

KATHMANDU HOLDINGS LIMITED

INTERIM REPORT 2014

KATHMANDU HOLDINGS LIMITED - INTERIM REPORT 2014 DIRECTORS' REPORT

The Directors of Kathmandu Holdings Limited present the interim report for the Company and its controlled entities for the half year ended 31 January 2014.

Review of Operations

The consolidated net profit for the period was NZ\$11.358 million (2013: NZ\$10.331 million). Sales for the period were NZ\$167.642 million (2013: NZ\$165.923 million).

A review of the operations of the Company and its controlled entities is set out in the accompanying Company's media release of 24 March 2014. The key line items in the half year results were:

- NPAT up 10.7% to NZ\$11.4m,
- EBIT up 11.4% to NZ\$17.6m,
- Sales up 1.0% to NZ\$167.6m.

Board of Directors

David Kirk was appointed as Chairman of the company on 5 February 2014, after joining the Board as non-executive director in November 2013. David is Chairman of Trade Me Group Limited, a position he has held since October 2011 when Trade Me listed on the NZX and ASX. Since July 2009 he has been the Chairman of Hoyts Group Limited. Mr Kirk is also the co-founder and Managing Partner of Bailador Investment Management, a Director of Bailador portfolio companies and a Director of Forsyth Barr Group Limited.

David's expertise in online and digital technology will be invaluable as Kathmandu furthers the development of its global strategy, through accelerated online sales growth via both Kathmandu's own platform and global marketplace websites. David's appointment increases the number of independent Directors on the Board to five.

Seasonality

Due to the seasonal nature of the Company and its' controlled entities activities, the activities in the second half of each year are expected to provide a larger portion of the sales and net profits for the full year.

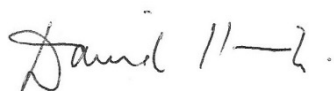
The Balance Sheet at 31 January 2014 reflects a higher level of borrowings as compared to other times during the year due to the seasonal nature of the Company and its' controlled entities activities, in particular the amounts spent to purchase inventory.

Dividends

On 24 March, the Directors declared a dividend of NZ 3 cents per share. This will be fully franked for Australian shareholders but not imputed for New Zealand shareholders.

Future years' interim dividends are unlikely to be imputed given full year dividend payout levels will increase in line with profit growth, which is derived primarily from Australian operations. Final dividends are expected to remain fully franked and fully imputed.

Signed in accordance with a resolution of the directors:



David Kirk
Director



Peter Halkett
Director

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six Months Ended 31 January 2014	Unaudited Six Months Ended 31 January 2013	Audited Year Ended 31 July 2013
		NZ\$'000	NZ\$'000	NZ\$'000
Sales revenue		167,642	165,923	383,983
Cost of sales		(60,526)	(61,818)	(141,958)
Gross profit		107,116	104,105	242,025
Other income		31	122	864
Selling expenses	4	(62,739)	(63,447)	(121,800)
Administration and general expenses	4	(26,824)	(24,968)	(57,700)
		17,584	15,812	63,389
Finance income		239	125	187
Finance expenses		(2,786)	(2,415)	(4,594)
Finance costs - net	4	(2,547)	(2,290)	(4,407)
Profit before income tax		15,037	13,522	58,982
Income tax (expense)/benefit		(3,679)	(3,191)	(14,808)
Profit after income tax		11,358	10,331	44,174
Movement in cash flow hedge reserve		(2,363)	934	8,376
Movement in foreign currency translation reserve		(6,095)	(5,625)	(18,186)
Other comprehensive income for the period, net of tax		(8,458)	(4,691)	(9,810)
Total comprehensive income for the period attributable to shareholders		2,900	5,640	34,364
Basic earnings per share		5.7cps	5.2cps	22.1cps
Diluted earnings per share		5.6cps	5.1cps	21.9cps
Weighted average basic ordinary shares outstanding ('000)		200,260	200,090	200,197
Weighted average diluted ordinary shares outstanding ('000)		202,206	202,030	202,121

