



**NOTICE OF 2014
ANNUAL GENERAL MEETING**

Crown Promenade Hotel,
Southbank, Melbourne
11:00am, 21 November 2014

KATHMANDU HOLDINGS LIMITED (ARBN 139 836 918)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the fifth Annual General Meeting of Kathmandu Holdings Limited ("**the Company**") will be held at the Crown Promenade Hotel, 8 Whiteman Street, Southbank, Melbourne, Victoria, Australia, on Friday, 21 November 2014 at 11:00am (Victoria, Australia time).

ORDINARY BUSINESS

FINANCIAL STATEMENTS

1. To receive and consider the Financial Report of the Company for the year ended 31 July 2014 together with the Directors' and Auditor's reports.

ELECTION OF DIRECTORS

2.a. Mr. David Kirk

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

"That Mr. David Kirk, (being appointed as a Director by the Board on 21 November 2013), who retires in accordance with Article 4.3(b) of the Company's Constitution and NZX Main Board Listing Rule 3.3.6 and, being eligible, offers himself for election, be elected as a Director of the Company."

2.b. Mr. John Harvey

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

"That Mr. John Harvey who retires by rotation in accordance with Article 4.4 of the Company's Constitution and NZX Main Board Listing Rule 3.3.11 and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."

2.c. Mr. Mark Todd

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

"That Mr. Mark Todd who retires by rotation in accordance with Article 4.4 of the Company's Constitution and NZX Main Board Listing Rule 3.3.11 and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."

In the Board's opinion Mr Harvey and Mr Kirk, would, if appointed as at the date of this Notice of Meeting, each be an Independent Director of the Company as defined in the NZX Main Board Listing Rules. Mr Todd, if appointed as at the date of this Notice of Meeting would not be considered an Independent Director of the Company as defined in the NZX Main Board Listing Rules.

AUDITORS' 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 auditors and to authorise the Directors to fix the remuneration of PricewaterhouseCoopers for the ensuing year."

GRANT OF PERFORMANCE RIGHTS TO MARK TODD UNDER THE KATHMANDU HOLDINGS LIMITED LONG TERM INCENTIVE PLAN

4. 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 and Chief Operating Officer, of a number of performance rights up to a value of NZ\$336,000, 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 4

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Item 4 by Mark Todd or any of his 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 5

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 OPERATING OFFICER

Please note that for shareholders who are unable to attend the meeting, transcripts of the Chairman's and Chief Operating Officer's addresses to the meeting (and any accompanying slide presentations) will be posted on the Company's website at 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.

By Order of the Board



Reuben Casey

Company Secretary

15 October 2014



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 Friday, 21 November 2014.

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 NZX Main Board 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 NZX Main Board 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 he/she is eligible for election at that meeting.

INFORMATION ABOUT THE CANDIDATES FOR ELECTION

a. Mr David Kirk

Mr Kirk is the Chairman of Trade Me Group Ltd, Chairman of Hoyts Group Ltd, the co-founder and Managing Partner of Bailador Investment Management, and sits on the Board of Bailador portfolio companies. He is also a Director of Forsyth Barr Group Ltd, Chairman of Trustees of Sydney Grammar School, and a Director of the Sydney Medical School Foundation and FoodShare.

Mr Kirk's Executive Management career has seen him as the Chief Executive Officer of Fairfax Media, as well as the Chief Executive Officer and Managing Director PMP Limited, the Regional President (Australasia) for Norske Skog, and he has also worked for Fletcher Challenge Paper and Fletcher Challenge Energy in Senior Executive roles in New Zealand and Australia. He was Chief Policy Advisor to the Prime Minister of New Zealand from 1992 to 1994 and was a management consultant with McKinsey & Company in London.

Mr Kirk resides in Sydney, Australia.

The Directors, with David Kirk abstaining, recommend that shareholders vote in favour of this resolution.

b. Mr John Harvey

Mr Harvey is a professional Director with a background in accounting and professional services. Mr Harvey has over 35 years professional experience, including 23 years as a partner of PricewaterhouseCoopers where he also held a number of leadership and governance roles.

Mr Harvey has extensive experience in financial reporting, governance, information systems and processes, business evaluation, acquisition and merger and takeover reviews.

Mr Harvey is currently a non-Executive Director of Balance Agri-Nutrients, DNZ Property Fund, Heartland Bank, Port Otago and Chairman of NZ Opera. He has been a Director of Kathmandu Holdings Limited since its listing on the ASX and NZX in 2009.

Mr Harvey resides in Auckland, New Zealand

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

c. Mr Mark Todd

Mr Todd joined Kathmandu in 1998 following previous financial management experience in both the apparel and retail sectors.

Mr Todd has been Kathmandu’s senior financial executive throughout his 16 years with the Group, a Director of various Group companies and manager of the New Zealand business from 2004 to 2006. He was appointed Chief Operating Officer in May 2014. He has been a Director of Kathmandu Holdings Limited since its listing on the ASX and NZX in 2009. He is a non-Executive Director of City Care Limited.

Mr Todd resides in Christchurch, New Zealand

The Directors, with Mark Todd abstaining, recommend that shareholders vote in favour of this resolution.

ITEM 3 AUDITORS’ 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 auditors’ remuneration for the following year for the purposes of section 197 of the Companies Act 1993.

ITEMS 4 GRANT OF PERFORMANCE RIGHTS TO MARK TODD UNDER THE KATHMANDU HOLDINGS LIMITED LONG TERM INCENTIVE PLAN

GRANT OF PERFORMANCE RIGHTS

Item 4 seeks shareholder approval to issue performance rights to Mark Todd, Executive Director, 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.

