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AGENDA

• Business Highlights
  Jose Manuel Martínez, CEO

• Annual Results Review
  Thomas Tang, CFO

• Update on Strategic Priorities
  Jose Manuel Martínez, CEO

• Q&A’s

BUSINESS HIGHLIGHTS

- In FY13/14, Esprit has reached two major milestones in our turnaround strategy
  - The return to profitability and positive cash generation
  - The implementation of a new vertically integrated model in July 2014 for faster and more cost efficient product management processes

- Positive EBIT of HK$361 million with Net Profit of HK$210 million
  - Turnover decline of -9.9% in local currency, in line with the reduction of sales space (-10.7% in sqm)
  - Stable Gross Profit Margin at 50.2% (2013: 49.6%)
  - Drastic -32.9% reduction of Operating Expenses in local currency terms (-21.4% if excluding the non-recurring cost items of our previous financial year)
  - Net cash generation of HK$1,120 million

- New vertical business model in place since July 2014
  - Detailed solutions for vertical model to serve both our retail and wholesale channels
  - Implementation started on time according to strategic plan timeline
  - Full implementation will involve operational challenges in FY14/15
ANNUAL RESULTS REVIEW
## INCOME STATEMENT

<table>
<thead>
<tr>
<th>(in HK$'m)</th>
<th>FY13/14</th>
<th>FY12/13</th>
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<td>Gross profit</td>
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<tr>
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</tr>
<tr>
<td>EBIT/(LBIT)</td>
<td>361</td>
<td>(4,170)</td>
<td>▲108.7%</td>
<td>▲107.9%</td>
</tr>
<tr>
<td>Net profit / (loss)</td>
<td>210</td>
<td>(4,388)</td>
<td>▲104.8%</td>
<td>▲104.5%</td>
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</tbody>
</table>

▲/▼ yoy change

- Turnover decline in line with reduction of controlled selling space (-10.7% in sqm)
- Continued stabilization in Europe, our largest market, while challenges remain in the Asia Pacific region

6
### INCOME STATEMENT

<table>
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Stable gross profit margin
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# Represent impairment of China goodwill (HK$1,996m), provision and impairment for store closures (HK$274m) and provision and impairment for stores with onerous leases (HK$224m) totaling HK$2,494m in FY12/13

**OPEX reduction on track bringing opex-to-sales ratio to 48.7%**

**Excluding non-recurring provisions and impairment**

in FY12/13, OPEX ▼ 21.4% in local currency yoy
## INCOME STATEMENT

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▲/▼ yoy change

Despite the Group being in downsizing mode, returned back to profitability (EBIT and Net Profit)
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></td>
<td>Retail</td>
<td>Wholesale</td>
</tr>
<tr>
<td>Germany</td>
<td>29.5%</td>
<td>17.2%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Europe and Rest of the World*</td>
<td>20.3%</td>
<td>17.1%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>13.0%</td>
<td>2.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>62.8%</strong></td>
<td><strong>36.5%</strong></td>
<td>0.7%</td>
</tr>
</tbody>
</table>

* Excluding Germany and Asia Pacific

▲▼ year-on-year change

LY: 43.5%
DEVELOPMENT OF TURNOVER

HK$’m

<table>
<thead>
<tr>
<th>FY12/13</th>
<th>Currency impact</th>
<th>Store closures, stores with onerous leases and North America wholesale</th>
<th>Retail</th>
<th>Wholesale</th>
<th>Licensing &amp; others</th>
<th>FY13/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>25,902</td>
<td>+897</td>
<td>-288</td>
<td>-709</td>
<td>-1,557</td>
<td></td>
<td>24,227</td>
</tr>
</tbody>
</table>

"Core Operations"

