INTERIM RESULTS BRIEFING

For the six months ended
31 December 2013

ESPRIT

DISCLAIMER

The information contained in this document is prepared based on, and may be a summary of or drawing inferences from, the financial information and other public documents issued by the Esprit Group and is qualified in its entirety by the more detailed information as contained in such documents in case of any conflict or inconsistency. Should there be any conflict or inconsistency between the information contained in this document and the detailed information/financial statements/interim reports/annual reports, the detailed information/financial statements/interim reports/annual reports shall prevail.

Information contained in this document in relation to other information is not necessarily complete or accurate and has been obtained from sources believed to be reliable. Reference in this Disclaimer to Esprit Group shall mean Esprit Holdings Limited and its subsidiaries.

This document may contain forward-looking statements which may be identified by forward-looking words or expressions such as “may”, “will”, “expect”, “anticipate”, “believe”, “estimate”, “target”, “plan”, “continue” or other similar words or expressions. Forward-looking statements are based on the Esprit Group’s current expectations, plans and estimates about future events and undue reliance should not be placed on them. Moreover, forward-looking statements involve inherent risks, uncertainties and assumptions. Although the Esprit Group believes that their expectations reflected in, or suggested by, the forward-looking statements are reasonable, there can be no assurance that these expectations will be achieved. The Esprit Group has no obligation to update any forward-looking statements, even though the Esprit Group’s situation may change in the future. All forward-looking statements contained in this document are expressly qualified by these cautionary statements.

All information, including data, projections, opinions, views and/or forward-looking statements contained in this document are dated or updated as of the date referred to in this document, may be subject to change without notice and has not been updated to reflect the subsequent development, operations and financial position of the Esprit Group. No representations or warranties, expressed or implied, are made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information, including data, projections, opinions, views and/or forward-looking statements. No member of the Esprit Group and their respective directors, officers, employees, agents, affiliates, advisers or representatives accepts any liability whatsoever in negligence or otherwise for any direct or consequential loss howsoever arising from the use of any information or opinions presented or contained in this document or otherwise arising in connection with this document.

This document is only a general summary of the Esprit Group and its business, and is not, or not intended to be an invitation or offer to buy, sell, deal in, or subscribe for, any securities issued or to be issued or any project carried out or to be carried out by the Esprit Group, and is not or should not be regarded as a document to suggest, promote or lobby the recipients to invest in the Esprit Group.

BUSINESS HIGHLIGHTS – 1H FY13/14

- **Short term stabilization is on track and 1H FY13/14 was in line with guidelines**
  - Top line decline of -9.3% year-on-year in local currency and in line with square metre reduction (downsizing)
  - Reduction in OPEX of -18.2% year-on-year in local currency, bringing OPEX-to-sales ratio to 47.6%
  - Return to profitability with an EBIT of HK$254 million and a Net Profit of HK$95 million
  - Inventory value reduction of 21.1% year-on-year (units down by 13.1% compared with last year)
  - Generation of positive Net Cash of HK$530 million to HK$5,181 million
  - Declared interim dividend of HK$0.03 per share with scrip alternative

- **Financial performance of 2H FY13/14 remains uncertain (Profit Alert dated 22 Jan 2014)**
  - Undergoing major changes in business model
  - Operating environment continues to be very challenging
  - The performance in the second half is normally not as good as the first half due to seasonality

- **Organization is accelerating progress on strategic priorities**
  - Focus remains unchanged on developing a high performance product engine based on vertical business model
  - Solutions to implement such vertical business model have been developed by the Trend Division allowing shorter lead time and lower costs along the supply chain
  - "Trend" division started operations as our fast-to-market model during Autumn-Winter (between September and November 2013)

AGENDA

- Interim Results Review (CFO – Thomas Tang)
- Update on Strategic Priorities (CEO – Jose Manuel Martínez)
- Q&A's

INTERIM RESULTS REVIEW

INCOME STATEMENT

(in HK$'m)	1H FY13/14	1H FY12/13	HKD Change	LCY Change
Turnover	12,810	13,554	-5.5%	-9.3%
COGS	(6,462)	(6,644)	-2.7%	-6.9%
Gross profit	6,348	6,910	-8.1%	-11.6%
Gross profit margin	*49.6%*	*51.0%*	*-1.4% pts*	*-1.3% pts*
OPEX	(6,094)	(7,175)	-15.1%	-18.2%
EBIT/ (LBIT)	254	(265)	+195.9%	+188.3%
Net profit/(loss)	95	(465)	+120.4	+118.3%

OPEX-to-sales ratio:
47.6% (LY: 52.9%)

EBIT margin:
2.0% (LY: -2.0%)

1H FY13/14 turned profitable mainly due to cost reduction initiatives

ESPRIT

BREAKDOWN OF TURNOVER

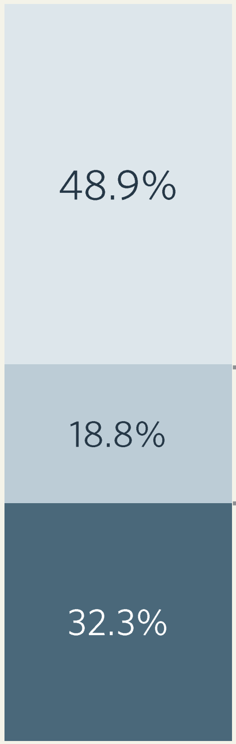
Regions	% of Group Turnover			
	Channels			
	Retail	Wholesale	Licensing & others	Total
Germany	29.8%	18.2%	0.1%	48.1%
Europe and Rest of the World*	19.8%	14.9%	0.7%	35.4%
Asia Pacific	12.7%	3.8%	0.0%	16.5%
Total	62.3%	36.9%	0.8%	100%

