



ESPRIT

INTERIM RESULTS BRIEFING

**FOR THE SIX MONTHS ENDED
31 DECEMBER 2012**

INTRODUCTION

INTRODUCTION - JOSE MANUEL MARTÍNEZ

Operating results for the six months period ended 31 December 2012 (the “Period”)

- **Continuing progress on the key areas of the Transformation Plan: Brand, Product and Stores**
- **Challenging operating environment, particularly in Europe**
- **A profit warning for expected loss was issued in December 2012 for the Period after a very negative sales development in November 2012**
- **Worse than expected results in the second quarter of FY12/13**
- **The Group recorded a net loss of HK\$465 million for the Period**
- **Interim Financial Results Review (CFO - Thomas Tang)**
- **Update on Business Operations**

INTERIM FINANCIAL RESULTS REVIEW

ESPRIT

INCOME STATEMENT

<i>(in HK\$'m)</i>	1H FY12/13	1H FY11/12	HKD Change	LCY Change
Turnover	13,554	16,699	- 18.8%	- 13.4%
COGS	(6,644)	(8,208)	- 19.0%	- 13.5%
Gross profit	6,910	8,491	- 18.6%	- 13.3%
<i>Gross profit margin</i>	<i>51.0%</i>	<i>50.8%</i>	<i>+0.2% pts</i>	<i>+0.1% pts</i>
OPEX	(7,175)	(7,704)	- 6.9%	- 1.2%
EBIT	(265)	787	-133.6%	-131.8%
Net (loss)/profit	(465)	555	-183.7%	-180.5%

The interim financial results for FY12/13 is partly impacted by divestment of North American operations and store closure programme in FY11/12

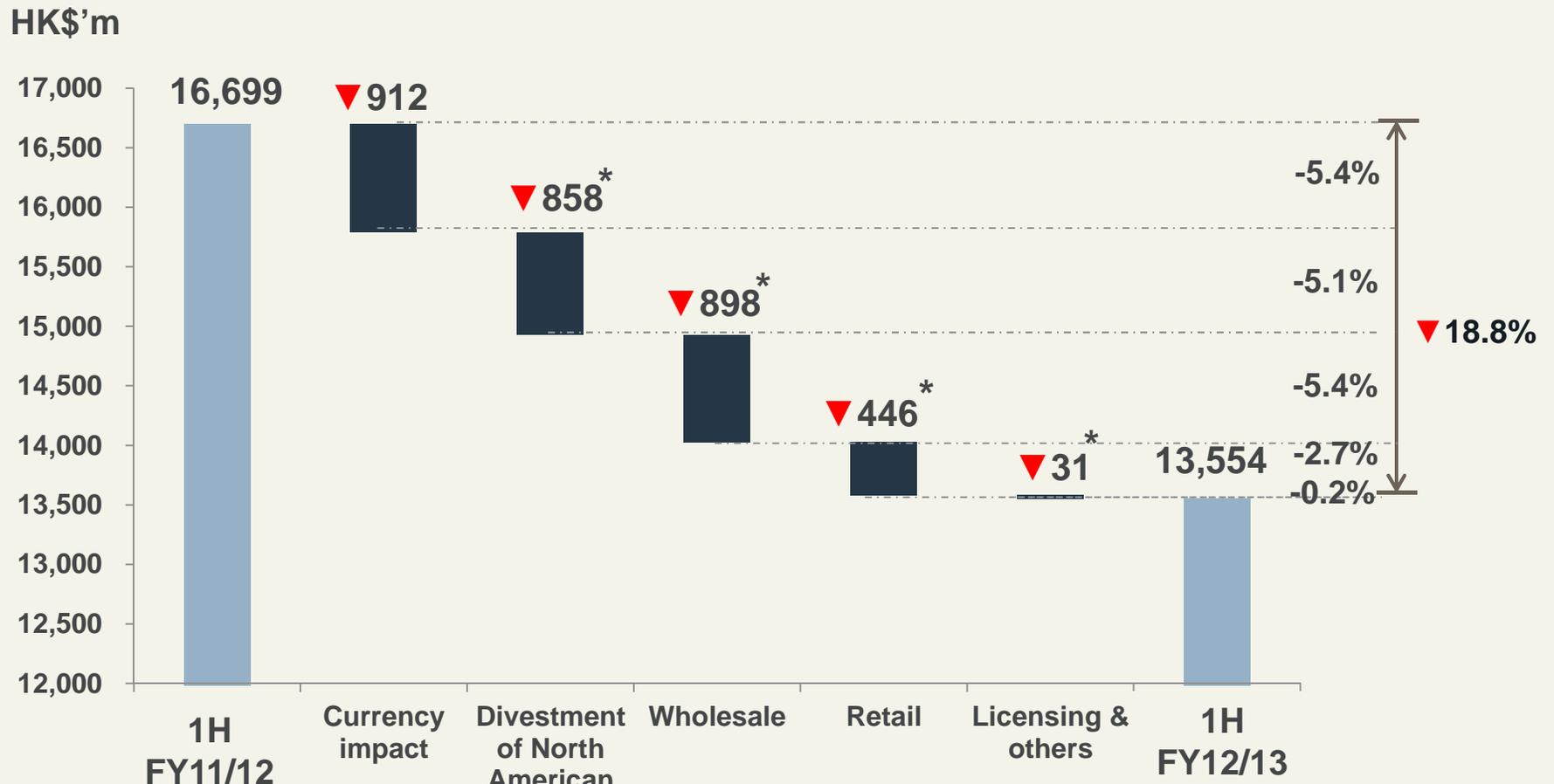
INCOME STATEMENT
(EXCLUDING NORTH AMERICA & STORE CLOSURE PROGRAMME)