▲/▼ year-on-year change

▼ 9.9% in LCY
▼ 1.1% pts
▼ 2.7% pts
▼ 6.0% pts
▼ 0.1% pt
## SHORT TERM STABILIZATION – CORE OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>Turnover change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HKD</td>
<td>LCY</td>
</tr>
<tr>
<td>Europe Retail</td>
<td>▲ 3.2%</td>
<td>▼ 1.5%</td>
</tr>
<tr>
<td>Germany Wholesale</td>
<td>▼ 0.1%</td>
<td>▼ 4.7%</td>
</tr>
<tr>
<td>Licensing</td>
<td>▼ 1.3%</td>
<td>▼ 2.1%</td>
</tr>
<tr>
<td>Europe &amp; RoW* Wholesale</td>
<td>▼ 14.6%</td>
<td>▼ 18.3%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>▼ 22.2%</td>
<td>▼ 21.6%</td>
</tr>
</tbody>
</table>

- ▲: Increase, ▼: Decrease, △: Year-on-year change

### Notes:
- **Europe & RoW* Wholesale**: Relatively flat top line on the basis of stabilizing space and space productivity (sales per sqm).
- **Stabilized productivity with sales decline less than space loss**
- **Europe Retail**: Double-digit decline as challenges persist, especially in Asia.

---

*RoW excludes Germany and Asia Pacific

N/A Not applicable
RETAIL
ANALYSIS OF RETAIL TURNOVER

HK$’m

FY12/13: 15,652
FY13/14: 15,220

Currency impact: +506
Store closures and stores with onerous leases: -230
Europe: -168
Asia Pacific: -540

“Core Retail”

- 6.0% in LCY
- 1.5% pts
- 1.1% pts
- 3.4% pts

▲/▼ yoy change
## ANALYSIS OF CORE RETAIL TURNOVER

<table>
<thead>
<tr>
<th></th>
<th>Turnover</th>
<th></th>
<th>Net sales area</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$m</td>
<td>HKD change</td>
<td>LCY change</td>
<td>sqm</td>
</tr>
<tr>
<td>Europe</td>
<td>11,359</td>
<td>▲3.2%</td>
<td>▼1.5%</td>
<td>200,521</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>3,159</td>
<td>▼15.6%</td>
<td>▼14.4%</td>
<td>100,520</td>
</tr>
<tr>
<td>Core Retail</td>
<td>14,518</td>
<td>▼1.6%</td>
<td>▼4.8%</td>
<td>301,041</td>
</tr>
</tbody>
</table>

▲/▼ yoy change

**Europe:**
- Sales performance in line with the development of net sales area;
- Stabilization of retail sales performance, primarily driven by:
  - Sales activation
  - Better inventory management

**APAC:**
- Weaker sales performance primarily attributable to:
  - Loss of net sales area mainly due to closure of unprofitable space from the top 2 markets, namely China (-13.3% yoy) and Australia (-29.5% yoy)
  - Stock availability issues
  - Unfavourable shift in product mix towards lower average selling price items
## RETAIL POS AND NET SALES AREA BY STORE TYPES

<table>
<thead>
<tr>
<th>Store types</th>
<th>No. of POS</th>
<th>Net sales area (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at 30 Jun 14</td>
<td>As at 1 Jul 13</td>
</tr>
<tr>
<td></td>
<td>vs 1 Jul 13</td>
<td></td>
</tr>
<tr>
<td>Stores/concession counters</td>
<td>773</td>
<td>40 (152) 885 (112)</td>
</tr>
<tr>
<td>Outlets</td>
<td>82</td>
<td>12 (8) 78 4</td>
</tr>
<tr>
<td>Sub-total</td>
<td>855</td>
<td>52 (160) 963 (108)</td>
</tr>
<tr>
<td>Store closures and stores with onerous leases</td>
<td>50</td>
<td>- (11) 61 (11)</td>
</tr>
<tr>
<td>Total</td>
<td>905</td>
<td>52 (171) 1,024 (119)</td>
</tr>
</tbody>
</table>

- Development of POS and net sales area in line with strategy
- Stores/concession counters space ▼ 6.2% mainly attributable to China and Australia
- Outlet expansion in line with our initiative for better inventory management
- Remain selective in store openings with a strong focus on return on investment
ANALYSIS OF WHOLESALE TURNOVER

