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BUSINESS HIGHLIGHTS

• FY12/13 was an extraordinary and challenging year for the Company
  ➢ Exceptional underperformance of financial results
  ➢ Realignment of the strategic priorities

• Operating loss of HK$4.17B, disappointing results impacted by exceptional items:
  ➢ Business performance not in line with our goals and expectations
  ➢ Turnover decline has driven provisions to higher than normalized levels
  ➢ Non-recurring provisions and impairments of HK$2.7B (Profit Warning 7 May 2013)

• New strategy and priorities have been defined moving forward
  ➢ **Short term:** Stabilizing the business by radically reducing costs, normalizing inventory levels and overhauling core operations
  ➢ **Medium term:** Restoring sustainable business by building a High Performance Product Engine to allow us to produce outstanding value-for-money products
  ➢ **Long term:** Developing platforms for ambitious future growth

ESPRI T
• Annual Results Review (CFO – Thomas Tang)

• Update on Strategic Priorities (CEO – Jose Manuel Martínez)

• Q&A’s
ANNUAL RESULTS REVIEW
## INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>FY12/13 (HK$'m)</th>
<th>FY11/12 (HK$'m)</th>
<th>HKD Change</th>
<th>LCY Change</th>
</tr>
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<tbody>
<tr>
<td>Turnover</td>
<td>25,902</td>
<td>30,165</td>
<td>▼ 14.1%</td>
<td>▼ 11.5%</td>
</tr>
<tr>
<td>COGS</td>
<td>(13,065)</td>
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<td>▼ 10.3%</td>
</tr>
<tr>
<td>Gross profit</td>
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<td>15,206</td>
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<td>▼ 12.8%</td>
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<tr>
<td>GP margin</td>
<td>49.6%</td>
<td>50.4%</td>
<td>▼ 0.8% pt</td>
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</tr>
<tr>
<td>OPEX</td>
<td>(17,007)</td>
<td>(14,035)</td>
<td>▲ 21.2%</td>
<td>▲ 23.2%</td>
</tr>
<tr>
<td>EBIT</td>
<td>(4,170)</td>
<td>1,171</td>
<td>▼ 456.1%</td>
<td>▼ 443.3%</td>
</tr>
<tr>
<td>Net (loss)/profit</td>
<td>(4,388)</td>
<td>873</td>
<td>▼ 602.7%</td>
<td>▼ 582.5%</td>
</tr>
</tbody>
</table>

▲/▼ yoy change
## INCOME STATEMENT

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<thead>
<tr>
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</tr>
</tbody>
</table>

**Retail:** GP margin slightly higher yoy
- Divestment of North American operations
- Slight reduction of markdowns
- Aggressive promotional activities to activate sales

**Wholesale:** large decline yoy
- Impact of discounts and improved terms to support our customers

▲/▼ yoy change
## Income Statement

<table>
<thead>
<tr>
<th></th>
<th>FY12/13</th>
<th>FY11/12</th>
<th>HKD Change</th>
<th>LCY Change</th>
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</tr>
<tr>
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<td>(4,388)</td>
<td>873</td>
<td>▼ 602.7%</td>
<td>▼ 582.5%</td>
</tr>
</tbody>
</table>

### Provisions & Impairments

(a) Non-recurring under Profit Warning announcement 7 May 2013 (majority non-cash):

- China goodwill: HK$1,996
- Store closures: HK$274
- Onerous contracts: HK$224
- Acceleration of provision for aged inventory to better reflect the net realizable value: HK$228 (total HK$2,722)

(b) Higher than expected special items, which are all non-cash items (provisions for inventory: HK$299m; doubtful debt: HK$312m; impairment of PPE: HK$244m) HK$855 (total HK$3,577)

### Adjusted OPEX

<table>
<thead>
<tr>
<th></th>
<th>FY12/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted OPEX</td>
<td>13,430</td>
</tr>
</tbody>
</table>

Excluding the non-recurring provisions & impairments and higher than expected non-cash special items, EBIT would be negative HK$(593m)
### INCOME STATEMENT
(excluding North American operations, store closures in previous years, special items and non-recurring provisions & impairments)

