



KATHMANDU - FIRST HALF YEAR RESULTS FY11



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RESULTS OVERVIEW



RESULTS OVERVIEW: Highlights

- Very solid first half sales performance (19.2% above previous half-year)
- Sales performance in December / January especially strong
- 1H FY11 Sales and EBIT result slightly above the upper range provided in the 19 January 2011 market guidance:
 - 1H FY11 Sales result NZ\$127.1m
 - 1H FY11 EBIT result NZ\$19.9m
- Same store sales growth 12.1% (equates to 9.5% at constant exchange rates),
 - Achieved on top of 13.7% same store sales growth in 1H FY10
 - Australian performance a primary contributor to the increase
- 10 new stores opened since end 1H FY10 (3 in 1H FY11)
- Other drivers of the first half performance:
 - Gross Profit Margins at the top end of long-term target range (1H FY11 64.7% vs 1H FY10 61.3%)
 - Stock investment (28.5% increase in Inventories per store)
 - Advertising spend (NZ\$1.7m, 27.5% above previous half-year)
- Result demonstrates the strength of the Kathmandu brand and continuing growth opportunity

RESULTS OVERVIEW: Year-On-Year

Denominated in:	NZ \$m				A \$m ^{*1}			
	1H FY11	1H FY10	DIFF \$	DIFF %	1H FY11	1H FY10	DIFF \$	DIFF %
Sales	127.1	106.6	20.5	19.2%	97.4	85.8	11.6	13.5%
Gross Profit	82.2	65.3	16.9	25.9%	63.0	52.6	10.4	19.8%
<i>Gross Profit Margin</i>	<i>64.7%</i>	<i>61.3%</i>			<i>64.7%</i>	<i>61.3%</i>		
Operating expenses	(59.0)	(47.2)	(11.8)	25.0%	(45.2)	(38.0)	(7.2)	18.9%
EBITDA	23.2	18.1	5.1	28.2%	17.8	14.6	3.2	21.9%
<i>EBITDA margin %</i>	<i>18.3%</i>	<i>17.0%</i>			<i>18.3%</i>	<i>17.0%</i>		
EBIT	19.9	15.5	4.4	28.4%	15.2	12.5	2.7	21.6%
<i>EBIT margin %</i>	<i>15.7%</i>	<i>14.5%</i>			<i>15.6%</i>	<i>14.6%</i>		
NPAT (excl. IPO costs) ^{*2}	10.5	4.4	6.1	138.6%	8.0	3.6	4.4	122.2%
IPO costs (net of tax)		(15.8)				(12.7)		
Store numbers	100	90	10		100	90	10	

Unless otherwise stated, all amounts referred to in this presentation are denominated in NZ \$m

- 1H FY11 NZ\$/A\$ conversion rate 0.766, 1H FY10 NZ\$/A\$ conversion rate 0.805
- NPAT excludes IPO costs net of associated tax deductions
- No normalisation adjustments in the comparison above. 1H FY10 NPAT pre-IPO costs would otherwise increase by NZ\$3.6m to NZ\$8.0m to reflect reduced financing costs (NZ\$2.9m), reduced tax from IPO expense deductions (NZ\$1.1m) and increased listed company costs NZ\$0.4m.
- 1H FY11 increase in NPAT to NZ\$10.5m from normalised 1H FY10 NZ\$8.0m is NZ\$2.5m or 31.3%.



