



**Response to Briscoe Group's Takeover Offer,
FY2015 Unaudited Result and FY2016 Forecast**
August 2015

 Summary of Briscoe's unsolicited takeover Offer

 Kathmandu Board recommendation

 Process timetable

 FY2015 unaudited result and FY2016 forecast



Briscoe's unsolicited takeover Offer	<ul style="list-style-type: none">▪ On 30 June 2015, Briscoe announced it had acquired a 19.9% shareholding in Kathmandu and intended to lodge a takeover notice▪ On 24 July 2015, Briscoe sent its offer document to Kathmandu Shareholders, containing its Offer to buy all the shares in Kathmandu that it does not already own▪ The Offer is for five Briscoe shares for every nine Kathmandu shares and NZ\$0.20 cents for each Kathmandu share
Implied value of the Offer	<ul style="list-style-type: none">▪ NZ\$1.80, based on Briscoe's 1 month VWAP¹
Conditions	<ul style="list-style-type: none">▪ The Offer is subject to 24 conditions detailed in the Target Company Statement, including:<ul style="list-style-type: none">– Minimum acceptances of 90%– Briscoe shareholder approval²– Neither the NZX 50 index or the S&P/ASX 200 index decrease by more than 10% from 30 June levels

¹ 1 month VWAP of NZ\$2.88 based on the period up to and including 29 June 2015.

² Approval is expected on the basis of undertakings given by Briscoe Group's largest shareholder, Rod Duke, who owns approximately 78% of the voting rights in Briscoe Group, to vote in favour.

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The Directors of Kathmandu unanimously recommend that you **REJECT** the Offer. Your Kathmandu Directors intend to **REJECT** the Offer in relation to the Kathmandu Shares they own or control. To **REJECT** the Offer, simply ignore all documents from Briscoe and do nothing.

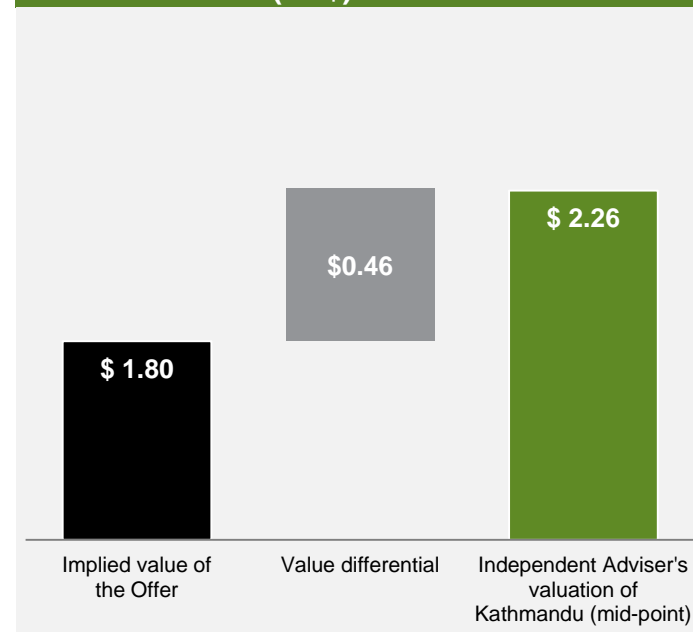
The reasons why you should REJECT the Offer are set out below, and outlined in Kathmandu's Target Company Statement, which your Directors encourage you to read in detail

- 1 The Offer is below the Independent Adviser's valuation of Kathmandu
- 2 The Offer is inadequate and does not reflect the underlying value of Kathmandu
- 3 Briscoe can afford to offer a lot more for your Shares
- 4 The timing of the Offer is highly opportunistic
- 5 The Offer fails to reflect the strength of Kathmandu's business and future plans for growth
- 6 Becoming a Briscoe shareholder would change the profile of your investment
- 7 The implied value of the Offer is uncertain

The Offer is below the Independent Adviser's valuation

- Kathmandu engaged Grant Samuel to prepare an Independent Adviser's Report to assess the merits of the Offer
- Grant Samuel has assessed the full underlying value of Kathmandu Shares to be in the range of NZ\$2.10 to NZ\$2.41 per Share
- The implied value of **Briscoe's Offer of NZ\$1.80¹** is **NZ\$0.31 to NZ\$0.61 below the Independent Adviser's valuation**