HK$m

<table>
<thead>
<tr>
<th>FY12/13</th>
<th>Currency impact</th>
<th>Divestment of North America wholesale</th>
<th>Europe</th>
<th>Asia Pacific</th>
<th>FY13/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,062</td>
<td>+388</td>
<td>-58</td>
<td>-1,087</td>
<td>-470</td>
<td>8,835</td>
</tr>
</tbody>
</table>

▲/▼ yoy change

“Core Wholesale”

▼0.6% pts
▼10.8% pts
▼16.1% in LCY
▼4.7% pts
# Analysis of Core Wholesale Turnover

<table>
<thead>
<tr>
<th></th>
<th>Turnover</th>
<th>Controlled Space</th>
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<tbody>
<tr>
<td></td>
<td>HK$'m</td>
<td>% to Segment turnover</td>
</tr>
<tr>
<td>Europe</td>
<td>8,311</td>
<td>94.1%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>524</td>
<td>5.9%</td>
</tr>
<tr>
<td>Core Wholesale</td>
<td>8,835</td>
<td>100.0%</td>
</tr>
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</table>

▲/▼ yoy change

**Europe:**
- Turnover decline in line with controlled space development
- Better performance in Germany with turnover decline of -4.7% in LCY against -5.6% decline in controlled space

**APAC:**
- Higher decline in turnover due to i) rationalization of customer base; ii) the special return agreements to solve long time problems with aged inventory in the channel in China; as well as iii) our decision to close the wholesale operation in Australia
- Both measures in China are necessary to re-establish a healthy distribution in the country and were completed in FY13/14 with the last stock return having taken place in July 2014
## CONTROLLED WHOLESALE SPACE BY REGIONS AND POS TYPES

<table>
<thead>
<tr>
<th>Regions</th>
<th>Franchise stores</th>
<th>Shop-in-stores</th>
<th>Identity corners</th>
<th>Total</th>
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<tbody>
<tr>
<td></td>
<td>Net sales area (m²)</td>
<td>yoy change in net sales area</td>
<td>Net sales area (m²)</td>
<td>yoy change in net sales area</td>
</tr>
<tr>
<td>Europe</td>
<td>222,150</td>
<td>-11.7%</td>
<td>151,132</td>
<td>-7.3%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>59,533</td>
<td>-29.5%</td>
<td>-</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Total</td>
<td>281,683</td>
<td>-16.2%</td>
<td>151,132</td>
<td>-7.7%</td>
</tr>
</tbody>
</table>

Larger space loss in Asia Pacific mainly due to:
- Loss of controlled space in China (-33.7% year-on-year)
- Closure of all wholesale POS in Australia
CHINA
**WHOLESALE**
HK$379m ▼52.7% in LCY
305 POS ▼33.7% in SQM

- Challenging macro environment and general weakness in the channel
- Special return agreements to solve aged inventory problem in the channel (completed in July 2014)

**RETAIL**
HK$1,383m ▼15.8% in LCY
319 POS ▼13.3% in SQM

- Decision to close unprofitable stores upon lease expiry
- Underperformance of department store concessions due to declining customer traffic
- Stock availability issues due to late deliveries

**Others** ▼89.9% in LCY

▲/▼ yoy change

- New management team in China will refocus on improving conversion rates through better product performance, and developing a stronger distribution network of better operated retail stores, strategic wholesale partnerships and stronger e-commerce platform
PROFITABILITY
A slight improvement in gross profit margin driven by:

- Savings achieved from sourcing initiatives (not yet fully implemented in FY13/14) have been offset by “investments” in improving product quality and value for money

- Fewer markdowns as a result of improved inventory management

- Larger share of retail turnover at a higher gross margin (62.8% in Retail vs 60.4% last year)
## OPERATING EXPENSES

