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AGENDA

Business Highlights  Jose Manuel Martínez, CEO

Interim Results Review  Thomas Tang, CFO

Strategic Priorities  Jose Manuel Martínez, CEO

Q&A’s
BUSINESS HIGHLIGHTS

• **1H FY14/15 sales performance was well below expectation and adversely impacted by a number of internal and external factors**
  - Reduction in total controlled space in both Retail and Wholesale networks
  - Prolonged unusually warm weather in Europe, which affected sales of Autumn / Winter products and resulted in a highly promotional and discount driven market environment
  - Finalization of the special return agreements with our Wholesale partners in China
  - Unfavorable exchange rate movements, primarily the Euro depreciation against US Dollar

• **Net profit of HK$47 million thanks to continued improvement of our cost base**
  - Turnover decline of -13.2% in local currency compared with -10.0% year-on-year reduction of total controlled space
  - Gross profit margin at 50.5%, slight increase year-on-year of +0.9% pt
  - Continued savings in OPEX with reduction of -11.9% in HK$ term
  - Healthy net cash balance of HK$5.2 billion

• **Rapid progress in all fronts of our Transformation project**
  - On track and recently launched Spring / Summer 15 (SS15) collections in February 2015, first ones under the new model, which have been well received by wholesale customers
  - Retail performance to be assessed by the end of this season
  - Stepping up efforts to establish a vertical business model and a solid platform for best-in-class omni-channel distribution
INTERIM RESULTS REVIEW
## INCOME STATEMENT

<table>
<thead>
<tr>
<th>(in HK$'m)</th>
<th>1H FY14/15</th>
<th>1H FY13/14</th>
<th>YoY change HKD</th>
<th>YoY change LCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>10,716</td>
<td>12,810</td>
<td>▼ 16.3%</td>
<td>▼ 13.2%</td>
</tr>
<tr>
<td>COGS</td>
<td>(5,309)</td>
<td>(6,462)</td>
<td>▼ 17.8%</td>
<td>▼ 14.8%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>5,407</td>
<td>6,348</td>
<td>▼ 14.8%</td>
<td>▼ 11.5%</td>
</tr>
<tr>
<td>GP margin</td>
<td>50.5%</td>
<td>49.6%</td>
<td>▲ 0.9% pt</td>
<td>▲ 0.9% pt</td>
</tr>
<tr>
<td>OPEX</td>
<td>(5,370)</td>
<td>(6,094)</td>
<td>▼ 11.9%</td>
<td>▼ 8.9%</td>
</tr>
<tr>
<td>EBIT</td>
<td>37</td>
<td>254</td>
<td>▼ 85.5%</td>
<td>▼ 73.3%</td>
</tr>
<tr>
<td>Taxation</td>
<td>1</td>
<td>(175)</td>
<td>▼ 100.8%</td>
<td>▼ 93.9%</td>
</tr>
<tr>
<td>Net profit</td>
<td>47</td>
<td>95</td>
<td>▼ 49.9%</td>
<td>▼ 30.5%</td>
</tr>
</tbody>
</table>

▲/▼ year-on-year change

Turnover decline higher than decline in total controlled space of -10.0% yoy

Larger than expected decrease in turnover mainly due to:

(i) Prolonged unusually warm weather in Europe for majority part of the period under review
(ii) Special return agreements in China

Gross profit margin increased slightly due to supply chain savings that also allow us to invest in improving product quality and value for money

Efforts continued in OPEX reduction but at a lower rate than turnover due to substantial cost savings achieved in previous year

A non-recurring tax credit of approximately HK$155 million as a result of a successful claim on deductibility of certain expense items in the United States of America
TURNOVER
# Breakdown of Turnover

<table>
<thead>
<tr>
<th>Regions</th>
<th>% of Group Turnover</th>
<th>Channels</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Retail</td>
<td>Wholesale</td>
<td>Licensing &amp; others</td>
</tr>
<tr>
<td>Germany</td>
<td>29.0%</td>
<td>17.8%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Rest of Europe*</td>
<td>20.1%</td>
<td>17.1%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>13.6%</td>
<td>1.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>North America</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>62.7%</td>
<td>36.5%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

* Rest of Europe include all European countries excluding Germany, plus Latin America and the Middle East
## Development of Turnover by Quarters

<table>
<thead>
<tr>
<th></th>
<th>Turnover Change in LCY</th>
<th>SQM Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY14/15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st Quarter</td>
<td>▼ 16.3%</td>
<td>▼ 11.3%</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>▼ 9.9%</td>
<td>▼ 10.0%</td>
</tr>
<tr>
<td>First Half</td>
<td>▼ 13.2%</td>
<td>▼ 10.0%</td>
</tr>
</tbody>
</table>

▲/▼ year-on-year change

Very weak performance in 1Q primarily due to the damaging combination of unusually warm weather in Europe and special return agreements in China.