The Offer is NZ\$0.46 below the Independent Adviser's valuation mid-point for Kathmandu (NZ\$)^{1,2}



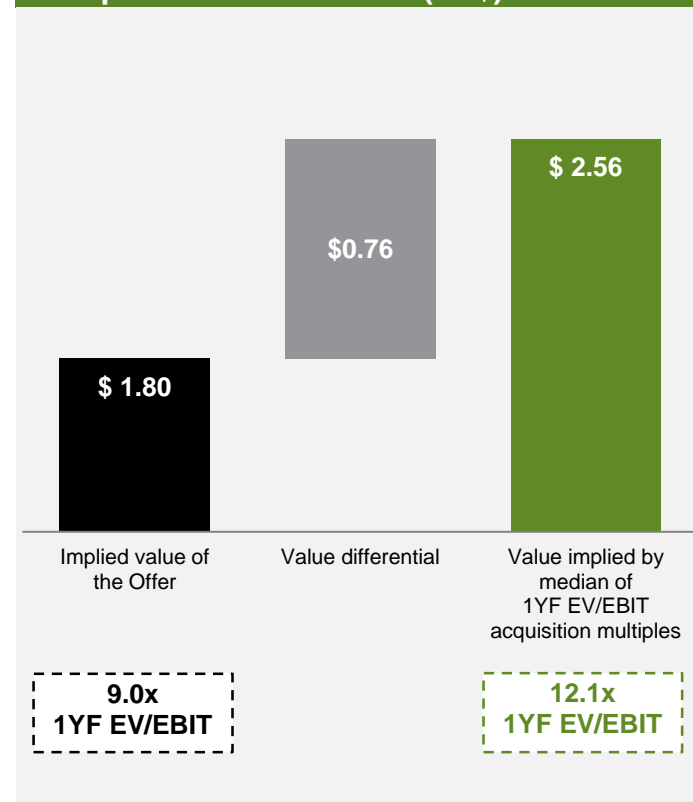
¹ Based on Briscoe's 1 month VWAP of NZ\$2.88 for the period up to and including 29 June 2015.

² Value differential based on the difference between the implied value of the Offer and the mid-point of the Independent Adviser's valuation.

The Offer is inadequate and does not reflect the underlying value of Kathmandu

- Kathmandu is a vertically integrated designer, marketer and retailer of Kathmandu-branded clothing and equipment
- Vertically integrated retailers benefit from brand ownership and typically enjoy higher gross margins and greater growth potential
- The Offer implies an EV / EBIT multiple of approximately 9.0x¹. This is **substantially below the median EV / EBIT multiple in precedent comparable transactions** involving vertically integrated retailers of 12.1x²
- The Offer is also **below trading valuations, which are prior to any control premia**
 - EV / EBIT trading valuations for comparable domestic and international vertically integrated retailers are 9.9x and 11.4x respectively³

The implied 1YF EV / EBIT multiple of the Offer is below the multiples paid in comparable transactions (NZ\$)^{1,2}



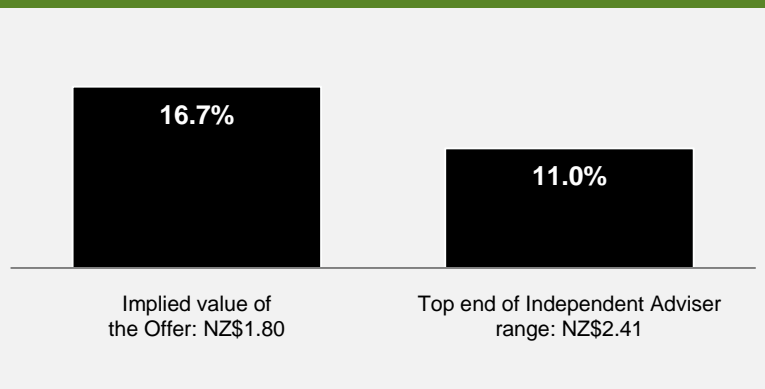
¹ Implied 1YF EV/EBIT multiple assumes Kathmandu FY2016F EBIT of \$48.2m per management estimates as detailed later in this presentation. Calculation of EV based on the 201.5m Kathmandu Shares on issue, net debt of \$69.7m (as at 31 July 2015), and an Offer price of \$0.20 cash per Share and five Briscoe Shares for every nine Kathmandu Shares, based on Briscoe's 1 month VWAP of NZ\$2.88 for the period up to and including 29 June 2015.