<i>(in HK\$'m)</i>	1H FY12/13	1H FY11/12	HKD Change	LCY Change
Turnover	13,306	15,580	- 14.6%	- 8.8%
COGS	(6,516)	(7,640)	- 14.7%	- 8.8%
Gross profit	6,790	7,940	- 14.5%	- 8.9%
<i>Gross profit margin</i>	<i>51.0%</i>	<i>51.0%</i>	<i>0.0% pt</i>	<i>0.0% pt</i>
OPEX	(7,043)	(6,995)	+ 0.7%	+ 6.8%
EBIT	(253)	945	-126.8%	-125.3%
Net (loss)/profit	(453)	716	-163.3%	-160.7%

Negative EBIT mainly due to decline in Turnover and worsened by impairment charges

Note: Exclude North America wholesale & retail operations, and contributions from all stores under store closure programme

ANALYSIS OF TURNOVER



▲/▼ yoy change

ESPRIT

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

TURNOVER BY PRODUCT DIVISIONS

	1H FY12/13		1H FY11/12	
Product Divisions	HK\$m	% to Group Turnover	% to Group Turnover	Change in % LCY
Esprit Women	5,321	39.3%	40.0%	-15.2%
women casual	3,737	27.6%	31.0%	-23.1%
women collection	1,485	11.0%	9.0%	+5.0%
trend	99	0.7%	n/a	n/a
Esprit Men	2,223	16.4%	16.4%	-14.5%
men casual	1,729	12.8%	13.1%	-16.5%
men collection	494	3.6%	3.3%	-6.5%
edc	3,241	23.9%	24.4%	-14.8%
denim	75	0.6%	n/a	n/a
others	2,694	19.8%	19.2%	-9.3%
Total	13,554	100.0%	100.0%	-13.4%

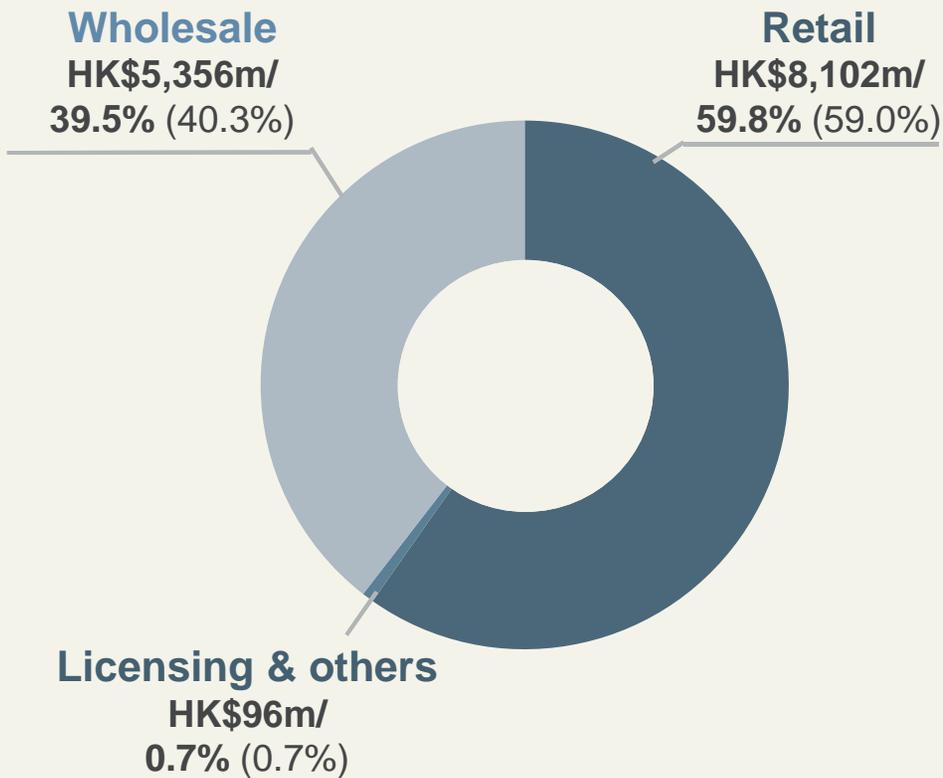
The structure of sales in Women Divisions is changing in line with new Product direction