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<th>LCY Change</th>
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<tr>
<td>Staff costs</td>
<td>3,851</td>
<td>4,216</td>
<td>▼ 11.5%</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>3,585</td>
<td>3,726</td>
<td>▼ 6.5%</td>
</tr>
<tr>
<td>Logistics expenses</td>
<td>1,317</td>
<td>1,453</td>
<td>▼ 13.4%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>833</td>
<td>866</td>
<td>▼ 7.1%</td>
</tr>
<tr>
<td>Marketing &amp; Advertising expenses</td>
<td>792</td>
<td>1,027</td>
<td>▼ 26.0%</td>
</tr>
<tr>
<td>Impairment of Property, plant and equipment</td>
<td>80</td>
<td>346</td>
<td>▼ 77.6%</td>
</tr>
<tr>
<td>Impairment of goodwill</td>
<td>-</td>
<td>1,996</td>
<td>▼ 100.0%</td>
</tr>
<tr>
<td>Additional provision for store closures and leases</td>
<td>106</td>
<td>426</td>
<td>▼ 75.5%</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>1,231</td>
<td>2,951</td>
<td>▼ 60.0%</td>
</tr>
<tr>
<td>Total OPEX</td>
<td>11,795</td>
<td>17,007</td>
<td>▼ 32.9%</td>
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▲/▼ yoy change

### Savings across all lines:
- **Improved personnel efficiency across all markets and departments**
- **Due to -5.7% decrease in expensive retail net sales area**
- **In line with reduction in business volume**
- **Substantially reduced central marketing expenses by 72.7% in HKD term to HK$12m (2013: HK$411 million)**
- **Noticeable savings across:**
  - Provisions for inventory (better inventory management)
  - Provision for doubtful debt (tightened credit control)
  - IT expenses (after implementation of SAP and Europe DC completed in FY12/13)
  - Sampling costs (streamlined product range and supplier portfolio)
  - Legal and professional fees (through a more preventive approach)
  - Traveling expenses, (tightened cost control)

**Healthier cost base allowing return to profitability in the short term and leverage to improve margins in the medium term**

* FY12/13 figure includes impairment of property, plant and equipment for store closures and stores with onerous leases totaling HK$102 million

^ FY12/13 figure represents impairment of China goodwill

# FY12/13 figure includes provision for store closures and stores with onerous leases announced in FY12/13 totaling HK$396 million
WORKING CAPITAL
### FUND FLOW AND NET CASH POSITION

<table>
<thead>
<tr>
<th>Fund flow (excluding proceeds from rights issue and net of debts)</th>
<th>FY13/14</th>
<th>FY12/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash generated from / (used in) operations</td>
<td>2,006</td>
<td>(417)</td>
</tr>
<tr>
<td>Tax paid, net</td>
<td>(588)</td>
<td>(340)</td>
</tr>
<tr>
<td>Net cash used in investing &amp; financing activities</td>
<td>(298)</td>
<td>(1,118)</td>
</tr>
<tr>
<td>Net cash generation / (utilization)</td>
<td>1,120</td>
<td>(1,875)</td>
</tr>
<tr>
<td>Less: Dividend paid</td>
<td>(56)</td>
<td>(281)</td>
</tr>
<tr>
<td>Net cash generation / (utilization) excluding dividend paid</td>
<td>1,176</td>
<td>(1,594)</td>
</tr>
</tbody>
</table>

**Net cash**

- 30 Jun 2013: **4,651**
- 30 Jun 2014: **5,771**

Drivers of positive net cash generation:
- Reduction of cost: 48.7% OPEX-to-sales (FY12/13: 65.7% or 56.0% excluding non-recurring provisions and impairments of HK$2,494 million)
- Improved inventory and net trade debtors
- Scaled down CAPEX by selective expansion and moderate deployment of refurbishment
**RECENT DEVELOPMENT OF NET CASH POSITION**

Net Cash Position (HK$ million)

- Returned to positive cash generation of HK$1.12 billion in FY13/14
- Net cash level advanced to above the funds raised from rights issue in November 2012
**WORKING CAPITAL - INVENTORIES & NET TRADE DEBTORS**

