

COVID-19 Update

KATHMANDU HOLDINGS LIMITED

ASX / NZX / MEDIA ANNOUNCEMENT

27 March 2020

Kathmandu Holdings Limited (ASX / NZX code: KMD) continues to actively monitor the rapidly changing impact of COVID-19 (coronavirus) on its businesses in its various key trading markets and is working across all geographies and business operations to pre-emptively manage the situation. The health and safety of the Group's employees, customers and the broader community continues to be the Group's highest priority.

Operations and commercial channels

- All of the Group's major head offices are closed with staff working from home, in line with government regulation or generally accepted best practice around the world, to minimise the spread of the virus.
- All New Zealand retail stores and distribution centres were closed on 24 March in advance of the lockdown that commenced on 25 March and will continue for a period of at least 4 weeks, as mandated by the New Zealand Government.
- The Group is in the process of closing its Australian retail network by 5:00 pm today reflecting the need to ensure the health and safety of staff and customers, the rapidly declining footfall and social distancing measures that have been imposed by the Australian Government.
- Other key regions including Brazil, North America and Europe are in a similar situation with stores, wholesale customers and offices closed due to government mandated closures or lockdowns.
- Online retail in Australia, Europe and the USA continues. In accordance with guidance from the New Zealand Government, online distribution in New Zealand has been suspended.

Cost savings and structural cost reductions

1. The Group is taking decisive and immediate action on significant cost savings and structural cost reductions, aided by government contributions and supplements to employee incomes where available. In particular:
 - In New Zealand, applications are underway to access the government wage subsidy for employees.
 - In Australia, retail store and head office staff with the exception of a skeleton crew, will be stood down, without pay for 4 weeks, but with access to government assistance and leave entitlements.
 - During the lockdown in France, the base of Rip Curl's European operations, and other European countries, employers are able to temporarily release staff while government funds the majority of employee salaries.
 - Employment is largely on an "at will" basis in North America allowing for efficient right sizing of the business in that region.
2. Aggressive cost saving initiatives have or will be implemented to manage, where possible, expenses and cashflow in line with sales performance. Measures taken or planned include:
 - Landlord partners have been engaged in negotiation to achieve a fair rental outcome that sees the Group's rental costs aligned to sales performance.
 - Existing inventory orders have been reviewed with aggressive levels of cancellations made based on reduced demand levels.
 - All operating expenses have been challenged aggressively for potential savings.
 - Planned capital expenditure has been cancelled or deferred.
 - Senior management across all brands have agreed a 20% salary reduction until further notice.

- Use of casual staff in retail networks and warehouses has ceased in all regions in response to reduced demand in recent weeks.
 - We are consulting with employees around options for team members to continue on a reduced hours and salary basis.
3. The Group is implementing the structural changes necessary to conserve liquidity and streamline the business during this period of unprecedented challenge, whilst recognising the legal requirements and processes of the many jurisdictions in which it operates. Further updates will be made as necessary.

Dividend and Interim Results

Like many other companies, the Board is reviewing the Group's outlook and capital structure in the light of the COVID-19 situation. The Board has also taken the prudent decision to suspend dividend payments until after such time as more normal trading conditions resume.

In reliance on a waiver issued by NZX, the Group's half year results announcement (including preliminary financial statements) for the six months ending 31 January 2020 is now expected to be released by no later than Friday 3 April 2020, instead of Monday 30 March 2020 as previously advised.

While COVID 19 had minimal impact on earnings for the six months ending 31 January 2020, there is likely to be a material adverse impact to earnings in the second half of this fiscal year.

Kathmandu Holdings' Group CEO Xavier Simonet commented "Our total focus is to protect the health and wellbeing of our teams and customers and ensure business continuity. I am so grateful to all our teams around the world for their resilience in this situation of uncertainty and challenges."

ENDS

This announcement has been authorised for release by the Board.

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