ESPRIT

INTERIM RESULTS BRIEFING

FOR THE SIX MONTHS ENDED
31 DECEMBER 2012
INTRODUCTION
INTRODUCTION - JOSE MANUEL MARTÍNEZ

Operating results for the six months period ended 31 December 2012 (the “Period”)

- Continuing progress on the key areas of the Transformation Plan: Brand, Product and Stores
- Challenging operating environment, particularly in Europe
- A profit warning for expected loss was issued in December 2012 for the Period after a very negative sales development in November 2012
- Worse than expected results in the second quarter of FY12/13
- The Group recorded a net loss of HK$465 million for the Period
- Interim Financial Results Review (CFO - Thomas Tang)
- Update on Business Operations
INTERIM FINANCIAL RESULTS REVIEW
<table>
<thead>
<tr>
<th>(in HK$'m)</th>
<th>1H FY12/13</th>
<th>1H FY11/12</th>
<th>HKD Change</th>
<th>LCY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>13,554</td>
<td>16,699</td>
<td>- 18.8%</td>
<td>- 13.4%</td>
</tr>
<tr>
<td>COGS</td>
<td>(6,644)</td>
<td>(8,208)</td>
<td>- 19.0%</td>
<td>- 13.5%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>6,910</td>
<td>8,491</td>
<td>- 18.6%</td>
<td>- 13.3%</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>51.0%</td>
<td>50.8%</td>
<td>+0.2% pts</td>
<td>+0.1% pts</td>
</tr>
<tr>
<td>OPEX</td>
<td>(7,175)</td>
<td>(7,704)</td>
<td>- 6.9%</td>
<td>- 1.2%</td>
</tr>
<tr>
<td>EBIT</td>
<td>(265)</td>
<td>787</td>
<td>-133.6%</td>
<td>-131.8%</td>
</tr>
<tr>
<td>Net (loss)/profit</td>
<td>(465)</td>
<td>555</td>
<td>-183.7%</td>
<td>-180.5%</td>
</tr>
</tbody>
</table>

The interim financial results for FY12/13 is partly impacted by divestment of North American operations and store closure programme in FY11/12

Espirit
## INCOME STATEMENT
*(EXCLUDING NORTH AMERICA & STORE CLOSURE PROGRAMME)*

<table>
<thead>
<tr>
<th>(in HK$’m)</th>
<th>1H FY12/13</th>
<th>1H FY11/12</th>
<th>HKD Change</th>
<th>LCY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>13,306</td>
<td>15,580</td>
<td>-14.6%</td>
<td>-8.8%</td>
</tr>
<tr>
<td>COGS</td>
<td>(6,516)</td>
<td>(7,640)</td>
<td>-14.7%</td>
<td>-8.8%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>6,790</td>
<td>7,940</td>
<td>-14.5%</td>
<td>-8.9%</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>51.0%</td>
<td>51.0%</td>
<td>0.0% pt</td>
<td>0.0% pt</td>
</tr>
<tr>
<td>OPEX</td>
<td>(7,043)</td>
<td>(6,995)</td>
<td>+ 0.7%</td>
<td>+6.8%</td>
</tr>
<tr>
<td>EBIT</td>
<td>(253)</td>
<td>945</td>
<td>-126.8%</td>
<td>-125.3%</td>
</tr>
<tr>
<td>Net (loss)/profit</td>
<td>(453)</td>
<td>716</td>
<td>-163.3%</td>
<td>-160.7%</td>
</tr>
</tbody>
</table>

Negative EBIT mainly due to decline in Turnover and worsened by impairment charges

Note: Exclude North America wholesale & retail operations, and contributions from all stores under store closure programme
ANALYSIS OF TURNOVER

HK$’m

16,699
16,500
16,000
15,500
15,000
14,500
14,000
13,500
13,000
12,500
12,000

1H FY11/12
1H FY12/13

Currency impact
Divestment of North American operations & store closure programme
Wholesale
Retail
Licensing others

