, supported by a number of good quality new stores open, and effective management of operating expenses throughout the 12 months. This growth, supported by steady gross margins and approved operating leverage, resulted in a \$6.4 million or 11% increase in earnings before interest and tax.

Favourable exchange rate translation benefits resulted in reduced tax charge, specifically in Australia, further enhanced the growth in earnings at the net profit after tax level to \$44.2 million or an increase of 26.6%.

It remains inherent to the assessment of Kathmandu's trading performance that earnings are strongly weighted to our second half year result, and in 2012-2013 we did well to achieve sales targets during Autumn and Winter seasons that were less favourable to us than in the prior year.

Peter Halkett will comment further on our trading result, but I am pleased to be able to report a 22.1 cents per share result and a consequent 20% lift in our total dividend pay out for the full year.

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Strategic planning and growth opportunities.

Kathmandu has focused to date primarily on five key growth strategies which were outlined at the time of our IPO in 2009. Specifically, continuing our new store roll out in Australia and New Zealand, improvement of our existing store network, enhancing the Kathmandu product offering, growing our Summit Club membership, and developing and growing our online and digital channel capabilities.

We have continued to achieve significant progress against all of these strategies in the past year, and Peter's presentation will go into further detail in our progress in these areas following my address.

The primary short to medium term focus of your Board is the continuing successful execution in challenging retail and economic environment of profitable growth in the Australian market. We are achieving this through ongoing new store roll out, coupled with further enhancement and investment in our online and digital capabilities. This does not mean that we are neglecting our New Zealand base, far from it, we have had excellent same store sales growth in this market in the past three years, and even though there are limited store roll out opportunities here, we are confident that our brand strength, coupled with continuing investment in product design and the resulting depth and variety of the range offered, will sustain same store sales growth in this market as well.

In the medium and longer term your Board sees potential for the Kathmandu brand to grow internationally, and the work done to realign our UK business, and develop our online sales channels in this part of the world are important steps in this strategy. We will continue to allocate a substantial portion of our investment to enhancements in this area. This has been done in tandem with building up of our team expertise, needed to ensure we maximise the potential that the online channel provides in vertical retail brands such as Kathmandu, is a fairly unique and exciting opportunity for us.

Board composition.

We were very fortunate to have Christine Cross join the Board in December 2012. Christine's experience in the international and consumer goods sector, with particular emphasis on the online space has been extremely helpful to the Board as we assess and invest to support our future growth plans in this area. Welcome Christine.

Following James Strong's death we advised that we would utilise an external search firm to assist in identifying a replacement Director and potential Chairman to fill the vacancy. I am very pleased to announce today that David Kirk will be appointed as a Director of Kathmandu following the AGM, and our intention is for David to be appointed Chairman in early 2014. David, who's here today, David you might like to – I am sure everybody recognises and knows David – will be well known to investors on both sides of the Tasman, his achievements in business following his successful sporting career, particularly leading the All Blacks to a World Cup victory. He is currently Chairman of Trade Me and Hoyts. David is the co-founder and managing partner of Bailador Investment Management, and sits on the Board of Bailador portfolio companies, and is a director of the Forsyth Barr group. He also has a number of not for profit involvements.

David's experience in online and digital technology, in particular, will be invaluable to Kathmandu, and we look forward to welcoming David to the Board.

Kathmandu Team.

We have achieved a lot since we listed four years ago and it is appropriate to thank the entire, dedicated Kathmandu team who have made this possible. The Board has set, and will continue to set very challenging growth targets, and our team led by Peter Halkett, who is ably supported by Mark

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Todd, have responded outstandingly well. I take this opportunity to record the Board's appreciation of these efforts.

