

KATHMANDU HOLDINGS LTD 21 NOVEMBER 2014

CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING

Good morning ladies and gentlemen, I am pleased to talk to you for the first time as Chairman of Kathmandu Holdings Ltd.

The retail market in New Zealand and Australia has been challenged in the last year with weak consumer confidence, so I am even more delighted to report that 2014 was a solid year of performance for Kathmandu.

Kathmandu's group sales increased in the year by \$8.9 million to \$392.9million. Same stores growth was over 4% and we opened 15 new stores.

Solid same store sales growth at consistent gross margins resulted in growth in earnings before interest and tax. This was despite the significant strengthening of the New Zealand dollar during the year, which has the effect of reducing our Australian dollar earnings when we translate them into New Zealand dollars for reporting.

This same store sales performance was fairly consistent across the whole year, except for the month of June when unseasonably warm weather had a negative impact on trading during the first part of our winter sale promotion.

In New Zealand dollar terms our increase in earnings before tax and interest in 2014 was quite small - just \$0.9m.

If the New Zealand dollar had not strengthened as it did in the year our earnings before interest and tax would have been up 10% or \$6.6m.

Net profit, which is the bottom line, and a measure of how much money is available to pay dividends or retain in the company for future growth, was down in the year by \$2m to \$42.2m. Again the strengthening of the New Zealand dollar played an important part here. Without this net profit would have been up by \$2.9m.

We have maintained our total dividend payout rate for the full year at 12 cents per share.

Leadership

You will have noticed that after 5 years Peter Halkett is not sitting up on the stage this year. Peter retired from the company this year. Peter led Kathmandu for three years before the company listed and for five years as a listed company. Peter did a great job for staff, customers and shareholders in his time as CEO. It would take me a long time to list everything Peter did for the company, but to name just a couple of very important initiatives: Peter led the comprehensive re-branding of Kathmandu and he led the rapid and successful roll-out of new stores in Australia. Australia has been a tricky place for a number of Australasian retailers expanding out of New Zealand but Kathmandu has thrived from the start and is now truly Australasian, much of which is due to Peter's leadership.

We thank Peter very much for all he has contributed to the company and wish him well in the future.

Mark Todd, who you will surely recognize is up here on the stage. He has been with the company for 16 years and is now serving as our Interim CEO. We are very confident the leadership of the company is in good hands.

We are well underway with our search for a new CEO for the company. It is difficult to predict when the process will be complete, so I won't try to do so, but I will say the Board is pleased with progress.

I will just say a couple of words about where to from here and then pass you over to Mark who will talk in more detail about our performance and plans for the future.

Growth Strategies

One of the most interesting things the Boards of companies do is work with management on growth strategies and we have done quite a bit of that this year. Growth for brand-owning retailers, such as Kathmandu, comes from a wide range of sources.

Growth comes from new products, new store layouts and better service to drive same store sales growth. Growth comes from developing a strong loyalty program such as the Summit Club. And growth of course comes from opening new stores. Growth also comes from new channels such as the internet and growth comes from entering new markets as Kathmandu did about seven years ago when the company first started opening lots of stores in Australia.

All of the current growth strategies for Kathmandu are working well and we will continue them. But it is time to accelerate another strategy that will deliver material growth for the company in the medium term – meaning in perhaps 4 or 5 years. This strategy is to grow our sales faster outside Australia and New Zealand.

We have chosen to focus on the United Kingdom because we believe Kathmandu's heritage and technical credentials can be grown in that market. And we already have four stores there. And they speak English. And it is a big market.

Our growth outside Australia and New Zealand is focused on the UK but on international growth more generally too. We are now set up to receive orders from all over the world through our website and mobile sites and to fulfill those orders efficiently.

In addition we are placing our product on online marketplaces around the world. We are currently on eBay here in Australia, Trade Me in New Zealand and Next, Amazon and eBay in the UK. We will expand this footprint further.

Strategies are all well and good but it is the people that implement the strategies that really count. And we are in good shape there too. In the last year Alison Evans has joined us as General Manager of Retail for Australia and New Zealand. Alison comes from running all the Target stores. We are delighted to have her and she is here today so feel free to ask her about all the plans she has to grow Kathmandu in this part of the world. We have also been joined in the UK by Alex Fisher who is leading our growth plans on the ground in Europe. Many of the current Kathmandu team are here. Please go and ask them what they are up to. They will be happy to tell you.

It is time for me to sit down but first I would like to thank my fellow Directors for their support and advice and hard work in my first year as Chairman.

And on their behalf I also thank you for your support as investors. We know you have invested in Kathmandu for a steady dividend payout and for continued growth and that is what we are focused on delivering for you.

I will now ask our acting CEO, Mark Todd, to address you.

David Kirk

Chairman