▲/▼ yoy change

* Represents the year-on-year variance excluding currency impact

ANALYSIS OF TURNOVER
### TURNOVER BY PRODUCT DIVISIONS

<table>
<thead>
<tr>
<th>Product Divisions</th>
<th>1H FY12/13 HK$’m</th>
<th>% to Group Turnover</th>
<th>1H FY11/12 HK$’m</th>
<th>% to Group Turnover</th>
<th>Change in % LCY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Esprit Women</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>women casual</td>
<td>3,737</td>
<td>27.6%</td>
<td>40.0%</td>
<td>31.0%</td>
<td>-23.1%</td>
</tr>
<tr>
<td>women collection</td>
<td>1,485</td>
<td>11.0%</td>
<td>9.0%</td>
<td>+5.0%</td>
<td></td>
</tr>
<tr>
<td>trend</td>
<td>99</td>
<td>0.7%</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td><strong>Esprit Men</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>men casual</td>
<td>1,729</td>
<td>12.8%</td>
<td>13.1%</td>
<td>-16.5%</td>
<td></td>
</tr>
<tr>
<td>men collection</td>
<td>494</td>
<td>3.6%</td>
<td>3.3%</td>
<td>-6.5%</td>
<td></td>
</tr>
<tr>
<td>edc</td>
<td>3,241</td>
<td>23.9%</td>
<td>24.4%</td>
<td>-14.8%</td>
<td></td>
</tr>
<tr>
<td>denim</td>
<td>75</td>
<td>0.6%</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>others</td>
<td>2,694</td>
<td>19.8%</td>
<td>19.2%</td>
<td>-9.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,554</td>
<td>100.0%</td>
<td>100.0%</td>
<td>-13.4%</td>
<td></td>
</tr>
</tbody>
</table>

The structure of sales in Women Divisions is changing in line with new Product direction

▲/▼ yoy change
**BREAKDOWN OF TURNOVER**

**Turnover by Channel**

- **Wholesale**
  - HK$5,356m/
  - 39.5% (40.3%)

- **Retail**
  - HK$8,102m/
  - 59.8% (59.0%)

- **Licensing & others**
  - HK$96m/
  - 0.7% (0.7%)

**Turnover by Region**

- **Asia Pacific**
  - HK$2,696m/
  - 19.9% (17.8%)

- **Europe**
  - HK$10,728m/
  - 79.1% (78.4%)

- **North America**
  - HK$130m/
  - 1.0% (3.8%)

Brackets denote 1H FY12/13.
RETAIL
ANALYSIS OF RETAIL TURNOVER

HK$’m

1H FY11/12 9,844  ▼462

Currency impact ▼834*

Divestment of North American operations & store closure programme ▼335*

Europe ▼111* 1H FY12/13 8,102

Asia Pacific -4.7% -8.5% -3.4% -1.1%

▼ ▲ yoy change 17.7%

* Represents the year-on-year variance excluding currency impact
## RETAIL TURNOVER BY REGIONS

<table>
<thead>
<tr>
<th>In HK$’m</th>
<th>1H FY12/13</th>
<th>% of Retail Turnover</th>
<th>Change in %</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>6,160</td>
<td>76.0%</td>
<td>▼15.4%</td>
<td>▼8.8%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>1,942</td>
<td>24.0%</td>
<td>▼7.5%</td>
<td>▼8.2%</td>
</tr>
<tr>
<td>North America</td>
<td>Divested in FY11/12</td>
<td>n.a.</td>
<td>n.a.</td>
<td></td>
</tr>
</tbody>
</table>

Excluding store closure programme

<table>
<thead>
<tr>
<th></th>
<th>LCY change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1Q</td>
</tr>
<tr>
<td>Europe</td>
<td>▼2.9%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>▼9.0%</td>
</tr>
<tr>
<td>Group</td>
<td>▼4.3%</td>
</tr>
</tbody>
</table>

▲/▼ yoy change
Worse than expected sales performance in 2Q of FY12/13 due to much lower store traffic.