### Inventories

- **HK$m**
  - 30-Jun-13: 3,209
  - 31-Dec-13: 3,127
  - 30-Jun-14: 3,254

- Inventory Turnover Days
  - 30-Jun-13: 100
  - 31-Dec-13: 91
  - 30-Jun-14: 90

### Net trade debtors

- **HK$m**
  - 30-Jun-13: 2,315
  - 31-Dec-13: 2,364
  - 30-Jun-14: 2,054

- Cover ratio before provision
  - 30-Jun-13: 48.1%
  - 31-Dec-13: 39.6%
  - 30-Jun-14: 40.4%

**Drivers:**
- Units of inventory ▼ 17.0% yoy
- Inventory turnover days shortened by 10 days yoy to 90 days

**Nominal value of inventory increased ▲ 1.4% yoy due to:**
- Improved inventory aging


**Cover ratio reduced by ▼ 7.7% pts as compared to end of Jun 2013 due to changes in sales eligible for insurance**
Significant reduction in CAPEX of HK$544m mainly due to selective expansion of stores and moderate deployment of refurbishment.
## MAINTAINED 60% DIVIDEND PAYOUT RATIO

<table>
<thead>
<tr>
<th>Dividend</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit</td>
<td>HK$210m</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>HK$0.11</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>64.8%</td>
</tr>
<tr>
<td>Total regular dividend (per share)</td>
<td>HK 7 cents</td>
</tr>
<tr>
<td>Less: Interim dividend paid (per share)</td>
<td>HK 3 cents</td>
</tr>
<tr>
<td>Final dividend proposed (per share)</td>
<td>HK 4 cents</td>
</tr>
</tbody>
</table>

- Proposed final dividend of HK 4 cents per share with scrip alternative
- Key calendar dates
  - Ex-dividend date: 5 December 2014
  - Book closure dates: 9 December 2014 to 11 December 2014
  - Payment date: 27 January 2015
UPDATE ON 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 the business model (vertical) to enhance speed and efficiency of our product management

LONG TERM
> 2 years

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

VOLATILE SCENARIO IN FY14/15
STRATEGIC PRIORITIES

SHORT TERM
FY13/14

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

FOCUS ON PROFITABILITY

- Downsizing of distribution (retail closures, small accounts)
- Stabilization of sales/sqm in Europe
- Pending stabilization in APAC
- OPEX reduction below 50% of Net Sales
- Inventory reduction to 90 days on hand
- Back to positive cash generation from operations
- Finalization of SAP and new DC launches
- Pending challenges in IT and Logistics
STRATEGIC PRIORITIES

SHORT TERM
FY13/14

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

FOCUS ON PROFITABILITY
June '14

MEDIUM TERM
FY14/15

TRANSFORMATION
- Brand
- Stores
- Product
- Business Model

FOCUS ON TOP LINE

✔️ Brand - Revision of strategy
✔️ Stores - Improvement of Lighthouse concept
✔️ Product & Business Model - Implementation of a new vertically integrated model to significantly enhance our product

❌ Pending adaptation of the whole operation to the new vertical business model (during FY14/15)
BRAND
### BRAND STRATEGY

#### OUR CONSUMER

"Esprit Friends"
Esprit loyal customers (current and lost)

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members</td>
<td>63%</td>
</tr>
<tr>
<td>Non-members</td>
<td>37%</td>
</tr>
</tbody>
</table>

#### 5.5 Million Esprit Friends

- **Gender**: ~88% females
- **Age**: 37.4 years old
- **Household Income**: 2000 – 3000 Euro/month
- **Body Shape**
- **Main Reasons to Buy and Not to Buy**
- **Direct Competition**:
- **Preferred Fashion Magazine**

#### Net Sales 12 Months
Retail Europe
BRAND STRATEGY

OUR CONSUMER

“Esprit Friends”
Esprit loyal customers
(current and lost)