Finally, looking forward and some comments on the economic outlook. The Kathmandu management team has numerous exciting opportunities available, that have the potential to deliver future profitable growth for the business over and above our store roll out, and your Board is focused on our need to fully assess, prioritise and support these as appropriate. It is clear that successful execution of our strategies in the four years since our IPO has differentiated Kathmandu from our competitors, in that we have absolute control of our brand and our strong balance sheet enables us to invest the growth in the current environment. We intend to continue to build on that competitive advantage.

Economic prospects, both globally and in Australia, continue to be very uncertain. New Zealand appears to be well placed, to weather the next two or three years, and we have reasonable confidence in our prospects in this market, but Australia retail conditions have not been favourable to most discretionary retail categories throughout 2013.

Kathmandu is well placed to deal with this environment but we are not immune from economic uncertainty. On the positive side, we believe this is also a time to take the opportunity to invest to grow our business, and we are confident that Kathmandu's strong market position will continue to be enhanced, even if there are tougher times ahead for our category.

So therefore on behalf of our Board, I thank you for your support as investors and you can be confident that we will continue to invest for profitable growth in the future. Thank you.

I will now invite Peter Halkett to address you, and again Peter's address will be on the website following the meeting. Peter.

Mr Halkett: Thank you John. I am going to go immediately off script here and say thank you to the Board for supporting me during the year because as you know I suffered a bit of a set back with my health. You will be pleased to know I am fully recovered, and as quoted in the Australian media, "quite dangerous", as a result of that. But I really would – the Board were fantastic, they really supported me very well during that period. And also thank you to numerous investors for the, "get well soon and get back and make us some money" notes, that came through as well. So thank you, it was very much appreciated, but I am back to full health.

The second thing is just, it's not in my presentation, I just wanted to say how pleased I am that David's joining. I think he's a fantastic addition to Kathmandu, and not just your online experience, just your general management and experience, and wisdom. So it's great to have you.

I am going to cover off – John's adjusted this for his height and I don't know if you'd noticed the height distance between us. I am going to talk a little bit about the results, well they've obviously been publicised, you know them, so I won't spend a lot of time on that. Highlight a few non-financial achievements, once again they're pretty familiar in terms of our Annual Report, update you on where we are with growth strategy, and just talk a little bit more about the UK and why we have stuck with the UK over the years, and how important that is to our long term strategy, and give you the most recent numbers – we can, and a little bit of the outlook as best we can, for what we know today.

Sales \$384 million, that was a record, you would expect that, we're growing. The same store sales were I think at a constant exchange rate basis of 5.6, I thought that was a pretty good achievement, and gross margin staying within the range. Those three factors obviously all work together, sales,

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margins, same store sales, they all inter-react, you could drive more sales if you were prepared to give more margin away, or better pricing. So we actually believe we got the right balance between those factors, and addition to that we kept our costs under control.

We did get a small amount of operating leverage, but ultimately this is a function of achieving sales targets. If you don't achieve sales targets your percentage of operating expenses starts to look a little poor. So it's important we continue to drive sales and important that we manage our costs, and get those factors all in balance.

The net profit after tax was \$44 million. As we know there was a tail wind in relation to the exchange rate that existed, assisted that. But this chart really highlights our growth since the IPO, as I think we all know there was a few nay sayers at IPO time and along the journey we've had a few ups and downs, in terms of our profitability. It's not necessarily reflected to the same extent as our share price ups and downs during that journey as well, but I think you can see over the years it's been consistent growth in sales.

It's been a consistent growth in profit, at an even level and a net profit after tax. We did have a bit of a purple year in FY11, when Australia got the stimulus package and I guess we were recovering from some of the stock issues we had the prior year. But it's a pretty stable line and probably not the degree of volatility that people expected, given our sale model, and given the weather, and given the competition, and given all the factors that were considered at the time would make our profitability very difficult to predict.

Just other highlights. The core to our business is our customers and our Summit Club customers are the core of that core, and they are a million. They've reached a million customers across New Zealand and Australia and the UK now. We are very pleased with that. We believe there's opportunity to continue to grow that base. I am going to talk a little more about that later.