▲/▼ yoy change

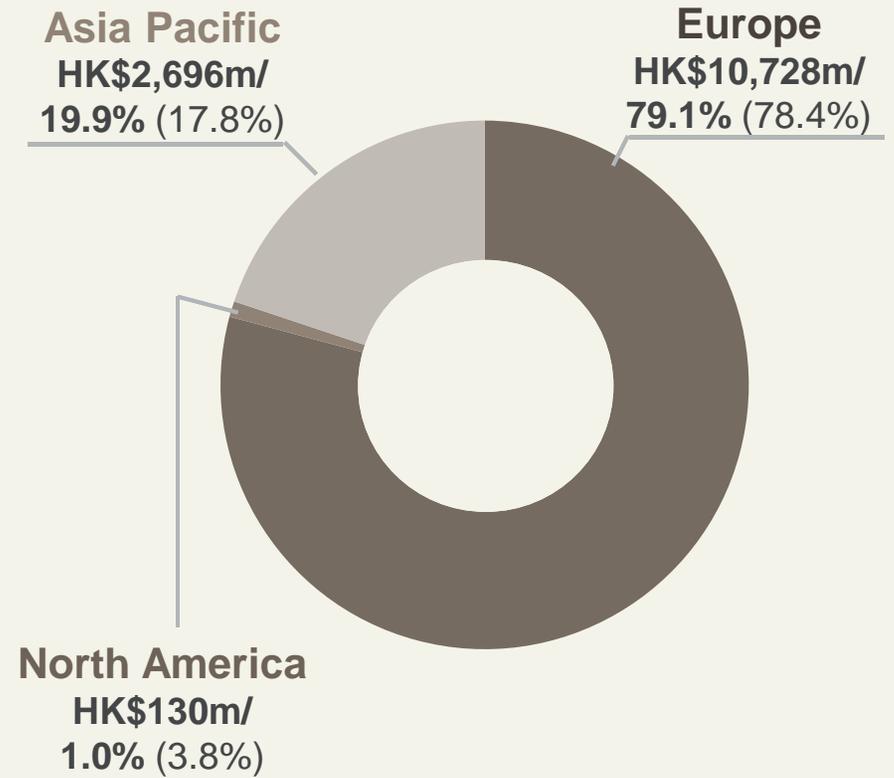
E S P R I T

BREAKDOWN OF TURNOVER

Turnover by Channel



Turnover by Region

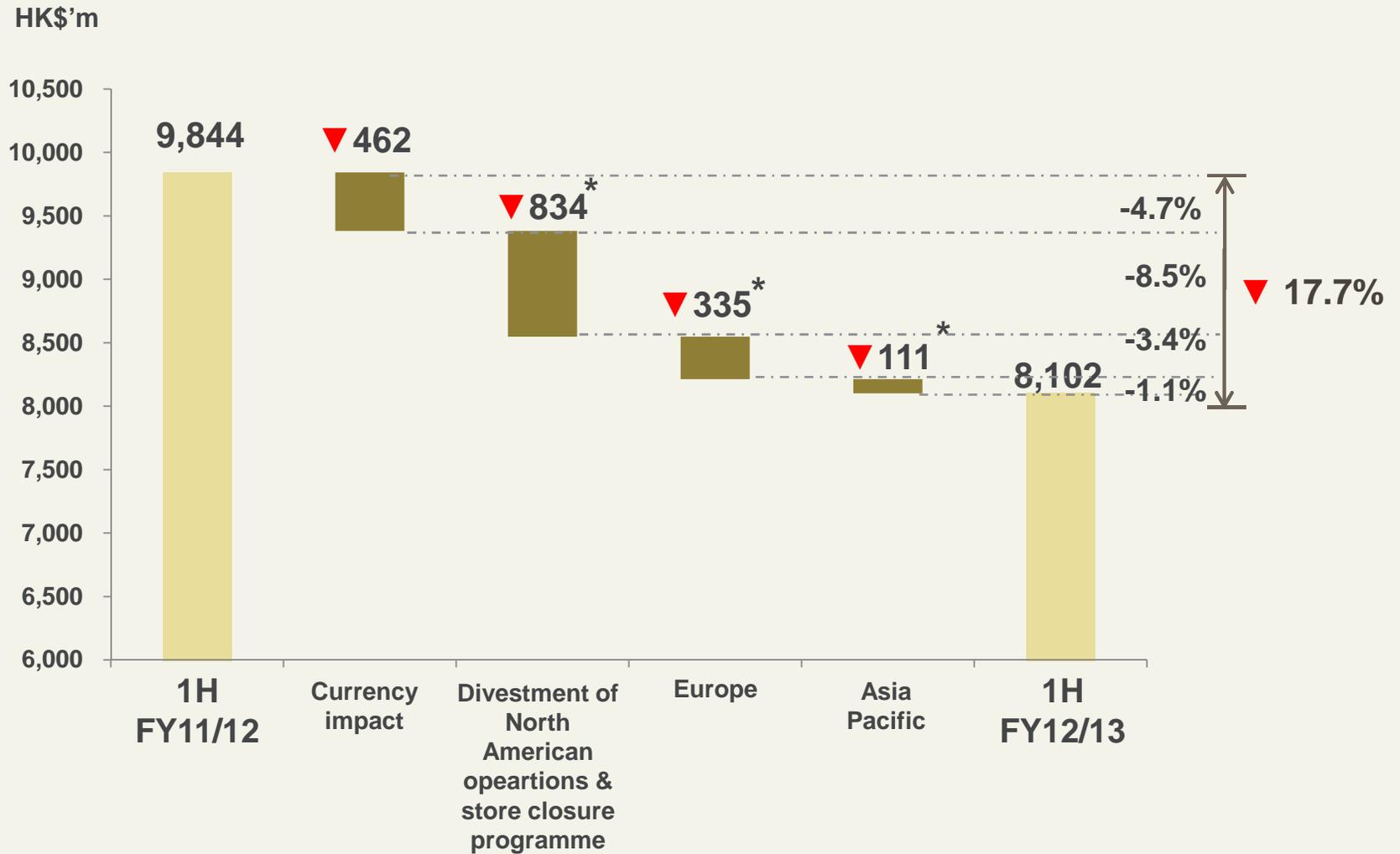


Brackets denote 1H FY12/13

RETAIL

ESPRIT

ANALYSIS OF RETAIL TURNOVER



▲/▼ *yoy change*

ESPRIT

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

RETAIL TURNOVER BY REGIONS

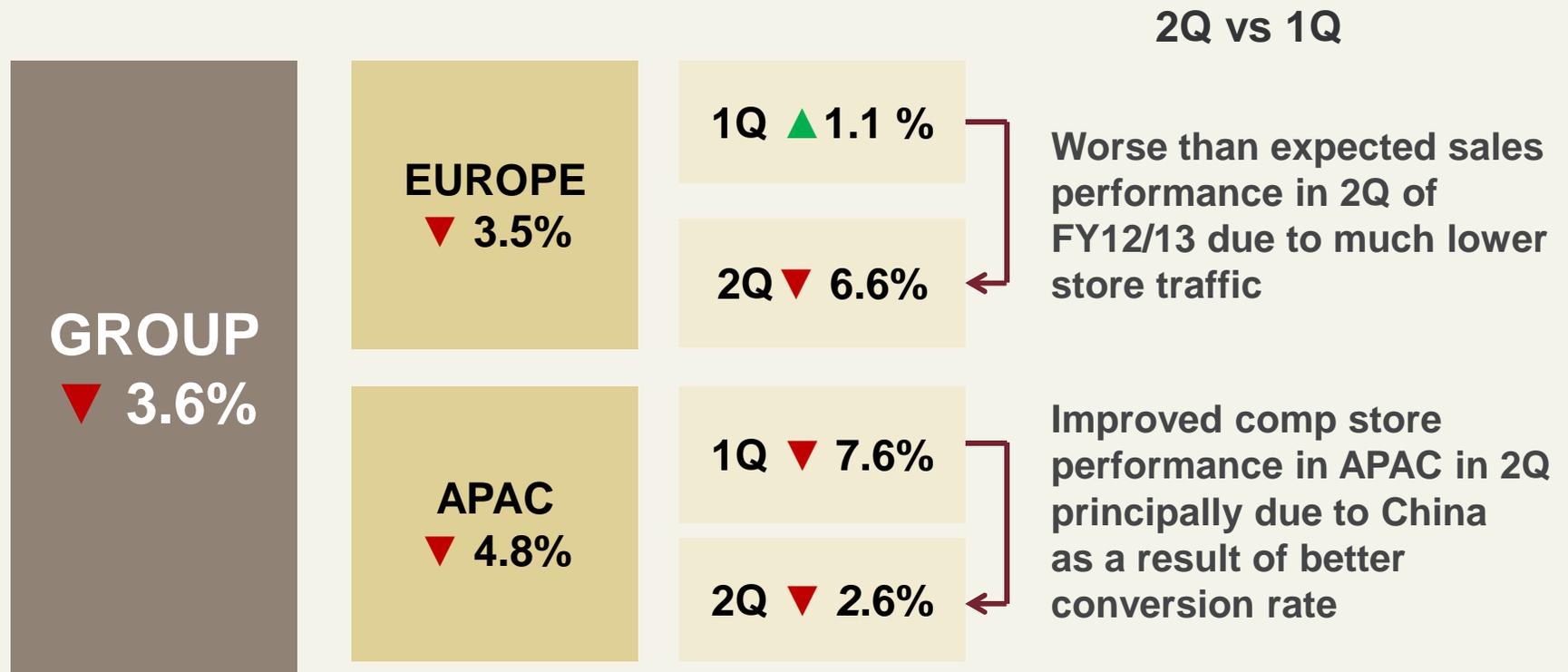
In HK\$m	1H FY12/13	% of Retail Turnover	Change in %	
			HKD	LCY
Europe	6,160	76.0%	▼15.4%	▼8.8%
Asia Pacific	1,942	24.0%	▼7.5%	▼8.2%
North America	Divested in FY11/12		n.a.	n.a.

Excluding store closure programme			
	LCY change in %		
	1Q	2Q	1H
Europe	▼2.9%	▼6.6%	▼4.9%
Asia Pacific	▼9.0%	▼2.7%	▼5.5%
