

INSPIRIT

Investor Day

22 November 2011

WELCOME



- *Share details of our Transformation Plan*
- *Present implementation roadmap*
- *Share progress of Transformation Plan so far*
- *Provide opportunity to interact with the Board of Management*

Ronald van der Vis

Executive Director and Group CEO

Fook Ann Chew

Executive Director and Group CFO

Jan Nord

Creative Director

Jörgen Andersson

Brand Director

Colin Henry

Chief Product Officer

Tanya Todd

COO/ Supply Chain

Gert van de Weerdhof

Chief Retail Officer

Christophe Bezu

Chief Wholesale Officer



Brand

Product

Preview Spring 2012

Channels

Transformation plan

To understand the future, you need to know the past
The Early Days

ESPRIT

*Founded in 1968 in
San Francisco, by Susie
and Doug Tompkins*



*Attributes of California
Lifestyle*

Visionary founders

*Esprit was a pioneer
of the fashion industry*

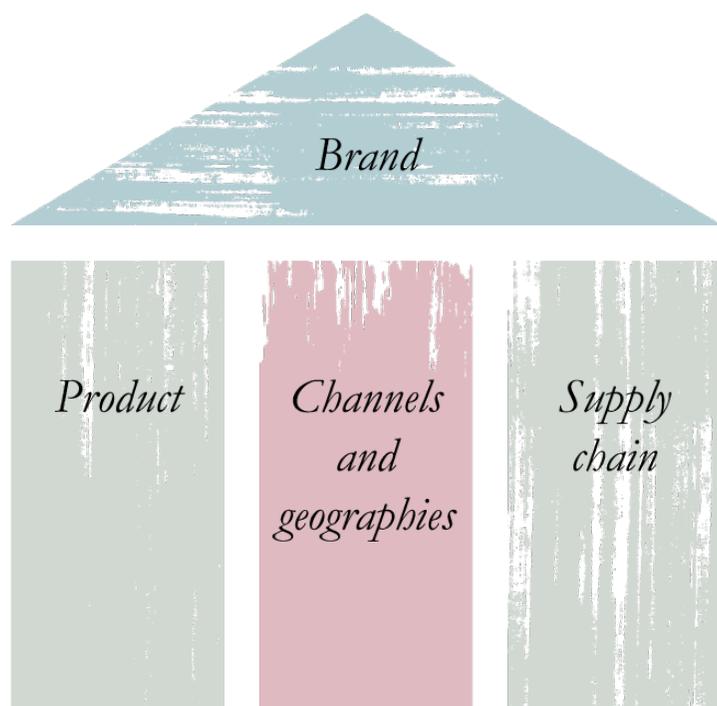


To understand the future, you need to know the past
The Growth Phase

ESPRIT

- *Founders left the company*
- *Commercially very successful, but core values and heritage neglected*
- *Short-term topline focus, instead of customer focus*
- *Underinvestment in the company*
- *Customers want us to change. They want their Esprit back*

- *A bolder execution of our Strategic Initiatives*
- *We will re-establish Esprit as an inspiring fashion brand*
- *We will restore sustainable profitability*
- *A deep and consequent transformation process*
- *Significant investments, results materializing over time*
- *Significant impact on our results in the next 2 financial years*



Significant investments ...

- *~ HK\$7B cumulative total Capex investments over the next 4 years*
- *~ HK\$11.5B cumulative additional Opex requirements over the next 4 years*
- *HK\$2.4B provision (pre tax) for FY10/11 related to store closures and the divestiture of North America*

... as the basis for profitable growth

- *Sales CAGR (LCY) ~ 8%–10% (FY 10/11 to FY 14/15)*
- *Sourcing savings of ~ HK\$1B p. a. by FY14/15*
- *Operating profit margin ~ 15% post transformation*

*FINANCLAL
COMMUNITY*

“This plan actually makes a lot of sense.”

“It is clearly an interesting story and the plan is likely to produce results. The focus on the particular target market sounds promising.”

“It’s about time! We have been waiting for this for years.”

PARTNERS

“It was great meeting the board this time. It really gives you a lot of confidence.”