² Median 1YF EBIT multiples based on vertical apparel retail transactions for control in the last five years where data available (no meaningful data available for domestic transactions).

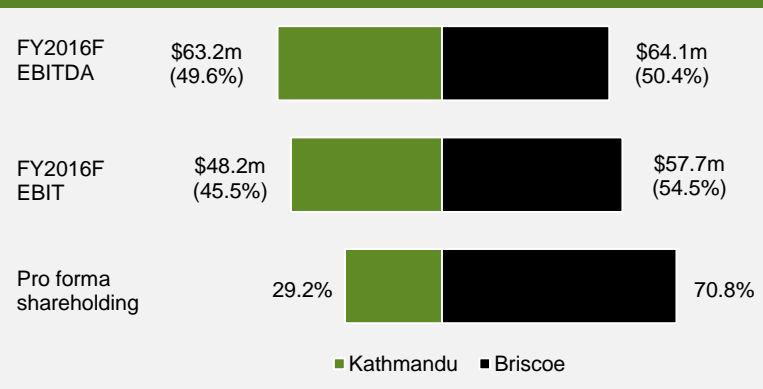
³ Median 1YF EBIT multiples as at 31 July 2015, adjusted to July year end. Domestic vertically integrated peers includes Hallenstein Glasson, Lovisa, Michael Hill, Orono, Premier Investments and Super Retail Group. International vertically integrated peers includes Abercrombie & Fitch, American Eagle, Carter's, Chico's, GAP, Guess?, H&M, Inditex, Kate Spade, L Brands and Urban Outfitters.

Briscoe can afford to offer a lot more for your Shares

Illustrative pro forma FY2016F EPS accretion to Briscoe shareholders (%)¹



Comparison of earnings contribution and pro forma shareholdings (NZ\$, %)²

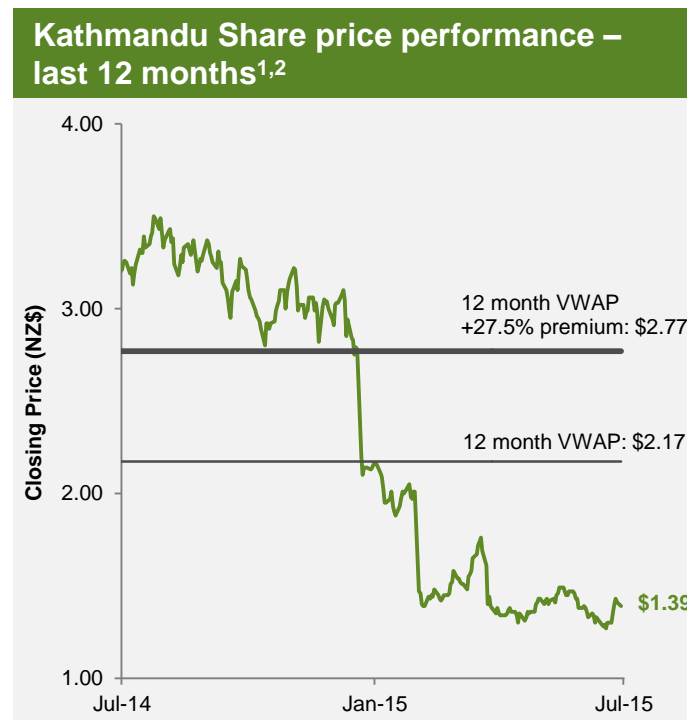


- The illustrative pro forma analysis shows that the Offer **would still be EPS accretive** for Briscoe shareholders even at NZ\$2.41, the top end of the Independent Adviser's valuation range
- The transaction is dilutive to Kathmandu Shareholders at prices well in excess of the implied value of the Offer
- Kathmandu would contribute almost half of the combined group's earnings based on FY2016F forecasts
- The Offer **does not currently reflect a fair sharing of the combined group's future earnings** and upside to Kathmandu's shareholders

¹ Assumptions underlying the illustrative EPS analysis are detailed on page 9 of Kathmandu's Target Company Statement.

