



KATHMANDU - Deutsche Bank Small Cap Retail Conference
Sydney 7 June 2011, Presenter Mark Todd CFO



Presentation Summary

- Recap Results to FY11 3rd Quarter
- New Stores Update
- Australian Opportunity
- New Zealand Distribution Centre
- Outlook FY11 and Beyond
- Q&A



Results FY11 Third Quarter Update

- Sales first half +19.2%, third quarter +31.6% , 9 months +23.1% (20.7% on constant currency basis).
- Same store sales for 9 months >10% ahead in both NZ and Au, in total (all 3 countries) +15.5% (13.3% on constant currency basis).
- Gross profit margin remains above 64% for 9 months.
- EBITDA was up 28% in first half year.
- Current consensus from analysts we monitor estimates full year result in range c.\$66.5m to c\$70m with average around \$68m.

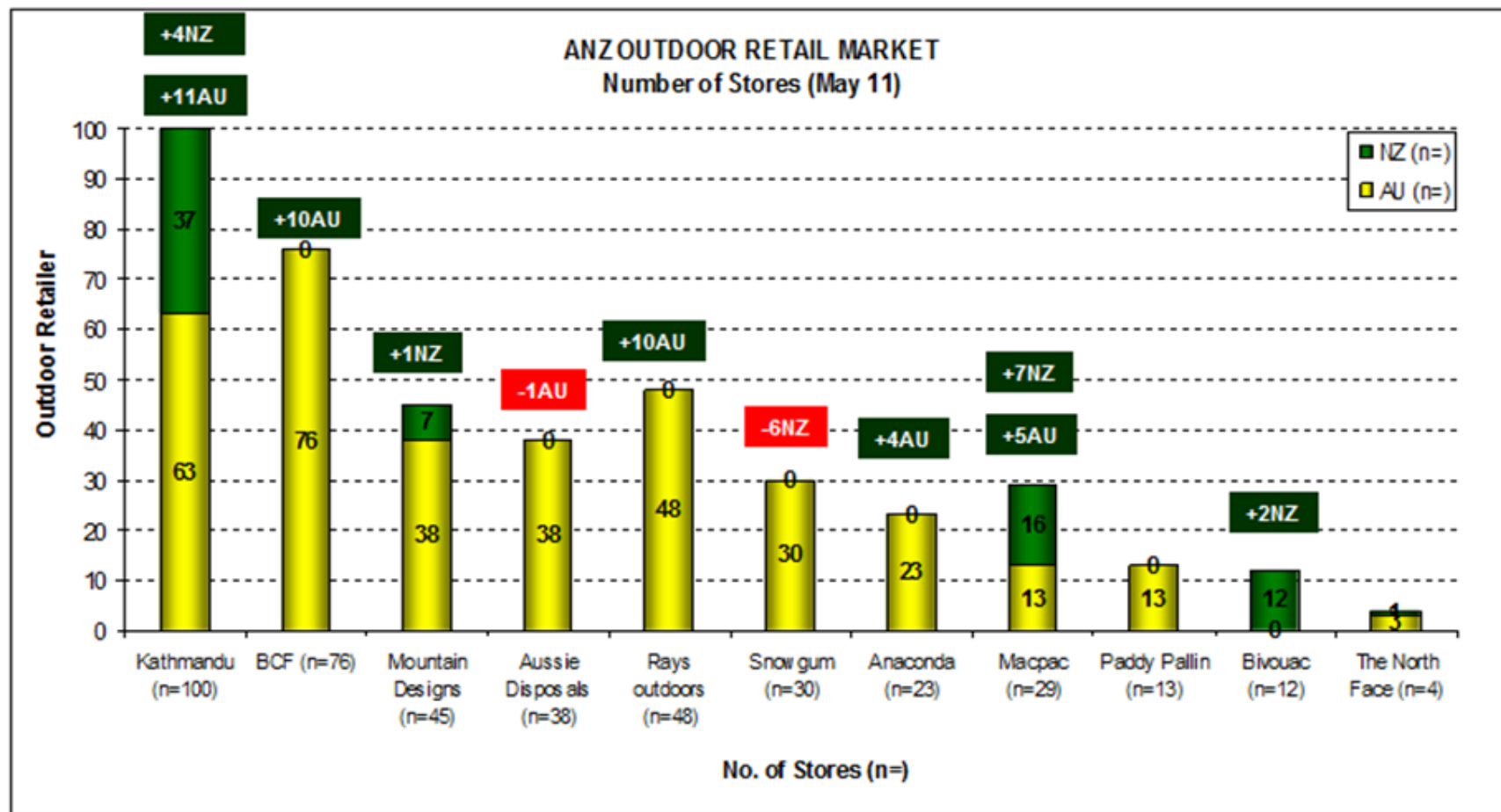
New Stores Update

- Stores now open in FY11:
 - Australia (8):
 - Queensland- Logan, Toowoomba and Southport;
 - NSW- Orange and Woollongong;
 - West Australia- Whitford City and Perth Harbourtown;
 - ACT- Belconnen.
 - New Zealand (1): Papanui (but Cashel St in Christchurch remains closed).
- Stores to open in June/July:
 - Australia (3):
 - Southland in Melbourne;
 - Wagga Wagga;
 - Cairns.
 - New Zealand (2 or 3): Ashburton, Whakatane, and possibly 1 other.

9 refurbishments, re-locations or extensions completed for FY11.

Target for FY12 again 15 new stores. Also significant ongoing refurbishment and relocations, two major sites in New Zealand (Wellington and Newmarket) confirmed to be relocated.

Majority of Competitors expanding store networks



1. Sourced from Kathmandu review of competitor websites and calculated change over past 12 months

Australian Opportunity- Sales Performance to Date

- Store numbers in Australia have more than doubled since 31 July 2007 (30 to 63).
- Prospectus October 2009 envisaged up to 100 stores in Australia.
- Sales growth in Australia from FY07 (30 stores) to FY11 (expect 66 stores) of c.A\$70 to 75m, = average sales per new store in that period of around A\$1.5m plus growth in same stores.
- Further 30 to 35 stores to reach 100 store Prospectus target should generate total sales from all Australian stores of at least A\$180m per annum, A\$8.00 per capita (on 22.5m total population). A\$200m base sales result from 100 stores is \$A8.90 per capita.