KEY LINE ITEMS

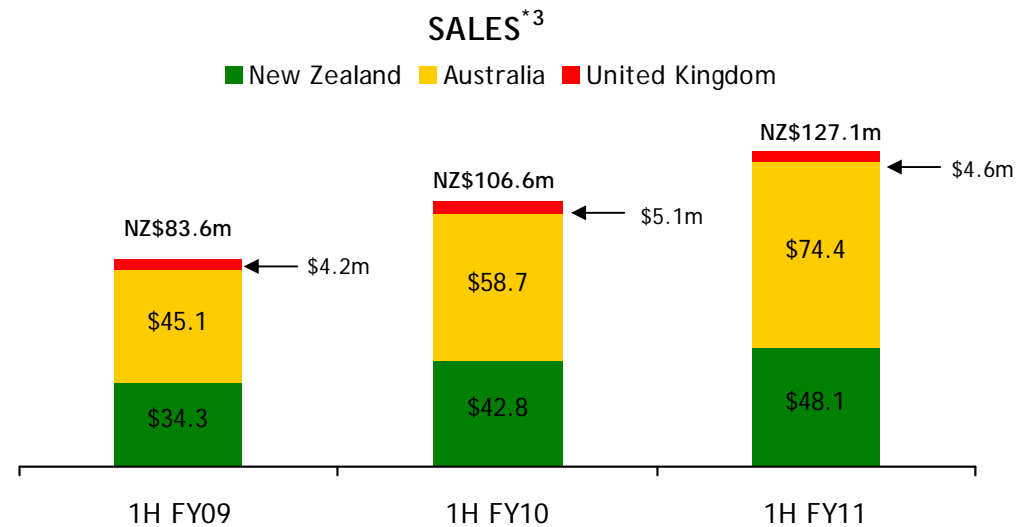


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KEY LINE ITEMS: Sales

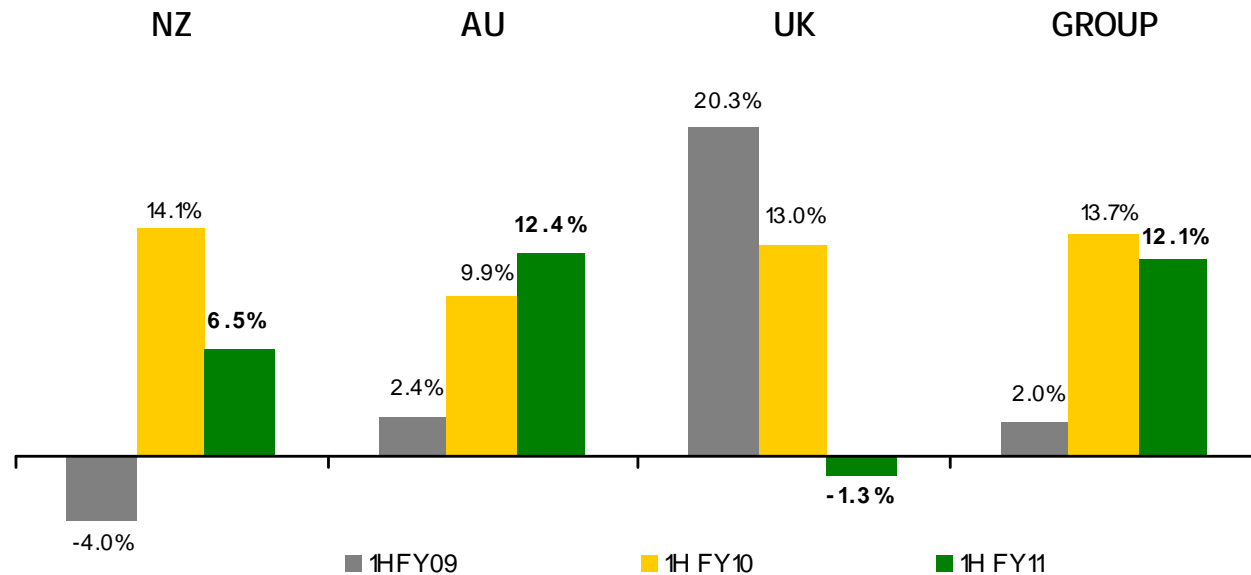
SALES: up 19.2% to NZ\$127.1m

- Sales growth year on year:^{*1}
NZ 12.4%, AU 20.8%, UK (0.9)%^{*2}
- At constant exchange rates sales growth 16.6%



1. Calculated on local currency sales results (not affected by year-on-year exchange rate variation)
2. UK Sales UK£2.2m each year rounded. (-0.9% sales change in actual UK£). 1H FY11 NZ\$/UK£ exchange rate 0.475 = NZ\$4.559m , 1H FY10 NZ\$/UK£ 0.434 = NZ\$5.035m
3. Country sales totals exclude inter-company sales

