

KATHMANDU HOLDINGS LIMITED
ASX/NZX/MEDIA ANNOUNCEMENT
22 DECEMBER 2014

Kathmandu Holdings LTD (ASX/NZX: KMD) advises same store sales and gross margins in the first five weeks of the company's Christmas sale promotion in our largest market, Australia, have been below the levels achieved last year. Same store sales in New Zealand and the United Kingdom are currently up on the same period last year, at similar gross margins yoy.

At last month's Annual General Meeting Kathmandu advised that YTD FY2015 to 16 November 2014 sales had increased by 18.6% (20.5% at constant exchange rates). However, because of the reduced same store sales in Australia over the past five weeks, the Company's total sales increase for YTD FY2015 to 21 December 2014 is now 14.1% (13.1% at constant currency).

Due to both the subdued start to Australian trading in Kathmandu's Christmas sale promotion, and the reduced gross margins achieved across the full year to date in Australia the Company will experience a substantial reduction in the gross profit earned in the pre-Christmas Day trading period compared to the equivalent period in FY2014.

Kathmandu's three major annual promotions (Christmas, Easter and Winter) do historically vary in their outcomes between countries and week to week within the promotion itself, so there is still the potential for improved performance in the remaining 41 days of trading in 1H FY2015. However, given the results to date and the widely acknowledged negative consumer sentiment in Australia, Kathmandu anticipates any recovery in trading from now till 31 January 2015 will not be sufficient to make up the shortfall in gross profit \$ experienced to date in 1H FY2015.

Kathmandu's acting CEO Mark Todd commented that "in Australia, our trading performance throughout the Christmas period to date has been below expectations, which is a reflection of negative consumer confidence and a difficult discretionary retail trading environment. Whilst 1st half earnings will be down on the result achieved last year, our overall profit result for the full year remains primarily dependent on second half year trading which in FY2014 contributed over 70% of our total year's profit. We anticipate challenging conditions in the Australian market may continue for some time, and as a consequence, we are reassessing our sales and pricing strategy for 2H FY2015 and beyond".

Further Communication to Market

Kathmandu's result for 1H FY2015 will be released to the market on 24 March, and a further update on the estimate of this result will be provided in early February.

Kathmandu Holdings Ltd

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