WELCOME
Today's objectives

- Share details of our Transformation Plan
- Present implementation roadmap
- Share progress of Transformation Plan so far
- Provide opportunity to interact with the Board of Management
Ronald van der Vis  
Executive Director and Group CEO

Fook Aun Chew  
Executive Director and Group CFO

Jan Nord  
Creative Director

Jörgen Andersson  
Brand Director

Colin Henry  
Chief Product Officer

Tanya Todd  
COO/Supply Chain

Gert van de Weerdhof  
Chief Retail Officer

Christophe Bezu  
Chief Wholesale Officer
Agenda

Brand

Product

Preview Spring 2012

Channels

Transformation plan
To understand the future, you need to know the past

The Early Days

Founded in 1968 in San Francisco, by Susie and Doug Tompkins

Attributes of California Lifestyle

Visionary founders

Esprit was a pioneer of the fashion industry
• Founders left the company
• Commercially very successful, but core values and heritage neglected
• Short-term topline focus, instead of customer focus
• Underinvestment in the company
• Customers want us to change. They want their Esprit back
What's right for her, is right for our business
Our Transformation Plan 2014/15

• A bolder execution of our Strategic Initiatives
• We will re-establish Esprit as an inspiring fashion brand
• We will restore sustainable profitability
• A deep and consequent transformation process
• Significant investments, results materializing over time
• Significant impact on our results in the next 2 financial years
Significant investments …

- ~ HK$7B cumulative total Capex investments over the next 4 years
- ~ HK$11.5B cumulative additional Opex requirements over the next 4 years
- HK$2.4B provision (pre tax) for FY10/11 related to store closures and the divestiture of North America

… as the basis for profitable growth

- Sales CAGR (LCY) ~ 8%–10% (FY 10/11 to FY 14/15)
- Sourcing savings of ~ HK$1B p. a. by FY14/15
- Operating profit margin ~ 15% post transformation
First reactions

FINANCIAL COMMUNITY

“This plan actually makes a lot of sense.”

“It is clearly an interesting story and the plan is likely to produce results. The focus on the particular target market sounds promising.”

EMPLOYEES

“The plan is very clear. And I believe with [...] on board, we will deliver on it.”

“We are really tackling all the big issues.”

PARTNERS

“It’s about time! We have been waiting for this for years.”

“It was great meeting the board this time. It really gives you a lot of confidence.”
Some questions asked

1. Why was the Transformation Plan announced now?
2. How can the implementation be ensured?
3. Is the Esprit brand still strong enough?
4. What is the timing and phasing of the measures?
5. How will the investments be financed?
• Deep understanding of the market & the Esprit customer

• The basis of the new Esprit brand direction

• New, international and experienced Board of Management recruited to drive execution
Ensuring a successful implementation

- **Clear ownership by the Board of Management**
- **Continuous and dedicated project management**
- **Integration of transformation activities into day-to-day business**
- **Detailed tracking of activities & results on a workstream level**
**Esprit is still a strong brand**

**What's your favorite brand?**
- Germany #1
- Netherlands #2
- China #3
- France #4

"Adidas, Nike and Esprit are the favorite fashion/lifestyle brands in Germany"

**GMK Markenbefragung, June 2011**

<table>
<thead>
<tr>
<th>Top 10 apparel brands</th>
<th>Brand value ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nike</td>
<td>13,917</td>
</tr>
<tr>
<td>2. H&amp;M</td>
<td>13,066</td>
</tr>
<tr>
<td>3. Zara</td>
<td>10,335</td>
</tr>
<tr>
<td>4. Ralph Lauren</td>
<td>3,378</td>
</tr>
<tr>
<td>5. Esprit</td>
<td>3,375</td>
</tr>
<tr>
<td>6. Adidas</td>
<td>3,088</td>
</tr>
<tr>
<td>7. Uniqlo</td>
<td>2,916</td>
</tr>
<tr>
<td>8. Next</td>
<td>2,567</td>
</tr>
<tr>
<td>9. Hugo Boss</td>
<td>2,445</td>
</tr>
<tr>
<td>10. Metersbonwe</td>
<td>1,446</td>
</tr>
</tbody>
</table>

