

**KATHMANDU HOLDINGS LIMITED**  
**ASX/NZX/MEDIA ANNOUNCEMENT**  
**2 FEBRUARY 2015**

**PRELIMINARY TRADING UPDATE AND 1H FY2015 EARNINGS GUIDANCE**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2015**

Kathmandu Holdings Limited (ASX/NZX: KMD) today advises that total group sales for 1H FY2015 will be approximately \$179.2 million, compared to \$167.6 million in the prior comparative period, an increase of 6.9%. Same store sales growth for the 26 weeks ended 25 January 2015 was 2.8% on a constant currency basis (0.6% actual exchange rates).

This sales result was below expectations, and gross margins for the half year will be below the levels of the prior comparative period, particularly in Australia. As a result Kathmandu estimates 1H FY2015 earnings performance will be in the following range:

- EBITDA \$6.0 to \$7.0 million (last year \$22.6m)
- EBIT \$(0.2) to \$0.8 million (last year \$17.6m)
- NPAT a loss of \$(2.0) to \$(1.0) million (last year profit of \$11.4m)

Kathmandu's acting Chief Executive Officer Mark Todd said that the Company's trading performance during the key Christmas and January period had been below expectations. "The reduction in same store sales in Australia throughout December and January, and in New Zealand from Boxing Day onwards was disappointing", said Mr Todd. The major reasons for the sales shortfall over the past two months were:

- The levels of sales made in the first quarter at reduced prices to clear excess stock, particularly in Australia, which has brought about a corresponding reduction in second quarter sales and contributed to overall lower gross margins across the full period;
- Sales mix across the Christmas and January period reflected lower than expected demand for summer and non-technical apparel categories in particular; and
- Reduced sales levels in New Zealand after Christmas of our cold weather apparel categories during an extended period of dry and warm weather.

Despite slower than expected sales, total inventory levels at end January are expected to be reduced relative to the same time in 2014, due to on-going improvement in management of seasonal purchasing.

Kathmandu has critically reviewed the outcome of its recent promotional activity and comprehensively planned for upcoming campaigns across 2H FY2015 in light of the poorer than expected 1H result. "Successful execution of our key sales promotions in Easter and Winter are core to our overall earnings performance for the full year", said Mr Todd, "as historically over 60% of Kathmandu's sales are made in this period and last year over 70% of full year's profit was earned in the second half of the year".

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Mr Todd concluded by saying that, "In accordance with our normal practice, Kathmandu will not be providing full year earnings guidance. June and July, the last two months of the financial year, are the Company's most significant and historically most profitable trading period, and it is too early to assess a potential outcome from trading at that time".

Kathmandu's full result for the half year will be released on Tuesday 24 March 2015.

*Any enquiries re this announcement to:*

*Mark Todd, Acting CEO +64212711328*

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