EMPLOYEES

“The plan is very clear. And I believe with [...] on board, we will deliver on it.”

“We are really tackling all the big issues.”

- 1 *Why was the Transformation Plan announced now?*
- 2 *How can the implementation be ensured?*
- 3 *Is the Esprit brand still strong enough?*
- 4 *What is the timing and phasing of the measures?*
- 5 *How will the investments be financed?*

- *Deep understanding of the market & the Esprit customer*
- *The basis of the new Esprit brand direction*
- *New, international and experienced Board of Management recruited to drive execution*

- *Clear ownership by the Board of Management*
- *Continuous and dedicated project management*
- *Integration of transformation activities into day-to-day business*
- *Detailed tracking of activities & results on a workstream level*

What's your favorite brand? ¹

- *Germany* #1
- *Netherlands* #2
- *China* #3
- *France* #4

"Adidas, Nike and Esprit are the favorite fashion/ lifestyle brands in Germany"

GMK Markenbefragung, June 2011

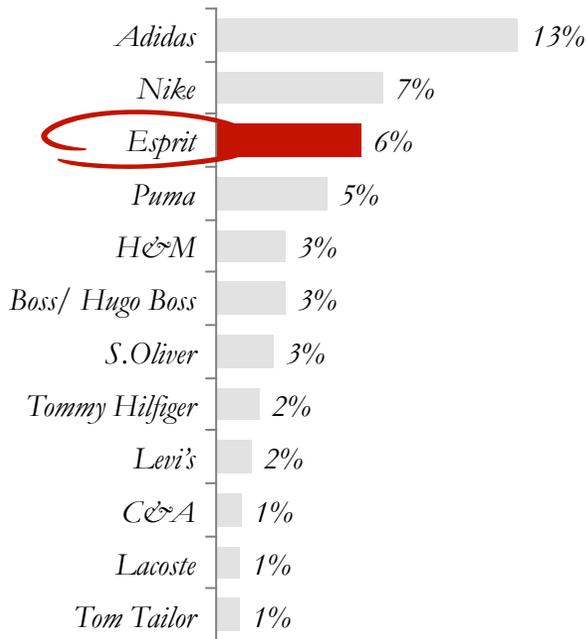
Top 10 apparel brands² Brand value (\$M)

1	<i>Nike</i>	13,917
2	<i>H&M</i>	13,066
3	<i>Zara</i>	10,335
4	<i>Ralph Lauren</i>	3,378
5	<i>Esprit</i>	3,375
6	<i>Adidas</i>	3,088
7	<i>Uniqlo</i>	2,916
8	<i>Next</i>	2,567
9	<i>Hugo Boss</i>	2,445
10	<i>Metersbonwe</i>	1,446

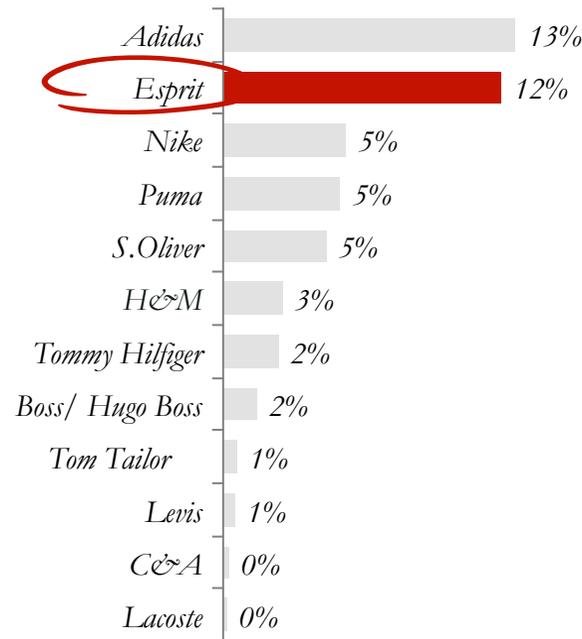
Esprit is the No 1 favorite fashion brand amongst women in Germany