² Kathmandu earnings based on management estimates as detailed later in this presentation. Briscoe based on median of broker consensus estimates, adjusted to July year end. Kathmandu Directors do not adopt or endorse in any way the broker consensus forecasts for Briscoe. Pro forma shareholding assumes Kathmandu Shareholders receive five Briscoe Shares for every nine Kathmandu Shares owned (other than the 40.1m Kathmandu Shares already acquired by Briscoe). Based on Kathmandu Shares of 201.5m and Briscoe Shares of 217.2m.

- Kathmandu listed in November 2009 at NZ\$2.13 and within five years had reached a high of NZ\$4.00 per Share
- **Briscoe's Offer comes immediately following a period of challenging trading conditions** which contributed to Kathmandu's Share price underperformance
 - Kathmandu's Share price as at 29 June 2015 was NZ\$1.39, approximately 36% below its 12 month VWAP of NZ\$2.17¹
 - Applying a typical control premium of 27.5%² to a longer term Kathmandu Share price, such as the 12 month VWAP of NZ\$2.17, **implies a control price of NZ\$2.77, well above the implied value of the Offer of NZ\$1.80**³



¹ Kathmandu 12 month VWAP based on market values and volumes in Kathmandu on ASX and NZSX for the 12 month period leading up to and including 29 June 2015. ASX values converted from AU\$ to NZ\$ based on the daily spot AUD/NZD foreign exchange rate.

² Grant Samuel in its Independent Adviser's Report in Section 7 of Kathmandu's Target Company Statement note that a typical control premium can be between 20% and 35%. 27.5% represents the mid-point of this range.

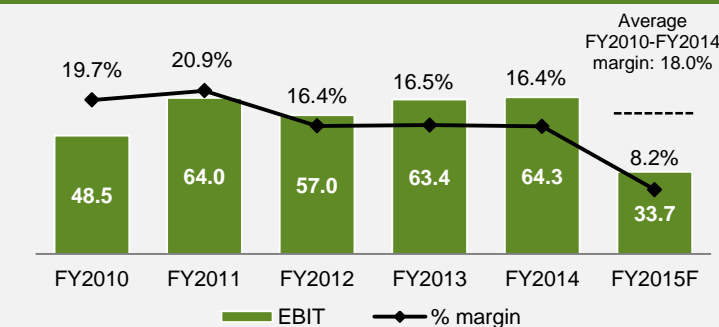
³ Implied value of the Offer based on Briscoe's 1 month VWAP of NZ\$2.88 for the period up to and including 29 June 2015.

- Kathmandu's performance in FY2015F has been impacted by a number of **internal strategic initiatives and business improvements**, including:
 - Isolated internal factors**
 - Aggressive stock clearance initiatives to clear excess FY2014 stock, compressing margins
 - Pricing and promotional activity which led to customer confusion regarding the proposition and price point
 - Increase in operating costs in anticipation of sales growth which didn't eventuate
 - Investments for the future**
 - Investment in physical infrastructure and software, yet to be offset by the future expected growth in sales
 - Change in management, including a new permanent CEO, Xavier Simonet, who commenced in July 2015
- In addition, Kathmandu incurred a number of **abnormal items** during FY2015F, including:
 - UK brand investment, which was wholly discretionary expenditure unrelated to its profitable Australasian arm
 - FY2015F winter sale timing and duration was shorter than FY2014
 - Other one-offs, including accelerated depreciation and onerous lease expenses associated with the relocation of the Australian distribution centre and Christchurch support office
- FY2015F was also impacted by **external factors outside of management's control**, including:
 - Subdued consumer sentiment, translating into negative macro pressure on the Australian retail environment
 - Weakening foreign exchange rate causing an increase in COGS unable to be recovered by increasing price

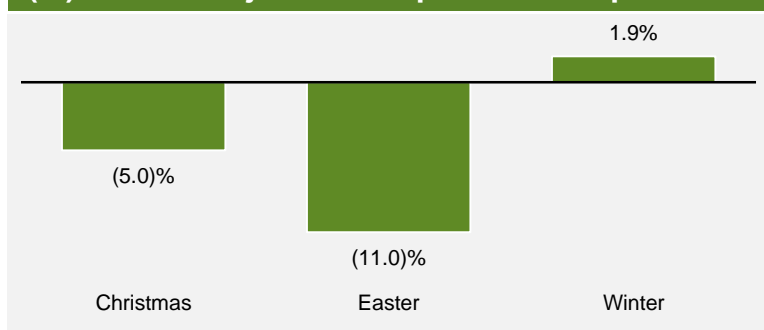
The timing of the Offer is highly opportunistic (cont.)