Our online business has finally got some momentum and traction behind it, so we've decided to tell you a little more about it, and we're reporting those numbers. You can see that it grew by 55%, but more importantly it's 4% of sales. We know globally that we have got a lot more growth opportunity within that, but we think where we are today and where we started putting effort into it, it's a good result to date.

The UK business, there's been a lot of restructuring. I think everybody knows the plan there is much more about online, whether that's through our own site, whether it's through Amazon, whether it's through other market gate sites, our growth opportunity in the UK is going to be non-store based. We've got the existing base down to a size, that's been a project that Mark has actually undertaken and we are really pleased that it's now in a position where we can finally go forward.

Australian Distribution Centre.

Our business has clearly been growing and within that we expanded both the New Zealand and Australian Distribution Centre, and we did that without a lot of fuss, there was no hiccups, it's contained within the PNL, so we are really pleased that we undertook such a major project and there was no disruption to our business. And the store count is up to 136 at the end of the financial period.

So going into the growth strategies, these are the things that are keeping us moving forward, and some of them are differentiating us from our competitors, and are allowing us to continue to grow. I would just highlight that what's interesting is that we actually see when we look at our PNL, we're getting more annual growth from our same store sales than we are from our actual store roll out. So

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store roll out is very, very important but I think people have got defined in their head what happens when you get to 170? Well actually a lot of our profit growth today is actually coming from same stores, not just that roll out strategy. And then obviously we have other strategies that sit beside that.

But from a new store roll out point of view, we expect that we will get to 15 this year. We are well on track with that. I won't read out the stores but you can see we have opened a number of stores. We've got a number that have committed for next – after Christmas, and we're negotiating on a few other deals. So we'd expect to get to 15.

The final comment on that page is really that we're doing a lot of work at the moment to see whether the roll out could be greater than 170. I'm not making any prediction on that, but what happens is as the penetration of Australia increases the viability of stores where we can go in terms of catchment starts to enlarge the possibility of that. So today we are committing to 170, but we're doing a lot of work to see whether that roll out could be slightly larger.

Just moving through now to the existing store network. I mean there's a lot of things we can do, I mean we've got, in fact I think when I joined there were about 40 stores, and in that time we've opened another 100. Now many of those store decisions were the right decision at the time for what was available, but I think we still have a lot of opportunity to improve our existing store network, it's not just about opening more stores, it's about getting them in the right place, getting them the right size, and must importantly getting the range right for those stores. We have stores from Invercargill through to Darwin now. What sells in Darwin doesn't necessarily sell exactly the same.

So we don't really have the technology today to support range plans per store for every single market we're in, but we're moving towards a system that will allow much more assortment range planning and tailoring the offer to the relevant market, and that will assist us in same store growth over the next few years as well.

When we look at the performance of some products – at the moment you may or may not be aware pretty well what you see in Darwin and what you see in Invercargill is the same offer but clearly things sell in different proportions. Some things sell, like a down jacket we'll sell 20 times more and we might only sell two in Darwin. So the facing looks the same but the sales are different but it's about making use of what's becoming more and valuable real estate. That's all I'm really going to say on improving the store network although we have undertaken a number of projects. If you are in Bondi or if you are going to get down to Petone, probably in about six months' time, you will start to see the work we're doing in upgrading the portfolio to ensure that our offer across all our stores is still consistent. That the tail of our offer doesn't get too long so that you think you are in a different organisation. Some of these investments will get us a return and others about maintaining the profitability of the existing store.

Product.

You've heard me say in the past, I think we're a brand. There's no doubt about it, more and more it's becoming more a brand. We've got to make fantastic products and then it's about what's the best way to distribute them historically. That's been through our own stores, more and more it's becoming about online and utilising other market gate sites and other opportunities so clearly those opportunities of distribution are enhanced if we have a really strong brand and a fantastic product portfolio. We've invested a lot, once again this has been funded out of our current PNL, this is not something we're going to do in the future, this is something we've been doing for a number of years. So we have been investing in areas and still growing the profit but there's a lot more work being done. You can see the first point is about infantry, investment targeting, top performing lines, pretty well

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what that is, it's about investing more in the lines that are really delivering the sales and being more aggressive in culling the items that are slower moving. Making best use of the floor space.