Improved comp store performance in APAC in 2Q principally due to China as a result of better conversion rate.
## RETAIL POS AND SPACE BY STORE TYPES

<table>
<thead>
<tr>
<th>POS number</th>
<th>Net sales area (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at 31 Dec 12</td>
</tr>
<tr>
<td>Stores/concession counters</td>
<td>954</td>
</tr>
<tr>
<td>Outlets</td>
<td>80</td>
</tr>
<tr>
<td>Sub-total</td>
<td>1,034</td>
</tr>
<tr>
<td>Store closure programme</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td>1,060</td>
</tr>
</tbody>
</table>

Excluding North America and store closure programme, retail space ▲2.4% compared to 30 June 2012 primarily attributable to expansion in outlets
WHOLESALE
ANALYSIS OF WHOLESALE TURNOVER

HK$’m

1H FY11/12
6,727
▼ 448

1H FY12/13
5,356
▲ 20.4%

▲/▼ yoy change

* Represents the year-on-year variance excluding currency impact
## Wholesale Turnover by Regions

<table>
<thead>
<tr>
<th>Region</th>
<th>In HK$’m</th>
<th>1H FY12/13</th>
<th>% of Wholesale Turnover</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>HKD</td>
<td>LCY</td>
</tr>
<tr>
<td>Europe</td>
<td>4,552</td>
<td>85.0%</td>
<td>▼▼ ▼▼ ▼▼ 21.5%</td>
<td>▼▼ ▼▼ ▼▼ 14.1%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>746</td>
<td>13.9%</td>
<td>▼▼ ▼▼ ▼▼ 11.8%</td>
<td>▼▼ ▼▼ ▼▼ 9.7%</td>
</tr>
<tr>
<td>North America</td>
<td>58</td>
<td>1.1%</td>
<td>▼▼ ▼▼ ▼▼ 30.3%</td>
<td>▼▼ ▼▼ ▼▼ 30.1%</td>
</tr>
</tbody>
</table>

### LCY Change in %

<table>
<thead>
<tr>
<th></th>
<th>1Q</th>
<th>2Q</th>
<th>1H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>▼17.7%</td>
<td>▼7.7%</td>
<td>▼14.1%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>▼11.9%</td>
<td>▼7.5%</td>
<td>▼9.7%</td>
</tr>
<tr>
<td>Group</td>
<td>▼17.1%</td>
<td>▼8.2%</td>
<td>▼13.7%</td>
</tr>
</tbody>
</table>
### Controlled Wholesale Space by Regions and POS Types

Controlled wholesale space as at 31 December 2012 (vs 31 December 2011)

<table>
<thead>
<tr>
<th>Region</th>
<th>Franchise stores</th>
<th>Shop-in-stores</th>
<th>Identity corners</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net sales area (m²)</td>
<td>year-on-year change in net sales area (m²)</td>
<td>Net sales area (m²)</td>
<td>year-on-year change in net sales area (m²)</td>
</tr>
<tr>
<td>Europe</td>
<td>249,325</td>
<td>-5.5%</td>
<td>168,012</td>
<td>-7.5%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>120,731</td>
<td>-7.6%</td>
<td>2,525</td>
<td>-31.8%</td>
</tr>
<tr>
<td>Total</td>
<td>370,056</td>
<td>-6.2%</td>
<td>170,537</td>
<td>-8.0%</td>
</tr>
</tbody>
</table>

Controlled wholesale space ▼9% yoy (including ▼22% from Identity corners) partly due to continued rationalisation of smaller accounts.
CHINA TURNOVER
**CHINA TURNOVER**

**Wholesale**
- ▼25.0% in LCY

- Challenging macro environment
- Increase in wholesale space due to weak sales performance
- Taking returns and higher discounts as strategic measures to support partners

**Retail**
- ▼0.2% in LCY

- Comp store sales
  - 1Q ▼12%
  - 2Q ▼0.7%

- Improved 2Q principally due to better conversion rate

<table>
<thead>
<tr>
<th></th>
<th>Wholesale</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>POS</td>
<td>Change vs Jun 12</td>
<td>POS</td>
</tr>
<tr>
<td>611</td>
<td>-58</td>
<td>371</td>
</tr>
</tbody>
</table>
PROFITABILITY
GROSS PROFIT MARGIN

Group excluding North America & Store closure programme

Gross profit margin remained approximately FLAT
Despite the decline, continuous effort will be made to increase efficiency.