- Kathmandu's EBIT margin has averaged approximately 18.0% over the period from FY2010 to FY2014, over twice that of the EBIT margin in FY2015F, reflecting the isolated period of challenging trading conditions in 1H and Q3 FY2015
- Kathmandu's recent trading performance in Q4 2015F also provides evidence that the underperformance to Q3 FY2015 was isolated
 - Group sales and gross margin over the recent winter promotional period are higher than the comparable FY2014 period

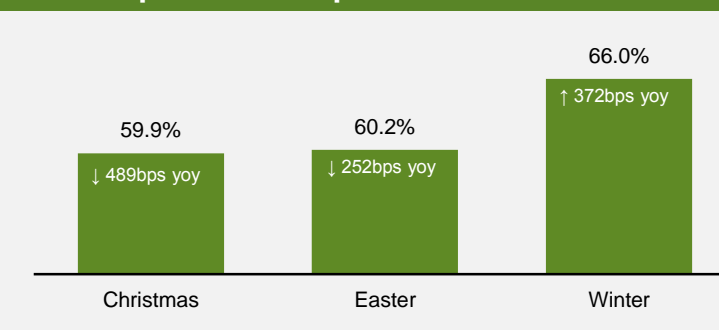
Historical EBIT and margin (NZ\$m, %)



Group Same Store Sales vs. comparable period (%) – three major FY2015 promotional periods¹



Group gross profit margin (%) – three major FY2015 promotional periods²



¹ Winter includes two days of forecast sales.

² Refers to group gross profit margin for the FY2015F winter sale promotional period. Basis point improvement compares equivalent promotional period in FY2014.

5 The Offer fails to reflect the strength of Kathmandu's business and future plans for growth



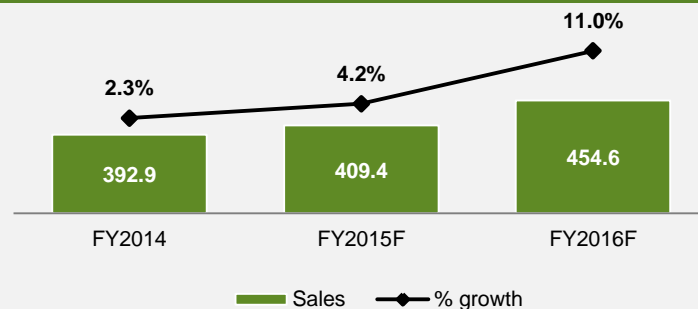
Kathmandu has identified several priorities to drive top line growth and improve cost efficiency

1	Australasian sales growth initiatives	<ul style="list-style-type: none">▪ Review and refine its discount promotions model to simplify pricing and promotions architecture▪ Enhance store experience and profitability through growing contribution from traffic-driving products and maximising range productivity▪ Capitalise on Summit Club members by focusing on building enhanced loyalty and engagement▪ Continue disciplined footprint expansion in Australia and New Zealand
2	Realise full online potential	<ul style="list-style-type: none">▪ Prioritise online growth by building a true omni-channel offering▪ Actively leverage Summit Club members to drive online sales and site visitation▪ Continue to invest and build its ecommerce platform and click and collect offering
3	International expansion	<ul style="list-style-type: none">▪ Utilise brand equity to expand internationally through a capital-light model and online platform▪ Tailor international strategy to key growth markets
4	Cost base efficiencies	<ul style="list-style-type: none">▪ Improve cost structure and drive margin expansion through improved workforce productivity▪ More efficient advertising spend, utilising digital media with greater effect▪ Decrease in distribution labour costs as new software efficiencies realised

