



ESPRIT

ANNUAL RESULTS BRIEFING

FINANCIAL YEAR ENDED
30 JUNE 2013

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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

AGENDA

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

ANNUAL RESULTS
REVIEW

ESPRIT

INCOME STATEMENT

<i>(in HK\$'m)</i>	FY12/13	FY11/12	HKD Change	LCY Change
Turnover	25,902	30,165	▼ 14.1%	▼ 11.5%
COGS	(13,065)	(14,959)	▼ 12.7%	▼ 10.3%
Gross profit	12,837	15,206	▼ 15.6%	▼ 12.8%
<i>GP margin</i>	<i>49.6%</i>	<i>50.4%</i>	▼ 0.8% pt	▼ 0.7% pt
OPEX	(17,007)	(14,035)	▲ 21.2%	▲ 23.2%
EBIT	(4,170)	1,171	▼ 456.1%	▼ 443.3%
Net (loss)/profit	(4,388)	873	▼ 602.7%	▼ 582.5%

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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

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OPEX includes:

Provisions & impairments HK\$m

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

China goodwill	1,996
Store closures	274
Onerous contracts	224
Acceleration of provision for aged inventory to better reflect the net realizable value	228
	<u>2,722</u>

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

	<u>855</u>
	<u>3,577</u>

Adjusted OPEX:	FY12/13	<u>13,430</u>
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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)

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

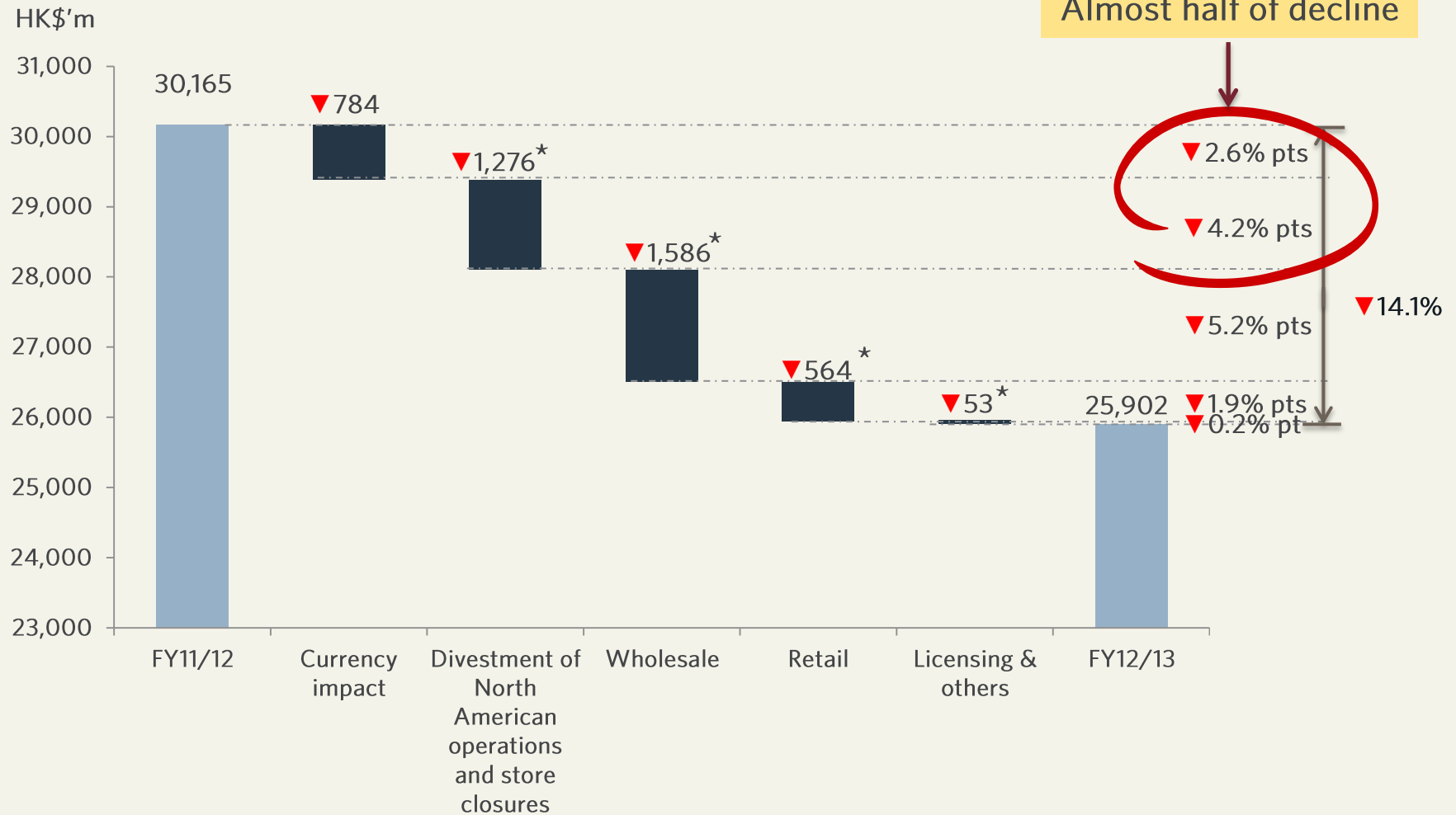
Turnover declined by 7.7% and OPEX reduced by 0.3% on a comparable basis

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TURNOVER

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ANALYSIS OF TURNOVER



▲/▼ yoy change

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

TURNOVER OVERVIEW

(excluding North American operations & store closures in previous years)

	FY12/13		
	LCY Change in %		
In HK\$'m	1H	2H	FY
Group	▼ 8.8%	▼ 6.4%	▼ 7.7%
Retail	▼ 5.1%	▼ 1.6%	▼ 3.5%
Wholesale	▼ 13.5%	▼ 12.9%	▼ 13.2%

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

Regions	% of Group Turnover			
	Channels			
	Retail	Wholesale	Licensing & others	Total
Germany	27.3%	17.3%	0.1%	44.7%
Europe and Rest of the World*	18.5%	16.5%	0.6%	35.6%
APAC**	14.6%	5.1%	0.0%	19.7%
Total	60.4%	38.9%	0.7%	100.0%