E S P R I T

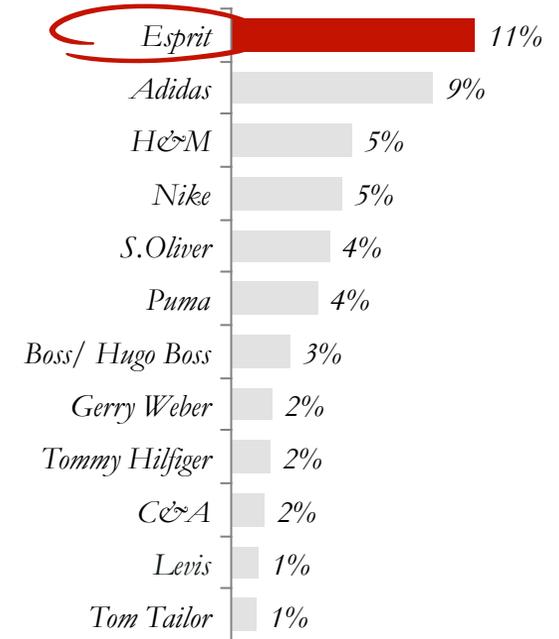
Favorite brand in Germany: No 3 overall ...



... No 2 in high earning households¹ ...



... No 1 amongst women



1. Household net income > €3000 per month Note: Representative survey conducted in Germany in Aug 2011, "What is your favourite brand?"

Source: Survey: Die Lieblingsmarken der Deutschen, Ordering party: GMK Markenberatung Köln/München, Number of respondents: 1000 German inhabitants older than 14 years, Interview technique: telephone interviews (CATI), open questions, multiple answered permitted. Execution: LINK Institut für Markt- und Sozialforschung

Brand

Product

Preview Spring 2012

Channels

Transformation plan

*CONSUMER
INSIGHTS*

*EVERYTHING WE DO
WE DO FOR HER*

Who is she?



We asked almost 10,000 people in 6 important fashion markets what they had to say about clothing

