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AGENDA

Business Highlights
Jose Manuel Martínez, Group CEO

Annual Results Review
Thomas Tang, Group CFO

Strategy Update
Jose Manuel Martínez, Group CEO

Q&A
BUSINESS HIGHLIGHTS

➢ Improvement in profitability
  • Positive net income of +HK$67 million (2016: HK$21 million)
  • Results of underlying operations (LBIT excluding exceptional items) improved by HK$386 million to -HK$186 million (2016: -HK$572 million)
  • EBITDA, excluding exceptional items, of HK$397 million (2016: HK$90 million)

➢ Business performance fully in line with guidance
  • Revenue development (-8.7% yoy in LCY) in line with total space reduction (-8.5% yoy)
  • GP margin improved by +1.4%pts yoy to 51.6%
  • Regular OPEX reduced by -9.9% yoy in LCY

➢ Strong financial position
  • Net Cash position of HK$5.2 billion
  • Zero/debt
STRATEGY HIGHLIGHTS

- **Strategic Plan 2013 – 2017 finalized**
  - Group stabilized financially and operationally
  - New model implemented for product development and supply chain (Vertical)
  - Successful integration of commercial activity for online and offline channels (Omnichannel)

- **Five key initiatives in order to build a stronger foundation for growth, while further restructuring our cost base**
  1. Brand Rejuvenation
  2. Product Elevation
  3. Channels – Next Generation
  4. Markets Rightsizing and Expansion
  5. Cost Reduction
ANNUAL RESULTS
P&L REVIEW
## INCOME STATEMENT

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* Loss before interest and tax

Revenue decline in line with reduction in total controlled space of -8.5% yoy

- Space reduction mainly due to closure of the most unprofitable retail stores and low performing wholesale spaces
- Actions to increase gross profit margins by reducing the level of promotional activities, price markdowns and wholesale discounts
The main divisions, Esprit Women and edc, developed better than controlled space reduction.

Still challenges in the performance of the smaller Esprit Men and Lifestyle & others divisions.

*Lifestyle and others mainly include bodywear, accessories, shoes, and the sales and royalty income from licensed products such as kidswear, timewear, eyewear, jewelry, bed & bath, and houseware.

+/- yoy change
**Revenue by Market**

Group Revenue: HK$15,942 m

- **Asia Pacific**: 13.4% -17.5% in LCY -18.5% in sqm
- **Germany**: 49.8% -5.6% in LCY -3.6% in sqm
- **Rest of Europe**: 36.8% -9.2% in LCY -10.1% in sqm

Revenue in all markets largely in line with controlled space reduction

Closure of loss making spaces proving more difficult in Germany due to longer lease terms

+/- yoy change
REVENUE BY CHANNEL

Group Revenue: HK$15,942 m

Wholesale (excl. eshop)
-8.8% in LCY
-10.2% in sqm

Retail (excl. eshop)
-12.7% in LCY
-6.5% in sqm

Eshop
-1.0% in LCY

0.8% Licensing and others
-15.6% in LCY

31.8%
42.1%
25.3%

Retail (excl. eshop) revenue decline driven by space reduction, gross profit margin protection and decline in Outlets

Stable revenue development of eshop after strong growth last year (+15.3% in LCY) and in wholesale (better than controlled space reduction)

+/ - yoy change
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*Gross profit margin up by 1.4% pts*

- Reduction of promotions, price markdowns and wholesale discounts
- Further improvement of Supply Chain efficiency
- Drag from a lower share of the retail (excl. eshop) over the Group revenue (42.1% in FY16/17 vs. 44.0% in FY15/16)
- Weakness of the Euro for most part of the year

▲/▼ year-on-year change

* Loss before interest and tax
Improvement in gross profit margin across all channels, regions and key product divisions

Continued positive development in recent years despite weakness in the Euro
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* Loss before interest and tax

- Regular OPEX reduced by HK$1,085m
- Accelerated closure of loss-making stores
- Overhead cost restructuring measures
## OPERATING EXPENSES

