

KATHMANDU HOLDINGS LTD 20 NOVEMBER 2015

CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING

Good morning ladies and gentlemen, I am pleased to address you as Chairman of Kathmandu Holdings Ltd for the second time.

As you are probably all aware FY2015 was a difficult year for Kathmandu and the company had a disappointing result.

Kathmandu's total sales grew by \$16.5 million to \$409.4 million. We opened an additional 10 new permanent stores during year and saw good growth in online sales. However same store sales declined by 1.9%.

Increased operating expenses in anticipation of sales growth, which did not eventuate, combined with a reduction in gross margin resulted in a decline in earnings before interest and tax of 48% which was very disappointing.

Net profit was down in the year by \$21.8m, which meant a reduction in earnings per share to 10.1 cents per share.

Encouragingly trading performance improved during our Winter Sale period where we experienced same store sales growth at significantly improved gross margins compared to the previous year. Xavier will talk more in just a moment about more recent performance.

Our total dividend payout for the full year was 8 cents per share, which represents an increase in the payout ratio to over 78%.

Achievements for the year

Despite the disappointing financial performance in the year we remain confident that Kathmandu has a bright future and we made some important progress in FY2015. During the year we:

- Concluded our crucial investment in core systems and New Zealand warehouse facilities;
- Commenced our investment in new Australian warehousing; and
- Grew online sales by 28%.

New leadership

Following the departure of Peter Halkett the Board was delighted to secure an outstanding replacement in Xavier Simonet. Xavier has made an immediate impact, taking decisive action on a number of fronts, and in particular, resetting an appropriate cost base for the company.

We recently farewelled Mark Todd, who is here today. Mark was a Director and employee of the company for almost 18 years and we wish him very well for the next stage of his career.

Supporting Xavier are an energetic and committed management team who are excited about the challenge of delivering an improved result in FY2016.

Growth Strategies

I'll briefly touch on our growth plans before handing over to Xavier to provide more detail.

Our immediate challenge is to improve our FY2015 result in FY2016. We have given clear market guidance of a much improved performance and we remain committed to that guidance. Xavier will talk more about this in a minute.

Future growth at Kathmandu will come from an intense focus on same store sales growth which will require continued improvement in product design and merchandising, a great in-store experience and continued investment in the Kathmandu brand and Summit Club loyalty program. There continues to be opportunity to open more stores in Australia and we intend to drive strong growth in a range of online channels. Additional international growth opportunities also exist. These will be pursued in a capital-light manner, that is, without opening bricks and mortar stores. Supporting this, the resetting of our cost base to appropriate levels improves our operating margin.

Despite the difficult year in FY2015 we are confident that the strength of the Kathmandu brand, products and passion of our people will underpin the future success of the company.

It is time for me to finish, but first I would like to thank my fellow Directors. FY2015 was a busy and challenging year and I thank them all very much for their continued support, advice and determination.

And on their behalf I also thank you for your support as investors. We know you have retained your investment in Kathmandu expecting an improvement in earnings and that is what we are focused on delivering for you.

I will now ask our CEO, Xavier Simonet, to address you.

David Kirk

Chairman