<table>
<thead>
<tr>
<th>(in HK$’m)</th>
<th>FY12/13</th>
<th>FY11/12</th>
<th>HKD Change</th>
<th>LCY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>25,523</td>
<td>28,498</td>
<td>(\nabla ) 10.4%</td>
<td>(\nabla ) 7.7%</td>
</tr>
<tr>
<td>COGS</td>
<td>(12,874)</td>
<td>(14,007)</td>
<td>(\nabla ) 8.1%</td>
<td>(\nabla ) 5.6%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>12,649</td>
<td>14,491</td>
<td>(\nabla ) 12.7%</td>
<td>(\nabla ) 9.8%</td>
</tr>
<tr>
<td>GP margin</td>
<td>49.6%</td>
<td>50.9%</td>
<td>(\nabla ) 1.3% pts</td>
<td>(\nabla ) 1.1% pts</td>
</tr>
<tr>
<td>OPEX</td>
<td>13,183</td>
<td>13,570</td>
<td>(\nabla ) 2.9%</td>
<td>(\nabla ) 0.3%</td>
</tr>
<tr>
<td>EBIT</td>
<td>(534)</td>
<td>921</td>
<td>(\nabla ) 157.9%</td>
<td>(\nabla ) 149.4%</td>
</tr>
</tbody>
</table>

Turnover declined by 7.7% and OPEX reduced by 0.3% on a comparable basis

▲/▼ yoy change
TURNOVER
ANALYSIS OF TURNOVER

Total 6.8% pts
Almost half of decline

- 2.6% pts
- 4.2% pts
- 5.2% pts
- 14.1%

HK$'m

FY11/12
Currency impact
30,165

Divestment of North American operations and store closures
- 1,276*

Wholesale
- 1,586*

Retail
- 564*

Licensing & others
- 53*

FY12/13
25,902

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

ESPRIT

▲ ▼
0x0 ▼
185x394 ▼
660x303 ▼
581x373 ▼
582x338 ▼
583x294 ▼
583x258 ▼
328x327 ▼
399x274 ▼
249x368 ▼
472x258 ▼

yoy change
# Turnover Overview
(excluding North American operations & store closures in previous years)

<table>
<thead>
<tr>
<th>In HK$’m</th>
<th>FY12/13</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LCY Change in %</td>
<td>1H</td>
<td>2H</td>
<td>FY</td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td>▼ 8.8%</td>
<td>▼ 6.4%</td>
<td>▼ 7.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>▼ 5.1%</td>
<td>▼ 1.6%</td>
<td>▼ 3.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale</td>
<td>▼ 13.5%</td>
<td>▼ 12.9%</td>
<td>▼ 13.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Narrowing of decline in Group turnover in 2H FY12/13, mainly driven by more stable Retail sales when compared with 1H FY12/13
## Breakdown of Turnover

<table>
<thead>
<tr>
<th>Regions</th>
<th>% of Group Turnover</th>
<th>Channels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Retail</td>
<td>Wholesale</td>
</tr>
<tr>
<td>Germany</td>
<td>27.3%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Europe and Rest of the World*</td>
<td>18.5%</td>
<td>16.5%</td>
</tr>
<tr>
<td>APAC**</td>
<td>14.6%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Total</td>
<td>60.4%</td>
<td>38.9%</td>
</tr>
</tbody>
</table>

* Excluding Germany and APAC
** APAC – Asia Pacific
RETAIL
ANALYSIS OF RETAIL TURNOVER

HK$’m

17,806

- 386

- 1,204*

- 412*

- 152*

15,652 - 0.8% pt

- 2.2% pts

- 6.8% pts

- 2.3% pts

Total 9.0% pts

FY11/12
Currency impact
Divestment of North American operations & store closures
Europe
Asia Pacific
FY12/13

▲/▼ yoy change
* Represents the year-on-year variance excluding currency impact
## RETAIL TURNOVER BY REGIONS