Source: 1. Brand tracker; 2. Survey – Millward Brown Optimor 2011 (incl. Data from BrandZm, Kantar Worldpanel, and Bloomberg)
Esprit is the No 1 favorite fashion brand amongst women in Germany

**Favorite brand in Germany: No 3 overall ...**

- **Adidas**: 13%
- **Nike**: 7%
- **Esprit**: 6%
- **Puma**: 5%
- **H&M**: 3%
- **Boss/Hugo Boss**: 3%
- **S.Oliver**: 3%
- **Tommy Hilfiger**: 2%
- **Levi's**: 2%
- **C&A**: 1%
- **Lacoste**: 1%
- **Tom Tailor**: 1%

**... No 2 in high earning households¹ ...**

- **Adidas**: 13%
- **Esprit**: 12%
- **Nike**: 5%
- **Puma**: 5%
- **S.Oliver**: 5%
- **H&M**: 3%
- **Tommy Hilfiger**: 2%
- **Boss/Hugo Boss**: 2%
- **Levi's**: 1%
- **C&A**: 0%
- **Lacoste**: 0%

**... No 1 amongst women**

- **Esprit**: 11%
- **Adidas**: 9%
- **H&M**: 5%
- **Nike**: 5%
- **S.Oliver**: 4%
- **Puma**: 4%
- **Boss/Hugo Boss**: 3%
- **Gerry Weber**: 2%
- **Tommy Hilfiger**: 2%
- **C&A**: 2%
- **Levi's**: 1%
- **Tom Tailor**: 1%

¹. Household net income > €3000 per month  Note: Representative survey conducted in Germany in Aug 2011, “What is your favourite brand?”

Source: Survey: Die Lieblingsmarken der Deutschen, Ordering party: GMK Markenberatung Köln/München, Number of respondents: 1000 German inhabitants older than 14 years, Interview technique: telephone interviews (CATI), open questions, multiple answered permitted. Execution: LINK Institut für Markt- und Sozialforschung
CONSUMER INSIGHTS
EVERYTHING WE DO
WE DO FOR HER

Who is she?
Extensive consumer research conducted

We asked almost 10,000 people in 6 important fashion markets what they had to say about clothing

1 QUALITATIVE

2 QUANTITATIVE
5 global consumer segments

- **Fashionistas**: 18% (self-expression)
- **Friendly Expressionists**: 27% (fitting in)
- **Status Hunters**: 8% (standing out)
- **Acceptance Seekers**: 27% (purposeful dressing)
- **Pragmatics**: 20%

*Note: All market shares by value
Source: Synovate (2010/09)*
For Esprit, Friendly Expressionists evaluated as most attractive segment

She already shops at Esprit today  ✓
There are many of them  ✓
She already likes Esprit  ✓
She is very loyal to her favorite brand  ✓
She comes from where we come from  ✓
Focus on Friendly Expressionists differentiates Esprit from competitors.
Brand positioning has slipped
Now refocus on target segment—our heritage!
I'm a woman not a girl.
I'm confident in who I am and don't need (nor mind) to show it.
I care about my family, I care about the world and I care about my looks.
I'm passionate when in love.
I'm lazy on Sundays.
I'm true to my friends.
I enjoy shopping.
My taste is simple- the best is enough.
I love bags, but not more than nature.
I'm happy in a dress.
I'm sexy in my jeans.
To me aging is a gift not a threat.
I love the sun and I'm happy in the rain.
Life is too important to not have fun.
I believe every woman is beautiful through the eyes of her best friend.
I love to help bring that out,
I love to be that friend.

In a true, natural and relaxed way,

I am ESPRIT
What she expects from us

Give me FASHIONABLE, FEMININE styles

Give me QUALITY MADE TO LAST

Give me OUTSTANDING VALUE for money

Show that you CARE ABOUT THE WORLD around me...