OUR PROMISE

“Make you feel good
and look good”
The best of Esprit’s
product DNA

Casual Fashion

Perfect Quality

Outstanding Value for Money
BRAND STRATEGY

OUR CONSUMER

"Esprit Friends"
Esprit loyal customers
(current and lost)

OUR PROMISE

"Make you feel good
and look good"
The best of Esprit’s
product DNA

OUR BRAND

"Esprit Heritage"
All-time Esprit values,
new communication
(digital)

Togetherness
Real People
Positive
Relaxed
Casual
Fun
Free Spirited
Social
Sustainable
Feelings
Natural
AUTUMN/WINTER CAMPAIGN 2014

EVERYDAY AMAZING

MEET OUR MUSES
REAL WOMEN - REAL MOMENTS - REAL STYLE
Ella Woodward

Founder and author of the food blog „Deliciously Ella“, London
Ilsa König

Photographer, Yoga teacher and mother of two in Berlin.
Founder of bread exchange, baking bread in Berlin and trading it for almost anything except money.
Captivating digital experience

My creative freedom

I have created a space that is a reflection of the inspiration of people and stories of my creative journey. When I am working and all I want to do is write and create art, J ump works perfectly. It's snug, soft, and the perfect shade that matches my mid-afternoon mood.
With smooth integration of e-com
Engaging storytelling in social media
STORES
3 Concept Stores (Inspiration)

COLOGNE

DUSSeldorf

ANTWERP, Meir 9

“San Francisco Loft”

“House in the House”

“Beach House”

Lighthouse
(Initial Roll out)

AMSTERDAM

MAASTRICHT

BERLIN, Friedrichtstr.
STORE CONCEPT – ROLL OUT

Slow down of roll out due to initial ROI below expectations

**New & Refurbished sqm**
- FY 12/13: 50,500
- FY 13/14: 13,800

**Deployed CAPEX (HKDm.)**
- FY 12/13: 534
- FY 13/14: 139

164 Stores
38% of Retail space updated

74% Reduction of investments in stores refurbishing
STORE CONCEPT – COMMERCIAL IMPROVEMENT

Full concept revision with a focus on performance

Principles of Changes

Focus on Product
» Make the product the hero«

Easy to shop:
» Easy to access, visual consumer navigation «

Easy to maintain:
» Easy to implement, mindful of resources, stay simple «

Friendly and Approachable:
» Less is more, lighten up, feminine, if it is not inspirational it is not Esprit «
STORE CONCEPT – CONTINUOUS DEVELOPMENT

Mock shop for continuous improvement of design and VM

VM integrated in Product Divisions for a perfect fit of the Collections into the Stores
PRODUCT & BUSINESS MODEL
PRODUCT STRATEGY – OUR PROMISE

CASUAL FASHION
Capturing market trends and newness in colour, fabrics, shapes, etc. and expressing them in the casual, relaxed, comfortable Esprit style

PERFECT QUALITY
Paying maximum attention to detail in fabric selection, fitting and quality of every garment

OUTSTANDING VALUE FOR MONEY
Adjusting prices to always offer the best possible price-value to our consumers (no premium)
PRODUCT STRATEGY

CASUAL FASHION
Capturing market trends and newness in colour, fabrics, shapes, etc. and expressing them in the casual, relaxed, comfortable Esprit style

PERFECT QUALITY
Paying maximum attention to detail in fabric selection, fitting and quality of every garment

OUTSTANDING VALUE FOR MONEY
Adjusting prices to always offer the best possible price-value to our consumers (no premium)

SPEED
- Capturing of trends
- Continued newness
- Reaction to demand
- Attention to details
- Best fabrics
456EFFICIENCY
- Quality manufacturing
- Competitive pricing
- Sustainable profitability
PREVIOUS BUSINESS MODEL

PRODUCT
- Long lead time (9-11 months)
- Excess of product (12 collections/# SKUs)

PRICE
- High COGS (complex supply chain)
- Rigid pricing (cost+ model)

STOCK
- Ineffective allocation (6 months in advance)
- No optimization (no replenishment)