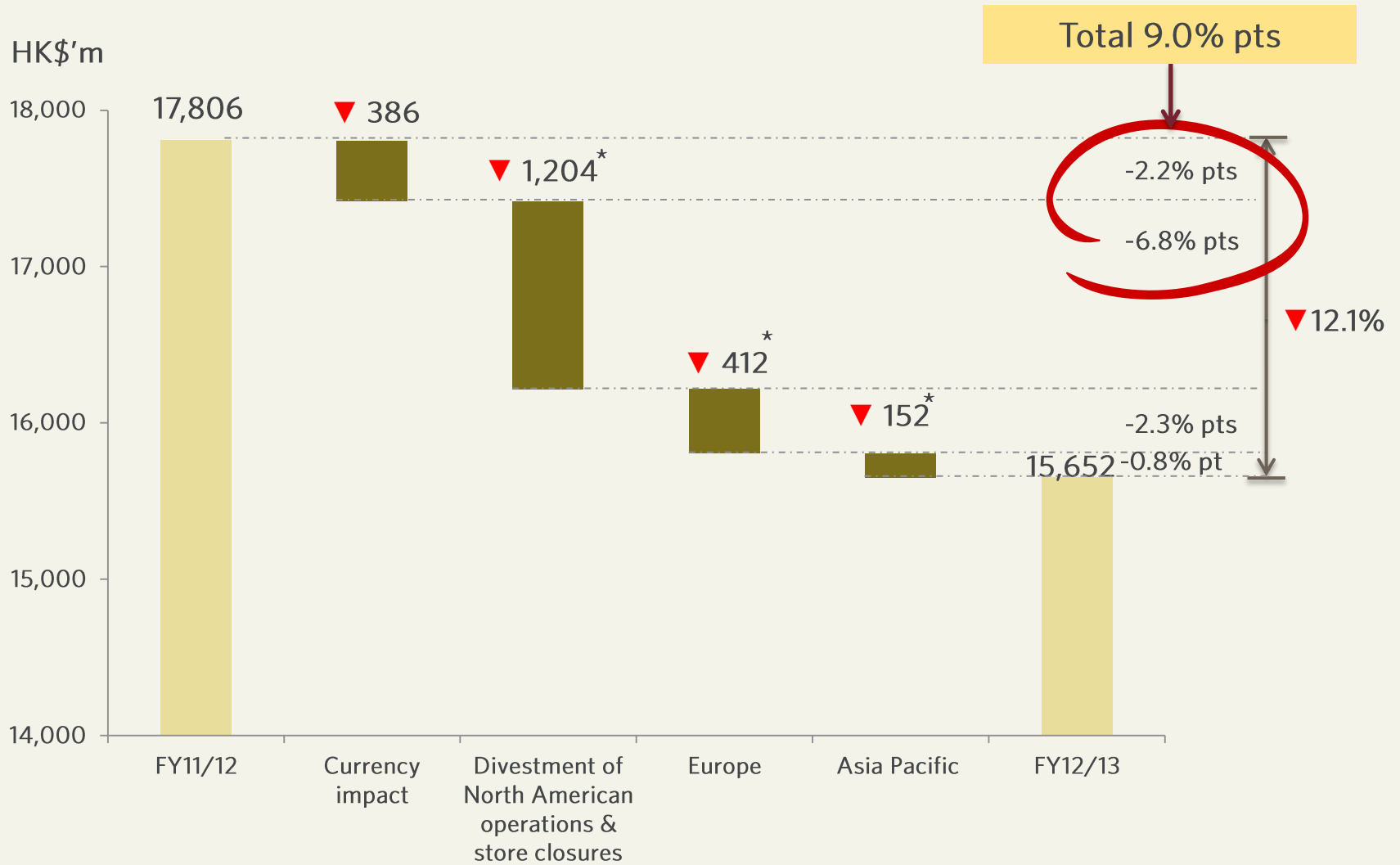
* Excluding Germany and APAC

** APAC – Asia Pacific

RETAIL

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ANALYSIS OF RETAIL TURNOVER



▲/▼ yoy change

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

RETAIL TURNOVER BY REGIONS

In HK\$'m	FY12/13	% of Retail Turnover	Change in %	
			HKD	LCY
Europe	11,878	75.9%	▼10.1%	▼6.9%
Asia Pacific	3,774	24.1%	▼5.0%	▼5.7%
North America	Divested in FY11/12		n.a.	n.a.
Group total	15,652	100%	▼12.1%	▼9.9%

Excluding North American operations and store closures			
	LCY change in %		
	1H	2H	FY
Europe	▼4.9%	▼1.4%	▼3.3%
Asia Pacific	▼5.5%	▼2.2%	▼3.9%
Group	▼5.1%	▼1.6%	▼3.5%

Narrowing of Retail sales decline in 2H

▲/▼ yoy change

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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

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RETAIL POS AND SPACE BY STORE TYPES

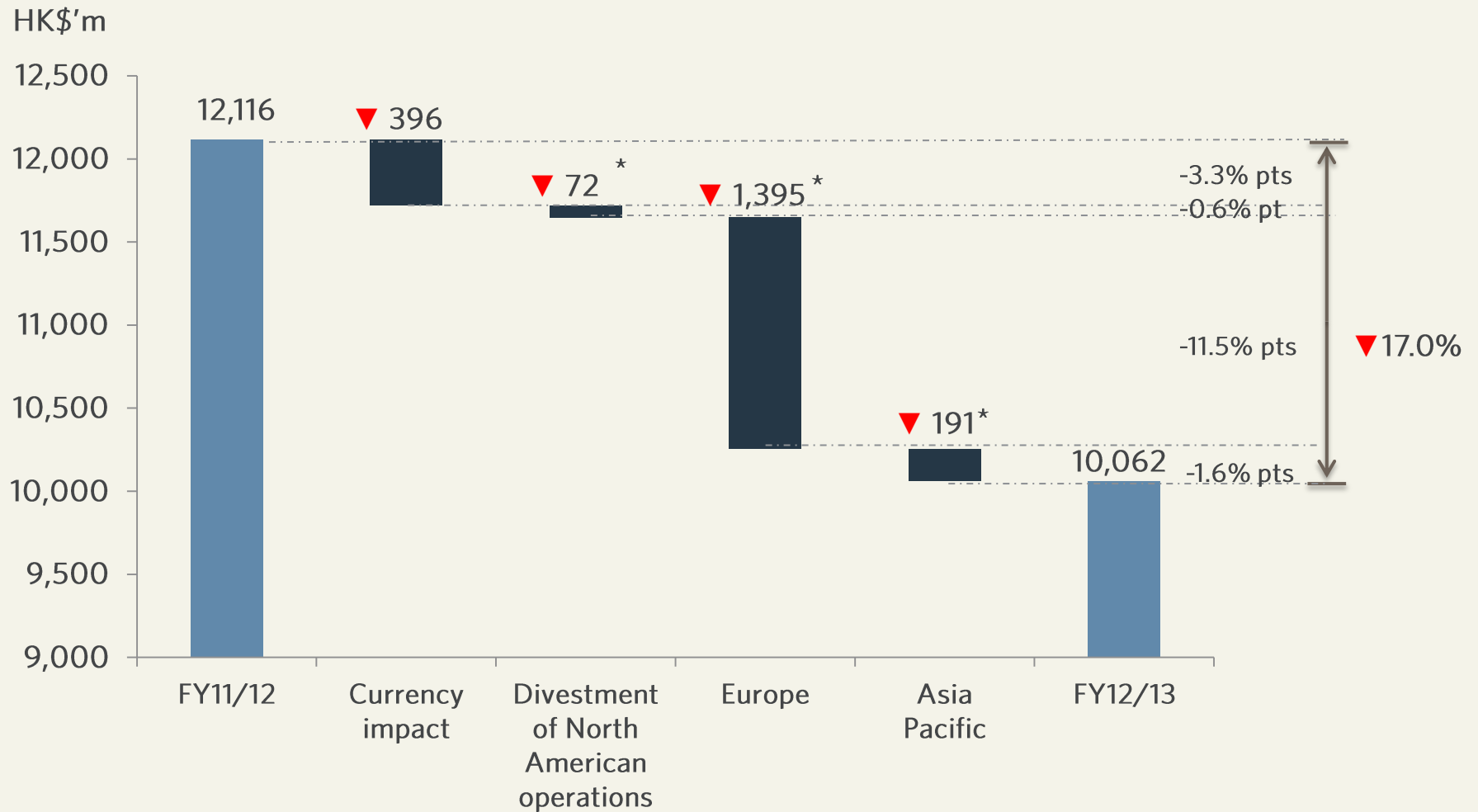
	POS number					Net sales area (m ²)				
	As at 30 Jun 13	vs 1 Jul 12		As at 1 Jul 12	Net change	As at 30 Jun 13	vs 1 Jul 12		As at 1 Jul 12	Net change (in %)
		Opened	Closed				Opened	Closed		
Stores/ concession counters	930	+84	-113	959	-29	304,778	+17,059	-21,028	308,747	-1.3%
Outlets	79	+23	-11	67	+12	36,641	+12,575	-5,372	29,438	+24.5%
Sub-total	1,009	+107	-124	1,026	-17	341,419	+29,634	-26,400	338,185	+1.0%
Store closures in previous years	15	-	-25	40	-25	8,884	-	-14,240	23,124	-61.6%
Total	1,024	+107	-149	1,066	-42	350,303	+29,634	-40,640	361,309	-3.0%

