

**KATHMANDU HOLDINGS LIMITED
ASX/NZX/MEDIA ANNOUNCEMENT
23 JUNE 2014**

Kathmandu Holdings LTD (ASX/NZX: KMD) advises that group sales through June, and in particular since the start of the company's winter sales promotion, have been significantly below expectations in both Australia and New Zealand. As a result the company now estimates Earnings before Interest and Tax (EBIT) for the 11 months to the end of June 2014 will be between 10 and 15% below the result for the same period in FY13 (0 to 5% on a constant currency basis).

Winter Season Trading to date

Kathmandu's CEO Peter Halkett commented that like a number of other Australasian retailers, Kathmandu had experienced a sales downturn in the past 5 weeks in both Australia and New Zealand. "The sales shortfall has been particularly significant in the past fortnight, the first two weeks of Kathmandu's winter sale promotion. In this period across all the major metropolitan cities in both countries with the exception of Perth we have been selling in a period of warmer, drier and generally sunnier weather than last year. This has been particularly the situation in New Zealand, and the winter weather pattern to date has not been conducive to sales of core Kathmandu cold weather product groups items such as down jackets, fleece and thermals".

As a result of the subdued start to trading in Kathmandu's winter sale promotion, the company anticipates an overall reduction in the sales and gross profit earned from this event in both Australia and New Zealand compared to the equivalent period in 2013. Kathmandu's three major annual promotions (Christmas, Easter and winter) do historically vary in their outcomes between countries and week to week within the promotion itself, so there is still the potential for improved performance in the remaining 5 weeks of the financial year. However, given the results to date and the general forecasts of a relatively mild and drier winter across Australasia, Kathmandu's management anticipates any recovery in trading from now till 31 July will not be sufficient to make up the shortfall in sales experienced to date in June.

F14 Full Year Result Expectations

As July has historically been the company's third biggest trading month of the year, Kathmandu still has a substantial proportion of the year's sales and earnings result dependent upon trading in the final 35 days of the financial year. Mr Halkett concluded by saying "Because of the materiality of July trading to the year overall and the variability caused by winter weather patterns a more specific forecast of the full years' earnings result is not possible at this time. If we don't have a more normal winter pattern through July, I would anticipate our earnings result would likely remain at least where we are today, which is between 10 and 15% down on last year's performance (FY13 full year EBIT was \$63.4m). The Kathmandu

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team will be working very hard to achieve the best possible outcome from trading in July, but it is unavoidable that trading through this period will also continue to be influenced by weather patterns.”

Further Communication to Market

Kathmandu’s full year result for FY14 will be released to the market on 22 September, and a further update on the estimate of this result will be provided in early August.

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