Our total skew count we have about 5,600 skews at any one moment in time. That could be a shirt or a tent, so they don't necessarily represent the same size by any means but on average we have about 5,600 skews. We're not growing that skew count any more. Pretty well our biggest stores have got the – we can't fit any more into them. The worst performing skews are still valuable for us but we're not growing that range any more. Now it's about product performance. It's about making sure the stock turns of the individual products go up. The margins of the individual products go up and so the rapid growth you've seen over the last three years, it's now about fine-tuning and getting performance and to do that it's about improving the quality of products.

We've invested in a lot more technical support. We've got fabric technicians, we've got expertise in chemicals now and we are really positioning our product more and more so it can compete more effectively on the global stage. It's fine for us to be successful into New Zealand and Australia but funnily enough you can't hide in this part of the world, not in a global connected world any more. We need to be able to compete globally and that's why once again the UK is so important to us. It's our test bed and product is critical to that. It's no use having a phenomenal distribution system if people don't trust the brand and they don't aspire to the products.

To do this we also work with what we call best infield testers. These are people, they might be part of Outward Bound, they might be climbing guides, they might be in New Zealand, they might be in Australia. We given them a bunch of our gear, they go out and beat it up. They come back to our design team. They tell them what's good and what's bad about it. They refine it, they give it back to them, they go and knock it around again and it's just an iterative process and we're doing this with a number of products. They are our hero products and then that technology feeds through the whole range, so that's something we haven't done historically, it's a programme that's been put in place about 18 months ago and it's already starting to be a fruit for us. But it's about making sure we've got the technical credentials, we've had the right people testing our products.

I think we all know that the vast quantity of what we sell is into the mass space not necessarily the technical space but the right to play is those products with high technical credentials that allow us to sell people to wear a raincoat to walk the dog. That same jacket or at least a member of the family of that jacket is something you want to be able to take up to Everest. And those top elite products, they are what we call the XT range and at the moment we have about 10 or 12 lines that sit in the XT. That's going to be further developed. Those are the sort of products that when go into a new market, we will submit those to for testing, we will submit those to for sponsorship, we will submit those to Wilderness-type magazines so that we can have an elite products that I guess create the right impression for the brand, be it that we know that when we go into a market like the UK, it's not highly technical. But that is once again the right to play. So we're taking those products and we're creating their own brand to give us that edge and to create some break-through in those markets.

I could talk a long time about product because this is the heart and the soul of our business, but I won't you will be pleased to know.

Online and digital.

Once again this is about distribution of our product but it's becoming more than that, it's about connecting to your customers, engaging with your customers. There's a lot to talk about here once again and we've been growing rapidly – 86% sounds phenomenal but as we know, it's still only 4% of sales. We'd like to think that we could get that well above 10% over the next few years. We've

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launched our mobile optimised site, I'm not sure if you're aware of it but you know somewhere between 20 and 30 and 40% and growing rapidly of people are doing their research on their handheld device. So we had a great website that you could use on your PC or laptop but it wasn't particularly friendly on your handheld device. We've got a site that's now fully compatible with your iPhone, your Android or iPad so we're very excited about that and already we're seeing that a high proportion of both our sales and our searching has been done on that phone.