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<td>Staff costs</td>
<td>2,851</td>
<td>3,018</td>
<td>▼ 4.1%</td>
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<td>Occupancy costs</td>
<td>2,496</td>
<td>2,793</td>
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<td>Logistics expenses</td>
<td>957</td>
<td>1,022</td>
<td>▼ 4.6%</td>
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<td>Marketing &amp; advertising expenses</td>
<td>814</td>
<td>1,015</td>
<td>▼ 18.1%</td>
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<td>Depreciation &amp; Amortization</td>
<td>582</td>
<td>662</td>
<td>▼ 10.7%</td>
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<td>Other operating costs</td>
<td>716</td>
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Savings achieved across all key cost lines

HK$1 billion cost savings target achieved one year ahead of schedule

▲/▼ year-on-year change
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**Significant improvement in profitability of underlying operations (+HK$386 million):**

- Revenue decline fully offset by
- Improved gross profit margin and
- Reduced OPEX

▲/▼ year-on-year change

* Loss before interest and tax
PROFITABILITY OF OPERATIONS

**EBITDA** (excl. exceptional items)

HK$’m

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<td>69</td>
<td>90</td>
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+HK$307 million yoy

**LBIT** (excl. exceptional items)

HK$’m

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+HK$386 million yoy
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* Loss before interest and tax

Exceptional items mainly related to net gain on sale of properties.
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HK$494 million improvement of the GROUP LBIT vs FY15/16
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<td>Net profit</td>
<td>67</td>
<td>21</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

▲/▼ year-on-year change  
* Loss before interest and tax

Net tax credit lower than last year but still positive
- Credit from deferred taxation arising from tax losses to offset future potential profits
- Release of deferred tax liability no longer required based on communication received from the relevant tax authority
## INCOME STATEMENT

<table>
<thead>
<tr>
<th>(in HK$'m)</th>
<th>FY16/17</th>
<th>FY15/16</th>
<th>YoY change HKD</th>
<th>YoY change LCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>15,942</td>
<td>17,788</td>
<td>▼ 10.4%</td>
<td>▼ 8.7%</td>
</tr>
<tr>
<td>COGS</td>
<td>(7,712)</td>
<td>(8,859)</td>
<td>▼ 12.9%</td>
<td>▼ 11.3%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>8,230</td>
<td>8,929</td>
<td>▼ 7.8%</td>
<td>▼ 6.2%</td>
</tr>
<tr>
<td><em>GP margin</em></td>
<td>51.6%</td>
<td>50.2%</td>
<td>▲ 1.4%pts</td>
<td>▲ 1.4%pts</td>
</tr>
<tr>
<td>Regular OPEX</td>
<td>(8,416)</td>
<td>(9,501)</td>
<td>▶ 11.4%</td>
<td>▶ 9.9%</td>
</tr>
<tr>
<td><em>(LBIT)</em> of underlying operations</td>
<td>(186)</td>
<td>(572)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net exceptional items</td>
<td>84</td>
<td>(24)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>(LBIT)</em></td>
<td>(102)</td>
<td>(596)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest &amp; taxation (net credit)</td>
<td>169</td>
<td>617</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>67</td>
<td>21</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

▲/▼ year-on-year change
* Loss before interest and tax

Net Profit of HK$67m resulting from increased gross profit margins, leaner costs and net tax credit.

In view of the size of the net profit, the Board has not recommended the payment of a final dividend.
ANNUAL RESULTS
WORKING CAPITAL
WORKING CAPITAL

Inventories value ▼ 7.4% yoy:
- Despite ▲ 3.4% appreciation in EUR/HKD closing rate yoy
- Inventory turnover days ▲ 8 days mainly due to the higher share of retail and eshop, and the lower revenue of the Group

Net trade debtors ▼ 5.6% yoy:
- Despite ▲ 3.4% appreciation in EUR/HKD closing rate yoy
- Lower wholesale revenue
- Cover ratio before provision of 42.2%, decreased slightly by 2.2%pts yoy

Trade creditors ▼ 28.0% yoy:
- Despite ▲ 3.4% appreciation in EUR/HKD closing rate yoy
- Quicker payment to take advantage of higher discount from suppliers
CAPEX remained flat for FY16/17 while largest reductions in store openings and refurbishments, as large scale refurbishments are mostly completed.
Strategic Plan (2013-2017) has been completed without significant consumption of cash
STRATEGY UPDATE
STRATEGIC PLAN 2013-2017

