



KATHMANDU - ANNUAL GENERAL MEETING  
24 November 2010



# CHAIRMAN'S ADDRESS



# CHAIRMAN'S ADDRESS: Financial Highlights

- Sales of NZ\$245.8 million, up 14.0%
- EBIT of NZ\$47.9 million, up 12.4%
- NPAT of NZ\$25.2 million, up from NZ\$14.9m \*
- Dividend of NZ 7 cents per share declared (fully franked, fully imputed)

\* Prior years as presented in the Prospectus dated 23 October 2009, and current year excluding the impact of IPO listing costs.



# CEO ADDRESS

**KATHMANDU**  
LIVE THE DREAM®

# CEO ADDRESS - OUTLINE

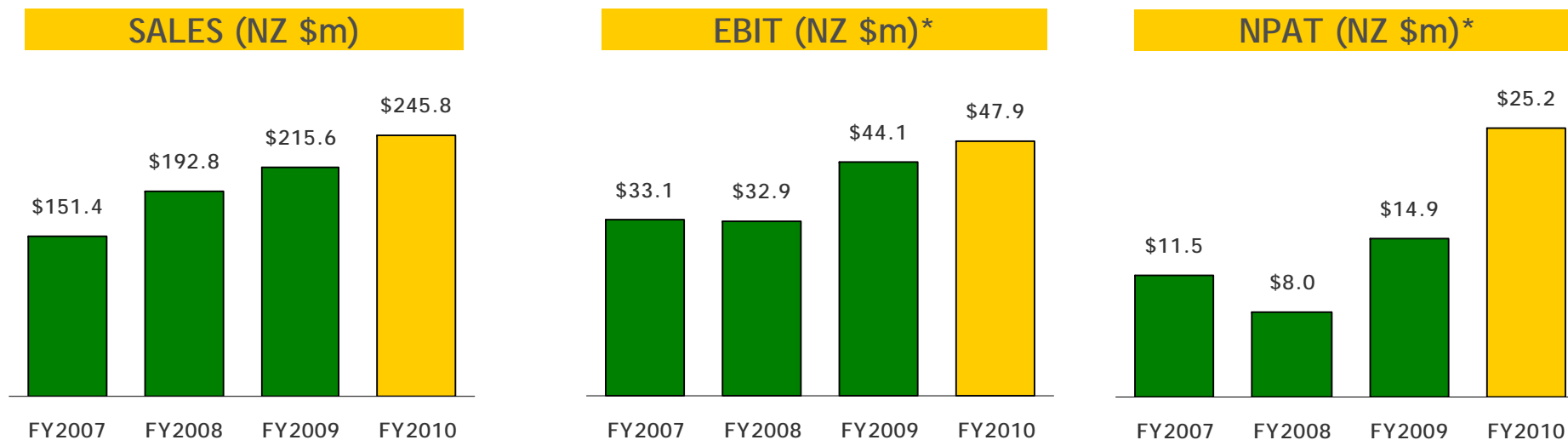
- FY 2010 highlights and results overview
- Operational Review
- Growth strategy update
- Trading performance update
- FY11 outlook

# FY 2010 HIGHLIGHTS

- Successful dual listing on ASX and NZX on 13 November 2009
- 15 new stores opened, 4 refurbished stores with new store design and enhanced format
- Sales of \$245.8m (NZD), up 14.0%, up 1.3% on a same store basis, 0.9% at constant exchange rates
- Same store sales results by country were:
  - Australia 0.8%
  - New Zealand 0.6%
  - UK 5.8%
- Improved operating cashflow, providing investment capacity
- Launched new products and ranges, grew overall product offering
- Summit club membership increased to over 400,000 consumers, a 129% increase over 2 years
- Commenced online selling in October 2009
- Successful introduction of third party warehousing and distribution to enable direct to store distribution

# FY 2010 RESULTS OVERVIEW

- Market conditions were strong in the first half, second half became more challenging.
- A very price focused market and subdued demand for discretionary retail coincided with our critical March - July trading period
- Actions were taken to maximise sell through and achieve optimum outcome between sales, profit, discounting and maintaining brand credibility
- EBIT up 8.6% to NZ\$47.9m, NPAT increased 69.7% to NZ\$25.2m
- EBIT was 5.3% short of our prospectus forecast

