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**NOTICE OF 2015
ANNUAL GENERAL MEETING**

George Hotel,
50 Park Terrace, Christchurch
11:00am, 20 November 2015



KATHMANDU HOLDINGS LIMITED (ARBN 139 836 918)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS GIVEN that the sixth Annual General Meeting of Kathmandu Holdings Limited ("**the Company**") will be held at the George Hotel, 50 Park Terrace, Christchurch, New Zealand on Friday, 20 November 2015 at 11:00am (New Zealand time).

ORDINARY BUSINESS

FINANCIAL STATEMENTS

1. To receive and consider the Financial Report of the Company for the year ended 31 July 2015 together with the Directors' and Auditor's reports.

ELECTION OF DIRECTORS

2.a. **Mr. John Holland**

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

"That Mr. John Holland 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.b **Ms. Christine Cross**

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

"That Ms. Christine Cross 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 herself for re-election, be re-elected as a Director of the Company."

In the Board's opinion Mr Holland and Ms Cross, 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.

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 XAVIER SIMONET 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 Xavier Simonet, Managing Director and Chief Executive Officer, of a number of performance rights up to a value of A\$546,000, 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 Xavier Simonet 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 EXECUTIVE OFFICER

Please note that for shareholders who are unable to attend the meeting, transcripts of the Chairman's and Chief Executive 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.

APPROVALS

This notice of meeting has been approved by ASX and NZX. NZX takes no responsibility for any statement made in this notice of meeting.

By Order of the Board



Reuben Casey
Company Secretary
14 October 2015



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, 20 November 2015.

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.

Information about the candidates for election

a. Mr. John Holland

Mr Holland is a partner in the national New Zealand law firm of Chapman Tripp and specialises in general corporate and commercial law. Mr Holland was a Board member of Chapman Trip for six years until 31 March 2009.

Mr Holland’s securities law experience includes acting on initial public offerings, advising on employee share schemes and in the private equity area. Mr Holland is an Chartered Fellow of the New Zealand Institute of Directors and is a Director of Southbase Construction Limited. Mr Holland is also a consultant to the Carter Group.

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

b. Ms. Christine Cross

Ms. Christine Cross is a professional Director with an executive career background in international retail and consumer goods and now runs a retail advisory consultancy business. She started her career with Tesco plc in 1989, holding many key positions throughout the company, including the Group Business Development Director for Tesco Plc.

Ms. Cross is currently a non-Executive Director of Woolworths, Sonae Group plc, Brambles Limited, Fenwick Limited and Plantasjen. She is on the Advisory Board of Apax Partners Venture Capital & Private Equity, and Warburg Pincus Private Equity.

Previous non-Executive roles include Fairmont Hotels & Resorts Inc, Empire Company Limited, Taylor Wimpey plc and Premier Foods plc.

The Directors, with Christine Cross 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 207T 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 207S of the Companies Act 1993.

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

GRANT OF PERFORMANCE RIGHTS

Item 4 seeks shareholder approval to issue performance rights to Xavier Simonet, 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 Xavier Simonet under the NZX Main Board Listing Rule 7.3.6. Accordingly, no shareholder approval is required for the grant of the equity securities to Xavier Simonet for the purposes of the NZX Main Board Listing Rules. Subject to that shareholder approval, Xavier Simonet 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 Xavier Simonet, 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 Conditions 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 Xavier Simonet performance rights to the value of A\$546,000 representing 70% of Mr. Simonet's Fixed Annual Remuneration of A\$780,000.

The actual number of performance rights to be granted to Xavier Simonet for nil cash consideration under the Plan will be determined by dividing the performance rights value of A\$546,000 by the average volume weighted price for the Company's ordinary shares as traded on the ASX on the 5 business days prior to the offer being made to Xavier Simonet.

The performance rights will be granted to Xavier Simonet 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 Conditions are satisfied during the applicable Performance Period, as specified below. Financial Performance Conditions are determined inclusive of the cost of the performance rights granted. Where the Performance Conditions are 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 Mr. Simonet may be acquired on market or issued by the Company.