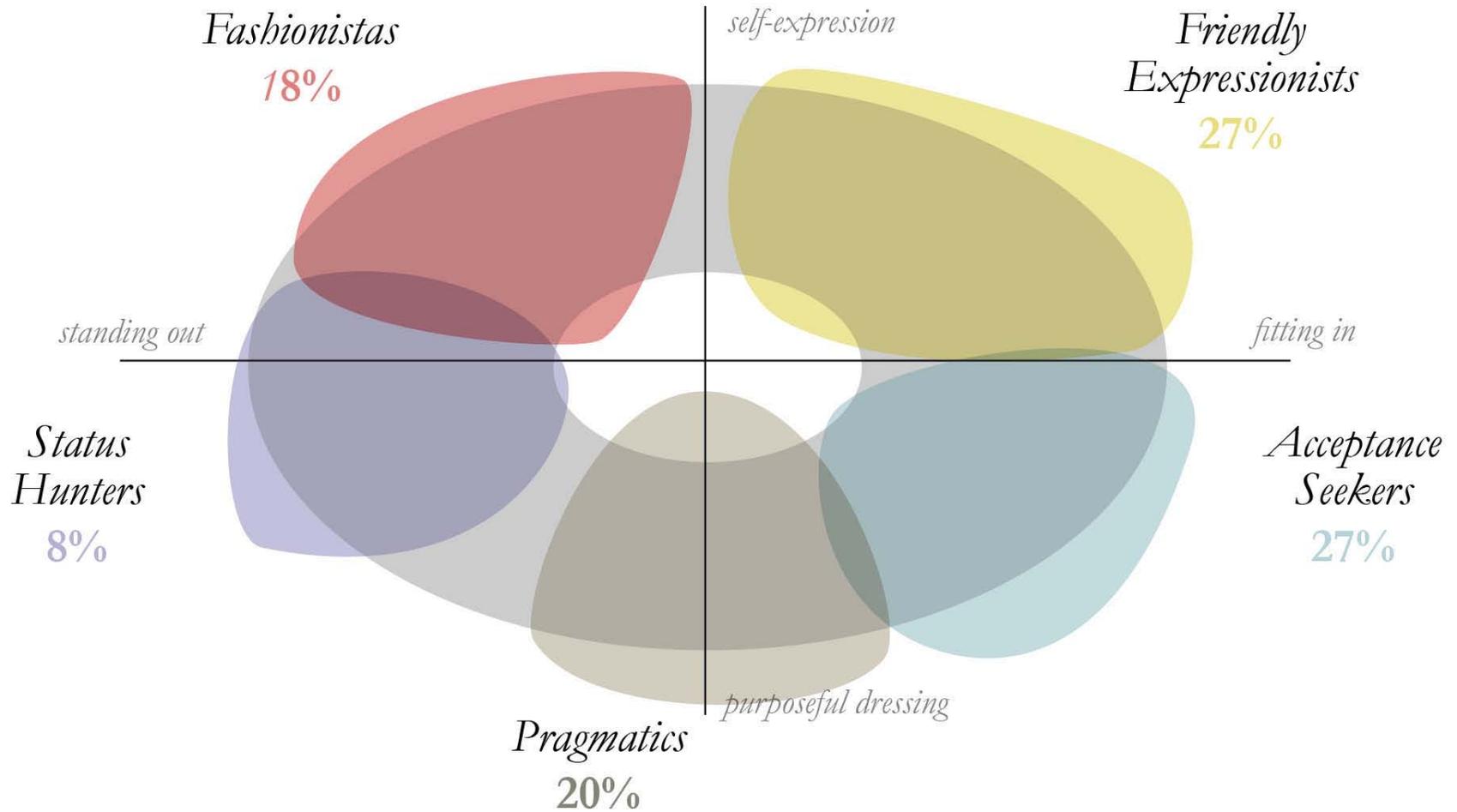


1 *QUALITATIVE*

2 *QUANTITATIVE*

5 global consumer segments

ESPRIT



Note: All market shares by value
Source: Synovate (2010/09)

*For Esprit, Friendly Expressionists evaluated
as most attractive segment*

ESPRIT

*Friendly
Expressionist*

She already shops at Esprit today



There are many of them



She already likes Esprit



She is very loyal to her favorite brand



She comes from where we come from



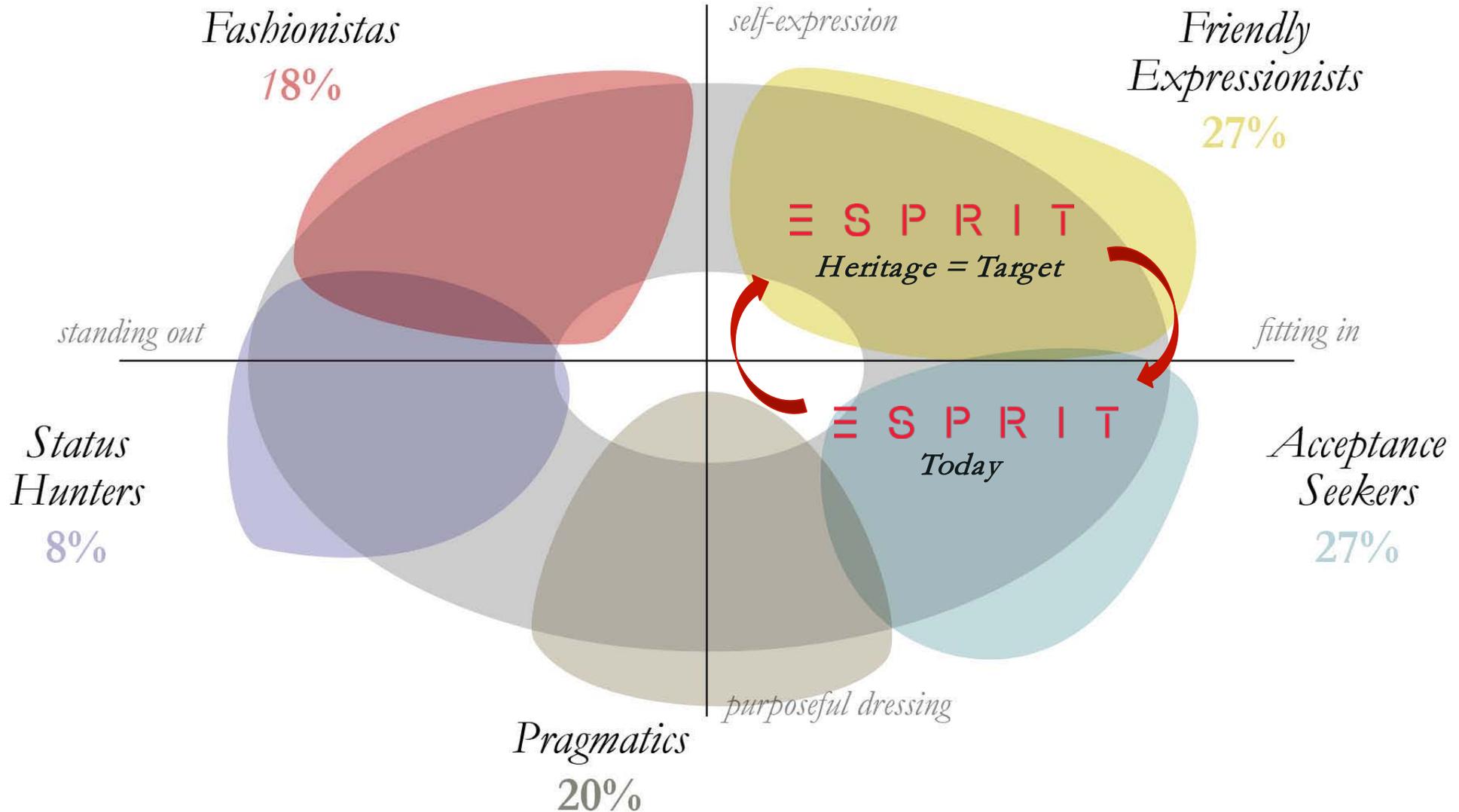
*Focus on Friendly Expressionists differentiates
Esprit from competitors*