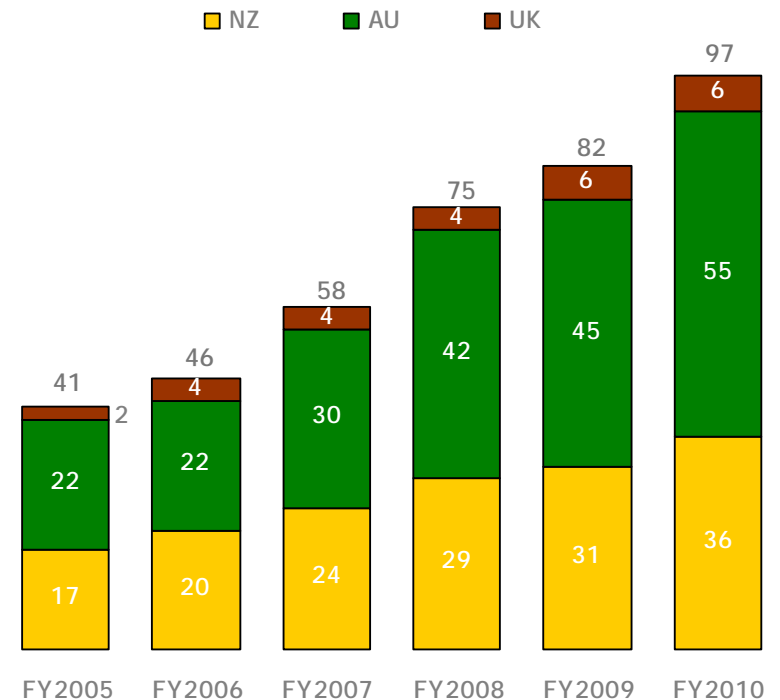


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# OPERATIONAL REVIEW

- Stores opened during FY10:
  - Australia: Devonport, South Wharf DFO (Outlet), Chapel St, Frankston, Ballarat, Macarthur, Townsville, Fremantle, Tea Tree Adelaide, Adelaide Harbour Town (Outlet)
  - New Zealand: Onehunga (Outlet), Tauranga CBD, Gisborne, Hastings, Timaru
- Store refurbishments with new store design completed in 4 stores (Kent St Sydney, Cashel St Christchurch, Bourke St Melbourne and Dunedin)
- Successful launch of online selling on Kathmandu website in October 2009, trading is equivalent to a smaller store in each country
- Grew overall product offering by approximately 10%
- United Kingdom performed in line with expectations. Over the next 6-12 months we will be undertaking a review

Store Rollout History





# GROWTH STRATEGY

- Brand refresh project: brand research completed with the aim of further strengthening our brand identity
- Continuous innovation of new products and ranges with a focus on product design, technology, and quality. Target 30% range growth.
- Store rollout target 15 stores per year. Overall 150 store target in Australia and New Zealand unchanged
- 5 stores already confirmed in FY11 (Logan, Orange, Wollongong, Whitford Park, Perth Harbourtown), and 3 more in final negotiation
- Refurbishment and relocations - 5 projects in FY11 underway or complete to date. New Plymouth, Palmerston North, Sylvia Park (Auckland), Queen St (Auckland) and Innaloo



# TRADING UPDATE FY 2011: 16 WEEKS TO 21 NOVEMBER 2010

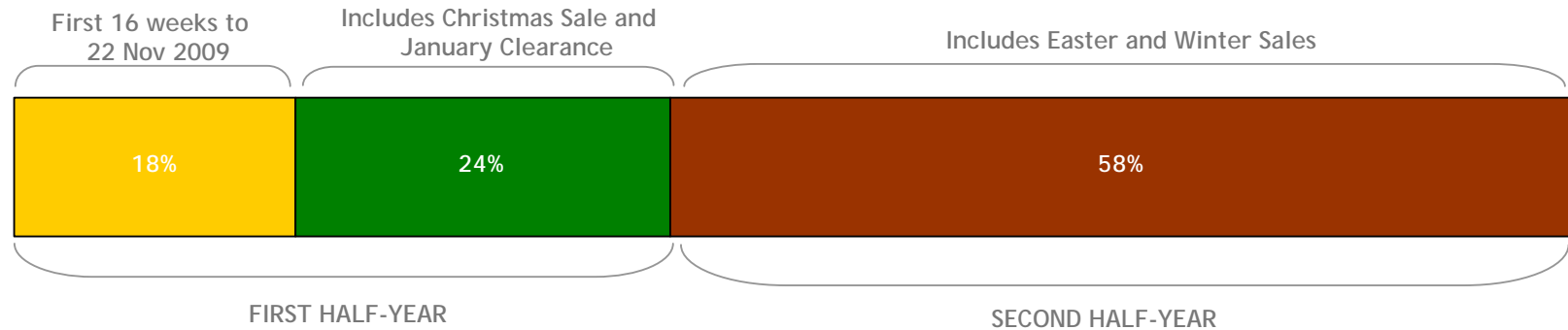
- Retail conditions have continued to be challenging
- Total group sales for the first 16 weeks \$51.6m, approximately \$4.4m or 9.3% above same period last year (7.7% at constant exchange rates)
- Same store sales up 2.1%<sup>\*1</sup> for the first 16 weeks (last year same period was up 19.2%).
- New Zealand and UK same stores small increase, Australia small decrease
- First half-year profit result, as usual is largely dependent on Christmas and January trading period (as indicated in Trading Pattern slide)
- YTD trading is reasonable, given the difficult environment

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1. Same store sales up approximately 0.6% at constant exchange rates

# TRADING PATTERN

## Last Year Sales mix across the year



- Three major promotions remain critical to our annual trading (above 60% of annual sales in FY10), in order of size:
  - Winter
  - Christmas
  - Easter
- Margin is higher in the second half due to the sales product mix
- First quarter less than 5% of full year's earnings

# OUTLOOK FOR BALANCE OF FY 2011

## Kathmandu

- Store rollout and refurbishment programme continues
- Product range growth continues (targeting 30% over the next 3 years)
- The brand refresh project is underway
- Gross margins within target 62% to 64%

## The Market

- Much uncertainty and volatility still exists
- Discretionary retail spend remains under pressure
- Australian fiscal stimulus has cycled

## Summary

- Given no further deterioration in trading conditions, Management and the Board believe the business will continue to grow profitability in the year ahead



# Disclaimer

*This release includes "forward-looking statements" within the meaning of securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words, and include statements regarding certain plans, strategies and objectives of management and expected financial performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Kathmandu, and its officers, employees, agents or associate. Actual results, performance or achievements may vary materially from any projections and forward looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and Kathmandu assumes no obligation to update such information.*