Once again these cost money to invest in and we've been doing that at the same time as other things and growing the profit. We also launched our upgraded phone app. Currently it's only on iPhone but it will be going to Android fairly soon. And that's a store locator, it's going to store your Summit Club membership details, you can track your points, we have an accumulated spend, you can see how far you're tracking towards the goal of earning your voucher which gets you back into stores. So lots of interesting initiatives coming to fruition at the moment. Amazon we've launched, we're operational. Clearly Amazon is a great opportunity for us but it's not an opportunity if you don't do something with it. There's 144 million customers, it's like being in the world's biggest department store but stuck in the dusty corner. We've got to get out there. We've got to get our product in front of mind, we've got to get up the search, we've got to get the ratings and reviews. There's a lot of work to do and we've got a fairly good plan of attack for there so all I can say in that is watch this space but it's going to the flag bearer for us in what's going to turn the UK around.

There's all sorts of other enhancements we're working with at the moment. International shipping which essentially means if you want to send something to a friend in Canada and you are a New Zealand customer, you can do so or if you are in Australia and wanted to send to someone you can do so. Or if you've been to one of our stores and you an overseas visitor, we can sign you up as a Summit Club member and you can start to transact, initially just from our New Zealand or Australian websites and we will ship to you. It can go further from that, we can then have an international site where you can pick your currency, it can then go further again where we have a site dedicated for Canada or the US. But at this first stage we just want to have a basic international shipping offer available and that should come early next year.

There's so much I could talk about but once again in the interests of time I will stop myself.

Summit Club.

I touched on this before, we are really pleased that we have hit a million customers. Really the growth now is about Australia. The penetration of New Zealand, just above everyone's got a Summit Club card in New Zealand so the upside is limited unless we come up with a second card. So the opportunity is Australia. We know that from a sales point of view, Australia is one third penetration compared to New Zealand per head of population. In other words, New Zealanders spend 30 bucks on average. Aussies spend roughly 10 or 11 dollars. A lot of that is driven by Summit Club membership. So we are very clear on how we increase penetration. It's not just about store roll out, it's about driving more membership and within that it's also recognising that some of those customers are more valuable than others. There are some customers that there might be 20 or 30% of those customers might drive 60 or 70%. So we're getting smarter about who we're going to target. We want to sell more to those people who are already predisposed towards us and we want to find more of the customers with those characteristics.

Once again, a lot of this is about technology and it's all very good for me to stand up and talk about these ideas, but if you can't deliver it because you haven't got the technology, it doesn't mean anything. The good thing is that we're investing in this technology and over the next 12 months we will be integrating in a phased approach, the ability to do this sort of data mining, the sort of insights that

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this information is going to give us. In parallel with things like increasing our content and engagement with our Summit Club customers.

We're in a tremendously exciting category. People love travel and adventure. They love figuring out the hiking tracks, what sort of gear they're going to need to take. We don't really do a lot of that at the moment. That's the opportunity for us, to become a source of not just product but all the information you might need to know about your journey, and make that part of our Summit Club membership, one of the benefits of being a Summit Club member, beside the fantastic discounts, I know I give you today. I think that's it on that page.

Just on the UK, I wanted to highlight this. I know it's a loss making part of our business and every road show I go on I get questioned on it. But if we're going to be a successful global brand we have to crack the UK and there's no way we're going to leave with the tail between our legs because if we can't make it there then ultimately we are going to have to put some brick walls around New Zealand and Australia and defend our patch. The best way to defend the patch in New Zealand and Australia is become a global best brand. So they're the same basic strategies and so as I said before, we have restructured our store portfolio. We have recognise the growth going forward is all about online, whether it's our own site, Amazon, market gates.

So there are amazing opportunities and I guess Christine in particular has been very, very helpful to us in terms of how we could best be successful in that market. Nothing is guaranteed and we, we are continuing to invest but we think we stand a pretty good shot but we do need to back it up with enhanced products. So it's going to be still a longer term turn around if you're expecting next 12 months that will make a great working profit. That's not going to be the case. It's our guinea pig, it's something we're learning from. The learning's from the UK, get brought back to New Zealand and Australia. It's our test tube and it's already showing us the number of things that we're going to have to address in New Zealand and Australia if we're going to be successful long term. So on one hand it's a pain that it loses money but it's much more valuable across the total business than you would imagine. I'm not going to talk any further on that, there will be an opportunity for questions.