- This sales per capita converted to \$NZ (\$NZ10.65 to \$NZ11.90) compares to NZ expected sales per capita in FY2011 of approximately \$NZ24. Australian sales per capita at this rate <50% of New Zealand.
- If we benchmark our sales penetration
 - against comparable listed speciality retailers with relatively mature retail networks (Michael Hill & Pumpkin Patch);
 - within various regions in our own retail network;what does this indicate re the Australian opportunity?

Australian Opportunity: Benchmarking Listed Retailers

| COMAPARABLE LISTED RETAILERS ¹ | AUSTRALIA | | NEW ZEALAND | | AU AS % OF NZ | |
|---|-----------|-------------------------|-------------|-------------------------|---------------|-------------------------|
| FY10 | STORES | SALES PER STORE (NZ\$m) | STORES | SALES PER STORE (NZ\$m) | STORES | SALES PER STORE (NZ\$m) |
| Michael Hill International ("MHI") | 141 | 2.1 | 53 | 1.8 | 266% | 115% |
| Pumpkin Patch Limited ("PPL") | 119 | 1.7 | 49 | 1.2 | 243% | 139% |
| Kathmandu ("KMD") | 55 | 2.6 | 36 | 2.6 | 153% | 98% |

| COMAPARABLE LISTED RETAILERS ¹ | AUSTRALIA | | NEW ZEALAND | | AU AS % OF NZ | |
|---|---------------|-------------------------------|---------------|-------------------------------|-------------------------------|--|
| FY10 | SALES (NZ\$m) | SALES PER CAPITA ² | SALES (NZ\$m) | SALES PER CAPITA ² | SALES PER CAPITA ² | |
| Michael Hill International ("MHI") | 293.0 | \$14.16 | 95.8 | \$23.79 | 60% | |
| Pumpkin Patch Limited ("PPL") | 198.3 | \$9.58 | 58.9 | \$14.62 | 66% | |
| Kathmandu ("KMD") | 141.9 | \$6.86 | 94.3 | \$23.41 | 29% | |

- For FY10, sales per capita in Australia market less than half the performance of MHI and PPL
 - Are there any significant factors that suggest KMD cannot perform to the equivalent levels of these retailers? E.g.
 - Both MHI and PPL could be more heavily competed in their categories than KMD;
 - In some parts of Australia, weather patterns may disadvantage KMD whereas MHI and PPL are not generally weather dependent.
 - If not then is a 60% sales per capita ratio AU:NZ a reasonable target for Kathmandu?