Alignment of spending with brand objectives and sales performance.

Resulting from investment in new store openings and retail store refurbishment over last year as well as Distribution Center & EPS.

Impairment on fixed assets relating to certain directly managed retail stores.

Mainly due to increase in stock provision and increase in doubtful debt provision.

OPEX (excluding North America & store closure programme) stay almost FLAT.
WORKING CAPITAL
## CASH FLOW AND NET CASH POSITION

<table>
<thead>
<tr>
<th>HK$’m</th>
<th>1H FY12/13</th>
<th>1H FY11/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, bank balances and deposits at beginning of period</td>
<td>3,171</td>
<td>4,794</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(1,142)</td>
<td>(907)</td>
</tr>
<tr>
<td>Net cash generated from/(used in) investing and financing activities</td>
<td>4,700</td>
<td>(326)</td>
</tr>
<tr>
<td>Effect of change in exchange rates</td>
<td>54</td>
<td>(153)</td>
</tr>
<tr>
<td>Cash, bank balances and deposits at end of period</td>
<td>6,783</td>
<td>3,408</td>
</tr>
<tr>
<td>Less: Bank loans</td>
<td>(1,809)</td>
<td>(2,353)</td>
</tr>
<tr>
<td>Net cash position</td>
<td>4,974</td>
<td>1,055</td>
</tr>
</tbody>
</table>

**Included:**

- CAPEX as follows:
  - New store: (146)
  - Refurbishing existing stores: (202)
  - IT: (73)
  - Office & others: (54)
  - Total: (475)

- Net proceeds from rights issue of HK$5,037m
Inventories increased by 10.4% vs Jun 12
Inventory T/O days: 102 days (Jun 12: 100 days)
Inventory to sales ratio: 14.7% (Jun 12: 11.9%)
- Slower product sell-through
- Return of aged inventory from wholesalers as part of wholesale support measures
- 6.2% appreciation in €/HK$ closing rate (Dec 12: 10.254; Jun 12: 9.6551)

Net trade debtors increased by 9.1% vs Jun 12:
- Ageing of net trade debtors over 90 days slightly increased by 3.4%
- 6.2% appreciation in €/HK$ closing rate (Dec 12: 10.254; Jun 12: 9.6551)
UPDATE ON BUSINESS OPERATIONS
STABILIZATION

- **Top Line** activation
- **Inventories** normalization
- **OPEX** reduction
- **Investments** selection
STRATEGIC PRIORITIES

SHORT TERM

STABILIZATION
- Top Line activation
- Inventories normalization
- OPEX reduction
- Investments selection

MEDIUM TERM

TRANSFORMATION
- Brand
- Product
- Store & Channels
- Support
BRAND CAMPAIGN – SPRING 2013
BRAND - PR

Esprit & Céline
Elle France & Taiwan

Esprit & Michael Kors
Cosmo Netherlands

Esprit, Damir Doma & Hermes
Vogue Germany
BRAND - PR

Esprit & Louis Vuitton
Jalouse France

Esprit, Krizia, Jimmy Choo,
Just Cavalli
Elle Italy

Esprit & Gucci
Elle France
### Brand – Strategic Focus

**Brand Awareness in Core Markets**

<table>
<thead>
<tr>
<th></th>
<th>AW 12</th>
<th>Change (T. Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>98%</td>
<td>+1%</td>
</tr>
<tr>
<td>China</td>
<td>75%</td>
<td>+44%</td>
</tr>
<tr>
<td>Others</td>
<td>88%</td>
<td>+4%</td>
</tr>
</tbody>
</table>

**Focus on Traffic and Conversion Rate**

- Campaigns & PR
- Local / Channel Marketing
- Windows & Action Areas
- Instore VM
- CRM

