KATHMANDU HOLDINGS LIMITED

ASX/ NZX/ MEDIA ANNOUNCEMENT

21 NOVEMBER 2014

TRADING UPDATE, 16 WEEKS TO 16 NOVEMBER 2014

Key points (all amounts in NZD)

- Group sales YTD to 16 November up 18.6% to $84.1m (actual exchange rates);
- Same store sales, up 16.0% (constant exchange rates);
- All three markets experienced strong same store sales growth;
- Strong UK sales growth continues to support investment strategy;
- Group gross margin yoy down over 5% pts for the first three months of FY2015, due to higher weighting of clearance sales, especially in Australia.

Kathmandu Holdings Limited (ASX and NZX Code: KMD) today announced sales of $84.1 million YTD to 16 November 2014, a rise of 18.6% compared with the corresponding period last year. Same store sales grew by 16.0% during the period at constant exchange rates[*1] (FY14 pcp +3.8%). In all three markets that Kathmandu operates same store sales growth was above 10% and the overall rate of online sales growth was at a similar level to last year.

Kathmandu's acting Chief Executive Officer Mark Todd said that "Sales made in the post-Winter clearance campaign in August and September were above our expectations, and this was the primary reason for the strong same store sales outcome. Offsetting this result was the impact on gross margins from the pricing in that campaign, which focused on moving excess winter season stock out of the business".

For the first quarter to the end of October gross margins were over 5% points lower than the previous year. Mr Todd noted that "We now expect overall gross margin for the first half of FY2015 to be below the previous year's result. However our first half-year profit result remains highly dependent on the more significant Christmas trading period from now to 31 January.

Our operating costs are spread approximately evenly across the year, whereas revenue is weighted to our 2H trading. Because of this, and our UK brand campaign costs, we expect 1H earnings will be down on the same period last year."

[*1] Average conversion rate year-to-date NZ$/A$ 0.901 (FY13: 0.878) and NZ$/UK£ 0.497 (FY13:0.515)

Mr Todd updated progress on the Company’s store rollout and refurbishment programme. “Since 1 August we have opened eight new stores in Australia (Sydney (x2), Melbourne (x2), Perth (x2), Regional NSW and Brisbane). Our target is to open 15 new stores in FY15 and we already have one further site secured for opening in the second half of FY15”.

ENDS

For further information please call:

Mark Todd, COO

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