Group	▼4.3%	▼5.7%	▼5.1%

▲/▼ yoy change

ESPRIT

RETAIL COMP STORE PERFORMANCE



▲/▼ yoy change in LCY

RETAIL POS AND SPACE BY STORE TYPES

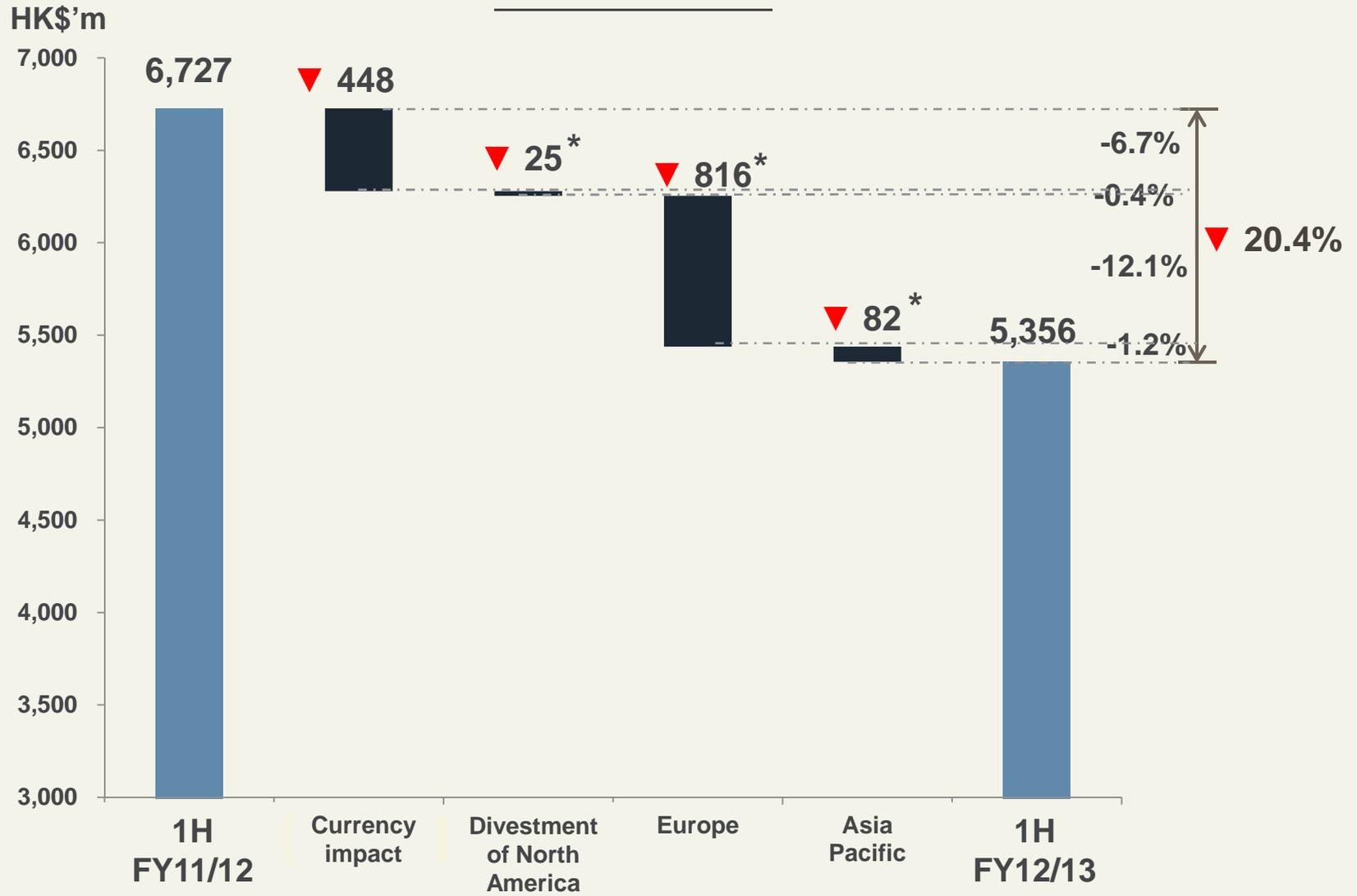
	POS number					Net sales area (m ²)				
	As at 31 Dec 12	vs 1 Jul 12		As at 1 Jul 12	Net change	As at 31 Dec 12	vs 1 Jul 12		As at 1 Jul 12	Net change (in %)
		Opened	Closed				Opened	Closed		
Stores/ concession counters	954	57	-62	959	-5	309,494	10,712	-9,965	308,747	+0.2%
Outlets	80	17	-4	67	+13	36,723	10,056	-2,771	29,438	+24.7%
Sub-total	1,034	74	-66	1,026	+8	346,217	20,768	-12,736	338,185	+2.4%
Store closure programme	26	-	-14	40	-14	15,143	-	-7,981	23,124	-34.5%
Total	1,060	+74	-80	1,066	-6	361,360	20,768	-20,717	361,309	+0.0%