ESPRIT



*Brand positioning has slipped
Now refocus on target segment—our heritage!*

ESPRIT



*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



What she expects from us

*Give me FASHIONABLE,
FEMININE styles*

Give me QUALITY MADE TO LAST

*Give me OUTSTANDING
VALUE for money*

*Show that you CARE ABOUT THE
WORLD around me...*

*SURPRISE ME AGAIN
... and I'll be your friend*



*Esprit creates
responsible fashion guided by
the latest trends and inspired by
our Californian heritage.*
STYLISH & FEMININE.



*The Esprit woman embraces fashion
and style in a CONFIDENT
AND RELAXED way, caring
about her looks
as well as the ones around her.*



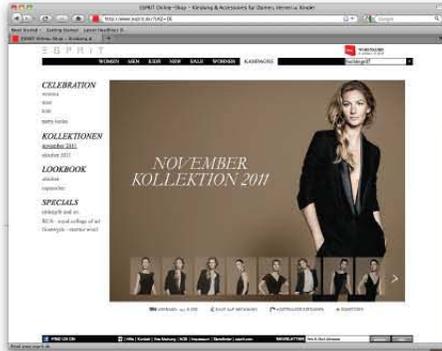
A close-up photograph of cotton bolls on a branch. The cotton is bright white and fluffy, contrasting with the dark brown, dried leaves and stems. The background is softly blurred, showing more cotton bolls.

*She wants ESPRIT back:
a responsible brand that gives her
FASHION AND QUALITY to last.
To her, that is more relevant
than ever before!*