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six Months Ended 31 January 2014	Unaudited Six Months Ended 31 January 2013	Audited Year Ended 31 July 2013
	NZ\$'000	NZ\$'000	NZ\$'000
Total equity at the beginning of the period	294,189	279,634	279,634
Total comprehensive income and expense for the period	2,900	5,640	34,364
Dividends paid	(18,028)	(14,012)	(20,018)
Issue of share capital	442	72	-
Share options / Performance rights lapsed	-	53	-
Movements in share based payments reserve	(112)	5	209
Total equity at the end of the period	279,391	271,392	294,189

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CONSOLIDATED BALANCE SHEET

	Note	Unaudited as at 31 January 2014	Unaudited as at 31 January 2013	Audited as at 31 July 2013
		NZ\$'000	NZ\$'000	NZ\$'000
ASSETS				
Current assets				
Cash and cash equivalents		2,295	657	2,345
Trade and other receivables		2,818	5,684	3,668
Derivative financial instruments		4,764	212	7,887
Current tax asset		4,048	774	-
Inventories		102,487	84,484	80,031
Total current assets		116,412	91,811	93,931
Non-current assets				
Property, plant and equipment	11	42,203	44,652	43,379
Intangible assets		231,816	245,648	234,863
Derivative financial instruments		141	1	27
Deferred tax		2,756	5,029	4,017
Total non-current assets		276,916	295,330	282,286
Total assets		393,328	387,141	376,217
LIABILITIES				
Current liabilities				
Trade and other payables		29,747	30,490	33,032
Derivative financial instruments		602	2,769	58
Interest bearing liabilities	7	227	383	223
Current tax liabilities		-	-	5,507
Total current liabilities		30,576	33,642	38,820
Non-current liabilities				
Derivative financial instruments		349	792	628
Interest bearing liabilities	7	83,012	81,315	42,580
Total non-current liabilities		83,361	82,107	43,208
Total liabilities		113,937	115,749	82,028
Net assets		279,391	271,392	294,189
EQUITY				
Contributed equity - ordinary shares		197,812	197,370	197,370
Reserves		(13,238)	372	(4,668)
Retained earnings		94,817	73,650	101,487
Total equity		279,391	271,392	294,189

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Unaudited Six Months Ended 31 January 2014	Unaudited Six Months Ended 31 January 2013	Audited Year Ended 31 July 2013
		NZ\$'000	NZ\$'000	NZ\$'000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		168,473	163,674	384,515
Interest received		17	23	50
		<u>168,490</u>	<u>163,697</u>	<u>384,565</u>
Cash was applied to:				
Payments to suppliers and employees		170,489	154,883	315,892
Income tax paid		12,025	11,974	18,411
Interest paid		2,014	2,446	4,586
		<u>184,528</u>	<u>169,303</u>	<u>338,889</u>
Net cash inflow / (outflow) from operating activities	5	<u>(16,038)</u>	<u>(5,606)</u>	<u>45,676</u>
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of property, plant and equipment		6	-	10
		<u>6</u>	<u>-</u>	<u>10</u>
Cash was applied to:				
Purchase of property, plant and equipment		4,569	8,133	14,819
Intangibles		3,509	2,554	2,600
		<u>8,078</u>	<u>10,687</u>	<u>17,419</u>
Net cash (outflow) from investing activities		<u>(8,072)</u>	<u>(10,687)</u>	<u>(17,409)</u>
Cash flows from financing activities				
Cash was provided from:				
Proceeds from share issues		216	-	-
Proceeds of loan advances		87,627	61,052	96,255
		<u>87,843</u>	<u>61,052</u>	<u>96,255</u>
Cash was applied to:				
Dividends		18,028	14,012	20,018
Repayment of loan advances		45,754	32,006	103,758
		<u>63,782</u>	<u>46,018</u>	<u>123,776</u>
Net cash inflow / (outflow) from financing activities		<u>24,061</u>	<u>15,034</u>	<u>(27,551)</u>
Net increase / (decrease) in cash held		(49)	(1,259)	716
Opening cash and cash equivalents		2,345	1,811	1,811
Effect of foreign exchange rates		(1)	105	(182)
Closing Cash		<u>2,295</u>	<u>657</u>	<u>2,345</u>

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1 GENERAL INFORMATION

Kathmandu Holdings Limited (the Company) and its subsidiaries (together the Group) is a designer, marketer and retailer of clothing and equipment for travel and adventure. It operates in New Zealand, Australia and the United Kingdom.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 11 Mary Muller Drive, Christchurch.