Excluding North America and store closure programme, retail space ▲2.4% compared to 30 June 2012 primarily attributable to expansion in outlets

WHOLESALE

ESPRIT

ANALYSIS OF WHOLESALE TURNOVER



▲/▼ yoy change

ESPRIT

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

WHOLESALE TURNOVER BY REGIONS

In HK\$m	1H FY12/13	% of Wholesale Turnover	Change in %	
			HKD	LCY
Europe	4,552	85.0%	▼21.5%	▼14.1%
Asia Pacific	746	13.9%	▼11.8%	▼9.7%
North America	58	1.1%	▼30.3%	▼30.1%

	LCY change in %		
	1Q	2Q	1H
Europe	▼17.7%	▼7.7%	▼14.1%
Asia Pacific	▼11.9%	▼7.5%	▼9.7%
Group	▼17.1%	▼8.2%	▼13.7%

▲/▼ yoy change

E S P R I T

CONTROLLED WHOLESALE SPACE BY REGIONS AND POS TYPES

Controlled wholesale space as at 31 December 2012 (vs 31 December 2011)

	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	249,325	-5.5%	168,012	-7.5%	74,025	-22.3%	491,362	-9.1%
Asia Pacific	120,731	-7.6%	2,525	-31.8%	-	-	123,256	-8.3%
Total	370,056	-6.2%	170,537	-8.0%	74,025	-22.3%	614,618	-9.0%

Controlled wholesale space ▼ 9% yoy (including ▼ 22% from Identity corners) partly due to continued rationalisation of smaller accounts

CHINA TURNOVER

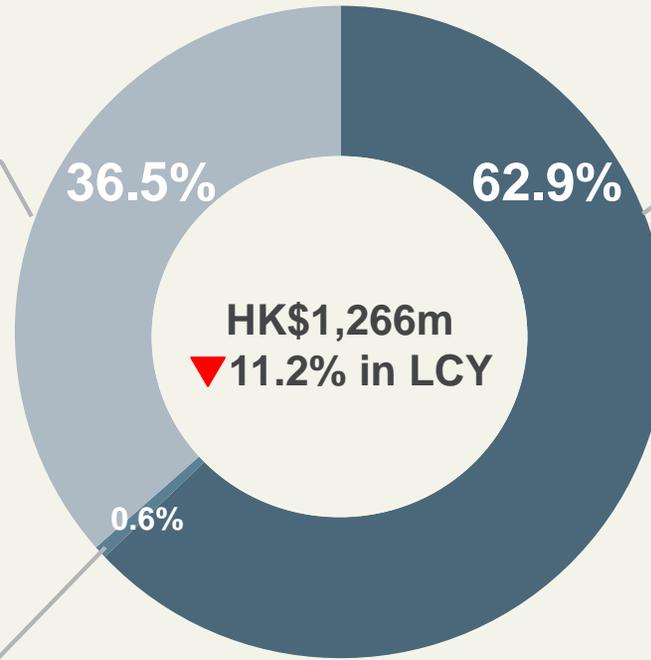
ESPRIT

CHINA TURNOVER

Wholesale

▼25.0% in LCY

- Challenging macro environment
- Decrease in wholesale space due to weak sales performance
- Taking returns and higher discounts as strategic measures to support partners



Retail

▼0.2% in LCY

Comp store sales
1Q ▼12%
2Q ▼0.7%

Improved 2Q
principally due to
better conversion
rate

Others

Wholesale		Retail	
POS	Change vs Jun 12	POS	Change vs Jun 12
611	-58	371	+27

ESPRIT

PROFITABILITY

GROSS PROFIT MARGIN



Gross profit margin remained approximately FLAT

OPERATING EXPENSES

(in HK\$ M)	1H FY12/13	1H FY11/12	Change in %
			HK\$
Staff costs	2,076	2,253	▼ 7.9%
Occupancy costs	1,784	1,799	▼ 0.8%
Logistics costs	749	740	▲ 1.2%
Advertising & marketing exp	597	729	▼ 18.2%
Depreciation	434	342	▲ 26.9%
Impairment of PPE	122	14	▲ 771.9%
Others	1,281	1,118	▲ 14.6%
Sub-total	7,043	6,995	▲ 0.7%
North America & store closure programme	132	709	▼ 81.5%
Total OPEX	7,175	7,704	▼ 6.9%