* Excluding Germany and Asia Pacific

Share of Retail channel and Germany have increased in 1H FY13/14

SHORT TERM STABILIZATION

(EXCLUDING STORE CLOSURES, STORES WITH ONEROUS CONTRACTS AND NORTH AMERICA)



Turnover
1H FY13/14

Retail Europe	**▲0.1%**
Licensing	**▲11.6%**
Wholesale Germany	**▼4.8%**
Wholesale Europe & RoW*	**▼18.2%**
Asia Pacific	**▼21.3%**

▲/▼ yoy change in LCY

* Excluding Germany and Asia Pacific

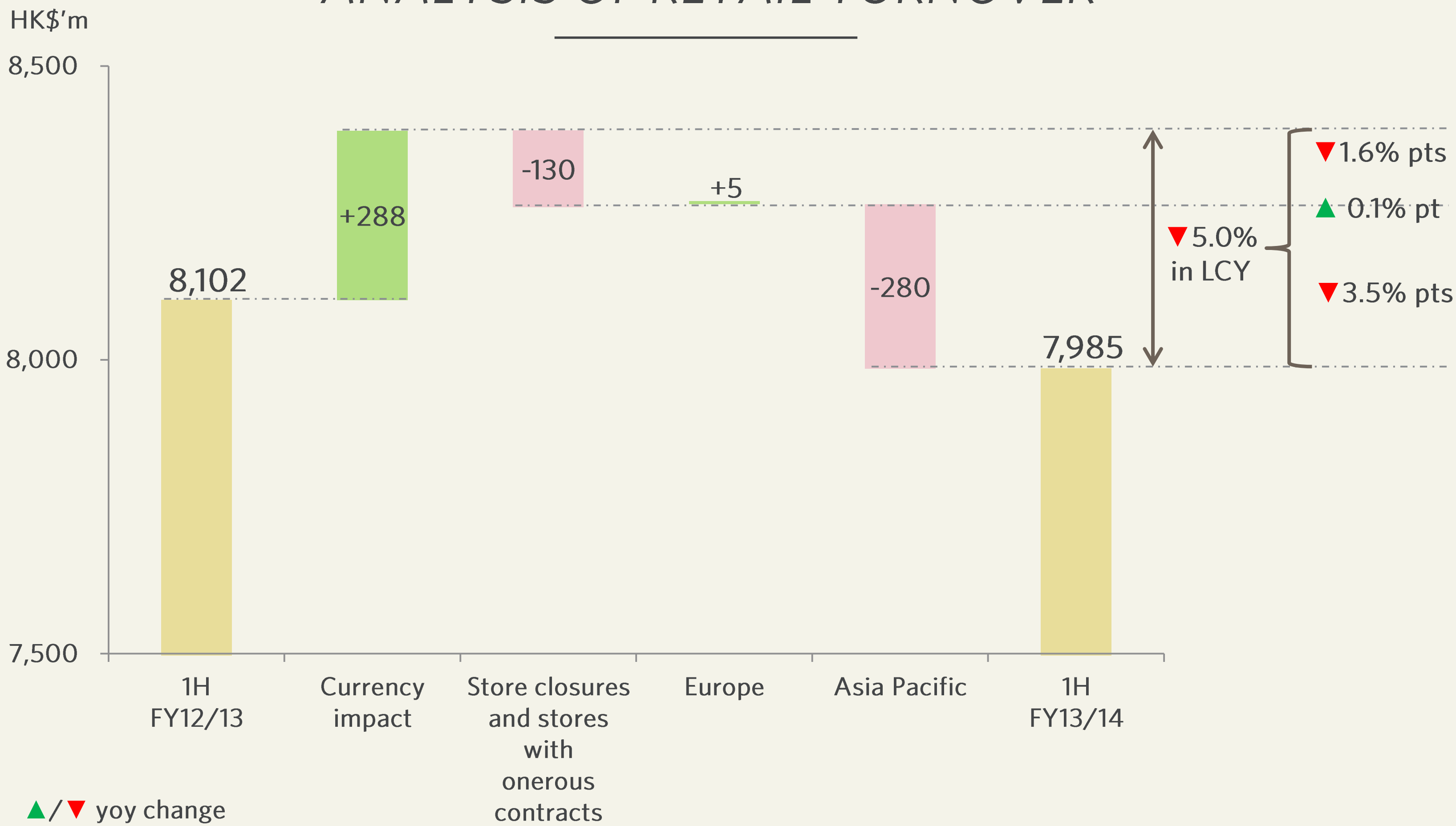
ESPRIT

DEVELOPMENT OF TURNOVER

Majority of the turnover decline was attributable to wholesale business

RETAIL

ANALYSIS OF RETAIL TURNOVER



- Slight positive sales growth in Europe excluding stores closures and stores with onerous contracts
- Majority of the retail decline attributable to Asia Pacific

ESPRIT

ANALYSIS OF RETAIL TURNOVER

Excluding store closures and stores with onerous contracts			
		Net sales area	
	Turnover LCY	sqm	% change
Europe	▲0.1%	203,582	▲0.9%
Asia Pacific	▼14.5%	104,696	▼11.6%
Total	▼3.6%	308,278	▼3.7%

▲/▼ 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 mainly due to:
  - Loss of net sales area (mainly in China and Australia)
  - Stock availability issues