<table>
<thead>
<tr>
<th>In HK$’m</th>
<th>FY12/13</th>
<th>% of Retail Turnover</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>HKD</td>
<td>LCY</td>
</tr>
<tr>
<td>Europe</td>
<td>11,878</td>
<td>75.9%</td>
<td>▼10.1%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>3,774</td>
<td>24.1%</td>
<td>▼5.0%</td>
</tr>
<tr>
<td>North America</td>
<td>Divested in FY11/12</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Group total</td>
<td>15,652</td>
<td>100%</td>
<td>▼12.1%</td>
</tr>
</tbody>
</table>

### Excluding North American operations and store closures

<table>
<thead>
<tr>
<th></th>
<th>LCY change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H</td>
</tr>
<tr>
<td>Europe</td>
<td>▼4.9%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>▼5.5%</td>
</tr>
<tr>
<td>Group</td>
<td>▼5.1%</td>
</tr>
</tbody>
</table>

**Narrowing of Retail sales decline in 2H**

▲/▼ yoy change
RETAIL COMP STORE PERFORMANCE

GROUP ▼ 3.3%
1H: ▼ 3.6%
2H: ▼ 3.1%

EUROPE ▼ 3.3%
1H: ▼ 3.5%
2H: ▼ 3.3%

APAC ▼ 3.5%
1H: ▼ 4.8%
2H: ▼ 1.8%

Narrowing of comp store sales decline in 2H

▲▼ yoy change in LCY
## RETAIL POS AND SPACE BY STORE TYPES

<table>
<thead>
<tr>
<th></th>
<th>POS number</th>
<th>Net sales area (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at 30 Jun 13</td>
<td>As at 30 Jun 13</td>
</tr>
<tr>
<td></td>
<td>vs 1 Jul 12</td>
<td>Net change</td>
</tr>
<tr>
<td><strong>Stores/concession counters</strong></td>
<td>930</td>
<td>+84</td>
</tr>
<tr>
<td><strong>Outlets</strong></td>
<td>79</td>
<td>+23</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>1,009</td>
<td>+107</td>
</tr>
<tr>
<td><strong>Store closures in previous years</strong></td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,024</td>
<td>+107</td>
</tr>
</tbody>
</table>

- Increase in number of Outlets as part of our strategy of inventory normalization
- Selective expansion until improvement in sales performance

**ESPRIT**
WHOLESALE
ANALYSIS OF WHOLESALE TURNOVER

HK$’m

12,000 12,500

12,116

396

72 *

1,395 *

-3.3% pts

-0.6 pt

-11.5% pts

17.0%

10,062

FY11/12  Currency impact  Divestment of North American operations  Europe  Asia Pacific  FY12/13

▲/▼ yoy change

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

<table>
<thead>
<tr>
<th>In HK$’m</th>
<th>FY12/13</th>
<th>% of Wholesale Turnover</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>HKD</td>
<td>LCY</td>
</tr>
<tr>
<td>Europe</td>
<td>8,682</td>
<td>86.3%</td>
<td>▼17.0%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>1,322</td>
<td>13.1%</td>
<td>▼13.1%</td>
</tr>
<tr>
<td>North America</td>
<td>58</td>
<td>0.6%</td>
<td>▼55.5%</td>
</tr>
<tr>
<td>Total</td>
<td>10,062</td>
<td>100%</td>
<td>▼17.0%</td>
</tr>
</tbody>
</table>

### Excluding North American Operations

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<th>LCY change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H</td>
</tr>
<tr>
<td>Europe</td>
<td>▼14.1%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>▼9.7%</td>
</tr>
<tr>
<td>Group</td>
<td>▼13.5%</td>
</tr>
</tbody>
</table>

Slight narrowing of Wholesale sales decline in 2H
## Controlled Wholesale Space by Regions and POS Types

<table>
<thead>
<tr>
<th></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>232,316</td>
<td>-10.9%</td>
<td>161,186</td>
<td>-8.8%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>103,754</td>
<td>-16.9%</td>
<td>2,600</td>
<td>-8.9%</td>
</tr>
<tr>
<td>Total</td>
<td>336,070</td>
<td>-12.8%</td>
<td>163,786</td>
<td>-8.8%</td>
</tr>
</tbody>
</table>