1. Source: Company annual reports FY10

2. Based on 2006 Census data. NZ population 4,027,947. AU population 20,695,501. Since this date AU population growth rate faster than NZ

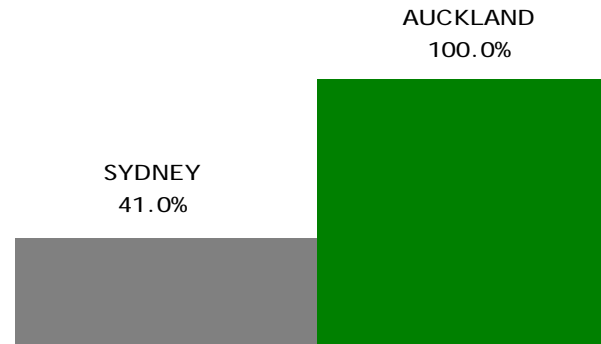
Australian opportunity: Benchmarking our own performance

| CANBERRA (Population 335,000) | FY07 | FY10 | FY12 |
|---|-------|-------|-------|
| Total sales as % of targeted FY12 performance expect c. 300% increase in 5 years | 35% | 63% | 100% |
| Store Numbers | 1 | 3 | 4 |
| Sales per capita, relative to Total AU Average | >100% | >200% | >350% |

- In FY07, there was only one store trading in Canberra.
- By FY10, Canberra Woden and Canberra Centre had opened, and the original Canberra store was trading as an outlet store.
- Belconnen has recently opened, and all 3 main sites are now in prime retail centres.
- There has been substantial uplift in expectation re potential from the total Canberra market.
- Do weather and demographic make a 350%+ difference between Canberra and rest of Australia?
- What does Canberra look like vs rest of Australia or New Zealand?

Australian Opportunity: Benchmarking our own Performance

SYDNEY FY10 Sales per Capita compared to Auckland



- In FY10 we sold less than twice the volume of product in Sydney (4.3m people), vs Auckland (population 1.25m).
- Central Auckland, 3 km radius 3 stores (Queen St, Victoria Park, Newmarket). Central Sydney, 5 km radius 1 store.
- Sydney store - very small /overtrades/ top Au store, but still < total turnover than best two Auckland stores.
- Population/ worker/ visitor nights counts for the central areas all rank Sydney 2 to 3 times larger than Auckland.
- Both cities are similar lifestyle/climate, Sydney we assess demographics to be at least as good as Auckland.
- If Sydney could increase Sales per Capita from 41% of Auckland to 60%:
 - Total Sydney sales potential increase is 47% from FY10 levels;
 - Store numbers (14 currently) or retail footprint could increase equivalently (50%+?).
- More fundamental question, why can't Sydney be even more than 60%? How big is the opportunity?

Australian Opportunity - Summary & Strategies to maximise

Benchmarking (external and internal) and Kathmandu's base Australian sales performance all highlight the opportunity for:

- Sales per capita in Australia to match comparable trans-Tasman discretionary retailers (Au 60% of NZ performance is the benchmark);
- Store network optimisation in Australia that may involve more than 100 stores and/or better & larger locations/ footprint;
- Resulting sales that exceed potential envisaged at time of IPO;
- Extended growth timeline over 3 to 5 years.