ESPRIT

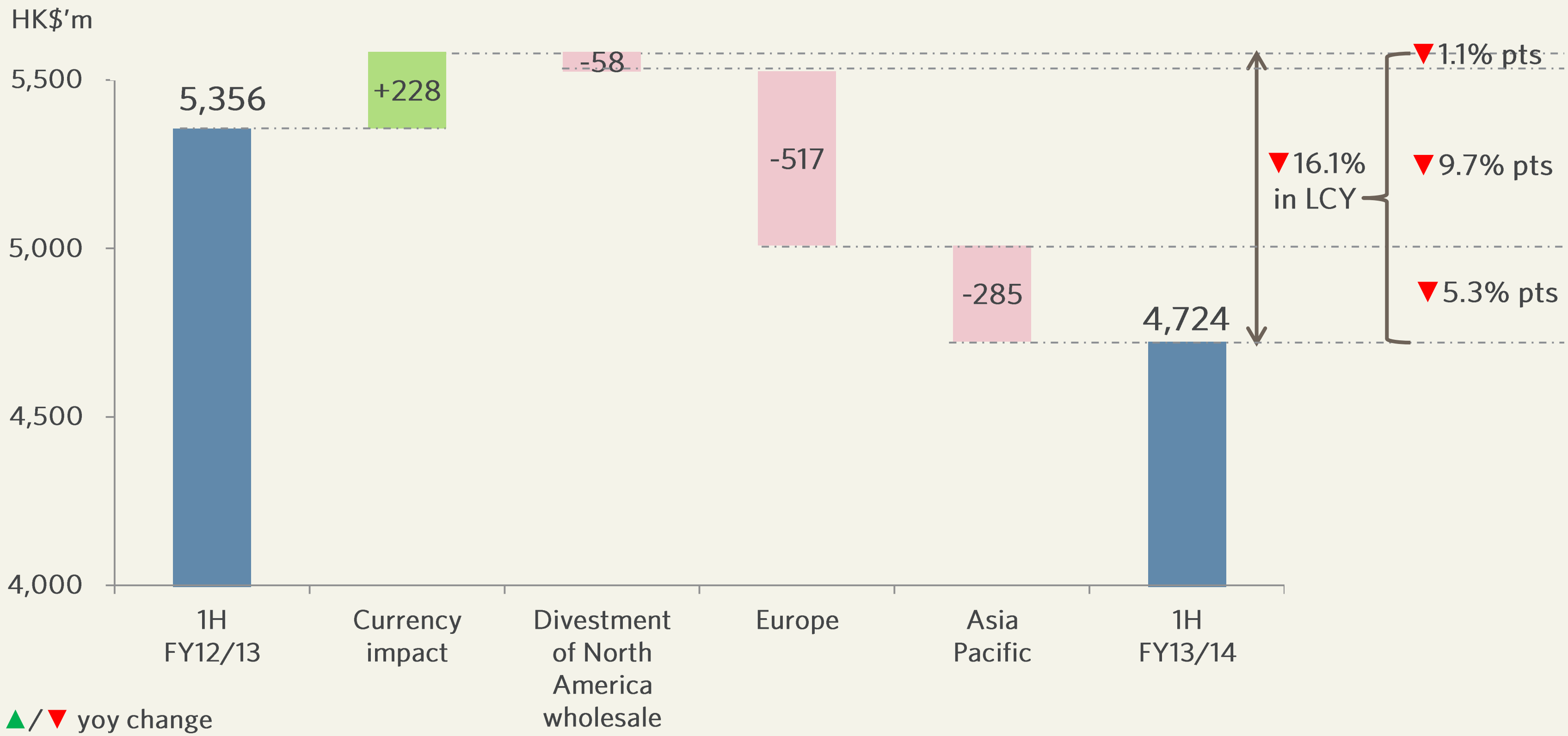
RETAIL POS AND NET SALES AREA BY STORE TYPES

Store types	No. of POS					Net sales area (m²)				
	As at 31 Dec 13	vs 1 Jan 13 Opened	vs 1 Jan 13 Closed	As at 1 Jan 13	Net change	As at 31 Dec 13	vs 1 Jan 13 Opened	vs 1 Jan 13 Closed	As at 1 Jan 13	Net change (in %)
Stores/ concession counters	828	48	(129)	909	(81)	270,225	13,056	(26,467)	283,636	-4.7%
Outlets	79	13	(13)	79	-	38,053	4,822	(3,262)	36,493	+4.3%
Sub-total	907	61	(142)	988	(81)	308,278	17,878	(29,729)	320,129	-3.7%
Store closures and stores with onerous contracts	56	-	(16)	72	(16)	32,383	-	(8,848)	41,231	-21.5%
Total	963	61	(158)	1,060	(97)	340,661	17,878	(38,577)	361,360	-5.7%

- Stores/concession counter space ▼4.7% mainly attributable to decline in stores/ concession counter space in China and Australia
- Outlet expansion in line with our initiative for better inventory management
- Remain selective in expansion of stores

WHOLESALE

ANALYSIS OF WHOLESALE TURNOVER



Decline in wholesale turnover due to the continued weakness in the business performance of this channel and loss of controlled space

ESPRIT

ANALYSIS OF WHOLESALE TURNOVER

Excluding North America wholesale			
		Controlled Space	
	Turnover LCY	sqm	% change
Europe	▼11.4%	433,919	▼11.7%
Asia Pacific	▼38.2%	95,217	▼22.7%
Total	▼15.1%	529,136	▼13.9%

▲/▼ yoy change

Europe:

- Turnover decline in line with controlled space development

APAC:

- Higher decline in turnover due to large reduction in controlled space and inventory clearance of wholesale customers

ESPRIT

CONTROLLED WHOLESALE SPACE BY REGIONS AND POS TYPES

Regions	Controlled wholesale space as at 31 December 2013 (vs 31 December 2012)							
	Franchise stores		Shop-in-stores		Identity corners		Total	
	Net sales area (m^2)	yoy change in net sales area	Net sales area (m^2)	yoy change in net sales area	Net sales area (m^2)	yoy change in net sales area	Net sales area (m^2)	yoy change in net sales area
Europe	219,425	-12.0%	154,791	-7.9%	59,703	-19.3%	433,919	-11.7%
Asia Pacific	93,246	-22.8%	1,971	-21.9%	-	-	95,217	-22.7%
Total	312,671	-15.5%	156,762	-8.1%	59,703	-19.3%	529,136	-13.9%

Larger space loss in Asia Pacific mainly due to:

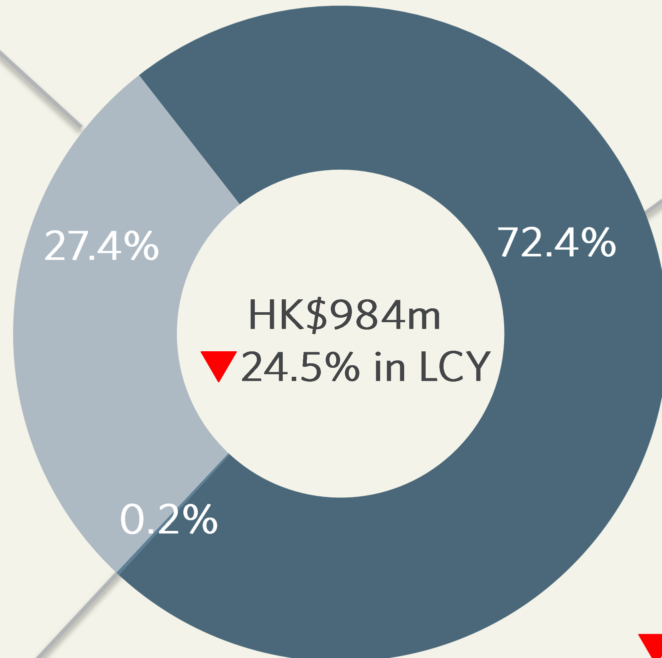
- Termination of franchise business in India since 2H FY12/13
- Closure of all wholesale POS in Australia
- Loss of controlled space in China (-26.7% vs 31 Dec 2012)

CHINA

CHINA TURNOVER

Wholesale
▼43.2% in LCY

- Challenging macro environment
- Decrease in wholesale space due to weak sales performance
- Inventory clearance by wholesale partners in progress



Retail
▼13.1% in LCY

- Closure of stores with large loss making performance

Others
▼80.8% in LCY

Wholesale		Retail	
POS	sqm change vs 1 Jan 13	POS	sqm change vs 1 Jan 13
418	-26.7%	333	-12.6%

▲/▼ yoy change

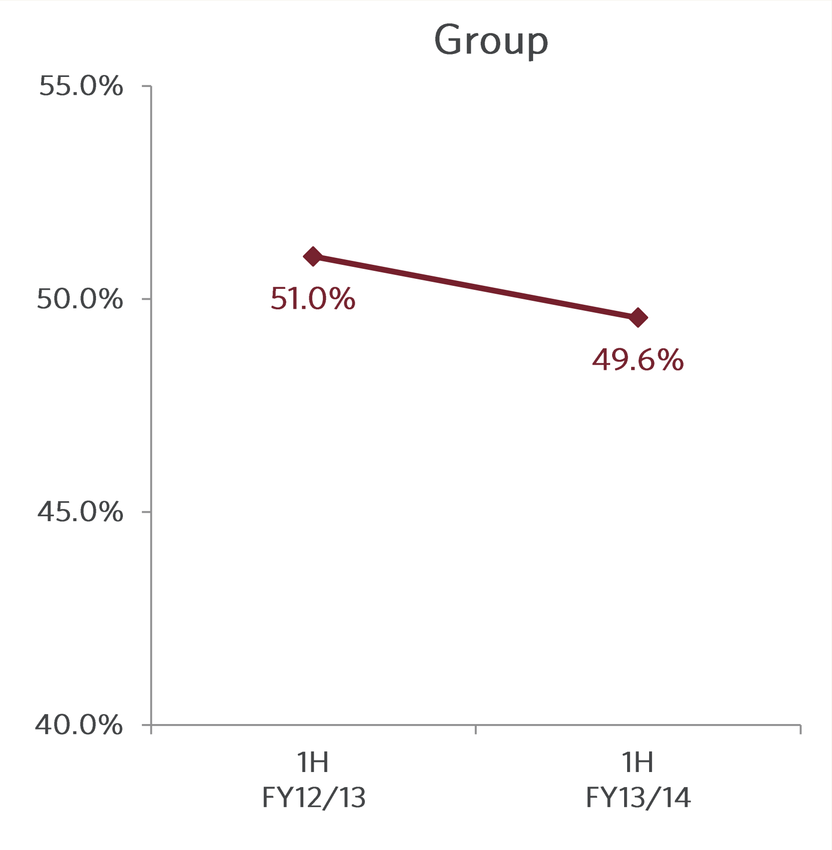
MANAGING DIRECTOR FOR CHINA

BERNARD MAH

- Executive Chairman of Giordano's operations in China for over 17 years (until early 2013)
- Extensive experience in retailing and wholesaling in the China market
- Wide international exposure as Group Executive Director for Global Business Development of Giordano
- Prior to Giordano, he gained experience in industrial and commercial investment sectors and held senior government positions in accounting and auditing in Canada for 15 years