SURPRISE ME AGAIN
... and I'll be your friend
Esprit creates responsible fashion guided by the latest trends and inspired by our Californian heritage. STYLISH & FEMININE.
The Esprit woman embraces fashion and style in a CONFIDENT AND RELAXED way, caring about her looks as well as the ones around her.
She wants ESPRIT back: a responsible brand that gives her FASHION AND QUALITY to last. To her, that is more relevant than ever before!
The Esprit woman: Future brand direction based on our heritage and our values

California 1968
New brand direction will be translated into all consumer touch-points.
Bold actions to rebuild our brand

- Heavily invest over the next 4 years
  - ~ 6–8% of sales budgeted for branding and marketing as compared to ~2.5% historically
  - Additional spend of ~ HK$6.8B over the next 4 years
  - Thereafter, return to industry average levels of ~ 4–5%
- Focus on core markets
- Supporting brand building activities in fashion capitals
- ~ 30% of all spend dedicated to China
Phase 1
NEUSS
Print
Out of home
IT WORKS!
The brand strategy works—New campaigns with high impact

<table>
<thead>
<tr>
<th>Country</th>
<th>Spring 2011 (Consumer consideration before campaign)</th>
<th>September 2011 (Wave 1) (Consumer consideration after campaign)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>50%</td>
<td>58%</td>
</tr>
<tr>
<td>China</td>
<td>30%</td>
<td>63%</td>
</tr>
</tbody>
</table>

Note: Different samples in Brand tracker (country representative) and Ad tracker (focus cities only)
Source: Brand Tracker Online Survey Spring 2011, Advertising tracking Online Survey Autumn 2011
Create an inspiring shopping experience

3 architectural solutions under development

1 pilot store opened in Cologne

Learnings will be translated into new retail store concept to be rolled out
License portfolio reviewed in alignment with new brand strategy

- Focus on core license categories to strengthen and grow
- Abandon brand diluting categories
Licenses
Inspiring & consistent brand direction

Confirmation from consumers

Strong commitment to our Brand

Everything we do, we do for her
Agenda

Brand

Product

Preview Spring 2012

Channels

Transformation plan
WHAT DOES SHE EXPECT FROM US?
Creating inspiring, fashionable collections with outstanding value

**WHAT SHE SAYS**

Give me **FASHIONABLE**, **FEMININE** styles

Give me **QUALITY TO LAST**

Give me **OUTSTANDING** **VALUE** for money

Show that you **CARE ABOUT THE WORLD** around me

**WHAT WE DO**

Ensure **INSPIRATION** and **TALENT** in product creation

Continue to strengthen our **QUALITY OFFER**

Invest to develop the **BEST PRODUCT** value

Enhance our focus on **SUSTAINABILITY**
Creating inspiring and fashionable collections

- Consolidate Women’s divisions
- Launch Trend Division
- Launch China design hub
- Launch Denim division
China design hub
Denim
PREVIEW

Spring/Summer 2012
• *Value is not about price*
• *Value is an obsession about details and quality*
  – Better workmanship
  – Better detailing
  – Better fabrics
• *We will INVEST IN VALUE*
The journey has started
Collection—September 2011

Give me fashionable styles
Give me outstanding value for money
The journey has started
Collection—October 2011

Give me fashionable styles
Give me outstanding value for money
The journey has started
Collection—November 2011

Give me fashionable styles
Give me outstanding value for money
"Lucky sheep"—RCA winning collection as inspiration
Give me QUALITY to last

Show that you CARE ABOUT THE WORLD around me
Sourcing strategy to deliver annual savings of ~HK$ 1B by FY14/15

Our sourcing strategy is already showing real benefits in line with expectations

- Consolidation of supplier portfolio
- Best sourcing country footprint per product category
- Investment in quality fabrics and attention to detail

Now focus on accelerating our sourcing strategy
• Buying/sourcing function to be centralized
• Quicker ramp-up of local sourcing offices
• Reduce logistics costs with European Distribution Centre