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

WHOLESALE

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ANALYSIS OF WHOLESALE TURNOVER



▲/▼ yoy change

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

WHOLESALE TURNOVER BY REGIONS

In HK\$m	FY12/13	% of Wholesale Turnover	Change in %	
			HKD	LCY
Europe	8,682	86.3%	▼17.0%	▼13.3%
Asia Pacific	1,322	13.1%	▼13.1%	▼12.5%
North America	58	0.6%	▼55.5%	▼55.3%
Total	10,062	100%	▼17.0%	▼13.7%

Excluding North American operations			
	LCY change in %		
	1H	2H	FY
Europe	▼14.1%	▼12.4%	▼13.3%
Asia Pacific	▼9.7%	▼16.1%	▼12.5%
Group	▼13.5%	▼12.9%	▼13.2%

Slight narrowing of Wholesale sales decline in 2H

CONTROLLED WHOLESALE SPACE BY REGIONS AND POS TYPES

Controlled wholesale space as at 30 Jun 2013 (vs 1 Jul 2012)

	Franchise stores		Shop-in-stores		Identity corners		Total	
	Net sales area (m ²)	year-on-year change in net sales area (m ²)	Net sales area (m ²)	year-on-year change in net sales area (m ²)	Net sales area (m ²)	year-on-year change in net sales area (m ²)	Net sales area (m ²)	year-on-year change in net sales area (m ²)
Europe	232,316	-10.9%	161,186	-8.8%	66,320	-24.9%	459,822	-12.6%
Asia Pacific	103,754	-16.9%	2,600	-8.9%	-	-	106,354	-16.7%
Total	336,070	-12.8%	163,786	-8.8%	66,320	-24.9%	566,176	-13.4%

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

CHINA

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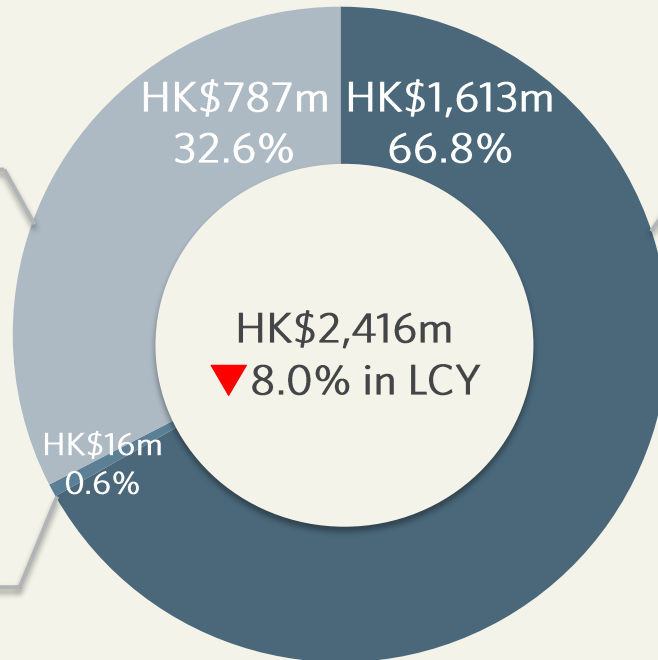
CHINA TURNOVER

Wholesale

▼ 22.9% in LCY

Decline in wholesale turnover mainly due to reduction of controlled space (▼ 19.1%)

Others



Retail

▲ 2.0% in LCY

- Positive 2H turnover growth:

	1H	2H	FY
Sales	▼ 0.2%	▲ 4.4%	▲ 2.0%
- Positive Retail space growth: ▲ 0.8%

Wholesale		Retail	
POS	Change vs Jun 12	POS	Change vs Jun 12
508	-161	364	+20

*OPERATING
EXPENSES*

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OPERATING EXPENSES

(in HK\$ M)	FY12/13	FY11/12	Change in %	
				LCY
Staff costs	4,140	4,395	▼ 3.4%	
Occupancy costs	3,579	3,562	▲ 2.7%	
Logistics costs	1,453	1,432	▲ 5.1%	Start-up cost for DC Europe
Advertising & marketing expenses	1,020	1,526	▼ 30.7%	Commencement of depreciation for the new IT system
Depreciation	866	683	▲ 30.2%	Impacted by a higher exchange gain in previous year
Other operating costs	2,125	1,972	▲ 10.1%	
Sub-total	13,183	13,570	▼ 0.3%	
Impairment of PPE	244	64	▲ 273.3%	Higher than expected level of provisions and impairments due to decline in turnover
Provision for doubtful debt	312	186	▲ 66.6%	
Provision for inventory	299	72	▲ 322.6%	
North American operations and store closures	247	143	▲ 77.4%	
Non-recurring impairment & provisions	2,722	-	n/a	Management's re-assessment of the fair values of assets (Profit Warning in May 2013)
Total OPEX	17,007	14,035	▲ 23.2%	