PROFITABILITY

GROSS PROFIT MARGIN



Controlled reduction of gross profit margin as part of short term strategy:

- Continued investment in improving product quality
- Pricing initiatives
- Higher % decline in smaller wholesale accounts with higher gross profit margins

Partially offset by:

- Increased share of retail at a higher gross margin
- Improved management of markdowns

OPERATING EXPENSES

(in HK$ M)	1H FY13/14	1H FY12/13	Change HKD	Change LCY
Staff costs	1,908	2,014	▼5.3%	▼8.5%
Occupancy costs	1,619	1,639	▼1.2%	▼4.1%
Logistics costs	669	748	▼10.5%	▼14.8%
Depreciation	419	415	▲1.0%	▼2.9%
Marketing & advertising expenses	367	590	▼37.7%	▼40.5%
Others	812	1,361	▼40.4%	▼43.0%
Sub-total	**5,794**	**6,767**	**▼14.4%**	**▼17.5%**
Store closures and stores with onerous contracts and North American operations	300	408	▼26.3%	▼28.9%
Total OPEX	6,094	7,175	▼15.1%	▼18.2%
OPEX-to-sales	47.6%	52.9%	▼5.3% pts	▼ 5.2% pts

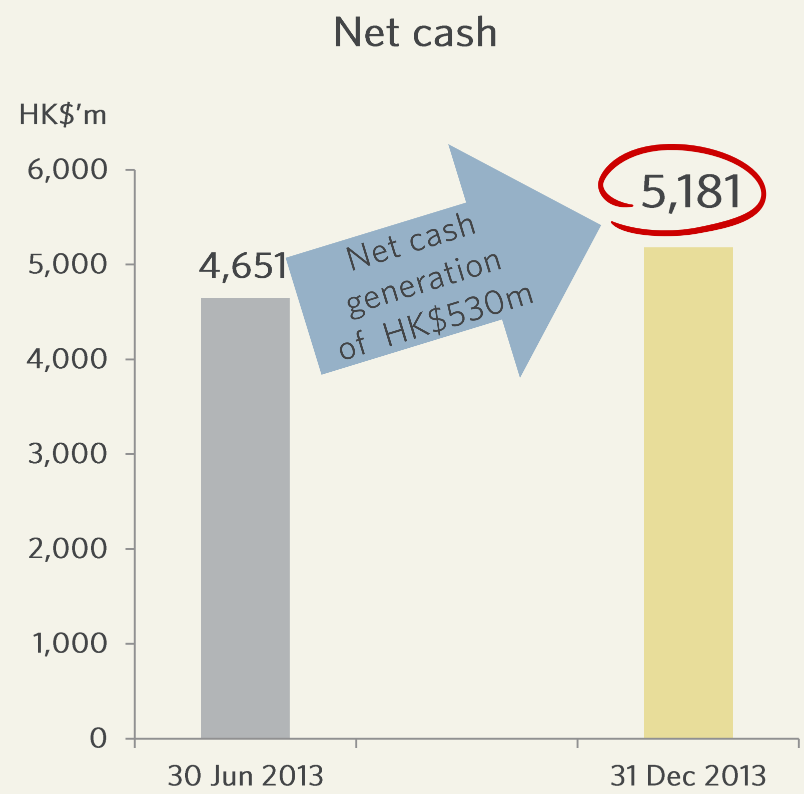
Continued reduction in all expense items, allowing return to profitability in the short term and higher potential for leverage in the medium term