Preferred partners and consolidation of fabrics ~ 30%
Improved country of origin footprint ~ 40%
European distribution center ~ 15%
Other (e.g., trims, labelling, non-apparel, commissions) ~ 15%
Fashionable, feminine styles
Quality to last
Outstanding value
Care about the world
Annual sourcing savings of HK$ 1B
Agenda

Brand

Product

Preview Spring 2012

Channels

Transformation plan
Our Plan

• Focus on core markets
• Accelerate growth in China
• Expand selectively in emerging markets
Retail
Retail will focus on profitable growth

1. Closure of 80 unprofitable stores
2. Upgrade shopping experience
3. Strategic expansion in core markets
4. Existing strong & loyal consumer base
5. Export success of online channel
Closure of 80 unprofitable stores

<table>
<thead>
<tr>
<th>Countries</th>
<th>Store closures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>24</td>
</tr>
<tr>
<td>Austria</td>
<td>2</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2</td>
</tr>
<tr>
<td>Belgium</td>
<td>2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>7</td>
</tr>
<tr>
<td>France</td>
<td>12</td>
</tr>
<tr>
<td>UK</td>
<td>6</td>
</tr>
<tr>
<td>Singapore</td>
<td>1</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1</td>
</tr>
<tr>
<td>Australia</td>
<td>13</td>
</tr>
<tr>
<td>Spain</td>
<td>3</td>
</tr>
<tr>
<td>Denmark</td>
<td>6</td>
</tr>
<tr>
<td>Sweden</td>
<td>1</td>
</tr>
</tbody>
</table>

Total 80

- Closures on track
- 6 stores closed or signed
- ~30 stores in final negotiations
"It was the 1st day, the opening day yesterday! It looked simply gorgeous! Really, to be honest, it is one of the most inspiring shops I have been to!"

"I was amazed to hear that the product in this shop is actually the same as in the old Esprit shops! It looks so different and good! There you see the power of a great visual merchandizing & retail concept!"
Upgrading the shopping experience

The new concept

- Alignment of store portfolio with the new brand direction
- Increased value perception of product
- Greater merchandising flexibility
- Compensate for historic underinvestment

The 4 year plan

- Refurbishment of all full price stores by FY 14/15 planned
- Limited refurbishment in current financial year: ~ 2/3 of refurbishment in FY12/13 and 13/14
- Investment in refurbishment is released only if concept is proven to generate required impact

Investments of ~ HK$3B over next 4 years
Expand stand-alone store base by ~ 50%
Total investments ~HK$2.7B

**Retail**
- White spot analysis conducted
- New retail locations identified

**Outlets**
- Additional revenue channel
- Creation of uniform clearance mechanism—Removal of mark-down goods from Retail channel

<table>
<thead>
<tr>
<th>FY 10/11</th>
<th>FY 14/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of full price stores¹</td>
<td>411</td>
</tr>
</tbody>
</table>

~ +185

<table>
<thead>
<tr>
<th>FY 10/11</th>
<th>FY 14/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of stores¹</td>
<td>42</td>
</tr>
</tbody>
</table>

~ +25

~2/3 of planned expansion in FY13/14 and 14/15

1. Excludes China, North America and stores under the FY10/11 store closure program
Esprit club provides a loyal customer base with 4 million members

**Active members (M) 2005–2011**

<table>
<thead>
<tr>
<th>Year</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2.4</td>
</tr>
<tr>
<td>2006</td>
<td>3.2</td>
</tr>
<tr>
<td>2007</td>
<td>3.7</td>
</tr>
<tr>
<td>2008</td>
<td>3.8</td>
</tr>
<tr>
<td>2009</td>
<td>4.0</td>
</tr>
<tr>
<td>2010</td>
<td>4.3</td>
</tr>
<tr>
<td>2011</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Club members spend on average 25% more per year

**Share of total Retail sales > 50%**
"Esprit.de is the German fashion eShop with the highest customer satisfaction levels"

– Best Webshops Benchmarking

Source: Fittkau & Maaß Consulting, W3B Best Workshops Benchmarking, October/November 2010; n=105,163
Continue eShop success story