Controlled wholesale space ▼13.4% yoy (including ▼24.9% from identity corners) partly due to continued rationalization of smaller accounts.
CHINA
**China Turnover**

**Wholesale**
- ▼22.9% in LCY
  - Decline in wholesale turnover mainly due to reduction of controlled space (▼19.1%)

**Retail**
- ▲2.0% in LCY
  - Positive 2H turnover growth:
    - 1H: ▼0.2%
    - 2H: ▲4.4%
    - FY: ▲2.0%
  - Positive Retail space growth: ▲0.8%

### Comparative Table

<table>
<thead>
<tr>
<th></th>
<th>Wholesale</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>POS</td>
<td>Change vs Jun 12</td>
</tr>
<tr>
<td></td>
<td>508</td>
<td>-161</td>
</tr>
</tbody>
</table>

**ESPRIT**
OPERATING EXPENSES
# OPERATING EXPENSES

<table>
<thead>
<tr>
<th>(in HK$ M)</th>
<th>FY12/13</th>
<th>FY11/12</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staff costs</strong></td>
<td>4,140</td>
<td>4,395</td>
<td>▼ 3.4%</td>
</tr>
<tr>
<td><strong>Occupancy costs</strong></td>
<td>3,579</td>
<td>3,562</td>
<td>▲ 2.7%</td>
</tr>
<tr>
<td><strong>Logistics costs</strong></td>
<td>1,453</td>
<td>1,432</td>
<td>▲ 5.1%</td>
</tr>
<tr>
<td><strong>Advertising &amp; marketing expenses</strong></td>
<td>1,020</td>
<td>1,526</td>
<td>▼ 30.7%</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>866</td>
<td>683</td>
<td>▲ 30.2%</td>
</tr>
<tr>
<td><strong>Other operating costs</strong></td>
<td>2,125</td>
<td>1,972</td>
<td>▲ 10.1%</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>13,183</td>
<td>13,570</td>
<td>▼ 0.3%</td>
</tr>
<tr>
<td><strong>Impairment of PPE</strong></td>
<td>244</td>
<td>64</td>
<td>▲ 273.3%</td>
</tr>
<tr>
<td><strong>Provision for doubtful debt</strong></td>
<td>312</td>
<td>186</td>
<td>▲ 66.6%</td>
</tr>
<tr>
<td><strong>Provision for inventory</strong></td>
<td>299</td>
<td>72</td>
<td>▲ 322.6%</td>
</tr>
<tr>
<td><strong>North American operations and store closures</strong></td>
<td>247</td>
<td>143</td>
<td>▲ 77.4%</td>
</tr>
<tr>
<td><strong>Non-recurring impairment &amp; provisions</strong></td>
<td>2,722</td>
<td>-</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total OPEX</strong></td>
<td>17,007</td>
<td>14,035</td>
<td>▲ 23.2%</td>
</tr>
</tbody>
</table>

▲/▼ yoy change

- **Start-up cost for DC Europe**
- **Commencement of depreciation for the new IT system**
- **Impacted by a higher exchange gain in previous year**
- **Higher than expected level of provisions and impairments due to decline in turnover**
- **Management’s re-assessment of the fair values of assets (Profit Warning in May 2013)**
## INITIAL RESULT OF OPEX REDUCTION IN 2H
(excluding North American operations, store closures in previous years, special items and non-recurring provisions & impairments)