These consolidated financial statements have been approved for issue by the Board of Directors on 24 March 2014, and have been reviewed, not audited.

Seasonality

The majority of Kathmandu's annual sales are derived from three major sales promotions in each year, occurring in a portion of the months of December and January (Christmas), March and April (Easter) and June and July (Winter). Two of these sales occur in the second half of the financial year, and the Winter Sale is the largest of these three promotions. As a consequence, a greater proportion of Kathmandu's sales and EBITDA are derived in the second half of each financial year, with the proportion in any given year dependent on the relative success of each of these promotions.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These general purpose financial statements for the six months ended 31 January 2014 have been prepared in accordance with NZ IAS 34, Interim Financial Reporting. In complying with NZ IAS 34, these consolidated interim financial statements also comply with IAS 34.

These consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited financial statements of Kathmandu Holdings Limited for the year ended 31 July 2013 which have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

3 ACCOUNTING POLICIES

All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements of Kathmandu Holdings Limited for the year ended 31 July 2013 except as described below:

IFRS 13 'Fair value measurement'. IFRS 13 measurement and disclosure requirements are applicable for the July 2014 year end. The group has included the disclosures required by IAS 34 para 16A (j). See Note 12. There is no impact on the current year results from this change.

4 EXPENSES

	Unaudited Six Months Ended 31 January 2014	Unaudited Six Months Ended 31 January 2013	Audited Year Ended 31 July 2013
	NZ\$'000	NZ\$'000	NZ\$'000
Profit before tax includes the following expenses:			
Depreciation	4,275	4,444	8,814
Amortisation	711	619	1,795
Employee benefit expense	31,693	31,051	68,928
Rental expense	21,821	22,209	43,801
Finance costs – net consist of:			
Interest income	(17)	(23)	(50)
Interest expense	1,665	1,961	3,868
Other finance costs	292	328	607
Net exchange loss/(gain) on foreign currency borrowings	608	24	(18)

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5 RECONCILIATION OF NET PROFIT AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES

	Unaudited Six Months Ended 31 January 2014	Unaudited Six Months Ended 31 January 2013	Audited Year Ended 31 July 2013
	NZ\$'000	NZ\$'000	NZ\$'000
Profit after taxation	11,358	10,331	44,174
<i>Movement in working capital:</i>			
(Increase) / decrease in trade & other receivables	831	(2,249)	(332)
(Increase) / decrease in inventories	(24,492)	(12,891)	(11,915)
Increase / (decrease) in trade and other payables	(2,109)	2,060	6,348
(Decrease) / increase in tax liability	(9,422)	(6,883)	(243)
	(35,192)	(19,963)	(6,142)
<i>Add non cash items:</i>			
Depreciation	4,275	4,444	8,814
Amortisation of intangibles	711	619	1,795
Revaluation of derivative financial instruments	1,528	306	(3,053)
(Increase) / decrease in deferred taxation	1,076	(1,899)	(1,076)
Cost of Share Options	115	130	209
Loss on sale of property, plant and equipment	91	426	955
	7,796	4,026	7,644
Cash inflow from operating activities	(16,038)	(5,606)	45,676

6 RELATED PARTY DISCLOSURES

Parent and Ultimate Controlling Party

Kathmandu Holdings Limited is the immediate parent, ultimate parent and controlling party.

During the period, legal fees of \$65,213 (2013: \$61,326) were paid to Chapman Tripp for services (primarily related to property leases). John Holland is both a Director of Kathmandu Holdings Limited and a Partner of Chapman Tripp.