INITIAL RESULT OF OPEX REDUCTION IN 2H

(excluding North American operations, store closures in previous years,
special items and non-recurring provisions & impairments)

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

FY12/13: 13,183

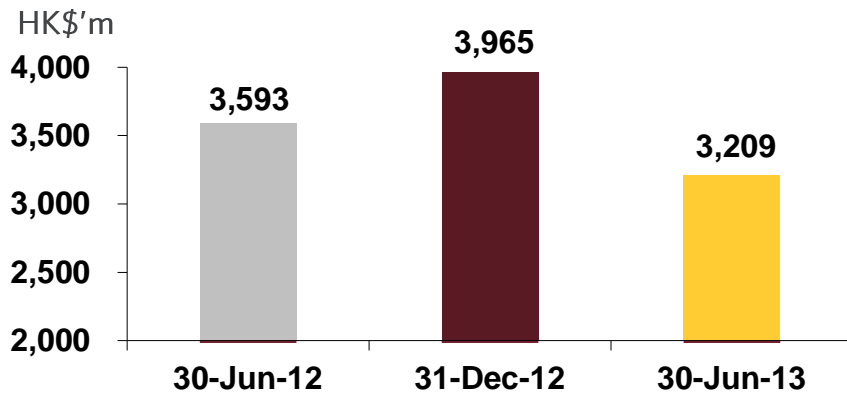
Cost reduction program taking effect in 2H but partially offset by restructuring costs and other special items

WORKING CAPITAL

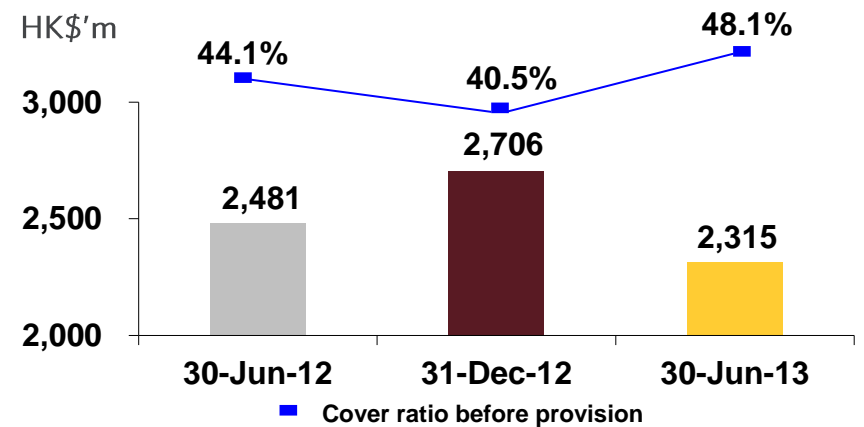
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WORKING CAPITAL INVENTORIES & TRADE DEBTORS

Inventories



Net trade debtors



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)

HK\$'m	1H	2H	FY12/13
Cash (used in)/generated from operations	(1,091)	674	(417)
Tax paid, net	(51)	(289)	(340)
Net cash used in investing & financing activities	(410)	(708)	(1,118)
Net cash utilization	(1,552)	(323)	(1,875)
Less: Dividend paid	-	(281)	(281)
Net cash utilization (excluding dividend paid)	(1,552)	(42)	(1,594)

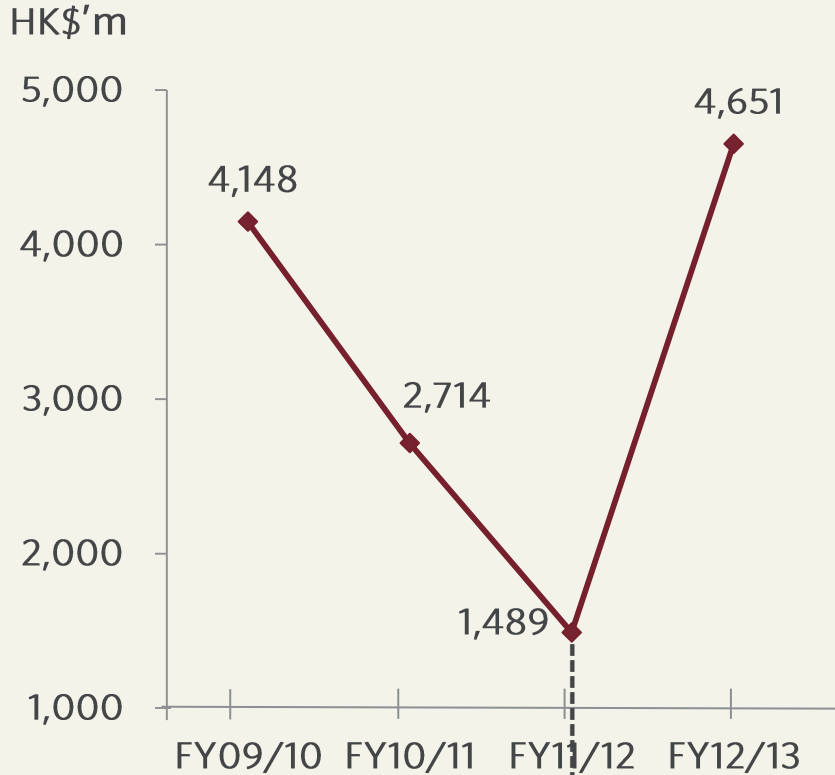
- Reduced CAPEX in FY12/13 due to selective investment and deployment for refurbishment of stores

HK\$'m	FY11/12	FY12/13
CAPEX	(1,420)	(919)