CALIFORNIA
1968

New brand direction will be translated into all consumer touch-points

ESPRIT



Brand



Esprit club

e-shop

Store design



ESPRIT
VISIT ESPRIT.COM



Product



Brand communication

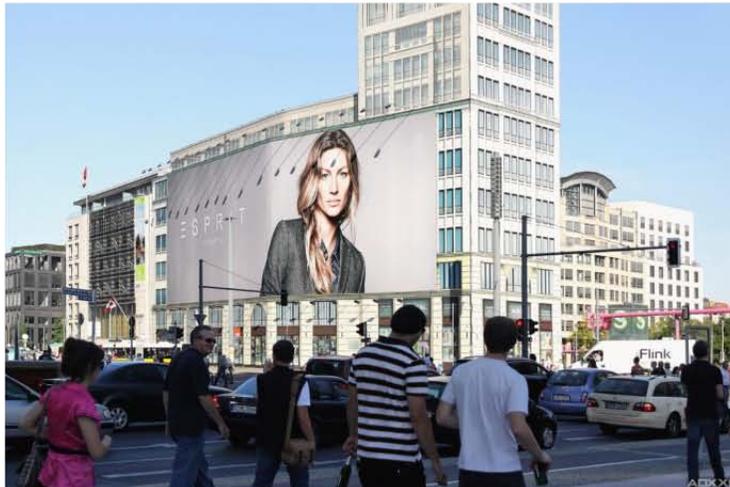


Bold actions to rebuild our brand

- *Heavily invest over the next 4 years*
 - *~ 6–8% of sales budgeted for branding and marketing as compared to ~2.5% historically*
 - *Additional spend of ~ HK\$6.8B over the next 4 years*
 - *Thereafter, return to industry average levels of ~ 4–5%*
- *Focus on core markets*
- *Supporting brand building activities in fashion capitals*
- *~ 30% of all spend dedicated to China*







IT WORKS!

*The brand strategy works—New campaigns
with high impact*

E S P R I T

	<i>Spring 2011</i> <i>(Consumer consideration before campaign)</i>	<i>September 2011 (Wave 1)</i> <i>(Consumer consideration after campaign)</i>
 <i>Germany</i>	50%	58%
 <i>China</i>	30%	63%

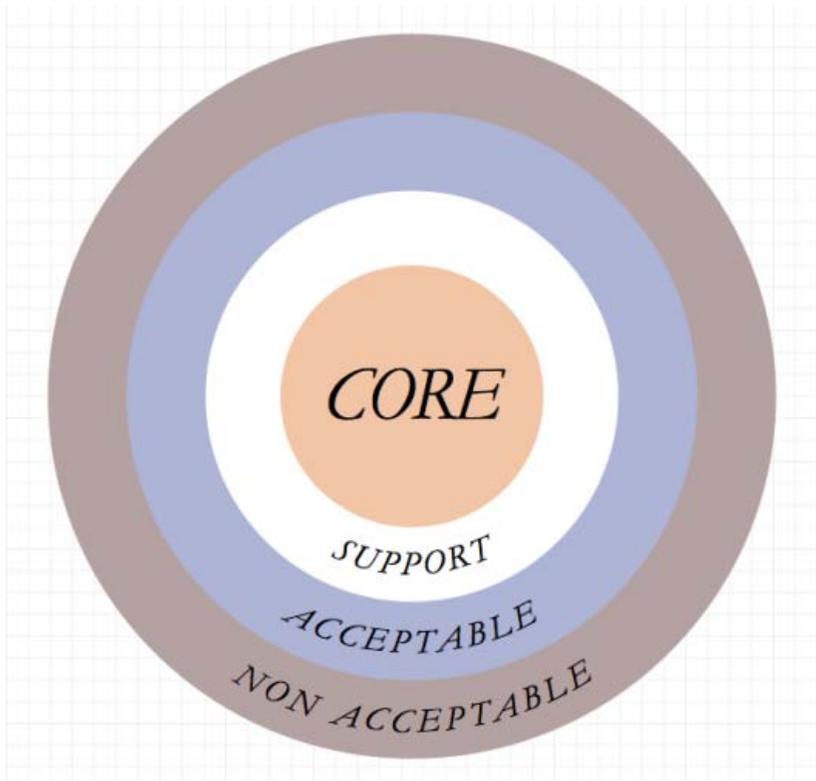
Note: Different samples in Brand tracker (country representative) and Ad tracker (focus cities only)
Source: Brand Tracker Online Survey Spring 2011, Advertising tracking Online Survey Autumn 2011

*3 architectural solutions
under development*

*1 pilot store opened in
Cologne*

*Learnings will be
translated into
new retail store concept
to be rolled out*





- *Focus on core license categories to strengthen and grow*
- *Abandon brand diluting categories*