During the period, operating lease costs of \$138,394 (2013: \$113,051) were paid to Chalmers Properties Limited, a subsidiary of Port Otago Limited. John Harvey is a Director of both of these companies.

No amounts owed to related parties have been written off or forgiven during the year.

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7 INTEREST BEARING LIABILITIES

	Unaudited As at 31 January 2014	Unaudited As at 31 January 2013	Audited As at 31 July 2013
	NZ\$'000	NZ\$'000	NZ\$'000
Current portion	227	383	223
Non-current portion	83,012	81,315	42,580
Total term loans	83,239	81,698	42,803

The Group has a multi option facility agreement with Commonwealth Bank of Australia and ASB Bank Limited and a facility agreement with Bank of New Zealand and National Bank of Australia, both dated 19 December 2011. The loans are repayable in full on final maturity date of the facilities being 21 December 2015. The current portions of the loans are working capital drawdowns made under the same facilities. Interest is payable based on the BKBM rate (\$NZ borrowings), the BBSY rate (\$A borrowings), or the applicable short term rate for interest periods less than 30 days, plus a margin of up to 1.15%. The bank loans are secured against the assets of the company and its subsidiaries.

The covenants entered into by the Group require specified calculations of Group earnings before interest, tax, depreciation and amortisation (EBITDA) plus lease rental costs to exceed total fixed charges (net interest expense and lease rental costs) at the end of each half during the financial year. Similarly EBITDA must be no less than a specified proportion of total net debt at the end of each half. The calculations of these covenants are specified in the bank syndicated facility agreement of 19 December 2011 and have been complied with at 31 January 2014.

The current interest rates, prior to hedging, on the term loans ranged between 3.41% - 3.76% (2013: 3.45% - 4.065%).

8 CONTINGENT LIABILITIES

	Unaudited As at 31 January 2014	Unaudited As at 31 January 2013	Audited As at 31 July 2013
	NZ\$'000	NZ\$'000	NZ\$'000
<i>Bank guarantees issued in relation to:</i>			
Liabilities outstanding under letters of credit	2,049	5,333	2,161
Rent Guarantees	8,967	10,348	9,131
Financial Guarantees	1,813	2,055	1,813

Financial guarantees cover overdrafts, credit card limits and deferred duty.

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9 CONTINGENT ASSETS

There are no contingent assets in 2014 (2013: nil).

10 COMMITMENTS

(a) Operating lease commitments

Group as lessee:

Rent expenses reported in these financial statements relate to non-cancellable operating leases. The future commitments on these leases are as follows:

	Unaudited As at 31 January 2014	Unaudited As at 31 January 2013	Audited As at 31 July 2013
	NZ\$'000	NZ\$'000	NZ\$'000
Due within 1 year	40,254	43,102	43,618
Due within 1-2 years	34,750	38,050	38,618
Due within 2-5 years	59,920	75,078	70,916
Due after 5 years	10,841	18,524	16,159
	<u>145,765</u>	<u>174,754</u>	<u>169,311</u>

Some of the existing lease agreements have right of renewal options for varying terms.

The Group leases various properties under non-cancellable lease agreements. These leases are generally between 1 - 10 years.

(c) Capital commitments

Capital commitments contracted for at balance date are:

	Unaudited As at 31 January 2014	Unaudited As at 31 January 2013	Audited As at 31 July 2013
	NZ\$'000	NZ\$'000	NZ\$'000
Property, plant and equipment	505	1,665	479
Intangible assets	3,791	1,677	720

11 PROPERTY PLANT & EQUIPMENT

	Unaudited As at 31 January 2014	Unaudited As at 31 January 2013	Audited As at 31 July 2013
	NZ\$'000	NZ\$'000	NZ\$'000
Additions	9,322	8,345	14,819
Disposals	(122)	(663)	(1,549)

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12 Financial risk management and financial instruments

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage certain risk exposures. Derivatives are exclusively used for economic hedging purposes, i.e. not as trading or other speculative instruments, however not all derivative financial instruments qualify for hedge accounting.

