



4 August 2010

KATHMANDU HOLDINGS LIMITED

(A.R.B.N. 139 836 918)

TRADING UPDATE FOR THE YEAR ENDED 31 JULY 2010 (All amounts derived from unaudited management accounts for this period*1)

Kathmandu Holdings Limited (ASX and NZX Code: KMD) today announced that its consolidated sales for the year ended 31 July 2010 ("FY2010") were NZ\$245.5 million, up NZ\$29.9 million (13.9%) on the previous year. Same store sales for the year were up 1.3%. Sales from all stores exceeded the forecast sales per the prospectus issued by Kathmandu at the time of its IPO last October, by NZ\$5.5 million.

Sales by region for the year were:

- Australia A\$113.3 million, up A\$14.1 million (+14.3%);
- New Zealand NZ\$94.1 million, up NZ\$9.0 million (+10.6%), and
- United Kingdom £4.3 million, up £0.7 million (+18.6%).

(all compared to the previous year).

EBIT for the FY2010 year, excluding the one-off costs of NZ\$16.8 million associated with the IPO as reported in the first half year result, is expected to be between NZ\$47.0 million and NZ\$48.0 million, which will be approximately:

- 7% to 9% up on the previous year's pro-forma EBIT result, but
- 5% to 7% below the prospectus FY2010 pro-forma forecast (*2).

Kathmandu's prospectus pro-forma forecast EBIT for the FY2010 year was NZ\$50.6 million, and the previous year's pro-forma EBIT was NZ\$44.1 million (*3).

Kathmandu has assessed that the primary contributors to the expected EBIT for FY2010 falling below the prospectus pro-forma forecast are as follows:

- whilst same store sales for FY2010 were up on the previous year, the result was below the overall prospectus forecast, and specifically in the second half of FY2010 the challenging retail environment has been a contributor to negative same store sales for that six month period;
- expected shortfall in gross profit earned on sales due to actual gross margin % being slightly below the prospectus forecast, and
- increased spend on advertising in the second half of FY2010 in response to market conditions.

Kathmandu advised that the Group's gross profit margin for FY2010 was expected to be approximately 63%. This was below both the 64.4% result in the previous year and 64% prospectus forecast for FY2010.

Kathmandu has opened 14 permanent new stores in FY2010 (4 in New Zealand and 10 in Australia), compared to the expected 12 stores (5 in New Zealand and 7 in Australia) stated in the prospectus. The increased sales derived from the larger than forecast number of new stores, and



the operation of 3 short fixed term lease site stores in the second half year, both contributed to sales performance exceeding prospectus forecast in absolute terms.

Kathmandu's Chief Executive Officer Peter Halkett stated "Throughout the final four months of the financial year, in all 3 countries that Kathmandu trades in, the retail environment has been very challenging, and more difficult than we experienced in the first half of FY2010".

"Given the retail market conditions and a clear downturn in consumer spending we believe the level of promotional activity and our pricing strategies have been the right response for our business. Whilst same store sales performance in the second half year has not met our expectations, we have been very pleased to exceed previous year's EBIT performance", said Mr Halkett.

Kathmandu observed that the travel and adventure market still remains a highly attractive retail category with growing rates of participation in outdoor travel and adventure activities, and growing popularity for outdoor lifestyle brands, amongst mainstream consumers. Kathmandu remains well positioned in the category with leading brand recognition and a comprehensive store network in Australia and New Zealand further strengthened by our store rollout program running ahead of schedule. Management remain optimistic that Kathmandu's business model and growth strategies will continue to deliver strong earnings growth, and attractive margins over the medium term.

Kathmandu's full year audited result will be released on Friday 24 September.

**1 The information and guidance provided in this update is subject to finalisation of the Group's financial statements, completion of review by external audit, and Board approval. As such, actual results for the year to 31 July 2010 may differ from the guidance contained in this update.*

**2 The variation between EBITDA results is expected to be similar to the % variations in EBIT.*

**3 As outlined on page 73 of the Kathmandu Holdings Limited prospectus dated 23 October 2010.*

For media enquiries contact:

Helen McCombie

T +61 2 9290 3033

For shareholder enquiries contact:

Mark Todd
Chief Financial Officer
+64 3 3736115

Peter Halkett
Chief Executive Officer
+64 3 3736110