I wanted to highlight our commitment to sustainability. We have actually produced a sustainability report. It's available to you if you haven't already collected one. Once again this is an area we've invested a lot of resource. We've got a dedicated sustainability manager. We have members across our business that attend regular meetings. We have put together plans about how we're going to improve our performance in this area. At the moment it's probably considered relatively discretionary and depending what category you are in, it may or may be more important in other categories. But I believe there will be a time, particularly for our category, when it's either going to be mandatory or it may as well be mandatory. People are going to look at our brand and they're going to look at our supply chain. They're going to look at the content of our products. They're going to want to know about it. It's going to be about complete transparency through the supply chain, the design process. You will be able to look up in time and see every single component just as you can when you go and buy that Milky Bar. Be able to look up the component of your new fleece top or your Gortex jacket and see what it's made from and where was it made and all of the things in relation to that.

So we're beginning that journey because even though it's a net cost today and it occupies a lot of our time for probably what doesn't at this point in time, drive sales. We believe it's important to begin that journey. We're quite clear, we're quite modest in what we've achieved to date. We've had a few wins but there is so much more work to do but we have the resources in place now. We have the plans in place and once again I'm not going to read through all the components, it's available both online and

Kathmandu Holdings Ltd

11 Mary Muller Drive, Heathcote 8022
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kathmandu.co.nz

249 Park Street, South Melbourne, Victoria 3205
PO Box 984, South Melbourne, Victoria 3205, Australia
Phone: +61 3 9267 9999 **Fax:** +61 3 9267 9933
kathmandu.com.au

hard copy, but I guess it's to just reinforce – we're not just about trying to make some money today. A significant proportion of our expenditure is about making money tomorrow.

Trading.

Everyone wants to know the numbers. Just to remind you, that this is a small portion where we are today. In fact the sales were up to Sunday. It's generally around 18% of our sales. This pattern hasn't really varied much in many, many years. We'd like all the numbers to be higher but the percentages seem to stay relatively the same. So I just want to reinforce that and as you know we have three big campaigns, we haven't even entered any of those campaigns, in fact we launched our Christmas sale yesterday with our member base so if we just bear that in mind, when we look at the numbers. The numbers to date were \$70.9 million and that's a sales growth of .6 million or .9% but I think we all know it needs to be looked at on a constant currency basis, that's an 8.4% increase or \$5.9 million. You can see the year on year impact on that. Same store sales growth over that period has been 3.8% on a constant exchange rate basis. Negative at actual exchange. That's for the 16 weeks. We should probably bear in mind that the period, the same measurement period the previous year was 13% which was as we know the year averaged out at 5.6 so we had a bit of flyer to last year. So I think all in all we're relatively comfortable with that start and when we benchmark to some of the other numbers we've heard floating around, we think it's pretty consistent and just continuing the trend. More positively for us both New Zealand and Australia were above three, so it's not like one country's down and one country's up, both countries are actually doing pretty well.

But you know this is only the entrée, the main course is about to be served, that's Christmas sale, our clearance campaign and then we'll get through the first half and we'll update you again as to how we've been performing.

The market environment.

Once again, I guess every retailer brings these things out, the fact of the matter is it's true. The current economic conditions are still very uncertain. There are all sorts of things that crop up from time to time that just dampen consumer demand, consumer confidence and in Australia there has been an election. There's been an initial sort of positive reaction to that. Some of the stats we see suggest a positive Christmas but I think we go into it a little optimistic but very complacent, prepared for anything and we're ready for battle stations if we have to really roll our sleeves up and make the numbers happen. The consumers remain really cautious with their discretionary expenditure, we can see that. In Australia the cost of living is going up significantly so there's less and less discretionary income to spend in the first place but I think we're in a good category. I think we're proving, we'd like to think it's the fantastic management team and the great decisions we make and the strategy we have but the reality is we're in a good space as well. We're taking advantage of a good space and we can see that when we look at other brands, global brands, whether they be North Face or Columbia. We're in a good space, it's on trend. It's consistent with lifestyles and it's consistent with demographics and some of you have listened to my presentation on the Road Show and will know what I mean by that. And competition continues to increase and that's both online and with stores and that's both local and international and more and more product is coming in online from international players into New Zealand and Australia. So our response to that isn't to try and lobby the government to stop at our responses to get our act together and make sure we get our share of global business as well, as well as protecting our patch as best we can with great products and a great website.