KEY LINE ITEMS: Same Store Sales Growth

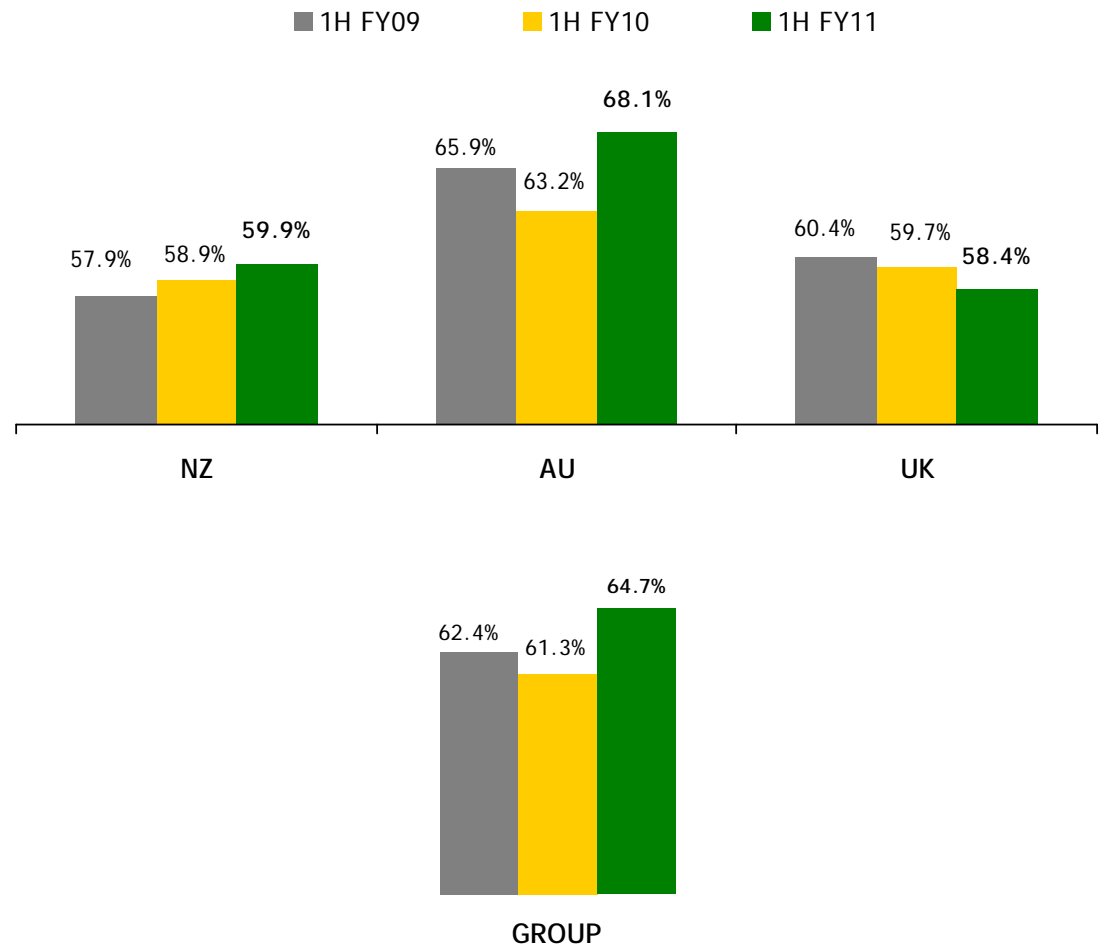


- Same store sales growth 1H FY11 12.1% (9.5% at constant exchange rates), aggregate of approx 22% over the past two years at constant exchange rates
- Same store sales growth enabled through:
 - Stock Investment (28.5% increase in Inventories per store)
 - Advertising spend (27.5% increase)
 - Product offer expansion
 - Store relocations and refurbishments
 - Australian weather

1. Same store sales measurement not adjusted for cannibalised stores.
 2. At constant exchange rates, Group results would be 1H FY09 0.2%, 1H FY10 11.7%, 1H FY11 9.5%

KEY LINE ITEMS: Gross Profit Margin %

- Gross Profit margin 340 bps above 1H FY10
- Gross Profit margin improvement:
 - Retail price adjustments / product mix particularly in Australia
 - Strong Christmas trade reduced the requirement for January discounting
- Top end of long-term target range
- No significant FX benefit overall (1H FY11 hedging within 3% of 1H FY10 in both countries)
- Second half-year more significant impact on costs from supplier labour and material cost increases