Risk management is carried out based on policies approved by the Board of Directors. The Group treasury policy provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk. The Parent is not directly exposed to any significant financial risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 July 2013. There have been no changes in the risk management department or in any risk.

(b) Fair value estimation

The only financial instruments held by the Group that are measured at fair value are over-the-counter derivatives. These derivatives have all been determined to be within level 2 (for the purposes of NZ IFRS 7) of the fair value hierarchy as all significant inputs required to ascertain the fair value of these derivatives are observable.

There were no changes in valuation techniques during the period.

The following methods and assumptions were used to estimate the fair values for each class of financial instrument.

Trade debtors, trade creditors and bank balances

The carrying value of these items is equivalent to their fair value.

Term liabilities

The fair value of the Group's term liabilities is approximately carrying value.

Foreign exchange contracts and interest rate swaps

The forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are insignificant for these derivatives.

Guarantees and overdraft facilities

The fair value of these instruments is estimated on the basis that management do not expect settlement at face value to arise. The carrying value and fair value of these instruments is approximately nil. All guarantees are repayable on demand.

The following table presents the group's assets and liabilities that are measured at fair value at 31 January 2014.

	Total
	NZ\$' 000
Assets	
Derivative financial instruments	4,905
Total assets	4,905
Liabilities	
Derivative financial instruments	951
Total liabilities	951

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13 SEGMENTAL INFORMATION

The Group operates in three geographical areas: New Zealand, Australia and the United Kingdom.

31 January 2014	Australia NZ\$'000	New Zealand NZ\$'000	United Kingdom NZ\$'000	Elimination NZ\$'000	Total NZ\$'000
Segment profit / (loss) before income tax	2,817	9,853	(1,218)	(3,585)	15,037
Income tax expense					(3,679)
Profit / (loss) after tax					11,358
Segment profit / (loss) before income tax includes the following specific income and (expenses):					
Sales to external customers	103,054	62,282	2,306	-	167,642
Sales to Group entities	556	877	144	(1,577)	-
Cost of sales	(33,596)	(25,787)	(1,143)	-	(60,526)
Interest income	12	5	-	-	17
Interest expense	(1,047)	(618)	-	-	(1,665)
Other finance costs	(158)	(134)	-	-	(292)
Intercompany net finance income/(expense)	(1,361)	1,361	-	-	-
Intercompany recharges income/(expense)	(4,513)	4,513	-	-	-
Depreciation and software amortisation	(2,865)	(1,938)	(183)	-	(4,986)
Exchange gain/(loss) on foreign currency borrowing	(4,393)	(106)	221	3,670	(608)
Additions of non-current assets	3,024	4,331	723	-	8,078
Total current assets	67,553	429,541	2,582	(383,264)	116,412
Total non-current assets	127,909	341,841	1,993	(194,827)	276,916
Total assets	195,462	771,382	4,575	(578,091)	393,328
Total current liabilities	(92,990)	(10,250)	(11,805)	84,469	(30,576)
Total non-current liabilities	(61,669)	(21,692)	-	-	(83,361)
Total liabilities	(154,659)	(31,942)	(11,805)	84,469	(113,937)

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31 January 2013	Australia NZ\$'000	New Zealand NZ\$'000	United Kingdom NZ\$'000	Elimination NZ\$'000	Total NZ\$'000
Segment profit / (loss) before income tax	1,944	9,059	(783)	3,302	13,522
Income tax expense					(3,191)
Profit/(loss) after tax					10,331
Segment profit / (loss) before income tax includes the following specific income and (expenses):					
Sales to external customers	103,457	59,026	3,440	-	165,923
Sales to Group entities	303	770	-	(1,073)	-
Cost of sales	(35,025)	(25,179)	(1,614)	-	(61,818)
Interest income	18	5	-	-	23
Interest expense	(1,096)	(865)	-	-	(1,961)
Other finance costs	(164)	(164)	-	-	(328)
Intercompany net finance income/(expense)	(1,704)	1,704	-	-	-
Intercompany recharges income/(expense)	(4,067)	4,067	-	-	-
Depreciation and software amortisation	(3,374)	(1,502)	(187)	-	(5,063)
Exchange gain/(loss) on foreign currency borrowing	(3,149)	(290)	102	3,313	(24)
Additions of non-current assets	6,460	1,322	563	-	8,345
Total current assets	49,895	428,104	3,379	(389,567)	91,811
Total non-current assets	150,215	339,321	622	(194,828)	295,330
Total assets	200,110	767,425	4,001	(584,395)	387,141
Total current liabilities	(105,066)	(11,362)	(7,983)	90,769	(33,642)
Total non-current liabilities	(41,681)	(40,426)	-	-	(82,107)
Total liabilities	(146,747)	(51,788)	(7,983)	90,769	(115,749)