*Source: Brand Tracker round 1&4*
PRODUCT – NEW COLLECTIONS

Stylish and contemporary

Quality made to last

Outstanding value for money

Lifestyle
PRODUCT – NEW DIVISIONS (DENIM)
PRODUCT – NEW DIVISIONS (TREND)
PRODUCT – SUPPLY CHAIN

- **Central Buying function** benefitting from better use of scale and lower cost alternatives
- Synergies and savings through **consolidation** of supplier portfolio
  - Number of suppliers reduced by 21%
  - Number of factories reduced by 29%
  - Rejection rate reduced by 50%
- Expand **own sourcing footprint** to new markets
  - China, Bangladesh, Indonesia and India (Oct 2012)
  - Share of sourcing agents reduced by 28%

~ 600 Million $HK savings for FY12/13
PRODUCT – STRATEGY FOCUS

HIGH PERFORMANCE PRODUCT ENGINE

- PEOPLE
- INTEGRATION
- SIMPLICITY
- SPEED
- VALUE FOR MONEY

ESPRIT
STORE – NEW CONCEPT

LIGHTHOUSE - DUSSELDORF
LIGHTHOUSE - COLOGNE
LIGHTHOUSE - ANTWERP

NEW STORE CONCEPT - MAASTRICHT
## STORE – STRATEGIC FOCUS

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Icon</th>
<th>Standard</th>
<th>Retreat</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Self-Managed</strong></td>
<td>84</td>
<td>9</td>
<td>36</td>
<td>39</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>53</td>
<td>8</td>
<td>26</td>
<td>19</td>
</tr>
<tr>
<td><strong>APAC</strong></td>
<td>31</td>
<td>1</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td><strong>PSS</strong></td>
<td>122</td>
<td>0</td>
<td>54</td>
<td>68</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>87</td>
<td>0</td>
<td>24</td>
<td>63</td>
</tr>
<tr>
<td><strong>APAC</strong></td>
<td>35</td>
<td>0</td>
<td>30</td>
<td>5</td>
</tr>
</tbody>
</table>

- Accelerate roll-out of best practices (i.e. space allocation & VM)
- Proceed with selective refurbishing plan (regional/local concentration)
- Keep reducing refurbishing cost per sqm (economies of scale)

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Note 1: Count is for full stores, and does not include concession locations or shop in shops
Note 2: APAC includes China

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ESPRIT
CHANNELS – STRATEGIC FOCUS

- Focus on traffic & productivity
- Strengthening of support to stores
- Completion of store closures program
- Reduction of operational expenses
- Multichannel integration & coordination
- Quality and sustainable growth
- Focus on strategic partnerships
- Further integration with key partners
- Continued short term measures
Finalization of implementation in Europe by June 2013
(~210 M Euro investment)

Operational since July 2012 and total volume transferred by October 2013
(~50 M Euro investment)
STRATEGIC PRIORITIES

LONG TERM

MEDIUM TERM

SHORT TERM

STABILIZATION
- Top Line activation
- Inventories normalization
- OPEX reduction
- Investments selection

TRANSFORMATION
- Brand
- Product
- Store & Channels
- Support

GROWTH
- China
- edc
- Sustainable quality growth
CHINA TURNOVER

Wholesale
▼25.0% in LCY

- Challenging macro environment
- Decrease in wholesale space due to weak sales performance
- Taking returns and higher discounts as strategic measures to support partners

HK$1,266m ▼11.2% in LCY

Retail
▼0.2% in LCY

Comp store sales
1Q ▼12%
2Q ▼0.7%
Improved 2Q principally due to better conversion rate

Others

<table>
<thead>
<tr>
<th>Wholesale</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>POS</td>
<td>POS</td>
</tr>
<tr>
<td>Change vs Jun 12</td>
<td>Change vs Jun 12</td>
</tr>
<tr>
<td>611</td>
<td>-58</td>
</tr>
<tr>
<td>371</td>
<td>+27</td>
</tr>
</tbody>
</table>
PRODUCT - EDC
INVESTOR RELATIONS DAY
### INVESTOR RELATIONS DAY

**Date**  
14 May 2013

**Place**  
ESPRIT HQ, Ratingen, Germany

**Agenda**  
Update on Transformation Plan
Q&A’s