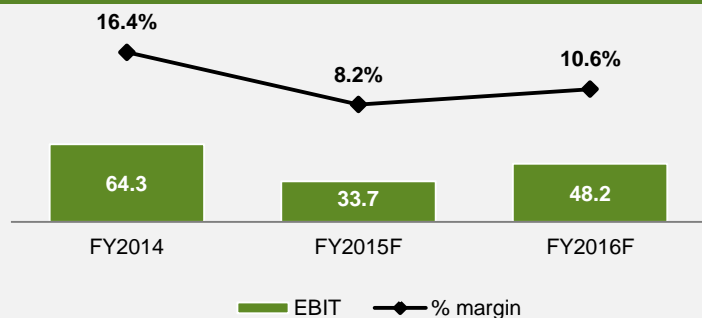
The Offer fails to reflect the strength of Kathmandu's business and future plans for growth (cont.)

- Kathmandu expects significant sales growth in FY2016F, driven by the strategic initiatives already in place as well as the growth initiatives to come
- Kathmandu will build on the recovery in its EBIT margin commenced in Q4 2015F in FY2016F, driven by:
 - Operational leverage resulting from investment in software and core systems
 - Realising the identified opportunities for efficiencies in its cost base

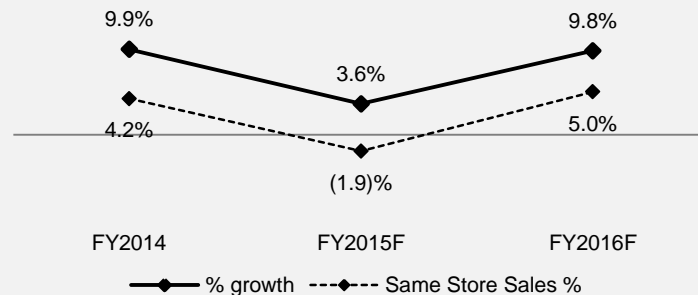
Kathmandu sales and growth (NZ\$m, %)



Kathmandu EBIT and margin (NZ\$m, %)



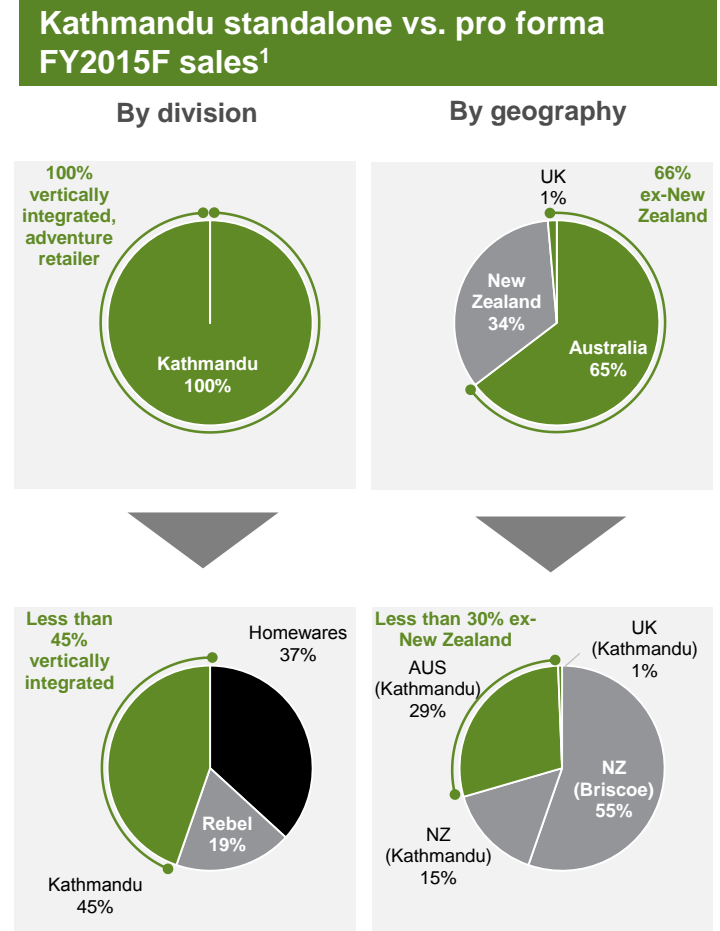
Currency neutral sales and Same Store Sales growth (%)¹



¹ Shows sales and Same Store Sales growth adjusted for the impact of exchange rates.