1. Consolidated Gross Profit Margin % is not adjusted for currency fluctuations
 2. Country Gross Profit Margin % shown on a currency neutral basis

KEY LINE ITEMS: Cost Of Doing Business

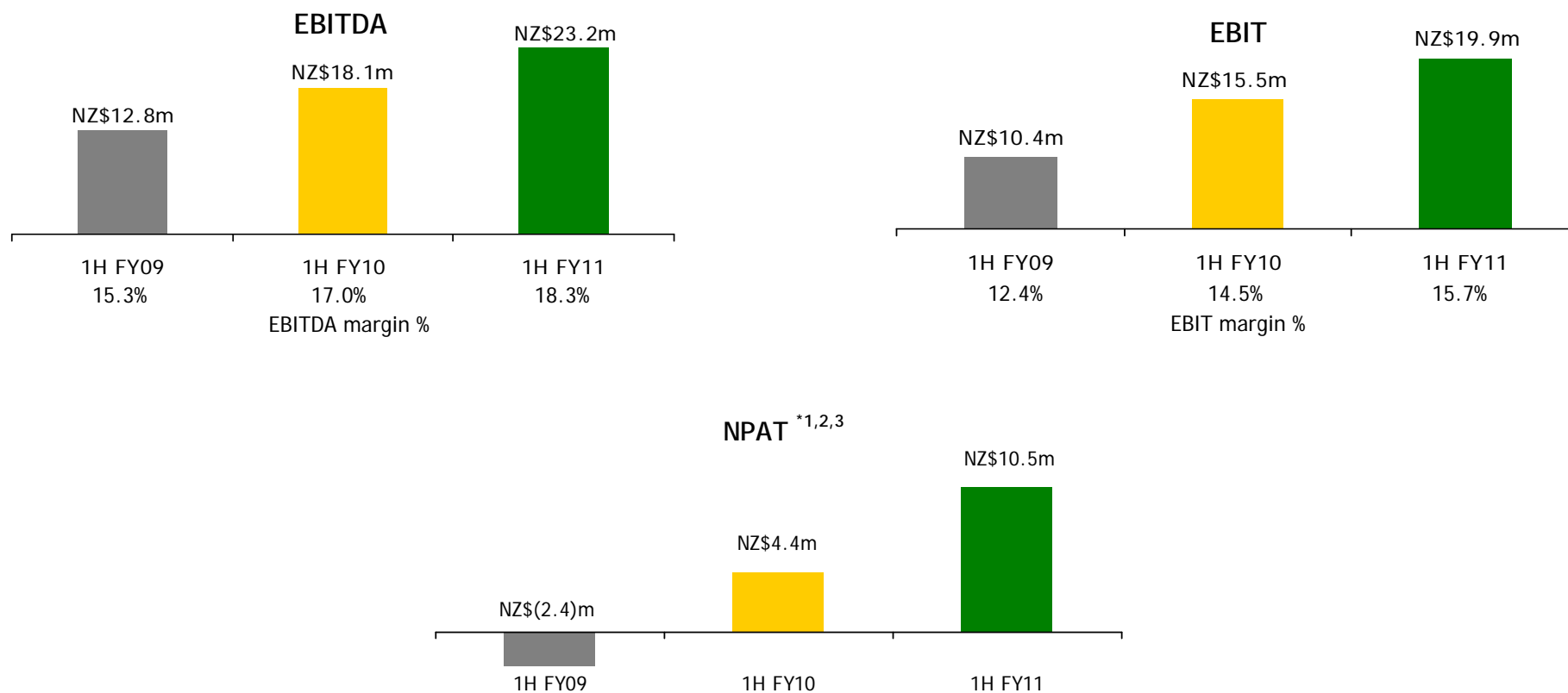
OPERATING EXPENSES: up 25.0% to NZ\$59.0m

- Total operating expense increase NZ\$11.8m includes amounts for new/temp stores plus the full year effect of stores opened during 1H FY10:
 - Rent: +NZ\$1.2m
 - Other operating expenses: +NZ\$2.6m
- Total operating expense increase impacted by one-off / planned spend over and above the rate of sales increase including:
 - Advertising: +NZ\$1.7m
 - Supply chain costs
 - Listed company costs full period in 1H FY11 vs part-period in 1H FY10
 - Provision for management incentives (STI and LTI) which were nil in previous year
 - Non-recurring item - 1H FY10 FX on inter-co loan NZ\$0.5m gain