<table>
<thead>
<tr>
<th>(in HK$ M)</th>
<th>1H FY12/13</th>
<th>2H FY12/13</th>
<th>Change in %</th>
<th>HKD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff costs</td>
<td>2,076</td>
<td>2,064</td>
<td>▼ 0.6%</td>
<td></td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>1,784</td>
<td>1,795</td>
<td>▲ 0.6%</td>
<td></td>
</tr>
<tr>
<td>Logistics costs</td>
<td>749</td>
<td>704</td>
<td>▼ 5.9%</td>
<td></td>
</tr>
<tr>
<td>Advertising &amp; marketing expenses</td>
<td>597</td>
<td>423</td>
<td>▼ 29.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,206</td>
<td>4,986</td>
<td>▼ 4.2%</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>434</td>
<td>432</td>
<td>▼ 0.5%</td>
<td></td>
</tr>
<tr>
<td>Other operating costs</td>
<td>982</td>
<td>1,143</td>
<td>▲ 16.3%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,416</td>
<td>1,575</td>
<td>▲ 11.1%</td>
<td></td>
</tr>
<tr>
<td>Total OPEX</td>
<td>6,622</td>
<td>6,561</td>
<td>▼ 0.9%</td>
<td></td>
</tr>
</tbody>
</table>

FY12/13: 13,183

Cost reduction program taking effect in 2H but partially offset by restructuring costs and other special items
WORKING CAPITAL
**WORKING CAPITAL**

**INVENTORIES & TRADE DEBTORS**

**Inventories**

<table>
<thead>
<tr>
<th></th>
<th>30-Jun-12</th>
<th>31-Dec-12</th>
<th>30-Jun-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>HK$m'</td>
<td>3,593</td>
<td>3,965</td>
<td>3,209</td>
</tr>
</tbody>
</table>

**Net trade debtors**

<table>
<thead>
<tr>
<th></th>
<th>30-Jun-12</th>
<th>31-Dec-12</th>
<th>30-Jun-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>HK$m'</td>
<td>2,481</td>
<td>2,706</td>
<td>2,315</td>
</tr>
</tbody>
</table>

- **Cover ratio before provision**
  - 30-Jun-12: 48.1%
  - 31-Dec-12: 40.5%
  - 30-Jun-13: 48.1%

**Inventory decreased -19.1% vs Dec 12**

- Inventory T/O days: 100 (Dec 12: 102)
  - HK$228m provision mainly due to acceleration of provision for aged inventory
  - 1.2% depreciation in €/HK$ closing rate (Jun 13: 10.134; Dec 12: 10.254)

**Net trade debtors decreased -14.5% vs Dec 12**

- Cover ratio increased
- HK$312m provision mainly due to late payments by Wholesale customers
- 1.2% depreciation in €/HK$ closing rate (Jun 13: 10.134; Dec 12: 10.254)
# CASH FLOW
(excluding proceeds from rights issue and net of debts)

<table>
<thead>
<tr>
<th>HK$’m</th>
<th>1H</th>
<th>2H</th>
<th>FY12/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash (used in)/generated from operations</td>
<td>(1,091)</td>
<td>674</td>
<td>(417)</td>
</tr>
<tr>
<td>Tax paid, net</td>
<td>(51)</td>
<td>(289)</td>
<td>(340)</td>
</tr>
<tr>
<td>Net cash used in investing &amp; financing activities</td>
<td>(410)</td>
<td>(708)</td>
<td>(1,118)</td>
</tr>
<tr>
<td>Net cash utilization</td>
<td>(1,552)</td>
<td>(323)</td>
<td>(1,875)</td>
</tr>
<tr>
<td>Less: Dividend paid</td>
<td>-</td>
<td>(281)</td>
<td>(281)</td>
</tr>
<tr>
<td>Net cash utilization (excluding dividend paid)</td>
<td>(1,552)</td>
<td>(42)</td>
<td>(1,594)</td>
</tr>
</tbody>
</table>

- Reduced CAPEX in FY12/13 due to selective investment and deployment for refurbishment of stores

<table>
<thead>
<tr>
<th>HK$’m</th>
<th>FY11/12</th>
<th>FY12/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPEX</td>
<td>(1,420)</td>
<td>(919)</td>
</tr>
</tbody>
</table>

Significant reduction in cash consumption in 2H and cash flow stabilizing
CASH POSITION

Net Cash Position

Cash, bank balances and deposits and Net Cash

HK$1,162m reduction of Company’s debt for FY12/13
UPDATE ON STRATEGIC PRIORITIES
# TRANSFORMATION PLAN