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

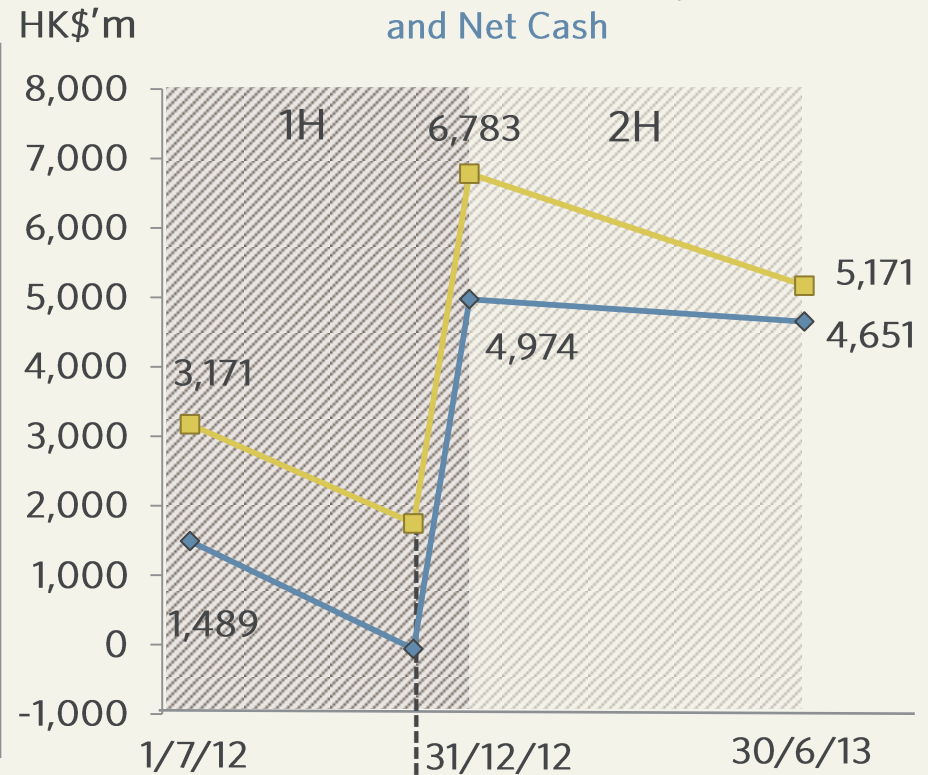
CASH POSITION

Net Cash Position



22/11/12
Rights issue
HK\$5,037m

Cash, bank balances and deposits and Net Cash



22/11/12
Rights issue
HK\$5,037m

HK\$1,162m reduction of Company's debt for FY12/13

UPDATE ON

STRATEGIC PRIORITIES

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TRANSFORMATION PLAN

KPIs of the Transformation Plan	Guidance for FY11/12 to FY14/15	Actual Performance	
		FY11/12	FY12/13
Sales growth (LCY)	8 to 10% p.a.	-10.5%	-11.5%
China sales	HK\$6b by FY14/15	HK\$2.6b	HK\$2.4b
Operating profit margin	15% post transformation	3.9%	-16.1%
Savings from sourcing initiatives	HK\$1b p.a. by FY14/15	n.a.	-HK\$0.6b

**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

OPERATIONS STABILITY



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**

BRAND

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TARGET CONSUMER

*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

ESPRIT



FALL CAMPAIGN ASTRID MUNOZ



ESPRIT

FALL CAMPAIGN ASTRID MUNOZ



ESPRIT

FALL CAMPAIGN ASTRID MUNOZ



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FASHION PR



Esprit & Hermes
Vogue France



Esprit & Prada
Madame Germany



Esprit & Forte Forte
Vogue Netherlands

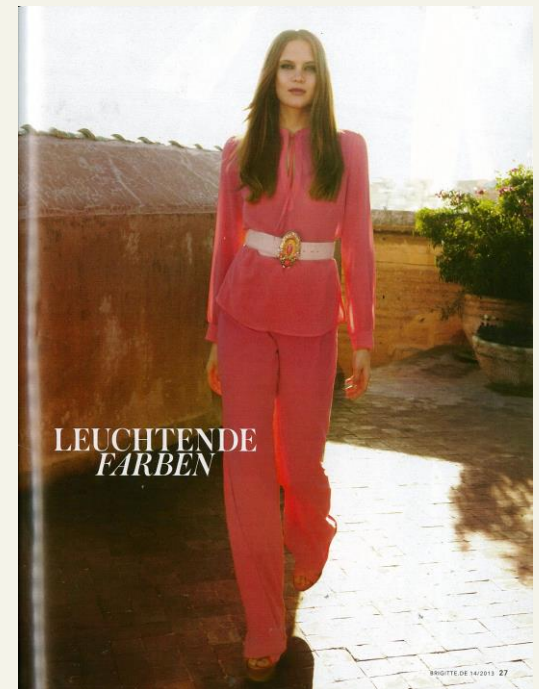
FASHION PR



Esprit in Brigitte,
Germany



Esprit, in Marie Claire
France



Esprit in Brigitte,
Germany

ESPRIT

FASHION PR



Esprit, in Freundin
Germany



Esprit in Cosmopolitan
Germany



Esprit, in Grazia
Germany

ESPRIT

FASHION PR



Esprit in Trends Health
China



Esprit in Vivi
China



Esprit in Marie Claire
China

ESPRIT

ESPRIT BRAND AWARENESS



96%
Internal, Brand
Tracker 2013

98%
Synovate global
online survey,
2010

88%
Brigitte
Kommunikations-
analyse, 2012

83%
TW, "Top Shops"
2011

97%
Satchi & Satchi,
"Lovemarks" 2012



92%
Internal, Brand
Tracker 2013

94%
Synovate global
online survey,
2010



82%
Internal, Brand
Tracker 2013

83%
Synovate global
online survey,
2010

86%
Satchi & Satchi,
"Lovemarks" 2012



73%
Internal, Brand Tracker
2013, Shanghai, Beijing &
Guangzhou = 44% of
sample

66% SH/ 55% BJ
auFOUND Marketing
Consulting, 2009

STORES

ESPRIT

LIGHTHOUSE STORE CONCEPT



LIGHTHOUSE COMMERCIAL CONCEPT

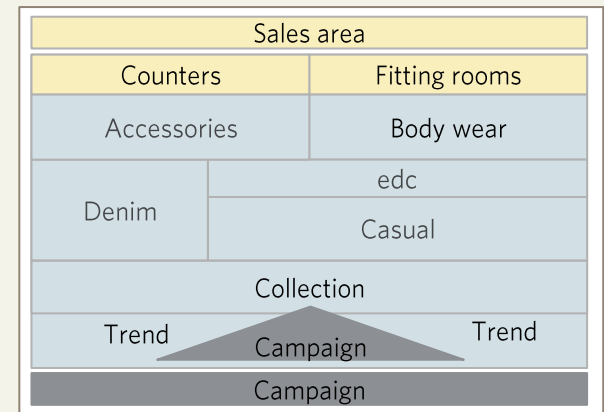
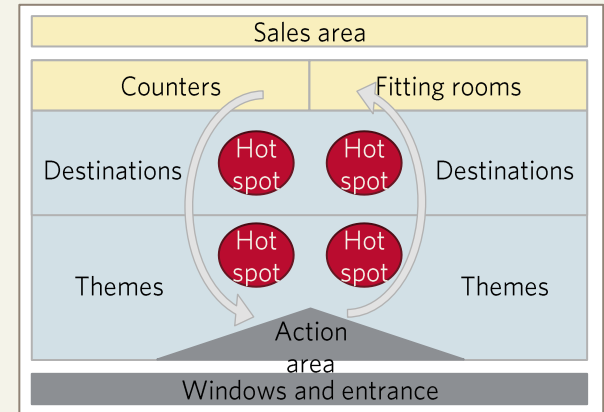
✓ ARCHITECTURE (LIGHTHOUSE)