Decline narrowed to be very much in line with the corresponding reduction of controlled space in 2Q, once we faced a more “normalized” situation in Europe and APAC.
DEVELOPMENT OF TURNOVER BY REGIONS

HK$’m
13,500
13,000
12,500
12,000
11,500
11,000
10,500
10,000
9,500
9,000
8,500

1H FY13/14
Currency impact
Germany
Rest of Europe and other **
Asia Pacific
1H FY14/15

-409
-752
-596
-337
10,716

3.2% pts
5.9% pts
4.6% pts
2.6% pts

16.3% In HKD

* Rest of Europe include all European countries excluding Germany, plus Latin America and the Middle East
** Other represents North America

▲/▼ year-on-year change
**ANALYSIS OF TURNOVER – GERMANY**

**WHOLESALE**
- HK$1,908m ▼9.1% in LCY
- 212,221 m² ▼7.1%
- Termination of very small wholesale accounts as part of our effort to rationalize wholesale customer base
- Lower order intake of edc products as a result of new planning for collection flow
- Stabilization of controlled space productivity (sales/m²) in 2Q:
  - 1Q: ▼10.2% in LCY vs ▼5.0% in m²
  - 2Q: ▼7.5% in LCY vs ▼7.1% in m²

**RETAIL**
- HK$3,110m ▼14.5% in LCY
- 124,490 m² ▼3.4%
- Closure of 6 stores under store closure and onerous leases in 1H
- Prolonged unusually warm weather conditions
- Discount-driven market and weakened consumer sentiment
  - Decline narrowed to ▼12.9% in 2Q (1Q ▼16.3%)
  - Weather turned colder in November and December 2014
  - Aggressive promotion and markdown in place to drive store traffic and to activate sales

**TOTAL:**
HK$ 5,025m ▼12.5% in LCY ▼5.8% in m²

Licensing & Others: 0.1% ▼26.1% in LCY

▲/▼ year-on-year change
ANALYSIS OF TURNOVER – REST OF EUROPE

WHOLESALE
HK$1,830m ▼13.8% in LCY
188,871m² ▼16.8%

- Conversion of 10 franchise stores in Sweden into retail format
- Exit of partner in Russia
- Reduction in franchise store space in Middle East
- Space loss in France and Belgium driven by negative economic environment

+ Stabilization of controlled space productivity (sales/m²) in 2Q:
  1Q: ▼16.6% in LCY vs ▼17.9% in m²
  2Q: ▼8.7% in LCY vs ▼16.8% in m²

TOTAL: HK$ 3,994m
▼12.2% in LCY
▼11.2% in m²

45.8% Licensing & Others: 0.2%
▼5.6% in LCY

54.0%

RETAIL
HK$2,158m ▼11.0% in LCY
107,228 m² ▲0.6%

- Closure of 3 stores under store closure and onerous leases in 1H
- Prolonged unusually warm weather conditions
- Slower economic growth and weakened consumer sentiment

Decline narrowed to ▼7.1% in 2Q (1Q ▼15.6%)

+ Conversion of 10 franchise stores in Sweden into retail format
+ Weather turned colder in December 2014
+ Aggressive promotion and mark down in place to drive store traffic and to activate sales

▲/▼ year-on-year change
**ANALYSIS OF TURNOVER – ASIA PACIFIC**

**WHOLESALE**
HK$178m ▼49.3% in LCY
47,650m² ▼35.3%

**China (73.3% of APAC Wholesale)**
▼ 51.5% in LCY
▼ 41.8% in sqm
- Loss of controlled space carried on from last year
- Special return agreements finalized end of 1Q to address the aged inventory problem
+ Stabilization of controlled space productivity in 2Q
▼ 32.1% in LCY vs ▼ 35.3% in m²
+ Signed up new franchise partners for the next financial year