No consideration will be payable by Xavier Simonet 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 Simonet will be as follows:

DIRECTOR	VESTING DATE
Mr Xavier Simonet	1 December 2018

Note that at an exchange rate of NZ\$1.00 to A\$0.90 the grants proposed equate to NZ\$606,667 in respect of Xavier Simonet (Item 4).

PERFORMANCE CONDITIONS

The Performance Conditions for the vesting of the performance rights proposed to be granted to Mr Simonet are comprised of a dual test of relative Total Shareholder Return ("**TSR**") and Earnings per Share ("**EPS Growth**") ("**Performance Conditions**").

The Board considered it appropriate to have a dual test since:

- a TSR component provides a challenging test (where reward is only delivered for 'out-performing' a target that is based on the Company's relative performance) against other listed entities and also provides transparency for external stakeholders; and
- an EPS component which rewards achievement against a target is within management's influence, thereby focusing executives on one of the Company's key business drivers.

The Board believes that the dual tests, if achieved, will demonstrably aid the creation of shareholder value. Each Performance Condition is weighted evenly.

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 2018 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 2015. 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 subject to a takeover event during the year).

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 50th percentile	0%
At the 50th percentile	50%
Between the 50th and 75th 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
75th percentile or above	100%

EPS Growth Condition

Vesting of 50% of the performance rights will be dependent upon the Company's EPS Growth Rate over the Performance Period.

The EPS Growth Rate is the Compound Average Annual Growth rate in the Company's basic earnings per share (EPS) (expressed as a percentage) over the Performance Period using the 2014/2015 financial year EPS as the base. The 2014/2015 financial year EPS has been determined as 10.1 cents per share. This has been calculated as follows:

- Company earnings, net profit after tax, was \$20.4 million
- Weighted average shares on issue of 201.3 million
- Resulting earnings per share 10.1 cents per share

Performance Period

The applicable Performance Period is 1 August 2015 to 31 July 2018;

The EPS Growth Rate over the Performance Period is calculated using the following formula:

[EPS Growth Rate = [EPS pp/EPS base]^{1/x} - 1] where:

EPS pp = EPS over the Performance Period

EPS base = EPS in the 2014/2015 financial year

x = no of years in the Performance Period (i.e. 3)

The calculation of EPS over the Performance Period:

- Will include in the earnings calculation all costs of performance rights that are expensed during the Performance Period; and
- Will ignore any performance rights for which a share has not been issued (i.e. unvested performance rights).

In relation to the performance rights:

- No performance rights subject to EPS Growth Condition will vest unless the EPS Growth Rate over the Performance Period is equal to or greater than 10%;
- 100% of the performance rights subject to the EPS Growth Condition will vest if the EPS Growth Rate over the Performance Period is equal to or greater than 15%; and
- The proportion of the performance rights subject to the EPS Growth Condition that will vest will increase on a straight-line basis for an EPS Growth Rate of between 10% and 15% so that the number of EPS performance rights that vest increases by an additional 10% for each additional 1% increase in the Company's EPS Growth Rate.

The vesting scale for the proportion of the performance rights subject to the EPS Growth Condition is summarised in the following table:

COMPOUND AVERAGE ANNUAL GROWTH IN COMPANY'S EPS OVER THE RELEVANT PERFORMANCE PERIOD	PERCENTAGE OF PERFORMANCE RIGHTS SUBJECT TO THE EPS GROWTH CONDITION THAT WILL VEST
Less than 10%	0%
10%	50%
11%	60%
12%	70%
13%	80%
14%	90%
Equal to or greater than 15%	100%

Treatment of performance rights on termination of employment

Where Mr Simonet'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 vest 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 2014 Annual General Meeting, Mark Todd (resigning Chief Operating Officer and Finance Director) was granted 110,891 performance rights on 12 December 2014 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 Xavier Simonet. The Company's previous Chief Operating Officer and Finance Director Mark Todd, 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 2018.

The Directors (with Xavier Simonet 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, 18 November 2015.

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, 17 November 2015 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 11:00am (New Zealand time) or 09:00am (Australian Eastern Standard time) on Wednesday, 18 November 2015, 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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