NZ \$m	COMPARISON TO 1H FY10			
	1H FY11	1H FY10	DIFF \$	DIFF %
Rent	15.3	12.7	2.6	20.5%
<i>% of Sales</i>	<i>12.0%</i>	<i>11.9%</i>		
Other operating expenses	43.7	34.5	9.2	26.7%
<i>% of Sales</i>	<i>34.4%</i>	<i>32.4%</i>		
Total operating expenses	59.0	47.2	11.8	25.0%
<i>% of Sales</i>	<i>46.4%</i>	<i>44.3%</i>		<i>210 bps</i>
Depreciation	3.3	2.6	0.7	26.9%
<i>% of Sales</i>	<i>2.6%</i>	<i>2.4%</i>		
Cost of doing business	62.3	49.8	12.5	25.1%
<i>% of Sales</i>	<i>49.0%</i>	<i>46.7%</i>		

KEY LINE ITEMS: Earnings

EBITDA: up 28.2% to NZ\$23.2m
 EBIT: up 28.4% to NZ\$19.9m
 NPAT up 138.6% to NZ\$10.5m



1. 1H FY10 NPAT result excludes IPO costs net of associated tax deductions
2. No normalisation adjustments in the NPAT graph above. 1H FY10 NPAT would otherwise increase by NZ\$3.6m to NZ\$8.0m to reflect reduced financing costs (NZ\$2.9m), reduced tax from IPO expense deductions (NZ\$1.1m) and increased listed company costs NZ\$0.4m.
3. 1H FY09 NPAT includes interest costs associated with the previous private equity funding structure





COUNTRY RESULTS



COUNTRY RESULTS: New Zealand

SALES: up 12.4% to NZ\$48.1m
 Same store sales growth: 6.5%
 EBITDA (trading result): up 2.8% to NZ\$11.2m

- 3 New Stores since 1H FY10 (all in 2H FY10):
 - Hastings, Gisborne, and Tauranga CBD (had traded as a temporary store)
- Refurbishments / Relocations since 1H FY10:
 - 2H FY10 Christchurch city relocation and Dunedin refurbishment,
 - 1H FY11 Queen St and Sylvia Park extensions, Palmerston North and New Plymouth relocations
- Total operating expenses (excl. depreciation):
 - 1H FY11 36.6% of sales
 - 1H FY10 33.4% of sales
- Inter-company services cost recovery at FY10 level

NZ \$m	1H FY11	1H FY10	DIFF
Sales	48.1	42.8	12.4%
Same store sales growth	6.5%	14.1%	
EBITDA (trading result) ^{*1}	11.2	10.9	2.8%
EBITDA margin %	23.3%	25.5%	
Store numbers	36	33	

1. A reconciliation of EBITDA (trading result) to the interim report is included as an Appendix (page 25)

COUNTRY RESULTS: Australia

SALES: up 20.8% to A\$57.0m
 Same store sales growth: 12.4%
 EBITDA (trading result): up 64.1% to A\$10.5m

- 7 New Stores since 1H FY10:
 - 4 in 2H FY10 Ballarat, Fremantle, Tea Tree Adelaide, Adelaide Harbour Town (Outlet),
 - 3 in 1H FY11 Logan, Wollongong, and Perth Harbour Town (Outlet)
- Refurbishments since 1H FY10:
 - 2H FY10 Bourke St and Sydney central city
 - 1H FY11 Innaloo (WA) expansion
- Total operating expenses (excl. depreciation):
 - 1H FY11 49.7% of sales
 - 1H FY10 49.6% of sales

A \$m	1H FY11	1H FY10	DIFF
Sales	57.0	47.2	20.8%
Same store sales growth	12.4%	9.9%	
EBITDA (trading result) ^{*1}	10.5	6.4	64.1%
EBITDA margin %	18.4%	13.6%	
Store numbers	58	51	