Inspiring & consistent brand direction

Confirmation from consumers

Strong commitment to our Brand

Everything we do, we do for her

Brand

Product

Preview Spring 2012

Channels

Transformation plan

*WHAT DOES SHE
EXPECT FROM US?*



Creating inspiring, fashionable collections with outstanding value

E S P R I T

WHAT SHE SAYS

*Give me FASHIONABLE,
FEMININE styles*

Give me QUALITY TO LAST

*Give me OUTSTANDING
VALUE for money*

*Show that you CARE ABOUT THE
WORLD around me*



WHAT WE DO

*Ensure INSPIRATION and
TALENT in product creation*

*Continue to strengthen our QUALITY
OFFER*

*Invest to develop the BEST
PRODUCT value*

*Enhance our focus on
SUSTAINABILITY*



- *Consolidate Women's divisions*
- *Launch Trend Division*
- *Launch China design hub*
- *Launch Denim division*

ONE WARDROBE





PREVIEW
Spring/Summer 2012

*Investing margin into better product to create
outstanding price value proposition*

E S P R I T

- *Value is not about price*
- *Value is an obsession about details and quality*
 - *Better workmanship*
 - *Better detailing*
 - *Better fabrics*
- *We will INVEST IN VALUE*

*The journey has started
Collection—September 2011*

ESPRIT



*Give me fashionable styles
Give me outstanding value for money*

*The journey has started
Collection—October 2011*

ESPRIT



*Give me fashionable styles
Give me outstanding value for money*

*The journey has started
Collection—November 2011*

ESPRIT



*Give me fashionable styles
Give me outstanding value for money*



*"Lucky sheep"—RCA winning collection
as inspiration*

E S P R I T



Gostwyck styles launched in our stores

ESPRIT

Give me QUALITY to last

—
*Show that you
CARE ABOUT THE
WORLD around me*



*Sourcing strategy to deliver annual savings of
~HK\$ 1B by FY14/15*

ESPRIT

*Our sourcing strategy is already showing real benefits in line
with expectations*

- Consolidation of supplier portfolio*
- Best sourcing country footprint per product category*
- Investment in quality fabrics and attention to detail*

Now focus on accelerating our sourcing strategy

- *Buying/ sourcing function to be centralized*
- *Quicker ramp-up of local sourcing offices*
- *Reduce logistics costs with European Distribution Centre*

Preferred partners and consolidation of fabrics

~ 30%

Improved country of origin footprint

~ 40%

European distribution center

~ 15%

Other (e.g., trims, labelling, non-apparel, commissions)

~ 15%

Fashionable, feminine styles

Quality to last

Outstanding value

Care about the world

Annual sourcing savings of HK\$ 1B

Brand

Product

Preview Spring 2012

Channels

Transformation plan

Brand

Product

Preview Spring 2012

Channels

Transformation plan

- *Focus on core markets*
- *Accelerate growth in China*
- *Expand selectively in emerging markets*

Retail

- 1 *Closure of 80 unprofitable stores*
- 2 *Upgrade shopping experience*
- 3 *Strategic expansion in core markets*
- 4 *Existing strong & loyal consumer base*
- 5 *Export success of online channel*

Closure of 80 unprofitable stores

E S P R I T

	<i>Countries</i>	<i>Store closures</i>
<i>Loss making stores</i>	 <i>Germany</i>	24
	 <i>Austria</i>	2
	 <i>Switzerland</i>	2
	 <i>Belgium</i>	2
	 <i>Netherlands</i>	7
	 <i>France</i>	12
	 <i>UK</i>	6
	 <i>Singapore</i>	1
	 <i>Hong Kong</i>	1
	 <i>Australia</i>	13
<i>Retail market exit</i>	 <i>Spain</i>	3
	 <i>Denmark</i>	6
	 <i>Sweden</i>	1
	<i>Total</i>	<i>80</i>

- *Closures on track*
- *6 stores closed or signed*
- *~30 stores in final negotiations*



"It was the 1st day, the opening day yesterday! It looked simply gorgeous! Really, to be honest, it is one of the most inspiring shops I have been to!"

"I was amazed to hear that the product in this shop is actually the same as in the old Esprit shops! It looks so different and good! There you see the power of a great visual merchandizing & retail concept!"