<table>
<thead>
<tr>
<th>KPIs of the Transformation Plan</th>
<th>Guidance for FY11/12 to FY14/15</th>
<th>Actual Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales growth (LCY)</td>
<td>8 to 10% p.a.</td>
<td>-10.5%</td>
</tr>
<tr>
<td>China sales</td>
<td>HK$6b by FY14/15</td>
<td>HK$2.6b</td>
</tr>
<tr>
<td>Operating profit margin</td>
<td>15% post transformation</td>
<td>3.9%</td>
</tr>
<tr>
<td>Savings from sourcing initiatives</td>
<td>HK$1b p.a. by FY14/15</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Original guidance inapplicable as current performance not meeting expectation
STRATEGIC PRIORITIES

SHORT TERM
6-12 months

STABILIZATION
- Sales activation
- OPEX reduction
- Inventory normalization
- Operations stability

FOCUS ON PROFITABILITY
SALES ACTIVATION

CONTINUED IMPLEMENTATION OF TACTICAL INITIATIVES

- Aggressive mark-downs during sale periods
- Intensified promotional activity across channels
- Strengthened price-value positioning of selected products and categories
- Enhanced productivity of the stores: windows, space allocation, visual merchandising, in-store communication, etc.
- Active wholesale order book management

Short Term Target: stabilize productivity (sales per sqm) by tactically investing gross margin
OPEX REDUCTION

MINIMIZE OPERATIONAL EXPENSES

- Occupancy
- Marketing
- Logistics
- Other

RATIONALIZE BUSINESS AND DISTRIBUTION

- Unproductive product lines
- Loss-making Retail stores
- Unprofitable Wholesale distribution
- Loss-making countries

DEVELOP LEAN AND EFFICIENT ORGANIZATION

- Reduced complexity
- Internal synergies
- Improved processes and tools
- Flat organization

Short Term Target: bring OPEX to Net Sales ratio below 50% with a focus on cash related cost lines
INVENTORY NORMALIZATION

**BOLD SHORT-TERM MEASURES TO ACCELERATE THE REDUCTION OF AGED INVENTORY**

- Aggressive pricing of aged inventory
- Promotional clearance of terminal stock
- Increased activity with jobbers

**IMPLEMENTATION OF A MORE PREVENTIVE STOCK MANAGEMENT MODEL**

- Tight adjustment of Retail buying quantities
- Allocation of buying budget to short-term reaction
- Increase discount outlets network
- Implement more progressive provisions of stock

**Short Term Target:** reduce average inventory levels by around 10% with a focus on aged stock
New Distribution Center and SAP system will complement our overall efforts in improving the Company’s efficiency

- Increase operations productivity
- Improve service levels to customers and stores
- Enable new functionalities (critical for supply chain improvement)
STRATEGIC PRIORITIES

SHORT TERM
6-12 months

STABILIZATION
- Sales activation
- OPEX reduction
- Inventory normalization
- Operations stability

FOCUS ON PROFITABILITY

MEDIUM TERM
1-2 years

TRANSFORMATION
- Brand
- Stores
- Product
- Business Model

FOCUS ON TOP LINE

ESPRIT
BRAND
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
FALL CAMPAIGN ASTRID MUNOZ
FALL CAMPAIGN ASTRID MUNOZ
FASHION PR

Esprit & Hermes
Vogue France

Esprit & Prada
Madame Germany

Esprit & Forte Forte
Vogue Netherlands
FASHION PR

Esprit in Brigitte, Germany

Esprit, in Marie Claire France

Esprit in Brigitte, Germany
FASHION PR

Esprit, in Freundin Germany

Esprit in Cosmopolitan Germany

Esprit, in Grazia Germany
FASHION PR

Esprit in Trends Health China

Esprit in Vivi China

Esprit in Marie Claire China
ESPRIT BRAND AWARENESS

96% Internal, Brand Tracker 2013
88% Brigitte Kommunikationsanalyse, 2012
97% Satchi & Satchi, "Lovemarks" 2012
83% TW, "Top Shops" 2011