1. A reconciliation of EBITDA (trading result) to the interim report is included as an Appendix (page 25)

COUNTRY RESULTS: United Kingdom

SALES: no change at UK£2.2m (rounded)
 Same store sales growth: -1.3%
 EBITDA (trading result): down 100.0% to UK£(0.4)m

- Total operating expenses (excl. depreciation):
 - 1H FY11 76.6% of sales
 - 1H FY10 68.8% of sales
- Continue to expect small loss
- No plans to open additional stores, will continue to monitor
- STI costs (one-off) associated with IPO added UK£0.1m to loss in period
- 3% of Group Gross Profit for 1H FY11

UK £m	1H FY11	1H FY10	DIFF
Sales	2.2	2.2	-0.9%
Same store sales growth	-1.3%	13.0%	
EBITDA (trading result)* ¹	(0.4)	(0.2)	-100.0%
EBITDA margin %	-18.2%	-9.1%	
Store numbers	6	6	

1. A reconciliation of EBITDA (trading result) to the interim report is included as an Appendix (page 25)

CASH FLOW DIVIDEND BALANCE SHEET



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CASH FLOW

- Capital expenditure NZ\$4.1m vs 1H FY10 NZ\$5.1m
 - New stores capex - NZ\$2.8m for 3 new stores, 2 relocations, and 3 expansions
 - Maintenance capex - NZ\$1.3m
- Full year capital expenditure expected to exceed FY10

NZ \$m	1H FY11	1H FY10
EBITDA	23.2	18.1
Change in working capital	(20.0)	(9.6)
Change in other non-cash items	(1.0)	5.3
Capital expenditure	(4.1)	(5.1)
Operating cash flow after capital expenditure	(1.9)	8.7
Net interest paid (including facility fees)	(3.5)	(6.6)
Income taxes paid	(7.6)	(6.7)
Net cashflow excluding financing activities	(13.0)	(4.6)

INTERIM DIVIDEND

- NZ 3.0 cents per share
- Payout ratio remains within expected 50 to 60% of NPAT
- AU interim dividend will not be franked until sufficient credits to frank 100%
- NZ interim dividend fully imputed
- Final dividends expected to be fully imputed and fully franked
- Record date 28 March 2011, Payment date 7 April 2011

BALANCE SHEET

- January inventories per store up 28.5%:
 - 1H FY11 NZ\$0.555m
 - 1H FY10 NZ\$0.432m
 - 1H FY09 NZ\$0.571m
- 65% of term debt hedged by interest rate swaps (NZ\$15m; AU\$20m)

Key Ratios	1H FY11	1H FY10
Gearing ^{*1}	24.8%	25.2%
Stock turns ^{*2}	2.0	2.0

NZ \$m	1H FY11	1H FY10
Inventories	55.5	38.9
Property, plant and equipment	29.5	23.9
Intangible assets	247.2	241.9
Other assets	5.7	6.6
Total assets (excl. cash)	337.9	311.3
Net interest bearing liabilities and cash	77.5	73.9
Other non-current liabilities	0.3	0.3
Current liabilities	24.9	18.3
Total liabilities (net of cash)	102.7	92.5
Net assets	235.2	218.8

- Net Debt / (Net Debt + Equity) at balance date
- COGS (rolling 12 months) / Average Inventories (start and end of period)

FOREIGN CURRENCY

- Effective US\$ hedge rates 1H FY11:
 - A\$/US\$ 0.843 1H FY11 vs 0.820 1H FY10
 - NZ\$/US\$ 0.676 1H FY11 vs 0.696 1H FY10
- Forward Hedging Position:
 - Longest dated hedges February 2012
 - FY12 over 75% cover for period to end February
 - Rolling cover applied 12 months forward
- No hedging NZ\$:A\$.
 Approx NZ\$0.3m EBIT variation for each 1c differential in 2H FY11 exchange rate compared to last year's rate (NZ\$/A\$ 0.80)

FORWARD HEDGING POSITION		2H FY11	1H FY12 ¹
A\$ / US\$	% covered	86%	80%+
	Effective Rate	0.852	0.922
NZ\$ / US\$	% covered	85%	75%+
	Effective Rate	0.686	0.718