1. No own eShop presence (e.g., China)
   - Export success of eShop to China (Q2 2012) and other international markets

2. Small eShop presence (~ 10, e.g., France)
   - Close gap – eShop share of Retail sales still significantly behind Top 5

3. Top 5 countries (e.g., Germany)
   - Maintain momentum—continuously invest in website improvements

Esprit's eShop among most successful in branded fashion eCommerce
# visitors > 100M p.a.
Upgrade shopping experience
Focused expansion
Build on loyal consumer base
Wholesale
1. **Strengthening of Wholesale channel**
   - Support for our key wholesale partners
   - Elimination of unprofitable distribution and brand-diluting accounts
   - Optimized service levels
   - Refurbishments of franchise stores and shop-in-shops

2. **Targeted international expansion**
   - ~200 new franchise stores in core markets
   - Expansion in high opportunity markets: India, Eastern Europe, Russia, Latin America

*Incremental Opex investment of ~ HK$3.9B over next 4 years*
Continue strengthening our Wholesale channel

Volume Share by account type—TODAY

Volume Share by account type—TARGET

Note: PSS = Partnership store, ML = MultiLabel, SiS = Shop in shop
We will optimize our service models

<table>
<thead>
<tr>
<th>Account type</th>
<th>Sales Force</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Key Accounts</td>
<td>Dedicated Key Account teams</td>
</tr>
<tr>
<td>PSS Accounts</td>
<td>Dedicated PSS team</td>
</tr>
<tr>
<td>Field Accounts</td>
<td>Shared field reps</td>
</tr>
<tr>
<td>Inside Sales Accounts</td>
<td>Telesales/B2B shop</td>
</tr>
</tbody>
</table>
We will co-invest into refurbishment

- Refurbishment of ~75% of all PSS & SiS space by the end of 14/15
- ~2/3 of refurbishments planned for FY12/13 and 13/14
- ~50% of all refurbishment expenses will be paid by Esprit
• ~200 new franchise stores are planned until 14/15

• Targeted in core markets in Europe: Germany, Austria, Switzerland, France, Netherlands, and Belgium

• Expansion in high opportunity markets: India, Eastern Europe, Russia, Latin America

~ 2/3 of planned expansion in FY13/14 and 14/15
~ 50% of expenses contributed by Esprit
Strengthening the channel
Growth with committed partners
Focused expansion
China
China is an attractive growth opportunity for Esprit

1. **Strong position in China with further growth potential**
   - Among top fashion brands
   - 2nd largest country for Group
   - Profitable multi-channel business

2. **Target group is largest consumer segment**

3. **Multi-channel model ideally suited and required to exploit attractive positioning**

4. **Ambitious, realistic growth plan for China in place**
Holly Li
CEO China

• 20 years of retail & wholesale experience in China
• 2000–2011 adidas China
A top fashion brand in China

- No 3 Favorite brand
- No 3 Leader of fashion
- No 3 Value for money
- No 2 Share of wallet
- No 4 Latest trends

Source: Brand tracker 2011
Esprit with strong position in China

Source: Company data, National Bureau of Statistics, market research
Density (# of POS/K MAC\(^1\) population)

- Tier 1–2: Ø 21
- Tier 3–4: Ø 14
- Tier 5 and smaller: Ø 11

Note: MAC = middle and affluent class (disposable income > 60,000 RMB)
Source: Company data, National Bureau of Statistics, market research
**Targeting the most attractive segment in China**

**Largest consumer segment**

- **Global**
  - Fashionistas: 18%
  - Pragmatics: 8%
  - Status hunters: 20%
  - Acceptance seekers: 27%
  - Friendly expressionist: 34%

- **China**
  - Fashionistas: 18%
  - Pragmatics: 6%
  - Status hunters: 11%
  - Acceptance seekers: 27%
  - Friendly expressionist: 36%

**Growing price segment**

- **RMB B (by list price band)**
  - 18–24: 7% (5%)
  - 25–34: 18% (8%)
  - 35–50: 31% (8%)