92% Internal, Brand Tracker 2013
94% Synovate global online survey, 2010

82% Internal, Brand Tracker 2013
86% Satchi & Satchi, "Lovemarks" 2012
83% Synovate global online survey, 2010

73% Internal, Brand Tracker 2013, Shanghai, Beijing & Guangzhou = 44% of sample
66% SH/ 55% BJ auFOUND Marketing Consulting, 2009
STORES
LIGHTHOUSE STORE CONCEPT
LIGHTHOUSE COMMERCIAL CONCEPT

ARCHITECTURE (LIGHTHOUSE)

VM GUIDELINES

SPACE ALLOCATION

<table>
<thead>
<tr>
<th>Sales area</th>
<th>Fitting rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counters</td>
<td>Hot spot</td>
</tr>
<tr>
<td>Destinations</td>
<td>Hot spot</td>
</tr>
<tr>
<td>Themes</td>
<td>Hot spot</td>
</tr>
<tr>
<td>Action area</td>
<td>Destinations</td>
</tr>
<tr>
<td>Windows and entrance</td>
<td>Themes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sales area</th>
<th>Fitting rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counters</td>
<td>Body wear</td>
</tr>
<tr>
<td>Accessories</td>
<td>edc</td>
</tr>
<tr>
<td>Denim</td>
<td>Casual</td>
</tr>
<tr>
<td>Trend</td>
<td>Collection</td>
</tr>
<tr>
<td>Trend</td>
<td>Campaign</td>
</tr>
<tr>
<td>Campaign</td>
<td>Trend</td>
</tr>
</tbody>
</table>
## STORE REFURBISHMENT PROGRAM

(AS OF JUNE 2013)

<table>
<thead>
<tr>
<th></th>
<th>TOTAL</th>
<th>CONCEPT</th>
<th>ICON</th>
<th>UPGRADE</th>
<th>REFRESH</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Self Managed</strong></td>
<td>113</td>
<td>3</td>
<td>10</td>
<td>57</td>
<td>43</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>71</td>
<td>3</td>
<td>8</td>
<td>41</td>
<td>19</td>
</tr>
<tr>
<td><strong>APAC</strong></td>
<td>42</td>
<td>2</td>
<td>16</td>
<td></td>
<td>24</td>
</tr>
<tr>
<td><strong>Partnership</strong></td>
<td>198</td>
<td>99</td>
<td>99</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>134</td>
<td>48</td>
<td></td>
<td>86</td>
<td></td>
</tr>
<tr>
<td><strong>APAC</strong></td>
<td>64</td>
<td>51</td>
<td></td>
<td>13</td>
<td></td>
</tr>
</tbody>
</table>

- Refurbishment program stores presenting superior sales and gross profit performance than comparable stores
- When refurbishment is complemented by new guidelines, improvement results in attractive return on investment
- Continued reduction of refurbishing cost per sqm
PRODUCT
PRODUCT DIRECTION

Lifestyle
(strong product know-how)

Stylish and contemporary
(strong product identity)

Quality made to last
(strong heritage and reputation)

Outstanding Value for Money
CHANGE OF BUSINESS MODEL

✓ Capturing of trends
✓ Reaction to demand

SPEED

VALUE FOR MONEY

EFFICIENCY

✓ Competitive pricing
✓ Sustainable profitability

VERTICAL

Brand
Product
Supply Chain
Distribution
Store / POS
Stock

HIGH PERFORMANCE PRODUCT ENGINE

End Consumer ESPRIT
HIGH PERFORMANCE PRODUCT ENGINE

- PEOPLE
- VALUE FOR MONEY
- INTEGRATION
- SPEED
- SIMPLICITY
CONTINUOUSLY ADDING COMPLEMENTARY TALENT AND EXPERIENCE

- **Chief Supply Chain Officer**
  - 17 years experience in vertical product development, supply chain management and apparel retailing

- **Managing Director for Germany**
  - 15 years experience in the German apparel market working with both wholesale and vertical retail companies

- **Chief Commercial Officer**
  - 10 years experience in commercial distribution and operations of vertically integrated companies

- **Other Positions**
  - WCA
  - MCA
  - Trend Division
  - etc.