ASX Listing Rule 10.14 requires the Company to obtain shareholder approval to grant equity securities in the Company to a Director. The performance rights will be granted to Mark Todd under the NZX Main Board Listing Rule 7.3.6. Accordingly, no shareholder approval is required for the grant of the equity securities to Mark Todd for the purposes of the NZX Main Board Listing Rules. Subject to that shareholder approval, Mark Todd will be granted 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 performance rights to 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 this Executive for his 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 the Executive, which ensures alignment with value creation to Shareholders.

Vesting of the performance rights will only occur when the Performance Condition specified below is satisfied within the Performance Period specified below. Financial Performance Conditions are determined inclusive of the cost of the performance rights granted.

On vesting of the performance rights, the Executive is entitled to one fully paid ordinary share in the Company for each performance right vested. The Company may acquire fully paid ordinary shares on market and transfer, or issue, new shares to the Executive to satisfy this entitlement. 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

Subject to shareholder approval, the Board wishes to grant to Mark Todd performance rights to the value of NZ\$336,000 representing 60% of Mr. Todd’s base salary of NZ\$560,000.

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\$336,000 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 no later than 12 months after the meeting, and as soon as practicable after

the meeting. The performance rights will only vest if the Performance Condition is satisfied during the applicable Performance Period, as specified below. Where the Performance Condition is met, the performance rights will, on the Vesting Date, convert to ordinary shares in the capital of the Company on a one-for-one basis. Any shares allotted to Mark 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.

VESTING DATE

The Vesting Date for the performance rights proposed to be granted to Mr Todd will be as follows:

DIRECTOR	VESTING DATE
Mr Mark Todd	1 December 2017

Note that at an exchange rate of NZ\$1.00 to A\$0.90 the grants proposed equate to A\$302,400 in respect of Mark Todd (Item 4).

PERFORMANCE CONDITION

The Performance Condition for the vesting of the performance rights proposed to be granted to Mr Todd is a relative Total Shareholder Return (“**TSR**”) performance hurdle.

TSR PERFORMANCE HURDLE

Vesting 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 36 months to 1 December 2017 compared with the TSR performance of the entities in a comparator group calculated over the same period (“**the Performance Period**”).

COMPARATOR GROUP

The Company’s TSR will be compared to the TSRs over the same period of listed entities that are amongst the ASX 101-200 as at 1 December 2014. The Board has a general discretion to exclude entities from the comparator group for the comparison of the Company’s TSR in the Performance Period (for example, in circumstances where an entity is subject to a takeover event during the period).

VESTING MEASURES

The following table sets out the percentage of performance rights subject to the TSR condition that may vest based on the Company’s relative TSR ranking:

PERCENTILE RANKING OF THE COMPANY AT THE END OF THE PERFORMANCE PERIOD	PERCENTAGE OF PERFORMANCE RIGHTS SUBJECT TO THE TSR CONDITION THAT WILL VEST
Below the 50 th percentile	0%
At the 50 th percentile	50%
Between the 50 th and 75 th percentile	Between 50% and 100%, on the basis that each percentile improvement above the 50th percentile will result in 50% plus an additional 2% vesting
75 th percentile or above	100%

TREATMENT OF PERFORMANCE RIGHTS ON TERMINATION OF EMPLOYMENT

Where Mr Todd’s employment ceases before the performance rights have vested, the treatment of unvested performance rights depends on a number of factors, including the circumstances in which he has ceased employment. In general, where the Executive Director’s employment is terminated:

- for serious misconduct, unvested performance rights will lapse; or
- in other circumstances, unvested performance rights will remain on foot and will be tested in the ordinary course subject to the performance hurdles outlined above.

The Board retains a discretion to vest or lapse unvested performance rights with effect from the termination date in appropriate circumstances. It is intended that the discretion to accelerate vesting would only be exercised in the event of death or total and permanent disablement.

ASX LISTING RULE REQUIREMENTS

Pursuant to the requirements of ASX Listing Rule 10.15, the following additional information is provided regarding Item 4:

- No consideration was payable for any of the performance rights.
- In accordance with the approval received from shareholders at the 2013 Annual General Meeting, Peter Halkett (resigning Chief Executive Officer and Managing Director) and Mark Todd were granted 186,834 and 99,153 performance rights respectively on 11 December 2013 under 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 Director who is eligible to participate in the Plan is Mark Todd. The Company's current Chief Executive Officer and Managing Director Peter Halkett, has resigned and is no longer eligible to be granted performance rights under the plan.
- 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 no later than 12 months after the meeting, and as soon as practicable after the meeting. 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 Mark Todd abstaining) unanimously recommend that shareholders vote in favour of the resolution for item 4.

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 Wednesday, 19 November 2014.

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 Tuesday, 18 November 2014 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>
You will require your CSN/Holder Number and FIN to complete your vote
Australian Register Holders:
<https://investorcentre.linkmarketservices.com.au/voting/KMD>
You will require your SRN/HIN and postcode to complete your vote.
3. The Chairman of the meeting offers himself as a proxy to shareholders.
4. The Chairman will vote according to your instructions on the proxy form. If the Chairman is not instructed how to vote on any resolution, he will vote on, and in favour of all proposed resolutions set out in this notice.
5. A proxy need not be a shareholder.
6. 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.
7. 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.
8. If you complete the postal vote section and also appoint a proxy your postal vote will take priority over your proxy appointment.
9. **You can complete your postal vote online as detailed on the Postal / Proxy Form**
10. 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.
11. If the member appoints two 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.
12. 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.
13. In the case of joint holders the proxy form must be signed by all shareholders.
14. 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 specified 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 1:00pm (New Zealand time) or 11:00am (Melbourne time) on Wednesday, 19 November 2014, being at least 48 hours before the meeting.

15. 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 7100

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





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kathmanduholdings.com