**Rest of APAC**
- Closure of Australia wholesale
- Lower orders from Thailand

**RETAIL**
HK$1,453m ▼9.8% in LCY
101,994m² ▼3.1%

**China (43.7% of APAC Retail)**
▼ 10.2% in LCY
▼ 2.5% in sqm
- Decline in store traffic and weak performance in department store promotions in China
+ ▲ 2.9% comp-store-growth in 2Q
Decline slightly narrowed to ▼ 9.6% in 2Q (1Q ▼ 10.9%)

**Rest of APAC**
▼ 9.5% in LCY
▼ 3.6% in sqm
- Occupy Central Movement in Hong Kong affecting consumer traffic and trading hours

▲/▼ year-on-year change
PROFITABILITY
**GROSS PROFIT MARGIN**

Slight increase in gross profit margin

- Lean supply chain management is beginning to have positive impact on sourcing costs
- Aggressive promotion and markdown implemented to drive store traffic and to activate sales
FX CHALLENGE

- Negative impact on Euro depreciation
  - Approximately 78% of sales denominated in Euro
  - Only approximately 15%-20% of finished goods are purchased in Euro

- Sourcing costs for calendar year 2015 (i.e. SS15 and AW15) is fully hedged at a better rate than the current rate - moderate immediate pressure on GP margin

- Excluding working capital requirements, all surplus cash are kept in USD/HKD (represent almost 60% of total cash held by the Group)

- Under continuous review for purchases of merchandise in the calendar year 2016 as well as potential Euro price adjustment, depending on movement in exchange rate
## OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>1H FY14/15</th>
<th>1H FY13/14</th>
<th>LCY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff costs</td>
<td>1,896</td>
<td>1,984</td>
<td>▼ 1.4%</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>1,689</td>
<td>1,819</td>
<td>▼ 4.2%</td>
</tr>
<tr>
<td>Logistics expenses</td>
<td>569</td>
<td>670</td>
<td>▼ 11.0%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>371</td>
<td>419</td>
<td>▼ 8.2%</td>
</tr>
<tr>
<td>Marketing &amp; Advertising expenses</td>
<td>419</td>
<td>371</td>
<td>▲ 19.0%</td>
</tr>
<tr>
<td>Others</td>
<td>426</td>
<td>831</td>
<td>▼ 48.4%</td>
</tr>
<tr>
<td><strong>Total OPEX</strong></td>
<td><strong>5,370</strong></td>
<td><strong>6,094</strong></td>
<td><strong>▼ 8.9%</strong></td>
</tr>
</tbody>
</table>

CONTINUING OUR EFFORTS IN COSTS REDUCTION:

- Reflect reduction of ▼ -2.0% in expensive retail space
- In line with reduction in business volume
- Stepping up marketing efforts ahead of roll out of new products at store level
- Benefited from improved stock management (stock provisions)

- Total OPEX savings of HK$724 million, representing a year-on-year reduction of -8.9% in LCY
- Despite 19% LCY increase in Marketing & Advertising expenses mainly for implementation of the new brand strategy to drive consumer attention and store traffic across channels
WORKING CAPITAL
• Net cash consumption of HK$541 million for the Period Under Review
• Maintained a healthy net cash position of HK$5,230 million (HK$5,181 million as of 31 Dec 2013)
• Subsequent to 31 Dec 2014, the last installment (HK$260m) of the bank loan was repaid on 4 Feb 2015, and the Group is now debt free
RECENT DEVELOPMENT OF NET CASH POSITION

Cash preservation throughout first phase of Transformation
**WORKING CAPITAL - INVENTORIES & NET TRADE DEBTORS**

**Inventories**

<table>
<thead>
<tr>
<th>Date</th>
<th>HK$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-Dec-13</td>
<td>3,127</td>
</tr>
<tr>
<td>30-Jun-14</td>
<td>3,254</td>
</tr>
<tr>
<td>31-Dec-14</td>
<td>2,971</td>
</tr>
</tbody>
</table>

- **Inventory Turnover Days**

**Net trade debtors**

<table>
<thead>
<tr>
<th>Date</th>
<th>HK$m</th>
<th>Cover Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-Dec-13</td>
<td>2,364</td>
<td>(39.6%)</td>
</tr>
<tr>
<td>30-Jun-14</td>
<td>2,054</td>
<td>(40.4%)</td>
</tr>
<tr>
<td>31-Dec-14</td>
<td>1,783</td>
<td>(43.2%)</td>
</tr>
</tbody>
</table>