**ESPRIT**
INTEGRATION OF ALL PRODUCT DEVELOPMENT FUNCTIONS INTO CATEGORY MANAGEMENT TEAMS (BUSINESS UNITS)

ALL FUNCTIONS TOGETHER IN ONE SPACE

ALL FUNCTIONS TOGETHER IN ONE TEAM

PRODUCT DIVISIONS
- Design
- Planning
- Fabrics
- Merchandising
- QC.
- Buying
- VM
- Sales

CATEGORY MANAGERS
INTEGRATION OF ALL CHANNELS AND LOCAL SUPPORT FUNCTIONS INTO MARKET BUSINESS UNITS

- GERMANY
- EUROPE & RoW
- APAC

- COUNTRY MANAGERS

- RETAIL
- WHOLESALE
- MULTICHANNEL FUNCTIONS
- CORPORATE FUNCTIONS
SIMPLIFICATION OF PRODUCT DEVELOPMENT AND SUPPLY CHAIN PROCESSES

Number of Suppliers

FY11/12 ▼ 20-30% ▼ 20-30% FY12/13

Number of SKUs

FY11/12 ▼ 20-30% ▼ 20-30% FY12/13

Number of Collections

Sell-in
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

Current
SSN01
SSN02
SSN03
SSN04
SSN05
SSN06
SSN07
SSN08
SSN09
SSN10
SSN11
SSN12

Future

Phase 2

ESPRIT
TREND DIVISION

- Re-launched Trend division as a laboratory test for fast-to-market in-season development

- Target to operate on 2-3 months’ lead time

- First season products in stores during Fall/Winter 2013

- Initial target to represent ~5% of merchandise in retail stores

- Learnings to be transferred to main product divisions
• New pricing strategies being tested at item-, product category- and country-level
• Encouraging initial results proving:
  • Brand attractiveness
  • Relevance of the value-for-money equation
• Extension of tests and solutions towards an outstanding value for money positioning
STRATEGIC PRIORITIES

SHORT TERM
6-12 months

STABILIZATION
- Sales activation
- OPEX reduction
- Inventory normalization
- Operations stability

FOCUS ON PROFITABILITY

MEDIUM TERM
1-2 years

TRANSFORMATION
- Brand
- Stores
- Product
- Business Model

FOCUS ON TOP LINE

LONG TERM
> 2 years

GROWTH
- edc
- China
- Sustainable growth

FOCUS ON VALUE
ESPRIT – STRATEGY

CORE MARKETS

BRAND

PRODUCT

STORES

✓ Unique Handwriting
✓ Product Know How

OUTSTANDING VALUE FOR MONEY

ESPRIT
ESPRIT - STRATEGY

CORE MARKETS

BRAND       PRODUCT       STORES

HUGE GROWTH POTENTIAL IN CORE AND NON CORE MARKETS TRULY GLOBAL BRAND!!
GROWTH STRATEGY

- Improve sales per sqm as top priority

- Continuous development of e-commerce leading position and development of multichannel

- Multi-brand strategy for a diversified positioning (leverage brand awareness in highest potential market)

- Growth strategy in core country with low penetration

- Key accounts and opinion leaders
- Strategic partners for growth in new markets

- Strong focus on performance and profitability
- Focus on core markets

- Quickly develop density in current non-core markets
- Open new markets
- Leverage hybrid Retail-Wholesale strategy
OUTLOOK
OUTLOOK – FY13/14

**TOP LINE**
Anticipate a slight decline due to the reduction of controlled space in Retail (closures) and Wholesale (rationalization)

**GP MARGIN**
Expect to stabilize or decline slightly due to continued investments in improving product quality

**OPEX**
Target to reduce OPEX-to-net sales ratio to below 50% by addressing all cost lines

**CAPEX**
Moderate deployment of investments in line with business development and performance