✓ VM GUIDELINES



✓ SPACE ALLOCATION



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STORE REFURBISHMENT PROGRAM

(AS OF JUNE 2013)

LIGHTHOUSE

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

- 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

ESPRIT

PRODUCT

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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



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CHANGE OF BUSINESS MODEL

- ✓ Capturing of trends
- ✓ Reaction to demand

SPEED



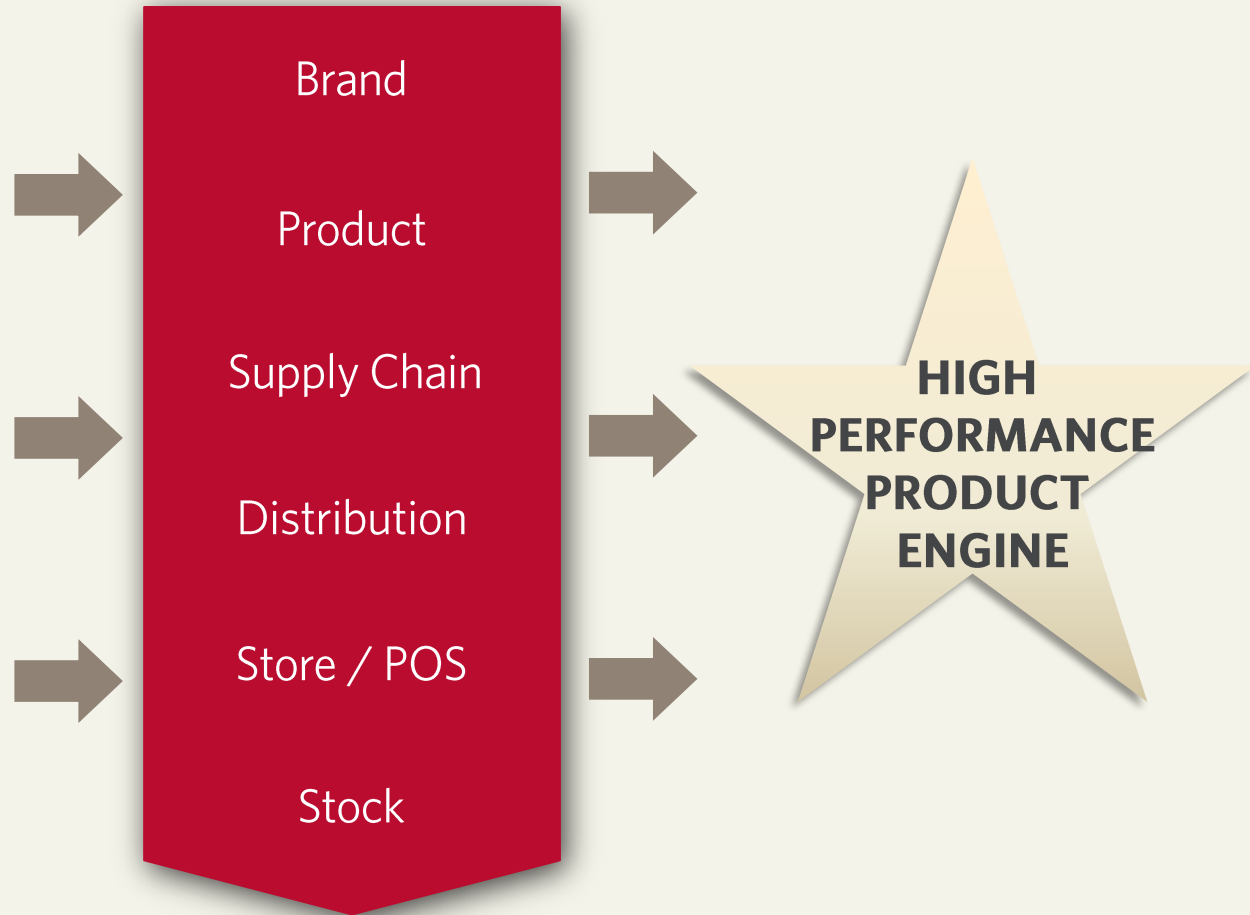
VALUE
FOR
MONEY



EFFICIENCY

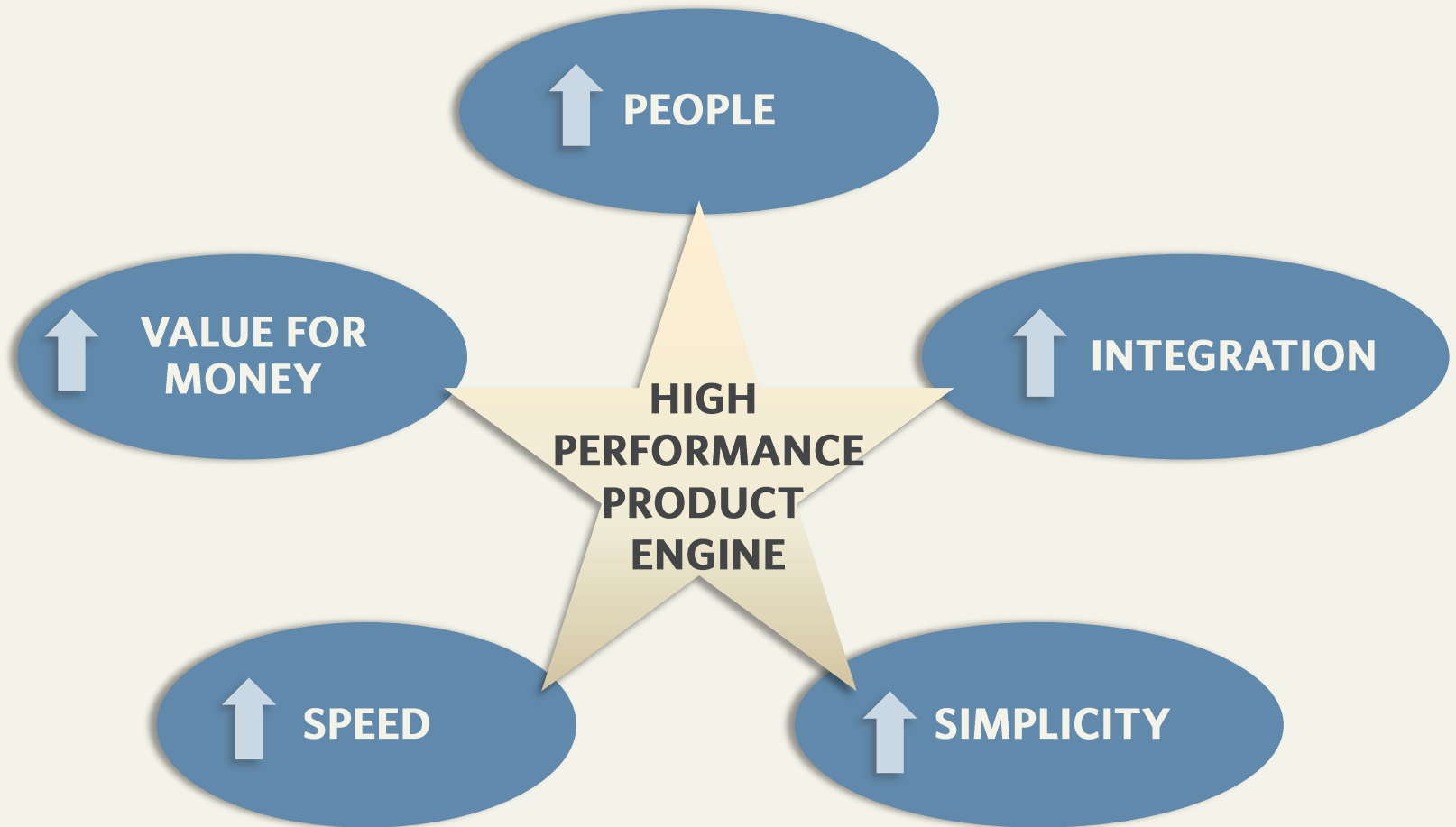
- ✓ Competitive pricing
- ✓ Sustainable profitability