() denote Cover ratio before provision

**Inventory ▼ 5.0% yoy due to:**

- Units of inventory ▼ 14.7% yoy
- ▼ 11.9% depreciation in EUR/HKD closing rate (31 Dec 14: 9.4295; 31 Dec 13: 10.703)
- Write-back of overprovision of merchandises in the outlet channel

Inventory turnover days increased by 4 days yoy to 95 days as a result of negative sales development

**Net trade debtors ▼ 24.6% yoy due to:**

- Lower wholesale turnover
- ▼ 11.9% depreciation in EUR/HKD closing rate (31 Dec 14: 9.4295; 31 Dec 13: 10.703)

Cover ratio before provision increased by ▲ 2.8% pts as compared to end of Jun 2014
• Similar level of CAPEX
• Remained selective in expansion and moderate in deployment of refurbishment to align with business development
## DIVIDEND

<table>
<thead>
<tr>
<th></th>
<th>Net profit</th>
<th>Basic earnings per share</th>
<th>Interim dividend payout ratio</th>
<th>Interim dividend per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>HK$47m</td>
<td>HK 2 cents</td>
<td>61.5%</td>
<td>HK 1.5 cents</td>
<td></td>
</tr>
</tbody>
</table>

- Declared interim dividend of HK 1.5 cents per share with scrip alternative

- **Key calendar dates**
  - Ex-dividend date: 11 March 2015
  - Book closure dates: 13 March 2015 to 16 March 2015
  - Payment date: 28 April 2015
STRATEGIC PRIORITIES
**STRATEGIC PLAN**

**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

**REMINDER**

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1H FY14/15
Negative AW14 top line performance due to both internal and external factors not related to new model

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

UNCERTAINTY SCENARIO IN FY14/15

Jan ‘15
TRANSFORMATION

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

UNCERTAINTY SCENARIO IN FY14/15

1H FY14/15
Negative AW14 top line performance due to both internal and external factors not related to new model

2H FY14/15
Positive development of SS15 in Wholesale, while Retail still unknown

Jan '15
TRANSFORMATION

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

UNCERTAINTY SCENARIO IN FY14/15

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

1H FY14/15
Negative AW14 top line performance due to both internal and external factors not related to new model

2H FY14/15
Positive development of SS15 in Wholesale, while Retail still unknown

New model implementation started on time (July 2014) and positive progress in most fronts of the Transformation

Jan '15
BRAND
“ESPRIT DE CORPS”
**BRAND MARKETING STRATEGY**

### SHORT TERM
- **FY13/14**

#### STABILIZATION
- Overall
  - Company focused on fixing profitability and operational issues

#### Brand
  - **Reduce** total Brand Marketing spend and focus on tactical measures

### MEDIUM TERM
- **FY14/15**

#### TRANSFORMATION
- Overall
  - Company focused on improving our product and stores

#### Brand
  - **Revise** and test final Brand Strategy (revisit original concept in Transformation Plan)

---

**“Esprit de Corps”**

**Social Realm**

- Social values
- Group/Relatedness
- Freedom
- Feelings
- Casual/Natural
- Relaxed/Positive
- Full of life
- Real People
FY14/15 CAMPAIGNS – NEW CONCEPT

Autumn / Winter 14
- Finding balance in life
- Rediscover the importance of relationships
- Sustainable living
  - “MUSES”
    + Real people
    + Social values
    + Positive attitude
- Mindful living (healthy food movement)

Spring / Summer 15
- Moments that matter
- Friendship
- “COMMUNITY”
  + Togetherness
  + Women & Men
  + Californian spirit
BRAND MARKETING STRATEGY

SHORT TERM
FY13/14

STABILIZATION
Company focused on fixing profitability and operational issues

MEDIUM TERM
FY14/15

TRANSFORMATION
Company focused on improving our product and stores

LONG TERM
2015 ...