Becoming a Briscoe shareholder would change the profile of your investment

- Becoming a Briscoe shareholder would **change the profile of Kathmandu shareholders' investment** from a high growth, geographically diverse, vertically integrated retailer to a lower growth, predominantly New Zealand-based business
- There is **uncertainty over Briscoe's management team experience** in vertically integrated apparel focussed retailing, product design, brand development, customer loyalty programmes and Australian / international growth
- The Offer **lacks detail on Briscoe's intentions** and strategic plans
- Rod Duke, the current CEO and majority shareholder of Briscoe, would have approximately 55%² ownership and exercise a **high degree of control over the combined group**

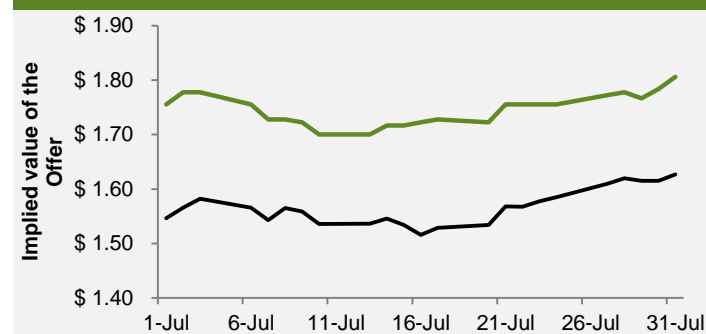


¹ Pro forma based on Briscoe's segment information for the financial year to 25 January 2015 and Kathmandu's unaudited results for FY2015F. No adjustment applied to pro forma analysis to obtain a consistent year end.

² Assumes 169.5m shares in Briscoe held by Rod Duke, 47.7m held by other Briscoe shareholders and 89.7m new shares issued as transaction consideration resulting in 306.8m pro forma shares in the combined group.

- The value of the Offer is uncertain and will **fluctuate with movements in Briscoe's share price**. Australian shareholders will also be exposed to **movements in AUD/NZD foreign exchange**
- Uncertainty exists over the **availability of an ASX listing** for the combined group – shareholders may receive NZSX stock
- The combined group **may not be included in relevant ASX or NZSX indices**
- Briscoe is a **highly illiquid stock** with Rod Duke holding over 78%. In accepting the Offer, Shareholders risk not being able to sell their shares at the time of their choosing
- There is uncertainty regarding availability of **CGT scrip for scrip rollover relief**

Implied value of the Offer in NZD and AUD over time¹



— Implied value of the Offer (NZD) — Implied value of the Offer (AUD)

Trading volumes in Kathmandu compared to Briscoe (% of issued capital)²

	Kathmandu	Briscoe
1 week	9.3%	0.1%
1 month	18.9%	0.1%
3 months	53.0%	0.4%
6 months	142.6%	0.9%

¹ Implied value of the Offer (NZD) based on Briscoe trading on NZSX. Implied value of Offer (AUD) converted from NZ\$ to AU\$ based on the daily spot AUD/NZD foreign exchange rate.

² Based on cumulative trading volumes on ASX and NZSX for the period leading up to and including 29 June 2015, the day prior to the date upon which Briscoe announced its intention to lodge a takeover notice. Assumes 201.5m outstanding Shares for Kathmandu. Assumes 217.2m outstanding shares for Briscoe.

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The Directors of Kathmandu unanimously recommend that you **REJECT** the Offer.
Your Kathmandu Directors intend to **REJECT** the Offer in relation to the Kathmandu Shares they Own or control. To **REJECT** the Offer, simply ignore all documents from Briscoe and do nothing

Timetable	<ul style="list-style-type: none">▪ 22 July – Offer date▪ 6 August – Kathmandu Target Company Statement released on NZSX and ASX▪ 7 August – Kathmandu Target Company Statement despatched to shareholders▪ 17 September – closing date for the Offer (unless extended)▪ 29 September – release of Kathmandu audited FY2015 results▪ 20 October – last date the Offer can be extended to, unless extended by operation of the Code
How to REJECT	<ul style="list-style-type: none">▪ To Reject the Offer simply do nothing and ignore all documents sent to you by Briscoe
More information	<ul style="list-style-type: none">▪ The Board of Kathmandu will keep you updated on any significant developments▪ If you have any questions, call the official Kathmandu Information Line:<ul style="list-style-type: none">– 0800 777 256 (from within New Zealand)– 1800 190 082 (from within Australia)– +64 9 375 5998 (from outside New Zealand and Australia)