Despite the decline, continuous effort will be made to increase efficiency

Alignment of spending with brand objectives and sales performance

Resulting from investment in new store openings and retail store refurbishment over last year as well as Distribution Center & EPS

Impairment on fixed assets relating to certain directly managed retail stores

Mainly due to increase in stock provision and increase in doubtful debt provision

OPEX (excluding North America & store closure programme) stay almost FLAT

WORKING CAPITAL

CASH FLOW AND NET CASH POSITION

<i>HK\$m</i>	1H FY12/13	1H FY11/12
Cash, bank balances and deposits at beginning of period	3,171	4,794
Net cash used in operating activities	(1,142)	(907)
Net cash generated from/(used in) investing and financing activities	4,700	(326)
Effect of change in exchange rates	54	(153)
Cash, bank balances and deposits at end of period	6,783	3,408
Less: Bank loans	(1,809)	(2,353)
Net cash position	4,974	1,055

Included:

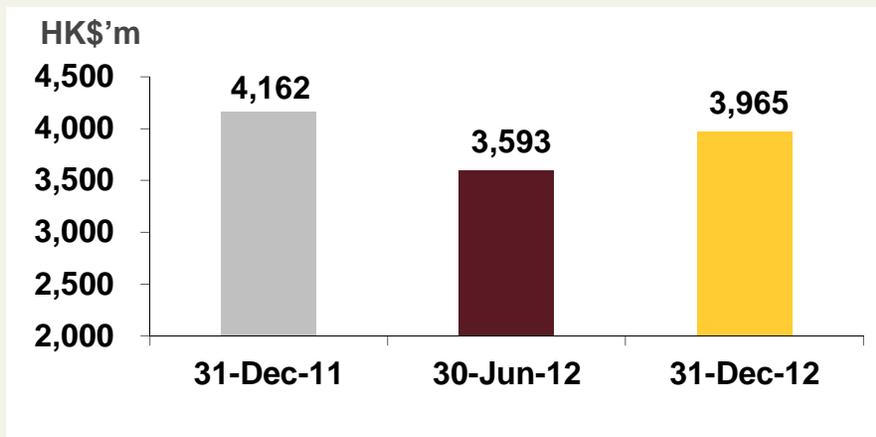
- CAPEX as follows:

	HK\$m
New store	(146)
Refurbishing existing stores	(202)
IT	(73)
Office & others	(54)
Total	(475)

- Net proceeds from rights issue of HK\$5,037m

WORKING CAPITAL INVENTORIES & TRADE DEBTORS

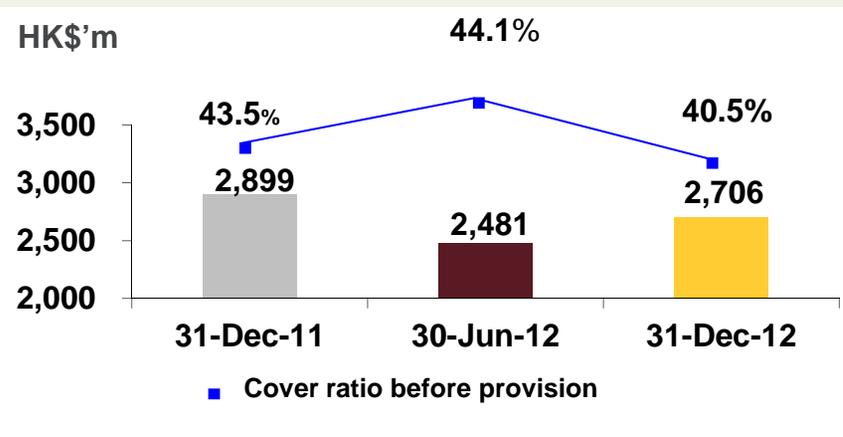
Inventories



Inventories increased by 10.4% vs Jun 12
Inventory T/O days: 102 days (Jun 12: 100 days)
Inventory to sales ratio: 14.7% (Jun 12: 11.9%)

- Slower product sell-through
- Return of aged inventory from wholesalers as part of wholesale support measures
- 6.2% appreciation in €/HK\$ closing rate (Dec 12: 10.254; Jun 12: 9.6551)

Net trade debtors



Net trade debtors increased by 9.1% vs Jun 12:

- Ageing of net trade debtors over 90 days slightly increased by 3.4%
- 6.2% appreciation in €/HK\$ closing rate (Dec 12: 10.254; Jun 12: 9.6551)

***UPDATE ON
BUSINESS OPERATIONS***

STRATEGIC PRIORITIES

SHORT TERM

STABILIZATION

- **Top Line** activation
- **Inventories**
normalization
- **OPEX** reduction
- **Investments** selection

STRATEGIC PRIORITIES

SHORT TERM

MEDIUM TERM

STABILIZATION

- **Top Line** activation
- **Inventories**
normalization
- **OPEX** reduction
- **Investments** selection