GROWTH
Company focused on growth on the basis of successful Product and Store concept

Overall

Brand

Reduce total Brand Marketing spend and focus on tactical measures

Revise and test final Brand Strategy (revisit original concept in Transformation Plan)

More ambitious activation of Brand communication across markets
PRODUCT
“VERTICAL MODEL”
IMPLEMENTATION OF VERTICAL BUSINESS MODEL

1. **Lean SCM** - Fast and efficient product development (vs GTM)
2. **Category Mngmnt. Teams** - End to end product management
3. **New Merchandising Model** - Centralized product and merchandise decisions (vs. Markets/Channels)
4. **Seasonal Calendar** - Flexible flow of product (vs. 12 collections)
5. **Product Range Reduction** - Development for the Stores (vs. Showrooms)
6. **Fast to Market Product Development** - Smaller initial collections and larger OTB (vs. Order Intake)
7. **Stock Management Optimization** - “Last minute” and subsequent allocation - replenishment (vs 100% pre-allocation)
8. **New Pricing Model** - Market pricing (vs. “Cost+” model) with a focus on realized GP Margin (vs. Full Price margins)
HYBRID BUSINESS MODEL FOR ALL CHANNELS

VERTICAL

Product Development
Merchandising
Supply Chain
Distribution
Store / POS
Stock

Retail Stores
Retail e-commerce
WHS-PSS
WHS-ML

NATURAL VERTICAL MODEL

MORE VERTICAL PSS MODEL
- Vertical PSS pilot EU: Learn and improve model—communication, roles, processes, tools
- Fake vertical PSS China: improve processes, build partners’ trust, increase assortment control

ADAPTATION OF WHS MODEL
- Bi-monthly sell-in
- Vertical assortment planning
- F2M4W via online tool
- Sales force sell-out focus

“PURE” VERTICAL MODEL

“VERTICALISED” WHOLESALE MODEL

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CHANNELS
“OMNICHANNEL”
KEY INSIGHTS FROM CHANNELS TRENDS

- Business Case Retailers
- Omni-channel
- Personalization
- E-Fulfillment
- On-Line Competition
- Expansion

- Direct to Consumer
- E-Payment Companies
- Digital
- World Class Vendors
- Digital Media

- Key Online Players
- Specialized Consulting
- Mobile
- Top Software Developers
OMNICHANNEL MODEL IN ESPRIT
DIRECT TO CONSUMER

Esprit Friends: Best and closest customers to our brand

Retail Sales

- 60% Esprit Friends
- 40% Non-members

6.4 Million Esprit Friends*
Of which 4.6 Million purchased in the last 12 months

Deep Knowledge
- Deep research (e.g. Focus Groups)
- Quick research (weekly surveys)
- Consumer pulse (monthly surveys)
- Consumers purchase (data analysis)

Continuous Interaction
- Newsletter
- Exclusive Promotions
- Personalization
- Reactivation

* World-wide, purchased in the past 24 months
DIRECT TO CONSUMER

Develop the best loyalty program in fashion apparel

Welcome voucher

% Bonus with every purchase

Esprit News („be the first to know“)

Personalization (e.g. birthday surprise)

Free service hotline

Free alterations

Exclusive events (i.e. VIP Days)

Personal style advice
DIRECT TO CONSUMER

Develop best in class cross-channel integration

CHANNEL INCENTIVES

- Instore generated sales + service fees
- Off to on

E-profit sharing principle

X%

MOBILE APP

- Scan & Shop
- General Information
- Merchandise Availability Check

- Store Finder
- Already available
- Browse my store

OFF-TO-ON

IN-STORE COMMUNICATION

ON-TO-OFF

CLICK & COLLECT

CLICK & RESERVE

RETURN @ STORE

52
DIRECT TO CONSUMER

Develop a fully integrated commercial activity

PEOPLE

PRODUCT

PLACE

PROMOTIONS

PRICE

PRODUCT

STRAIGHT

BOOTCUT

SLIM

SKIN

PLACE

eShop assortment

Retail assortment

PROMOTIONS

PRICE

SWEATER EVENT

SWEATER EVENT
PEOPLE
ORGANIZATION
THANKS AGAIN!
**GROWTH**

- **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**
OUTLOOK
2H FY14/15 OUTLOOK

**CONTROLLED SPACE**
Low single digit decline in retail, as we continue closing loss making stores.

**TOP LINE**
Recovery of space productivity (sales / sqm) with respect to 1H both in retail and wholesale which would result in decline in line with sqm reduction.

Still expected volatility due to first execution of new model in SS15.

**GP MARGIN**
Continued improvement in local currency terms from savings in supply chain management although the Euro/US Dollar exchange rate development may negatively impact margin in Hong Kong Dollar terms.

**OPEX**
Operating expenses under control although this year we will not benefit from the same one-off special effects as we did in FY13/14.

**CAPEX**
Moderate deployment of announced CAPEX for stores refurbishments and openings.
Q&A