- **CAGR '11–'15**
  - 18–24: 26%
  - 25–34: 22%
  - 35–50: 6%

- **Age group**
  - 1,000–3,000
  - 300–1,000
  - < 300

**Note:** All numbers only take into account urban population; categories exclude intimates, kids wear, footwear, accessories

**Source:** Company data, National Bureau of Statistics, Esprit Synovate study 2010, market research
Proven multi-channel strategy as competitive advantage

- **Directly-managed stores**
- **Existing franchisee partners**
- **National and regional franchisees**

**Tier**
- **1–2 cities**
- **2–3 cities**
- **4 and below cities**

**eShop**
Doubling sales to ~ HK$ 6B in China

Increasing city coverage...

...and POS density

# of cities

<table>
<thead>
<tr>
<th>FY 10/11</th>
<th>FY 14/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>185</td>
<td>~ 400</td>
</tr>
<tr>
<td>~2x</td>
<td></td>
</tr>
</tbody>
</table>

# of POS

<table>
<thead>
<tr>
<th>FY 10/11</th>
<th>FY 14/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,012</td>
<td>~ 1,900</td>
</tr>
<tr>
<td>~2x</td>
<td></td>
</tr>
</tbody>
</table>
Strong position
Attractive growth opportunity
Right business model
Strong China team
**FY11/12 results impacted by short-term measures related to our Transformation Plan**

**Sales growth**
- 3%–5% decline vs. FY 10/11
- Lose ~ HK$2.1B of sales (on a full year run-rate basis) as a result of divestments

**Branding and Marketing**
- Incremental Opex spending of around HK$1.5B to rebuild our brand

**Retail**
- 5%–10% full year yoy space growth off pro-forma retail store base

**Wholesale**
- Order intake for Jul-Dec 2011 shows mid single digit % decline
- Incremental Opex spending of HK$0.9B for our wholesale partners

**Capital expenditures**
- ~ HK$1.5B: HK$0.2B on store expansion, HK$0.5B on store refurbishment, HK$0.5B on IT projects, HK$0.2B on Europe Distribution Centre

**Operating profit margin**
- 1%–2%
Targeted Sales CAGR of ~8%–10%  
Building the bridge to FY14/15

- Accelerated expansion and productivity uplift in China, through tailored hybrid sales model
- Retail and Wholesale expansion including eCommerce and outlets
- ~2/3 of expansion in FY13/14 and 14/15
- Productivity uplift of existing store and wholesale network starting in FY12/13
- Growth driven by brand invest, improved product and refurbishments
Target post-transformation operating margin ~ 15%

Operating Profit margin
(in % of sales)

15
10
5
0

OP margin FY11/12
NA divestiture & store closures
Productivity uplift RE&WHS
Sustainable brand spend
Sourcing savings
Normalized WHS Opex & overhead scale
Post-transformation margin

1–2%  ~ 1%
~ 4%  ~ 3%
~ 2%  ~ 3–4%
~ 3–4%  ~ 15%
Financing of Transformation Plan ensured

- Plan does not foresee significant changes to existing financing structure
- 3 sources of financing for investments
  - Operating cash-flow
  - Existing cash reserves
  - Rolling over of existing debt
- Cash-requirements have been stress-tested
- Investments will be released gradually and monitored closely (no long-term commitments)
- Esprit's balance sheet would enable additional financing, if required
- Dividend payout policy of 60% will be maintained
SUMMARY
Good progress

Brand
- New campaign well received. Improved consideration in key markets
- License portfolio reviewed and partner negotiations ongoing

Product
- Margin invest into product delivering outstanding value for money
- China design hub delivering first concepts

Channels
- First closures implemented, negotiations ongoing
- New pilot store opened in Cologne (today's visit)
- New China CEO hired
- For NA operations, divestment process ongoing
Summary

• Detailed Transformation plan in place
• New brand direction as starting point for transformation
• Important changes to products, stores and communication
• Experieced management team to drive
• Structured execution—rigorous processes & implementation KPIs
• Financing ensured

Transformation on track
Esprit will be an INSPIRING fashion brand with a clear identity and SUSTAINABLE PROFITABILITY.