TRANSFORMATION

- **Brand**
- **Product**
- **Store & Channels**
- **Support**

ESPRIT

BRAND CAMPAIGN – SPRING 2012



ESPRIT

BRAND CAMPAIGN – CHRISTMAS 2012



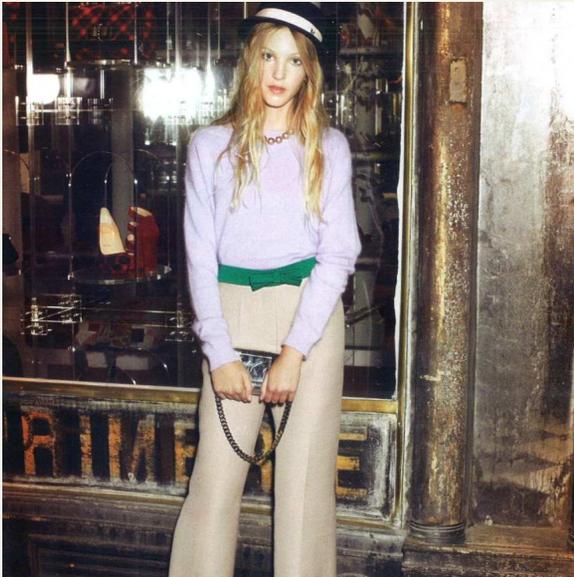
ESPRIT

BRAND CAMPAIGN – SPRING 2013



ESPRIT

BRAND - PR



Esprit & Louis Vuitton
Jalouse France



Esprit, Krizia, Jimmy Choo,
Just Cavalli
Elle Italy



Esprit & Gucci
Elle France

ESPRIT

BRAND – STRATEGIC FOCUS

Brand Awareness in Core Markets

	AW 12	Change (T. Plan)	
GERMANY 	98%	+1%	} FOCUS ON TRAFFIC AND CONVERSION RATE ➤ CAMPAIGNS & PR ➤ LOCAL / CHANNEL MARKETING ➤ WINDOWS & ACTION AREAS ➤ INSTORE VM ➤ CRM
CHINA 	75%	+44%	
OTHERS 	88%	+4%	

ESPRIT

PRODUCT – NEW COLLECTIONS

Stylish and contemporary

Quality made to last

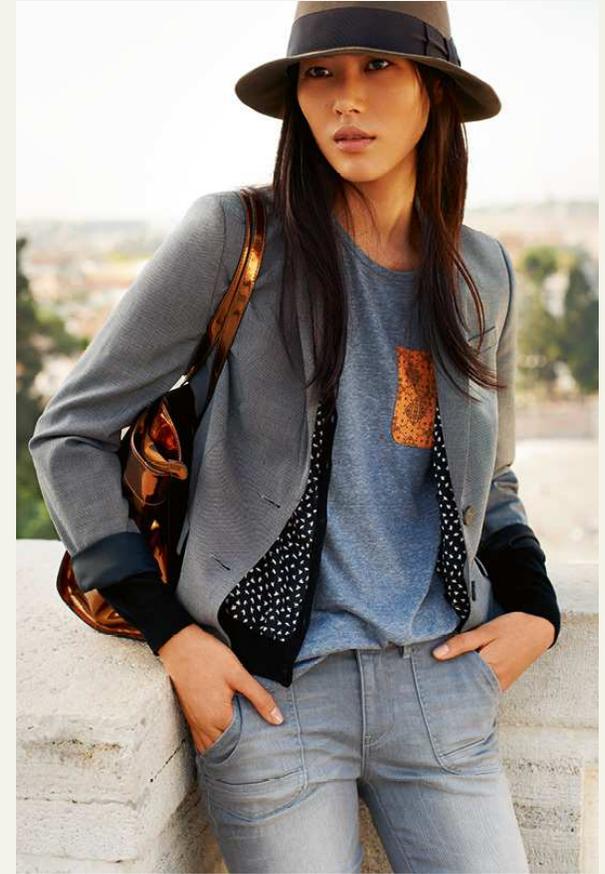
Outstanding value for money

Lifestyle



ESPRIT

PRODUCT – NEW COLLECTIONS



ESPRIT

PRODUCT – NEW DIVISIONS (DENIM)



PRODUCT – NEW DIVISIONS (TREND)