S P R I T
- Product Development
- Sell In (Buying)
- Supply Chain Distribution
- Store / POS management
- Stock management

SPEED

EFFICIENCY
VERTICAL BUSINESS MODEL

**ESPRIT**

- Product Development
- Supply Chain Distribution
- Store / POS management
- Stock management

**VERTICAL**

- Product Development
- Merchandising
- Supply Chain Distribution
- Store / POS
- Stock

- SPEED
- EFFICIENCY
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)
1. LEAN SUPPLY CHAIN MANAGEMENT

End-to-end integration and implementation of state of the art practices along the Supply Chain


- Introduction of new ways of working for the Product Divisions
- Revision of all core processes and support IT tools
- Redefinition of the roles of Product, Buying and Sourcing teams
- Restructuring of the sourcing countries of origin
- Reduction of the number of suppliers and change of relationship model (partnership)
- Establishing of a new approach to buying
- Integration of QA/QC function into the core of product development and production process
- Revision of the Inbound logistics model (process and service providers)
2. CATEGORY MANAGEMENT TEAMS

Integration of all internal functions involved in product management into teams specialized in main product categories

- New organizational charts
- New leadership team
- Redefined roles and responsibilities

- New working dynamics
- New seating arrangements
- Streamlined teams
### 3. NEW MERCHANDISING MODEL

Centralization of merchandise management teams to work seamlessly together with Category Management Teams on product and merchandising decisions

<table>
<thead>
<tr>
<th><strong>NEW ORGANIZATION</strong></th>
<th><strong>NEW PROCESSES</strong></th>
<th><strong>NEW IT SUPPORT</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Centralize all Planning and Merchandising teams from the different markets</td>
<td>Switch logic from “Merchandising ➔ Buying” to “Buying ➔ Merchandising”</td>
<td>Modify key IT tools and develop new solutions for core processes (e.g. allocation)</td>
</tr>
<tr>
<td>Redefine all positions from divisional to gender-based Merchandising (org. charts, and job descriptions)</td>
<td>Integrate merchandising teams into the product creation process</td>
<td>Create support to the new Planning and Merchandising processes and tools</td>
</tr>
<tr>
<td>Integrate global Merchandise Management team with Product Management Team</td>
<td>Introduce new logic to core merchandising decisions (new structure of collections)</td>
<td>Ensure compatibility and alignment of systems between Europe and APAC</td>
</tr>
<tr>
<td>Create direct link with local teams in stores and countries</td>
<td>Train Product and Merchandising teams on brand new capabilities</td>
<td></td>
</tr>
</tbody>
</table>

**NOT EXHAUSTIVE**
4. SEASONAL CALENDAR

Simplification of product flow along a calendar based on 4 seasons (Spring-Summer-Autumn-Winter) and 2 cruise collections

**PRODUCT**
Change timeline and calendar of product development and adapt all back office processes and systems to new management of season codes

**MERCHANDISING**
Change assortment selection logic and merchandising processes for Retail and Wholesale

**PLANNING & ALLOCATION**
Change budgeting and planning model for Retail and Wholesale

**FINANCE**
Change all reporting and tracking systems to adapt to new budget, collections and sell in structures

**LOGISTICS**
Adapt inbound and outbound planning, warehousing capacity, sortation logic and delivery calendar to new product calendar

**GLOBAL WHOLESALE**
Change budget planning and selling tools for all wholesale customer types (e.g. KA, PSS)

**LOCAL WHOLESALE**
Reduce number of sell ins and change selling approach from monthly collections to different product types (train all sales forces on new management approach)

**LOCAL RETAIL**
Adapt product and space management in the stores to new product flow and logic
5. PRODUCT RANGE REDUCTION

Definition of product range strictly on the basis of selling space and sales potential of our stores

Example: Women Divisions
          Wholesale Assortment (number of options)

Operation with less than 50% of the Product range in FY13/14
6. FAST TO MARKET PRODUCT DEVELOPMENT