VERTICAL



End Consumer
ESPRIT

HIGH PERFORMANCE PRODUCT ENGINE





↑ PEOPLE

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.

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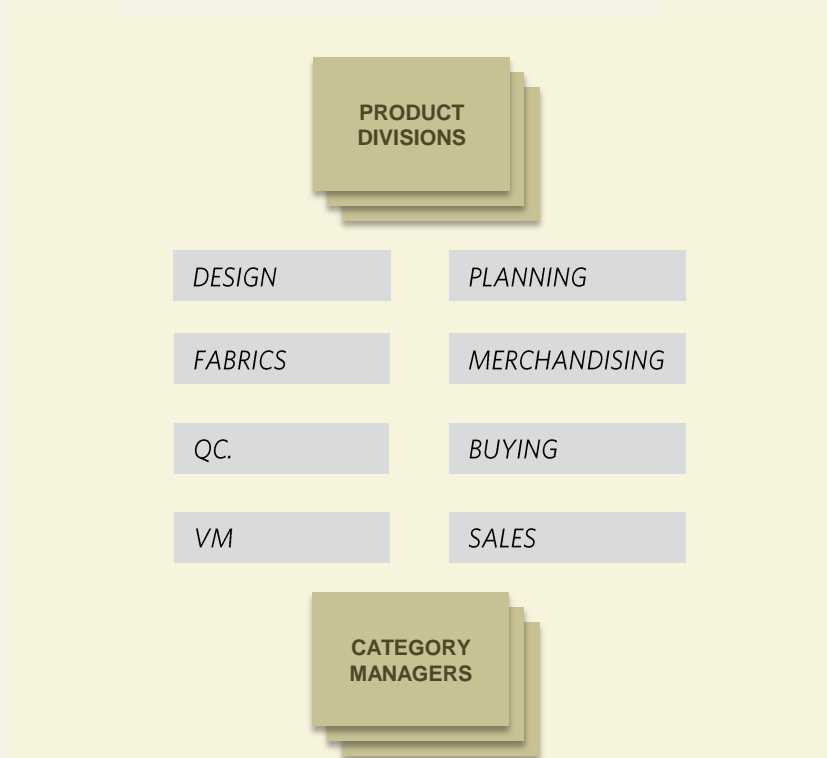
↑ INTEGRATION