1. To end February 2012

FY11 OUTLOOK



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FY11 OUTLOOK

Kathmandu

- Store rollout on track for FY11 - 3 stores opened, 9 further stores confirmed - target of 15
- Store refurbishment programme continues - most major central city stores already complete
- Product range expansion and increased inventory investment will continue
- Brand refresh project is underway
- Gross profit margins more challenging in 2H FY11 due to supplier cost increases for Winter season
- Operating costs as a percentage of sales may be slightly higher than FY10 reflecting investment in advertising, people and resources
- 2H FY11 cycling against flat performance in 2H FY10

The Market

- World-wide uncertainty now also reflected in Australasian consumer discretionary spending reduction
- New Zealand economy will be impacted by earthquake - extended recession risk
- China capacity and cost constraints continue to be more challenging (lead-time commitments)
- Competition continues to increase and also move towards the vertical business model

Summary

- First half year performance and continued store rollout provides confidence that improvement in both second half and YOY profitability will be achieved

KEY GROWTH STRATEGY UPDATE



KEY GROWTH STRATEGY UPDATE

Kathmandu core growth paths continue to provide varied strategic choices

GROWTH STRATEGY

UPDATE

New store rollout

- Objective is 15 stores in FY11
- 150 stores in total
- Investigating new store formats

- 3 opened, Logan (QLD), Wollongong (NSW), and Perth Harbour Town (WA)
- 9 further locations confirmed: Whakatane, Coastlands (north of Wellington), Papanui (Christchurch), Southport, Toowoomba, Orange, Southland (Melbourne), Belconnen (Canberra), and Whitford City (Perth). At least 2 more confirmations expected for 2H FY11
- Australia 12 stores, New Zealand 3 stores would be ideal mix this year
- Similar potential for FY12, focus on under represented areas in Australia

Existing store network optimisation

- Refurbishments
- Relocations
- Increasing store sizes of the existing store portfolio

- Most major central city stores already refurbished in new format: Melbourne, Sydney, Canberra, Brisbane, Auckland (1H FY11), Christchurch, Dunedin
- 2 store relocations completed in 1H FY11 (Palmerston North, New Plymouth), and 1 store extension (Innaloo WA)

Product range growth

- Opportunity to grow the width and the depth of the range:
 - more product categories
 - more options within each category

- More volume deals offered across a broader selection of Product Groups
- Winter 11 Focus on proprietary fabric and system technology, extensions to quickDRY, Merino, InsuLITE (Insulation) ranges, launch new large Travel and Hiking Packs
- Commitment to increase inventory investment in key categories that underpin promotional activity

APPENDIX: Reconciliation of Country trading results*¹

Reconciliation to interim report (NZ \$m)

New Zealand (NZ \$m)	1H FY11	1H FY10
Segment profit	9.6	11.0
Net interest	0.9	2.3
Facility fees	0.5	0.3
Depreciation	1.0	0.8
Inter-Co. Cost recoveries (Royalties only)	-	(1.2)
Inter-Co. financing	(1.7)	(3.0)
Holding Co. costs	0.9	0.7
EBITDA (trading result)	11.2	10.9

Australia (NZ \$m) ²	1H FY11	1H FY10
Segment profit	10.9	(0.7)
Net interest	1.1	3.1
Facility fees	0.5	0.3
Depreciation	2.1	1.5
Inter-Co. Cost recoveries (Royalties only)	-	1.2
Inter-Co. financing	1.7	3.0
FX on long term Inter-Co. funding ³	(2.6)	(0.5)
EBITDA (trading result)	13.7	7.9

United Kingdom (NZ \$m) ²	1H FY11	1H FY10
Segment profit	(1.2)	(2.2)
Net interest	-	-
Loss on foreign currency borrowings	0.1	-
Depreciation	0.2	0.3
Inter-Co. Cost recoveries (Royalties only)	-	-
Inter-Co. financing	-	1.5
EBITDA (trading result)	(0.9)	(0.4)

1. Appendix to pages 13, 14, and 15 of this presentation
2. 1H FY11 NZ\$/A\$ conversion rate 0.766, 1H FY10 NZ\$/A\$ conversion rate 0.805, 1H FY11 NZ\$/UK£ conversion rate 0.475, 1H FY10 NZ\$/UK£ conversion rate 0.434
3. Eliminated on consolidation in 1H FY11, non-trading in 1H FY10



QUESTIONS