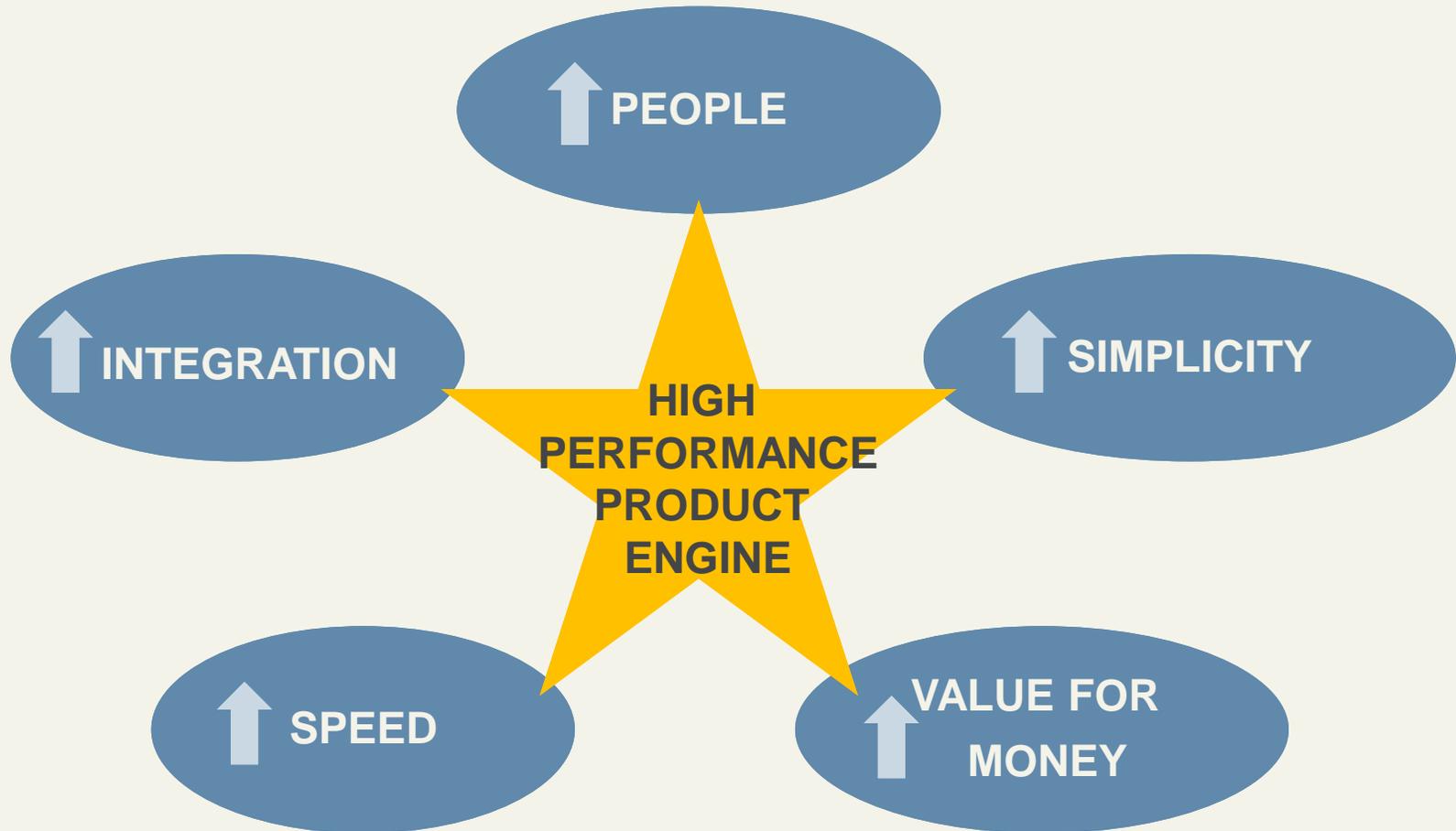
ESPRIT

PRODUCT – SUPPLY CHAIN

- **Central Buying function** benefitting from better use of scale and lower cost alternatives
- Synergies and savings through **consolidation of supplier** portfolio
 - Number of suppliers reduced by 21%
 - Number of factories reduced by 29%
 - Rejection rate reduced by 50%
- Expand **own sourcing footprint** to new markets
 - China, Bangladesh, Indonesia and India (Oct 2012)
 - Share of sourcing agents reduced by 28%

~ 600 Million \$HK
savings
for FY12/13

PRODUCT – STRATEGY FOCUS



ESPRIT

STORE – NEW CONCEPT



ESPRIT

STORE – STRATEGIC FOCUS

	<i>Total¹</i>	<i>Icon</i>	<i>Standard</i>	<i>Retreat</i>
<i>Self-Managed</i>	84	9	36	39
<i>Europe</i>	53	8	26	19
<i>APAC²</i>	31	1	10	20
<i>PSS</i>	122	0	54	68
<i>Europe</i>	87	0	24	63
<i>APAC²</i>	35	0	30	5

- Accelerate roll-out of best practices (i.e. space allocation & VM)
- Proceed with selective refurbishing plan (regional/local concentration)
- Keep reducing refurbishing cost per sqm (economies of scale)

Note 1: Count is for full stores, and does not include concession locations or shop in shops

Note 2: APAC includes China

ESPRIT

CHANNELS – STRATEGIC FOCUS



- FOCUS ON TRAFFIC & PRODUCTIVITY
- STRENGTHENING OF SUPPORT TO STORES
- COMPLETION OF STORE CLOSURES PROGRAM
- REDUCTION OF OPERATIONAL EXPENSES
- MULTICHANNEL INTEGRATION & COORDINATION
- QUALITY AND SUSTAINABLE GROWTH



- FOCUS ON STRATEGIC PARTNERSHIPS
- FURTHER INTEGRATION WITH KEY PARTNERS
- CONTINUED SHORT TERM MEASURES

ESPRIT

SUPPORT



**Finalization of implementation in
Europe by June 2013
(~210 M Euro investment)**



**Operational since July 2012 and
total volume transferred by
October 2013
(~50 M Euro investment)**

STRATEGIC PRIORITIES



STABILIZATION

- **Top Line** activation
- **Inventories**
normalization
- **OPEX** reduction
- **Investments** selection

TRANSFORMATION

- **Brand**
- **Product**
- **Store & Channels**
- **Support**

GROWTH

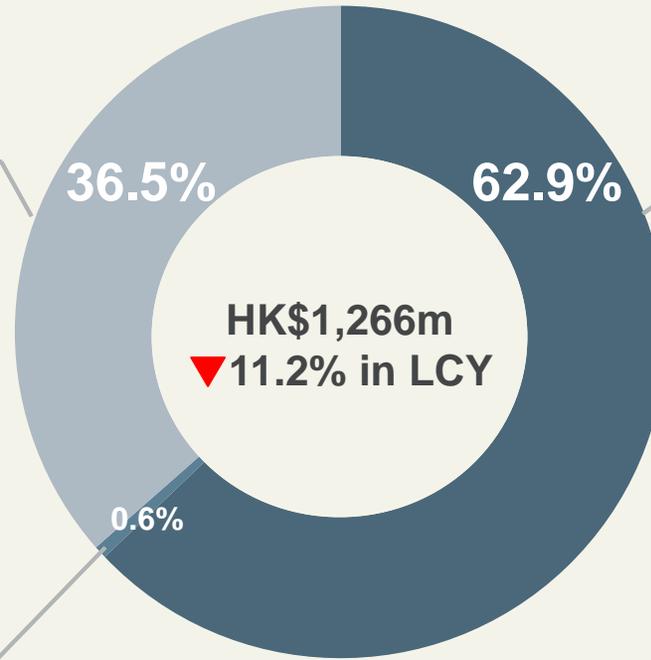
- **China**
- **edc**
- **Sustainable quality**
growth

CHINA TURNOVER

Wholesale

▼25.0% in LCY

- Challenging macro environment
- Decrease in wholesale space due to weak sales performance
- Taking returns and higher discounts as strategic measures to support partners



Retail

▼0.2% in LCY

Comp store sales
1Q ▼12%
2Q ▼0.7%

Improved 2Q principally due to better conversion rate

Others

Wholesale		Retail	
POS	Change vs Jun 12	POS	Change vs Jun 12
611	-58	371	+27

ESPRIT

PRODUCT - EDC



INVESTOR RELATIONS

DAY

ESPRIT

INVESTOR RELATIONS DAY



Date

14 May 2013

Place

**ESPRIT HQ,
Ratingen, Germany**

Agenda

Update on Transformation Plan



ESPRIT
Q&A's

ESPRIT