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

*ALL FUNCTIONS TOGETHER
IN ONE SPACE*

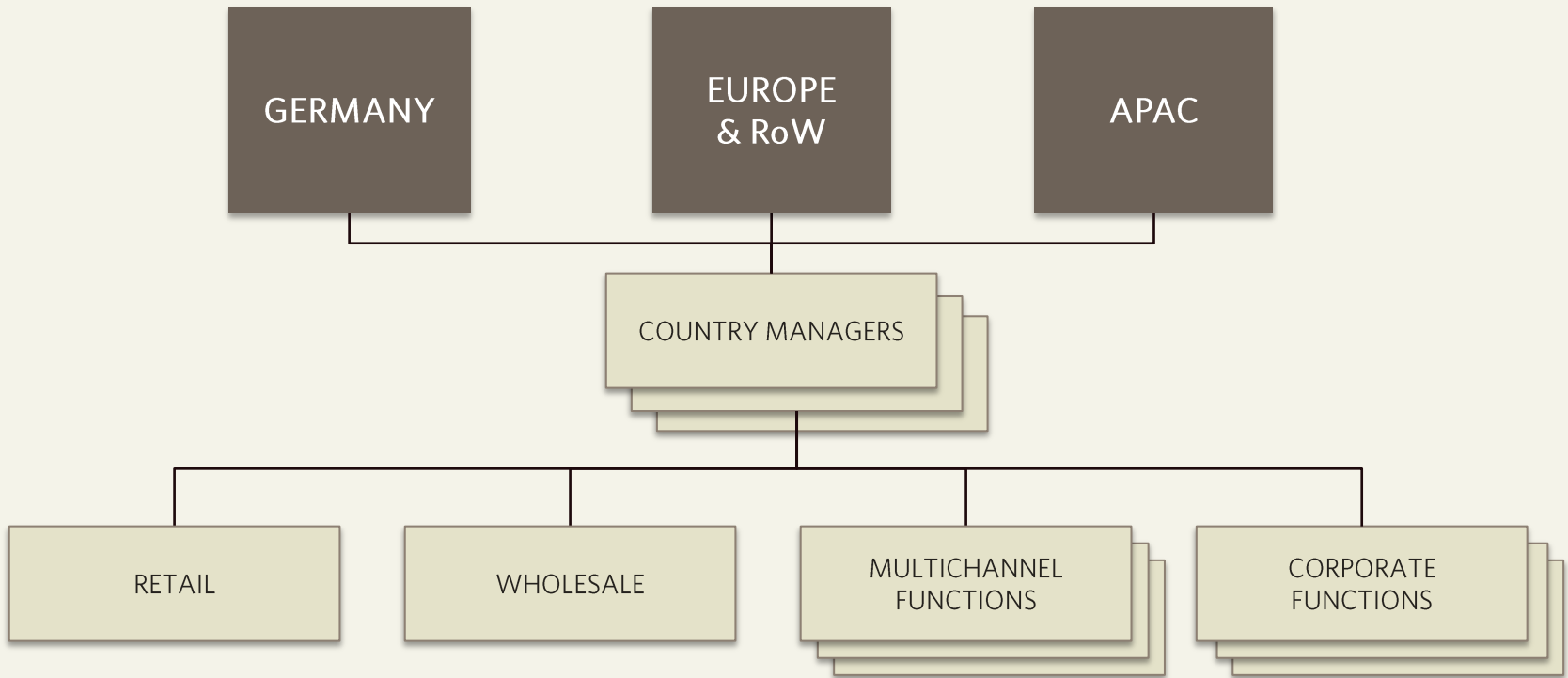


*ALL FUNCTIONS TOGETHER
IN ONE TEAM*



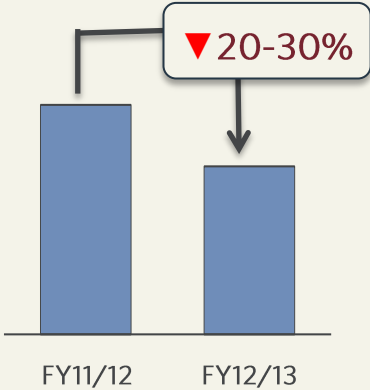


INTEGRATION OF ALL CHANNELS AND LOCAL SUPPORT FUNCTIONS INTO MARKET BUSINESS UNITS



↑ SIMPLICITY

SIMPLIFICATION OF PRODUCT DEVELOPMENT AND SUPPLY CHAIN PROCESSES



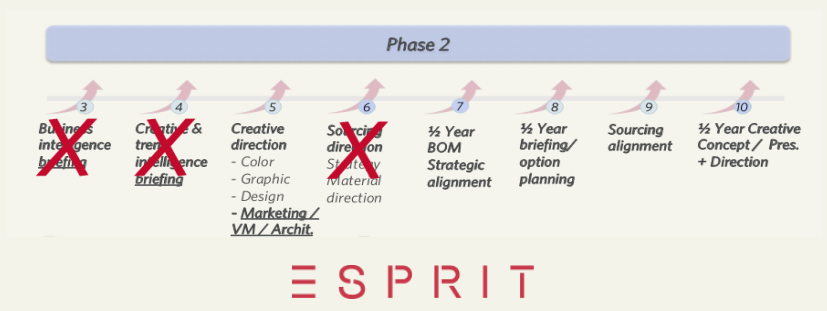
Number of Suppliers



Number of SKUs

Sell-in	Current	Future
Jan	SSN01	?
Feb	SSN02	
Mar	SSN03	
Apr	SSN04	
May	SSN05	
Jun	SSN06	
Jul	SSN07	
Aug	SSN08	
Sep	SSN09	
Oct	SSN10	
Nov	SSN11	
Dec	SSN12	

Number of Collections



↑ SPEED



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

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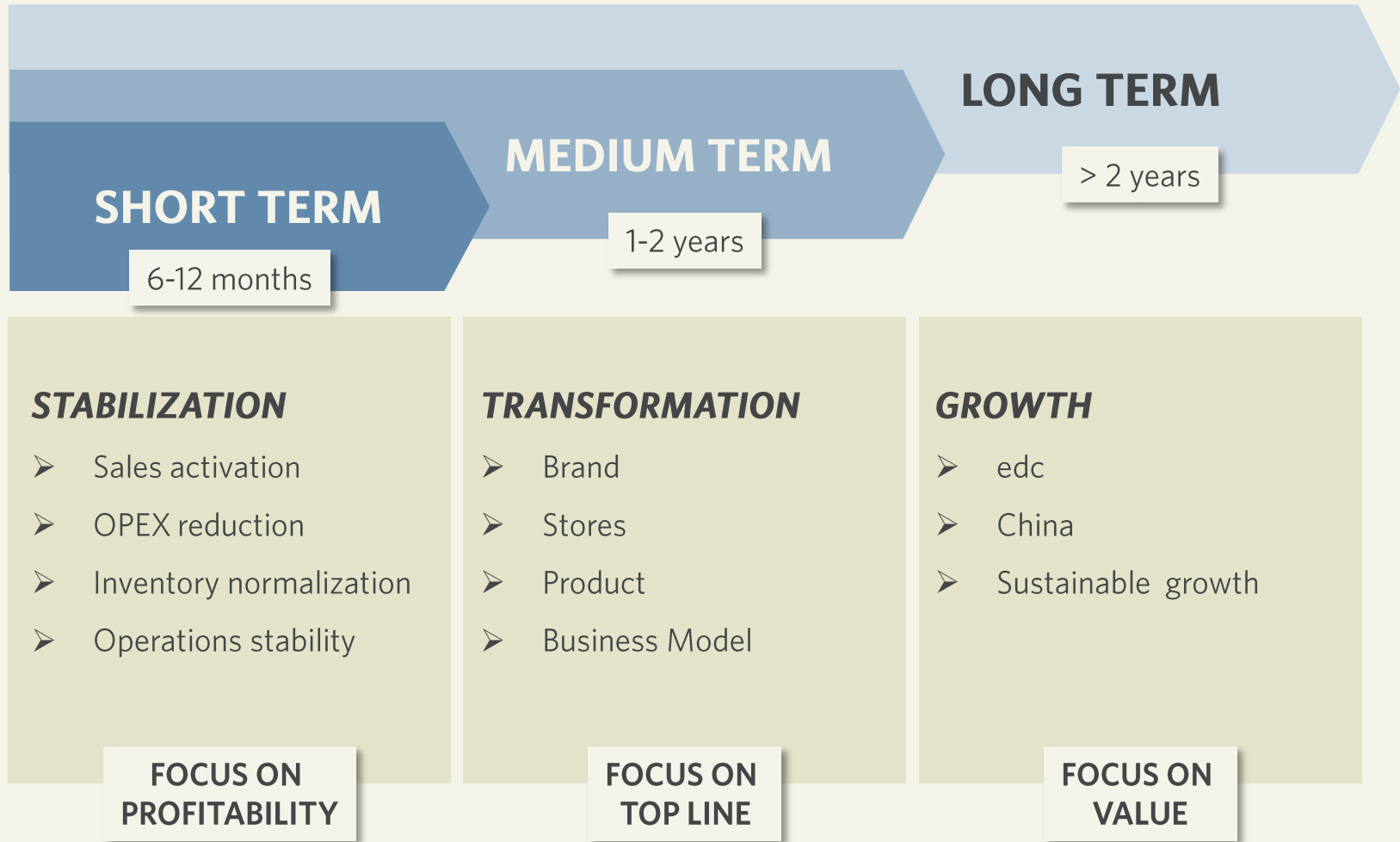


VALUE FOR MONEY



- 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



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

PRODUCTIVITY

- 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 EXPANSION

- Quickly develop density in current non-core markets
- Open new markets
- Leverage hybrid Retail-Wholesale strategy

OUTLOOK

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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

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Q&A's



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