ESPRIT

WORKING CAPITAL

FUND FLOW AND NET CASH POSITION

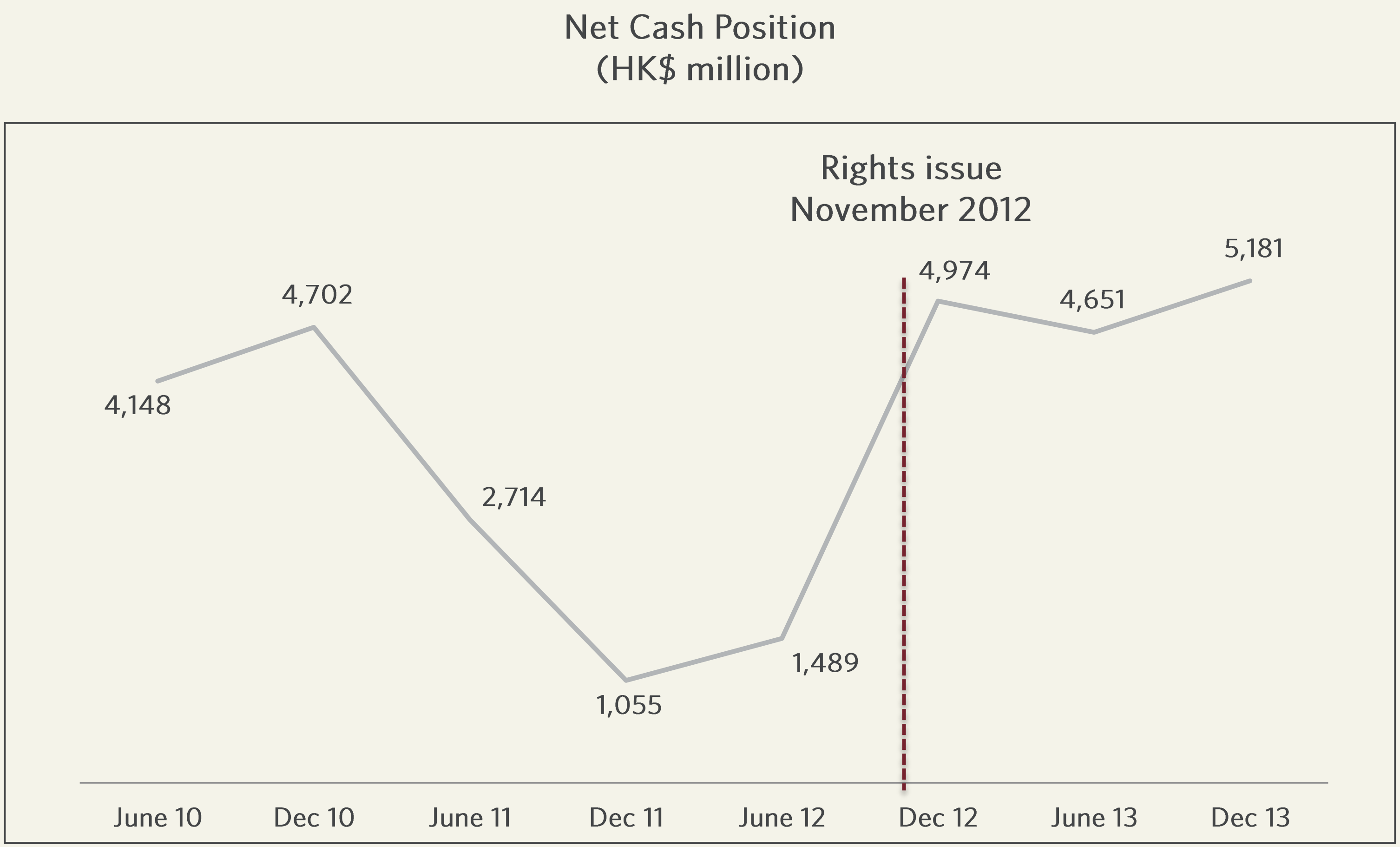
Fund flow (excluding proceeds from rights issue & net of debts)			
	FY12/13		FY13/14
HK$'m	1H	2H	1H
Cash (used in)/ generated from operations	(1,091)	674	920
Tax paid, net	(51)	(289)	(299)
Net cash used in investing & financing activities	(410)	(708)	(91)
Net cash (utilization)/ generation	(1,552)	(323)	530
Less: Dividend paid	-	(281)	-
Net cash (utilization)/ generation (excluding dividend paid)	(1,552)	(42)	530



Drivers of positive net cash generation:

- Reduction of cost: 47.6% OPEX-to-sales (1H FY12/13: 52.9%)
- Improved inventory and net trade debtors position
- Investment in CAPEX by selective expansion and moderate deployment of refurbishment