Revenue is allocated based on the country in which the customer is located. New Zealand includes holding company costs and head office charges.

Total assets / liabilities are allocated based on where the assets / liabilities are located.

The Group operates in one industry being retailer of clothing and equipment for travel and adventure.

14 EVENTS OCCURRING AFTER BALANCE DATE

There are no events occurring after balance date that materially affect the information within the financial statements.

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STATUTORY INFORMATION

GROUP STRUCTURE

Kathmandu Holdings Limited owns 100% of the following companies:

Milford Group Holdings Limited

Kathmandu Limited

Kathmandu Pty Limited

Kathmandu (UK) Limited

DIRECTORS' DETAILS

Peter Halkett	Managing Director and Chief Executive Officer
Mark Todd	Finance Director and Chief Financial Officer
David Kirk	Non-Executive Director (Chairman as of 5 February 2014)
John Harvey	Non-Executive Director
John Holland	Non-Executive Director
Sandra McPhee	Non-Executive Director
Christine Cross	Non-Executive Director

EXECUTIVES' DETAILS

Peter Halkett	Chief Executive Officer
Mark Todd	Chief Financial Officer

DIRECTORY

Kathmandu New Zealand (Head Office)

11 Mary Muller Drive

Heathcote

PO Box 1234

Christchurch 8140

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SHARE REGISTRY

In New Zealand: Link Market Services (LINK)

Physical Address: Level 7, Zurich House,
21 Queen Street,
Auckland 1010
New Zealand

Postal Address: PO Box 91976,
Auckland, 1142
New Zealand

Telephone: +64 9 375 5999
Investor enquiries: +64 9 375 5998

Facsimile: +64 9 375 5990
Internet address: www.linkmarketservices.com

In Australia: Link Market Services (LINK)

Physical Address: Level 1, 333 Collins Street
Melbourne, VIC 3000
Australia

Postal Address: Locked Bag A14
Sydney,
South NSW 1235
Australia

Telephone: +61 2 8280 7111
Investor enquiries: +61 2 8280 7111
Facsimile: +61 2 9287 0303
Internet address: www.linkmarketservices.com.au

STOCK EXCHANGES

The company's shares are listed on the NZX and the ASX.

INCORPORATION

The company is incorporated in New Zealand.



Independent Accountants' Report

to the shareholders of Kathmandu Holdings Limited

Report on the Interim Financial Statements

We have reviewed the interim condensed financial statements ('financial statements') of Kathmandu Holdings Limited on pages 2 to 12, which comprise the consolidated balance sheet as at 31 January 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Interim Financial Statements

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 January 2014, and its financial performance and cash flows for the period ended on that date.

Accountants' Responsibility

We are responsible for reviewing the financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the period ended 31 January 2014 in accordance with the Review Engagement Standards issued in New Zealand.

We have no relationship with, or interests in, Kathmandu Holdings Limited other than in our capacities as accountants conducting this review, auditors and providers of other assurance services. These services have not impaired our independence as accountants of the Group.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 31 January 2014 and its financial performance and cash flows for the period ended on that date.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an accountants' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our review procedures, for this report or for the opinions we have formed.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers' in a cursive script.

Chartered Accountants
21 March 2014

Christchurch