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- Kathmandu **experienced an isolated period of challenging trading conditions** during FY2015F
- Kathmandu's FY2015F performance was impacted by:
 - Aggressive stock clearance initiatives in Q1 2015 compressing margins
 - Decline in the general apparel and sporting / camping equipment market
 - Increased depreciation from investment in infrastructure and core systems
 - Shorter winter promotional period
 - Weaker foreign exchange rate

Kathmandu unaudited financial performance

Year end 31 July, NZ\$m¹ FY2014 FY2015F FY2016F

Store numbers

Opening number of stores	136	149	160
Net stores opened	13	11	4
Closing store numbers	149	160	164

Summary P&L

Sales	392.9	409.4	454.6
Cost of sales	(144.8)	(157.3)	(172.2)
Gross profit	248.1	252.1	282.4
<i>Gross margin %</i>	63.1%	61.6%	62.1%
Rent	(44.5)	(52.8)	(60.6)
Other operating expenses	(129.1)	(152.0)	(158.6)
Total operating expenses	(173.6)	(204.8)	(219.2)
<i>Total operating expenses as % of sales</i>	44.2%	50.0%	48.2%
EBITDA	74.5	47.3	63.2
<i>EBITDA margin %</i>	19.0%	11.6%	13.9%
Depreciation and amortisation	(10.2)	(13.6)	(15.0)
EBIT	64.3	33.7	48.2
Interest and Tax	(22.1)	(13.7)	(18.0)
Profit after tax	42.2	20.0	30.2
Non-recurring items	(1.0)	0.9	0.9
Profit after tax (excluding non-recurring items)	41.2	20.9	31.1

Kathmandu management is forecasting an improvement in the business in FY2016F, with sales increasing by 11.0% and EBIT increasing by 43.0%, driven by top line growth from the full year benefit of new stores, gross margin improvement and realisation of cost efficiencies

Terms

Terms and definitions used throughout this presentation are consistent with Kathmandu's Target Company Statement. For a full glossary of definitions, please see Section 6 of Kathmandu's Target Company Statement.

Basis of preparation

The financial information in this presentation has been prepared in accordance with the recognition and measurement principles of Generally Accepted Accounting Practice in New Zealand, other mandatory professional reporting requirements and Kathmandu's adopted accounting policies.

This information is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with Generally Accepted Accounting Practice in New Zealand. Shareholders should refer to the Kathmandu audited financial statements for FY2014 for more detailed disclosures in relation to the historical financial performance, financial position and accounting policies of Kathmandu.

The Directors' forecast was prepared by Kathmandu management and adopted by the Board and represents the Directors' best estimate of Kathmandu's forecast financial performance for FY2015F and FY2016F. It is based on:

- The Directors' assessment of the present economic and operating conditions; and*
- More specifically a number of material best estimate assumptions set out in Kathmandu's Target Company as determined by the Directors.*

The Directors consider that they have used reasonable care in preparing the financial information and consider the assumptions to be reasonable when taken as a whole. However this information is not fact, there is uncertainty surrounding any assumptions about future conditions and forecast performance and Kathmandu Shareholders are cautioned not to place undue reliance on the Directors' forecast.

Forecasts are by their nature subject to uncertainties and can be affected by unexpected events, many of which are outside the control of the Directors. Any variation to the assumptions on which the Directors' forecast has been prepared could be materially positive or negative to actual financial performance. Therefore the Directors cannot guarantee the achievement of the Directors' forecast.

The Directors' forecast should not be regarded as a representation or warranty with respect to its accuracy or the accuracy of the best estimate assumptions or that Kathmandu will achieve, or is likely to achieve, the particular results.

The Directors' forecast also takes no account of the adviser and other third party costs incurred to date, and to be incurred by Kathmandu in responding to the Offer, as Briscoe is required to reimburse Kathmandu for these costs. The expected reported statutory results for Kathmandu in FY2015F and FY2016F will include the full costs associated with responding to the Offer.