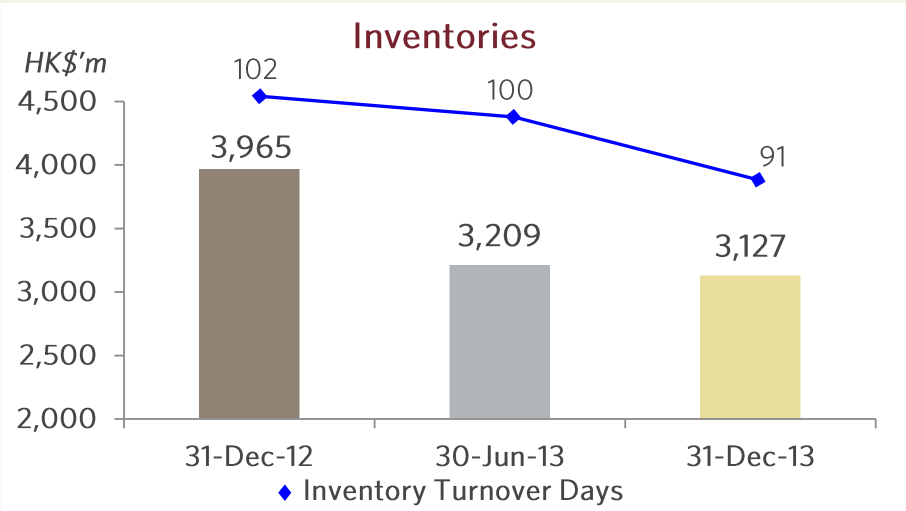
RECENT DEVELOPMENT OF NET CASH POSITION

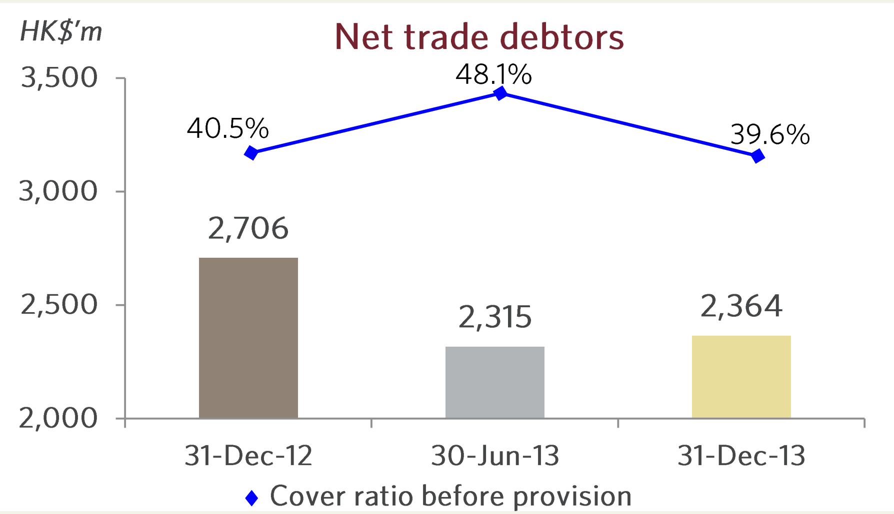


Stabilization of net cash position to highest level over the last 3 years

ESPRIT

WORKING CAPITAL - INVENTORIES & TRADE DEBTORS





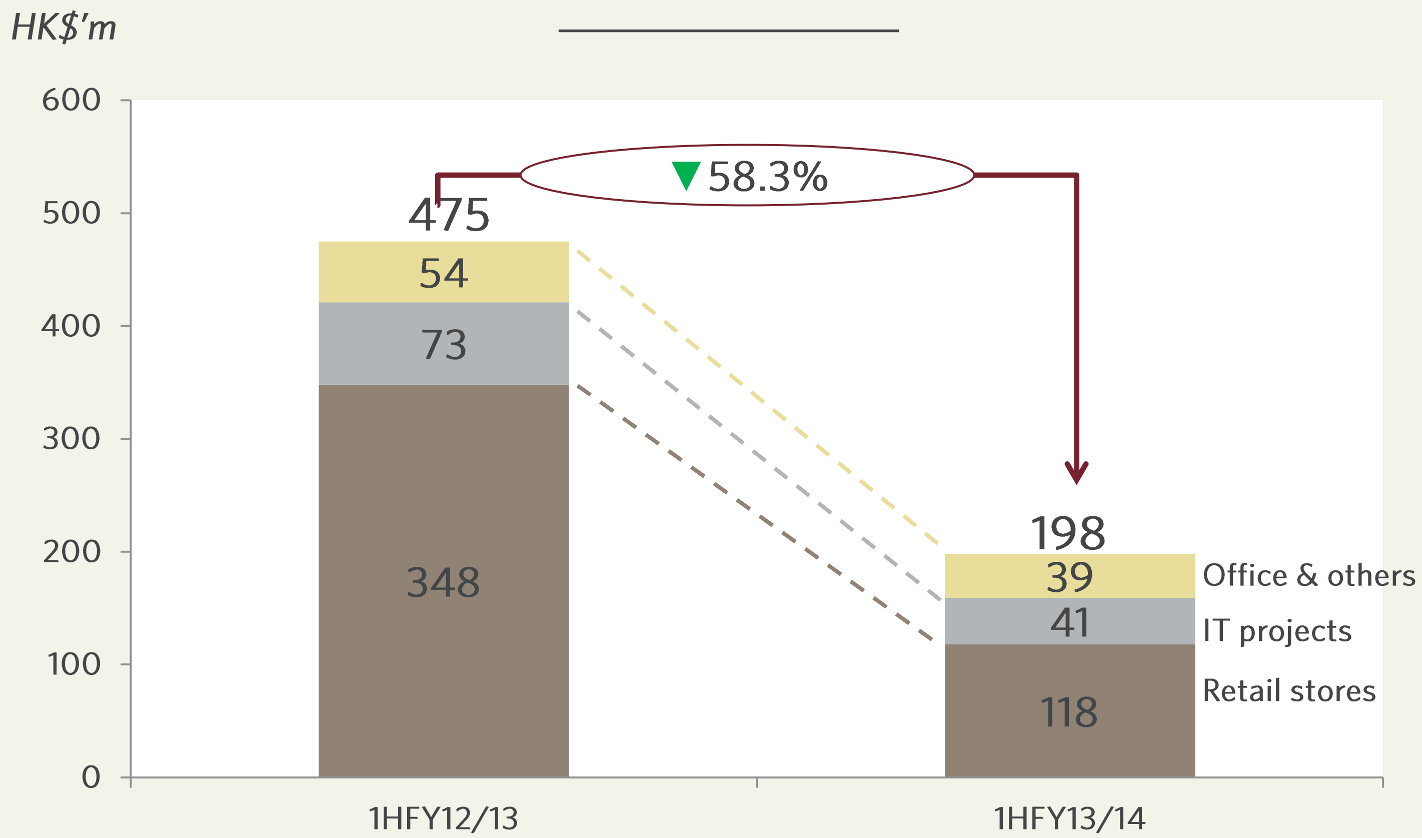
- Inventory reduction of ▼21% yoy
- Inventory turnover days shortened by 11 days yoy to 91 days (Dec 12: 102 days)

Drivers:

- Bold measures to reduce aged inventory
- Ambitious control of season's inventory by tightening of purchases

- Net trade debtors ▼ 12.6% yoy notwithstanding 4.4% appreciation in EUR/HKD closing rate (31 Dec 13: 10.703; 31 Dec 12: 10.254)
- Cover ratio remained similar as compared to last year

CAPITAL EXPENDITURE



Significant reduction in CAPEX of HK$277m mainly due to selective expansion of stores and moderate deployment of refurbishment

MAINTAINED 60% DIVIDEND PAYOUT RATIO

Interim Dividend	
Net profit	HK$95m
Basic earnings per share	HK$0.05
Interim dividend payout ratio	60%
Interim dividend per share	HK$0.03

- Declared interim dividend of HK$0.03 per share with scrip alternative
- Key calendar dates
  - Ex-dividend date: 28 February 2014
  - Book closure dates: 4 March 2014 to 5 March 2014
  - Payment date: 16 April 2014

OUTLOOK

FY13/14 FULL YEAR GUIDANCE

Remain unchanged as announced on 10 September 2013

✓ 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

Financial performance in 2H FY13/14 remains uncertain:

- The Group is undergoing major changes in business model
- Operating environment continues to be very challenging
- The performance in the second half is normally not as good as the first half due to seasonality

UPDATE ON STRATEGIC PRIORITIES

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

BRAND

» ESPRIT IS AN ATTITUDE NOT AN AGE «

Doug Tompkins

POSITIVE
CONFIDENT
NATURAL
AUTHENTIC

I am Esprit!