SHORT TERM

FY13/14

STABILIZATION

Build a sound and healthy platform for the introduction of the structural changes needed to regain competitiveness

MEDIUM TERM

FY14/15

TRANSFORMATION

Execute the ambitious transformation of our business model (Vertical Omnichannel) to enhance speed and efficiency of our product and sales management

LONG TERM

> 2 years

GROWTH

Leverage the benefits of the new model to drive sustainable top line growth, and the healthier cost base to increase profitability

UNCERTAINTY SCENARIO IN FY14/15
STRATEGIC PLAN 2013-2017 - EBIT* DEVELOPMENT

ESPRIT EBIT/LBIT (excl. exceptional items) – HK$ million

*EBIT from underlying operations, i.e. excluding exceptional items (e.g. closure of N.A. operations, impairment of China goodwill, sales of HK office space or provisions and impairments for store closures) and excluding FX rate impacts.
STRATEGIC PLAN 2013-2017 - SUMMARY

STOPPED THE BLEEDING

- Reversed fast EBIT decline of 5 previous years
- Returned to small profits after large losses in FY12/13
- Minimized cash consumption
- Maintained a sound financial position (net cash > HK$5 billion, zero debt)

BUILT OPERATIONS FOR THE FUTURE

- Implemented best Vertical practices in:
  - product development
  - supply chain management and logistics
  - merchandise management
  - commercial functions
  - retail operations
- Introduced and keep developing Omnichannel model
- Established a much leaner organization

NOT TRIGGERED GROWTH

- Downsizing of distribution network required and still ongoing
- Product improvement positive but limited by structural issues
- Just initial investment deployed for brand rejuvenation to date
TWO MAJOR GOALS

LONG TERM GROWTH
Create the basis for sustained sales growth and expansion by bringing our brand, product and channels to the next level and to a whole new generation of consumers.

RESTRUCTURING OF COST BASE
Significantly improve operating margins by focusing on the core profitable areas of the business and the highest potential markets, while fully capturing the synergies of a global brand and operations.
TOP 5 STRATEGIC INITIATIVES

LONG TERM GROWTH

1. Brand Rejuvenation
2. Product Elevation
3. Channels Next Generation
4. Markets Rightsizing & Expansion
5. Cost Reduction

RESTRUCTURING OF COST BASE
BRAND REJUVENATION
BRAND REJUVENATION SINCE FY15/16

#ImPerfect brand campaigns

Collection with Opening Ceremony

Others

#ImPerfect
AW15

#ImPerfect
SS16

#ImPerfect
AW16

#ImChange
SS17

Collection 1, AW16

Collection 2, SS17

sprinklr

Sprinklr, 2016

Retro, SS17

New Friends, SS17
ESPRIT X OPENING CEREMONY

JUSTIN BIEBER
Canadian singer
@IG 91.6 Mio  @TW 100 Mio

REESE WHITERSPOON
American actress
@IG 10.6 Mio  @TW 1.98 Mio

SONG HYE-KYO
South Korean actress
@IG 5.6 Mio  @TW 53.6 K

DRAKE
Canadian rapper, singer & producer
@IG 32.3 Mio  @TW 34.6 Mio

JESSICA ALBA
American actress, model & business woman
@IG 9.7 Mio  @TW 9.47 Mio

KARLIE KLOSS
American (Victoria’s Secret Angel) model
@IG 6.2 Mio  @TW 2.39 Mio
• Everything starts with Digital in mind, esp. mobile
• Drive digital innovations... and actively communicate about them
• Aim to become #1 partner with key industry players in digital & social
• Concentrate efforts on digital in all consumer-facing communication
BRAND REJUVENATION - STRATEGY

INCREASE TOP OF MIND

BE RELEVANT

ENGAGE

GO BEYOND

BOOST VISIBILITY & EXCITEMENT

- Upgrade creative assets
  - Colors
  - Graphics
  - Inspirational faces
  - Positive energy
  - Surprise star products
  - ...