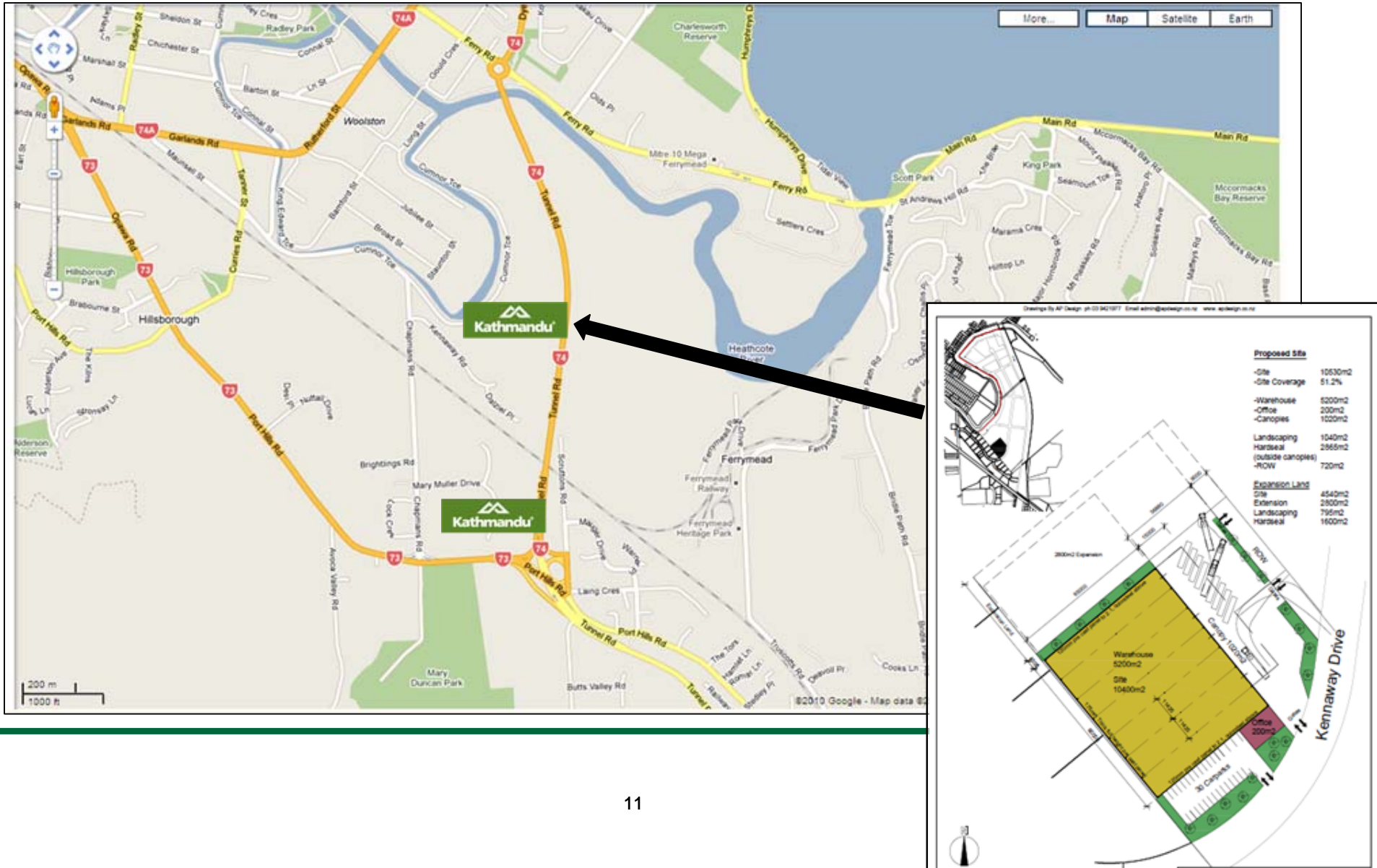
How do we achieve this?

Australian focus with reference to:

- Brand awareness and brand positioning (customer research critical);
- Product and category differences (and not just AU vs NZ);
- Climate and lifestyle differences;
- Store network requirements - locations, size, profile;
- Competition.

At a 60% ratio the potential target Australian sales base would be around A\$240 million p.a., with further upside if penetration rates can be moved towards NZ levels.

New Zealand Distribution Centre shifts approx 500m in mid-2012



NZ Distribution Centre- Current Facility versus New Facility

- Key Statistics

| | Current Site | New Site | % change |
|--------------------------------------|--------------|----------|----------|
| Floor size | 3,600 | 5,000 | 39% |
| Canopy | - | 1,096 | |
| Effective Work Space (70% of canopy) | 3,600 | 5,767 | 60% |
| Height (m) | 6 | 10 | 67% |
| Pallet locations | 1524 | 3704 | 143% |
| Peak Pallets in CHCH 2011 | 2524 | 2524 | |
| % utilisation | 166% | 68% | |

- Not all about size, the design is critical for efficient operations -numerous future opportunities re peak loading, cross docking, bulk and ratio pre-packs are all facilitated. Links to long term approach to 3PL.
- Design build (detailed specification and layout process incorporated new WMS)
- 10 year lease term with ROR.

Outlook FY11 and Beyond

Kathmandu

- Store rollout will be either 14 or 15 stores depending on construction timelines.
- Store refurbishment programme is complete for this year (with good sales results).
- Product range expansion and increased inventory investment continues to flow through to winter trading period.
- Brand refresh project is underway, new imagery will be apparent in rest of stores opening in FY11.
- Gross profit margins holding to date in 2H FY11, but winter sale period is key.
- Operating leverage outcome primarily sales dependent.

The Market

- Australasian consumer discretionary spending levels continue to be under pressure.
- Tourist markets are working both ways, strong outbound but weaker inbound.
- China constraints likely to mean ongoing longer lead-time commitments in FY12.
- Competitor growth primarily from those with capital/ capacity in tandem with move towards the vertical business model.

Summary

- Despite a difficult ongoing environment 9 month's trading continues to support expectation that improvement in both second half and YOY profitability will be achieved.