Roll-out of solutions for in-season reaction developed by the Trend Division

TREND DIVISION

➢ **Vertical** business model

➢ **Speed** to market

➢ Stock **Replenishment**

ROLL OUT TO ALL PRODUCT DIVISIONS

- Revision of all internal processes of the Divisions
- Adaptation of the model to serve wholesale customers

- Specialization of a small team for F2M capsules
- Introduction of F2M procedure for in-season reaction: OTB, Repetitions, etc
- Development of F2M capabilities into the Supply Chain: sourcing, buying, suppliers, logistics

- Improvement of original logic for small scale tests
- Development of large scale solution postponed until new logistics capacity is built in main DC
7. STOCK MANAGEMENT OPTIMIZATION

Implementation of stock management processes and tools that allow to postpone allocation as much as possible

Separation of Global Purchase, Merchandising and Allocation decisions

Creation of single stock pools within and across channels

Redefinition of the Allocation function to manage stock across channels

Adapt inbound strategy with suppliers to maximize flexibility in stock management

Development of logic and IT solutions for optimal allocation and subsequent allocation

Adapt deliveries strategy and store processing operations to allow subsequent allocation

NOT EXHAUSTIVE

REPLENISHMENT ON HOLD

69
8. NEW PRICING MODEL

Implementation of a pricing strategy based on positioning against competition and focused on net realized gross profit

FROM ...

“Cost+” model aimed at securing entry margins (i.e. Gross Profit Margin at full price)

+ Rigid hedging strategies

High entry margins in order to create buffer for later markdowns

+ Poor sell through at full price (i.e. % of sales) built into the model

“Promotional” strategy very dependable on continuous discounts and off-price business

TO ...

“Market” based pricing aimed at securing competitive prices against best competitors

+ Adaptable hedging strategies (lower risk)

Lower entry margins in order to optimize “value for money” of the product

+ Maximized product sell through, which effectively reduces need for markdowns

“Every Day Low Prices” strategy to focus on full price performance
NEW 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
NEW VERTICAL PSS MODEL
ADAPTATION OF WHS MODEL

IMPLEMENTED JULY 14 & SS15

“PURE” VERTICAL MODEL
“VERTICALISED” WHOLESALE MODEL
ESPRIT TEAMS

Product

Logistics

Stores

Showrooms

Offices
STRATEGIC PRIORITIES

SHORT TERM
FY13/14

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

FOCUS ON PROFITABILITY

MEDIUM TERM
FY14/15

TRANSFORMATION
➤ Brand
➤ Stores
➤ Product
➤ Business Model

FOCUS ON TOP LINE

LONG TERM
> 2 years

GROWTH
➤ Omni-channel
➤ edc
➤ China
➤ Sustainable growth

FOCUS ON VALUE

June ‘14
OUTLOOK
## FY14/15 OUTLOOK

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONTROLLED SPACE</strong></td>
<td>Stabilize controlled space in our own retail and smooth down decline in the wholesale channel</td>
</tr>
<tr>
<td><strong>TOP LINE</strong></td>
<td>Maintain space productivity (sales/sqm) at a stable level, which may result in a decline of turnover in accordance with the reduction of controlled space in both retail and wholesale</td>
</tr>
<tr>
<td></td>
<td>Expected volatility during the year due to the multiple changes in the Transformation phase</td>
</tr>
<tr>
<td><strong>GP MARGIN</strong></td>
<td>Increase slightly as savings from improvements in supply chain management and lower markdown rates can contribute beyond the “investments” in improving product quality</td>
</tr>
<tr>
<td><strong>OPEX</strong></td>
<td>Maintain OPEX at similar level to last year, in spite of the necessary increases in certain lines to secure a successful transformation</td>
</tr>
<tr>
<td><strong>CAPEX</strong></td>
<td>Moderate deployment in line with business development and performance, yet with an increase of investments in stores refurbishments and openings</td>
</tr>
</tbody>
</table>
THANK YOU!

ESPRIT