So in summary the Board and the Management are confident in our business model and our ongoing growth strategies. It's pretty boring presenting the same ones each time but good news guys, it's working, it's working well and so you will see the strategy change each time we meet. There will be a slight addition to it online, it's getting more and more emphasis but it's pretty well the same, we were

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talking about at IPO time which I guess demonstrates that the strategies are actually working and we want to continue to pursue them. And providing there's no further deterioration in economic conditions and following our investment programme, we'd expect another solid performance in FI14 but I will not give you a number, thank you very much.

Mr Harvey: Thank you Peter. I would also like once again to express thanks, my thanks and those of my fellow Directors to you and your team for the excellent results that you have achieved and the contribution you've made to the company during the year. Thank you.

Returning now to item one on the Agenda, this is the opportunity for shareholders to ask any questions or to comment on the annual report. The representation is made by Peter and myself, have made today or any other matters relating to the company. I also note that Robert Harris from our Auditors, PricewaterhouseCoopers, is present at the meeting should there be any queries of a technical nature relating to the Auditor's financial statements. As I noted earlier no written questions were received from shareholders and would anybody now wishing to speak and ask further questions, hold up your card and a microphone will be delivered to you. Are there any questions?

Shareholder: Just wanted to say I am delighted to see Peter back. That one, not you. You won't be delighted, especially when I've been there. Well done, delighted with whatever you've done. I just ask one question - two years' time in Christchurch maybe? Because I've got some plans.

Mr Harvey: Yes, I think we will be back in Christchurch in two years' time. Obviously as a dual listed company – and with the majority of our share register being held in Australia, we have a responsibility to the investors over there so we go backwards and forwards across the Tasman. But I'm sure it will be Christchurch's turn in two years' time. Any other questions or comments?

If not I will move onto the next item on the Agenda. The second item on the Agenda is the election of Directors. Article 4.4 of the Company's Constitution requires at least one third of Directors to retire by rotation at the Annual Shareholders Meeting. To comply with the listing rules it is necessary for each Director to be appointed by separate resolution. It is not my intention today to ask each of the Directors to speak to you individually in support of the motion for their re-election. Brief profile details were included in the Notice of the Meeting and in the Annual Report.

The first motion relates to the reappointment of Mr John Holland as a Director of the Company and I have pleasure in moving that John Holland, who retires 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. Is there any discussion on the Motion?

There being no discussion, I will now put the Motion. Those in favour please raise your voting cards. Those against? Thank you, I declare the resolution carried. Congratulations John.

The second Motion relates to the reappointment of Ms Sandra McPhee as a Director of the Company. I have pleasure in moving that Ms Sandra McPhee, who retires 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. Is there any discussion on the Motion?

There being no discussion, no questions, I will now put the Motion. Those in favour please raise your voting cards. Those against? Congratulations Sandra on your re-election.

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The third Motion relates to the appointment of Ms Christine Cross as a Director of the Company. Article 4.3 of the Company's Constitution requires any Director who is appointed by the Directors to fill a casual vacancy, to retire at the next Annual Shareholders meeting but is eligible for election at that meeting. I have pleasure therefore, in moving that Ms Christine Cross who retires 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. Is there any discussion on the Motion?