- New 360° campaigns

DIGITAL OOH

MAGAZINE

INSTAGRAM
BRAND REJUVENATION – STRATEGY

INCREASE TOP OF MIND

BE RELEVANT

ENGAGE

GO BEYOND

GO BEYOND BRAND & PRODUCT

• Share trends, give styling tips, tutorials, be on You Tube

• Show new, tell stories, use videos, be on Instagram

• Innovate in digital, bring surprises

• Create true experiences and consumer interactions, have events
BRAND REJUVENATION – STRATEGY

CREATE AUTHENTIC RELATIONSHIPS

- Go beyond pure transactional relationships
- Reinvent Esprit Friends program with more fun outlook and benefits
- Create an online Friends community to meet, exchange, play, enrich, attend events
- Develop partnerships with other brands that are attractive for our consumers

INCREASE TOP OF MIND

BE RELEVANT

ENGAGE

GO BEYOND
BRAND REJUVENATION – STRATEGY

KEEP DOING GOOD

PLANET
- WE CHOOSE SUSTAINABLE MATERIALS
- WE PROTECT OUR PLANET

PEOPLE
- WE ARE RESPONSIBLE
- WE EMPOWER
- WE ARE ETHICAL

INCREASE TOP OF MIND
BE RELEVANT
ENGAGE
GO BEYOND

- Form strong partnerships with key environmental and social actors
- Share our sustainability program through consumer stories & events
PRODUCT

ELEVATION
### Vertical Products Since FY15/16

<table>
<thead>
<tr>
<th>FULL PRICE RETAIL</th>
<th>FY15/16</th>
<th>FY16/17</th>
<th>ACCUM.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
<td>+11.4%</td>
<td>+3.9%</td>
<td>+15.7%</td>
</tr>
<tr>
<td><strong>STORES</strong></td>
<td>+6.0%</td>
<td>-1.3%</td>
<td>+4.6%</td>
</tr>
<tr>
<td><strong>ESHOP</strong></td>
<td>+15.2%</td>
<td>-0.7%</td>
<td>+14.4%</td>
</tr>
</tbody>
</table>

#### Sales Productivity* yoy Growth

- Total: +15.7%
- Stores: +4.6%
- Eshop: +14.4%

#### Gross Profit Productivity* yoy Growth

- Total: +13.2%
- Stores: +5.7%
- Eshop: +8.7%

*Sales and Gross Profit per sqm yoy growth excl. FX rate effects (except for Eshop, where total revenue yoy growth excl. FX rate effects is presented)*
PRODUCT ELEVATION – NEW PRODUCTS

- Details
- Color
- Trends
- Branding

- Fabrics
- Trims
- Finishing

STRENGTHEN DESIGN IDENTITY

ELEVATE INTRINSIC QUALITY

INCREASE INVESTMENT IN PRODUCTS

INCREASE SHARE OF SUSTAINABLE PRODUCTS

- Water
- Recycling
- Chemicals

* Illustrative examples only
**PRODUCT ELEVATION – NEW ORGANIZATION**

### MAIN LINE

All divisions and product categories under one single head and team

- Better coordination of collections in terms of assortment, pricing and design
- Increased efficiency and synergies in product development and supply chain management
- Increased consistency between the Retail and Wholesale lines
- Reduced size of the product range

### FAST-TO-MARKET

Enlarged specialized team and supply chain for all fast to market product development

- Higher share of fast reaction products
- Faster and more visible introduction of trends
- Special support for the specific needs of our Asian markets
- **Fully dedicated product engine for the specific needs of online**
CHANNELS
NEXT GENERATION
OMNICHANNEL MODEL SINCE FY15/16

+36% active Esprit Friends

Number of Active Esprit Friends*

<table>
<thead>
<tr>
<th>Date</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2015</td>
<td></td>
</tr>
<tr>
<td>30 June 2016</td>
<td></td>
</tr>
<tr>
<td>30 June 2017</td>
<td></td>
</tr>
</tbody>
</table>

74% share of Esprit Friends in retail sales

74% (+12%pts vs FY14/15)**

+164% sales from smartphones

FY 14/15

FY 15/16

FY 16/17

Net Sales from smartphones***

+84%

+43%

+14% cross channel members

Number of cross-channel Esprit Friends****

<table>
<thead>
<tr>
<th>Date</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2015</td>
<td>0.8 m</td>
</tr>
<tr>
<td>30 June 2016</td>
<td>0.9 m</td>
</tr>
<tr>
<td>30 June 2017</td>
<td>0.9 m</td>
</tr>
</tbody>
</table>

*Esprit friends based on global active members 12 month / **retail sales excl. Tmall sales / ***smartphones sales based on global order intake without marketplaces / ****cross channel members incl. retail, eshop, outlet, PSS
E-SHOP – NEXT GENERATION

MOBILE FIRST

- BRAND CONTENT!
- PERSONALIZATION
- ESPRIT LOVE’S
- INTERACTIVE GUIDES
- ...