I am Esprit!


If I feel
good, I look good.
I am Esprit!
ESPRIT
ESPRIT.COM

FASHION PR

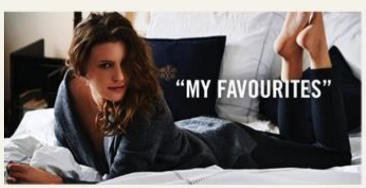
Esprit in ELLE,
China

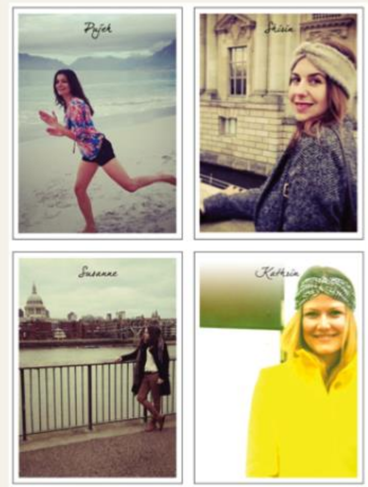
Esprit in Myself,
Germany

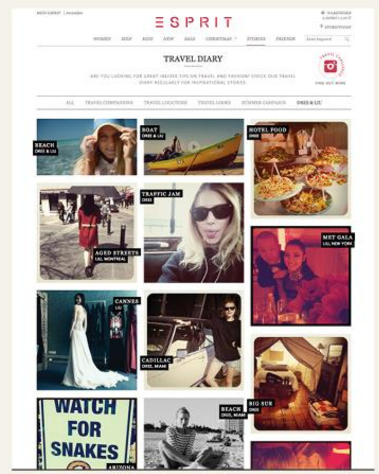
Esprit in Marie Claire,
France & The Netherlands

ESPRIT

DIGITAL MARKETING AND SOCIAL MEDIA







ESPRIT.COM

facebook

YouTube

Pinterest

Instagram

STORES

STORE CONCEPT

Entrance

Entrance

ESPRIT
Casual


ESPRIT
ESPRIT
Collection


edc

Denim Wall

Lifestyle

Bodywear

PRODUCT AND BUSINESS MODEL

PRODUCT! PRODUCT! PRODUCT!

REMINDER

Lifestyle

(strong product know-how)

Stylish and contemporary

(strong product identity)

Quality made to last

(strong heritage and reputation)

Outstanding Value for Money

!

VALUE → **SPEED**

MONEY → **EFFICIENCY**

ESPRIT

REMINDER

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

End Consumer

HIGH PERFORMANCE PRODUCT ENGINE

HIGH PERFORMANCE PRODUCT ENGINE

HIGH PERFORMANCE PRODUCT ENGINE

PEOPLE

- **New CPO with broad experience in vertical retail**

VALUE FOR MONEY

- **Successful re-pricing test at country level (i.e. Taiwan)**
- **Continued investment in quality of key product categories (i.e. outerwear)**

INTEGRATION

- **Restructuring of sourcing offices to mirror Product Divisions**

SPEED

- **Trend Division operational since September '13**
- **Increased fast reaction product in our collections**

SIMPLICITY

- **Simplification of product development processes**
- **Reduction of number of collections for FY14/15**

TREND DIVISION – LESSONS LEARNED

OBJECTIVES	LESSONS LEARNED
➢ **Vertical** business model	✓ Model is possible with relatively small changes for retail and a relevant part of wholesale
➢ **Speed** to market	✓ 3-4 months lead times are possible with current systems, suppliers and logistics; shorter lead times not yet possible
➢ Stock **Replenishment**	✓ Only possible at small scale. Full roll-out will require new IT and logistic capabilities/investments
➢ New **Product** concept (fabrics and design)	✓ Positive impact of new fabrics; still limited potential for more fashion-orientated design

STRATEGIC PRIORITIES

SHORT TERM	MEDIUM TERM	LONG TERM
6-12 months	1-2 years	> 2 years

STABILIZATION

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

FOCUS ON PROFITABILITY

TRANSFORMATION

- Brand
- Stores
- Product
- Business Model

FOCUS ON TOP LINE

GROWTH

- Channels
- edc
- China
- Sustainable growth

FOCUS ON VALUE

GROWTH STRATEGY

REMINDER

PRODUCTVITY	• Improve sales per sqm as top priority
E-COMMERCE	• Continuous development of e-commerce leading position and development of multichannel
edc	• Multi-brand strategy for a diversified positioning (leverage brand awareness in highest potential market)
CHINA	• Growth strategy in core country with low penetration
STRATEGIC PARTNERSHIPS	• Key accounts and opinion leaders • Strategic partners for growth in new markets
SHORT TERM EXPANSION	• Strong focus on performance and profitability • Focus on core markets
LONG TERM EXPENSION	• Quickly develop density in current non-core markets • Open new markets • Leverage hybrid Retail-Wholesale strategy

Thank You
Q&A