There being no discussion, I will put the Motion. Those in favour please raise their voting cards. Those against? I declare the Motion carried. Thank you and congratulations Christine.

Thank you ladies and gentlemen for your continued support as a Board. We are a small Board, which has been very useful, but we are a hardworking Board as well. So it's great to have everybody in the team retained, so once again, thanks.

The third item on the Agenda is to authorise the Directors to fix the fees and expenses of PWC as the Company's Auditor, therefore I move to record that PricewaterhouseCoopers continue in office as the Company's Auditors and to authorise the Directors to fix the remuneration of PricewaterhouseCoopers for the ensuing year. Is there any discussion on the Motion?

There being no discussion, I will put the Motion. Those in favour, please raise their voting cards. Those against? I declare the Motion carried, thank you.

The next item on the Agenda is Shareholder's approval for the continuation of Issue of Securities under the Kathmandu Holdings Limited Long Term Incentive Plan. This Plan was originally approved by Shareholders at the 2010 Annual General Meeting. As explained in detail in a Notice of Meeting it is appropriate for the affective ongoing conduct of this Plan under ASX listing rule 7.2, that Shareholder approval for the Plan is obtained at least every three years. I therefore move 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 subsequent issue or transfer of ordinary Kathmandu Holdings Limited shares to participants under the Kathmandu Holdings Limited Long Term Incentive Plan on 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 24th November 2010. Is there any discussion on the Motion?

There being no discussion, I will now put the Motion. Those in favour please raise their voting cards. Those against? I declare the Motion carried.

The next item of business is Item 5 being the approval of the Grant of Performance Rights to our CEO, Peter Halkett, under the Kathmandu Holdings Limited Long Term Incentive Plan. Shareholder approval is required under ASX listing rule 10.14 for the granting of Performance Rights to any Executive Director. The Explanatory Statement accompanying your Notice of Meeting provides details of the value of rights to be granted to Peter and the basis of that Grant. I will put the Motion for the approval of the Grant of Performance Rights to Peter as detailed in the Notice of Meeting as follows:

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, including both short term incentive portion and long term incentive portion up to a value of AUST\$483,900 calculated in accordance with the formula and terms described in the explanatory statement which forms part of a Notice of Meeting. Is there any discussion on the Motion?

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There being no discussion, I will put the Motion. Those in favour, please raise their voting cards. Those against? I declare the Motion carried.

The next item of business is Item 6 being the approval of the Grant of Performance Rights to our CEO, Mark Todd, under the Kathmandu Holdings Limited Long Term Incentive Plan. As I outlined previously, Shareholder approval is required under ASX listing rule 10.14 for the granting of Performance Rights to any Executive Director. The Explanatory Statement accompanying your Notice of Meeting provides the details of the value of rights to be granted to Mark and the basis of that Grant. I will put the Motion for the approval of the Grant of Performance Rights to Mark as detailed in the Notice of Meeting as follows:

That for the purpose of ASX listing rule 10.14 and for all other purposes, approval is hereby given for the Grant to Mark Todd, Finance Director and Chief Financial Officer and Company Secretary of a number of Performance Rights including both short term incentive portion and long term incentive portion 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 the Notice of this Meeting. Is there any discussion?

There being no discussion, I will put the Motion. Those in favour, please raise their voting cards. Those against? I declare the Motion carried. Thank you for your support of all those resolutions, ladies and gentlemen.

I would now like to give Shareholders an opportunity to ask any questions concerning any matters addressed at this meeting. Anybody who now wishes to ask any questions should raise their card. We may or may not get a microphone to you. Are there any questions?

Right, thank you very much for that. I take no questions throughout the meeting as a demonstration that we're doing something right. Certainly as the results continue to come through and our Management team and staff continue to perform I guess that's a fair assumption.

So if there are no questions, that concludes the formalities ladies and gentlemen. I thank you for your continued support in attendance and declare the meeting closed and invite you to join us for a social hour. Thank you very much.

End of Transcript

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