- USER CONTENT!
- SOCIAL MEDIA
- VIDEO PLATFORMS
- INFLUENCERS
- ...

- NEW IMAGE & LANGUAGE
- COLLABORATIONS & PARTNERSHIPS
- GAMIFICATION
- ...

- MOBILE OPTIMIZATION
- NEW NAVIGATION
- DIGITAL INNOVATION
- OMNICHANNEL
- ...
STORES - NEXT GENERATION

- INSTORE WIFI
- OMNICHANNEL SERVICES
  - Click & Collect
  - Click & Reserve
  - Return @ Store
- DIGITAL SCREENS
- ASSISTED SELLING
- STAFF iPods
- NEW STORE CONCEPT!
MARKETS

RIGHTSIZING & EXPANSION
# MARKETS PERFORMANCE IN FY16/17

## EBIT contribution by channel and market* (HK$ million)

<table>
<thead>
<tr>
<th>Channel</th>
<th>Europe</th>
<th>APAC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESHOP</td>
<td>922</td>
<td>(7)</td>
<td>915</td>
</tr>
<tr>
<td>RETAIL excl. eshop</td>
<td>(469)</td>
<td>(177)*</td>
<td>(646)</td>
</tr>
<tr>
<td>WHOLESALE</td>
<td>848</td>
<td>(5)</td>
<td>843</td>
</tr>
</tbody>
</table>

| TOTAL                    | 1,301  | (189) | 1,112 |

* Excluding HK$ 100 million gain on disposal of property
LOSS MAKING STORES

EUROPE

60% of losses concentrated in 43 stores (17% of sqm)

- Good locations
- Oversized/over-expensive network

APAC

75% of losses concentrated in 5 stores (6% of sqm)

- Highly loss-making flagships
- Weak/outdated network
GROWTH IN EUROPE

EUROPE

- **EXISTING** – Selective openings to replace loss-making stores in core markets
- **EXPANSION** – France, Spain, Russia, ...

APAC

- **EXISTING** – Acceleration of planned restructuring of store network in key markets
- **EXPANSION** – China, India, ...

OTHER – US, Canada, Mexico, Middle East, ...
COST REDUCTION
COST REDUCTION SINCE FY13/14

OPEX REDUCTION
(as presented in March 2016 – IR Day)
Reduce OPEX by at least - HK$1.0 billion over the next 2 years, excl. fx rate impacts:

- Closure of the heaviest loss-making stores and deep restructuring of the countries with negative bottom line contributions
- Downsizing of wholesale organizations to adapt to channel development
- Reducing all overhead costs in the affiliates and central headquarters
  - Streamlining internal processes and resources under new business model
  - Maximizing synergies between local and central structures
  - Enforcing ever more radical cost discipline across the organization

OPEX yoy growth in LCY*

FY13/14: -21.4%
FY14/15: -1.2%
FY15/16: -1.9%
FY16/17: -9.9%

* OPEX excl. exceptional items
OUTLOOK
**FY17/18 OUTLOOK**

**Revenue**

Modest decline as pressure from continued closure of most unprofitable stores is expected to be partly alleviated by expansion and space productivity improvements.

**GP Margin**

Slightly higher gross profit margin as a result of a higher proportion of retail revenue to Group revenue and reduced markdowns and discounts.

**OPEX**

Continued decrease as we expect the obvious savings from store closures as well as further opportunities to optimize overhead costs.

**EBIT**

Similar improvement in EBIT (excluding exceptional items) as experienced in FY16/17, as improvement in gross profit margin and operating expenses is expected to outweigh the negative impact of revenue decline.
THANKS AGAIN!