The new concept

- *Alignment of store portfolio with the new brand direction*
- *Increased value perception of product*
- *Greater merchandising flexibility*
- *Compensate for historic underinvestment*

The 4 year plan

- *Refurbishment of all full price stores by FY 14/15 planned*
- *Limited refurbishment in current financial year. ~ 2/3 of refurbishment in FY12/13 and 13/14*
- *Investment in refurbishment is released only if concept is proven to generate required impact*

Investments of ~ HK\$3B over next 4 years

Expand stand-alone store base by ~ 50%
Total investments ~HK\$2.7B

ESPRIT

Retail

- *White spot analysis conducted*
- *New retail locations identified*

Outlets

- *Additional revenue channel*
- *Creation of uniform clearance mechanism—Removal of mark-down goods from Retail channel*

	<i>FY 10/11</i>		<i>FY14/15</i>
<i>No. of full price stores¹</i>	411	▶	~ 595
			~ +185

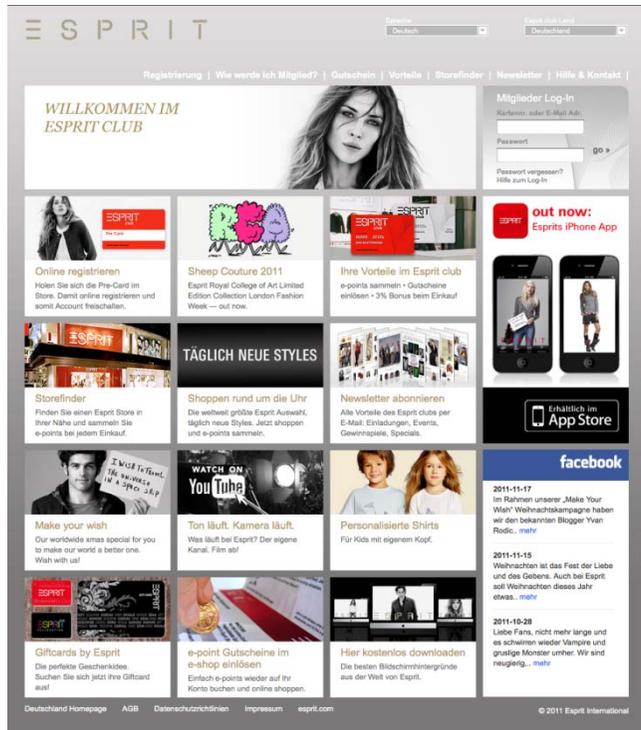
	<i>FY 10/11</i>		<i>FY14/15</i>
<i>No. of stores¹</i>	42	▶	~ 67
			~ +25

~2/3 of planned expansion in FY13/14 and 14/15

1. Excludes China, North America and stores under the FY10/11 store closure program

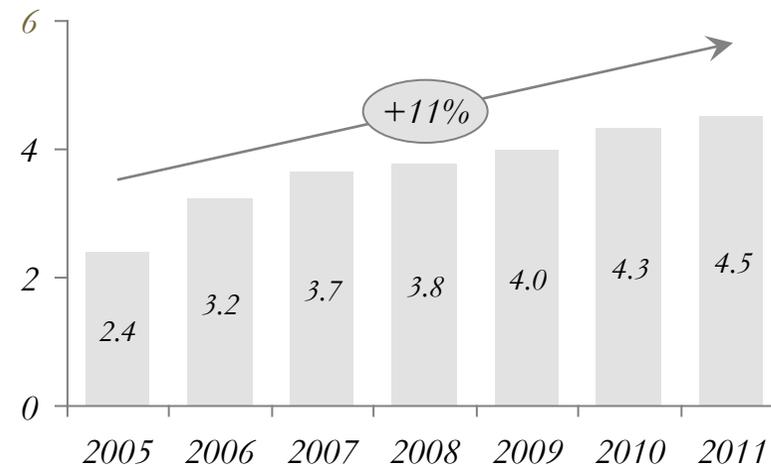
Esprit club provides a loyal customer base with 4 million members

ESPRIT



Share of total Retail sales > 50%

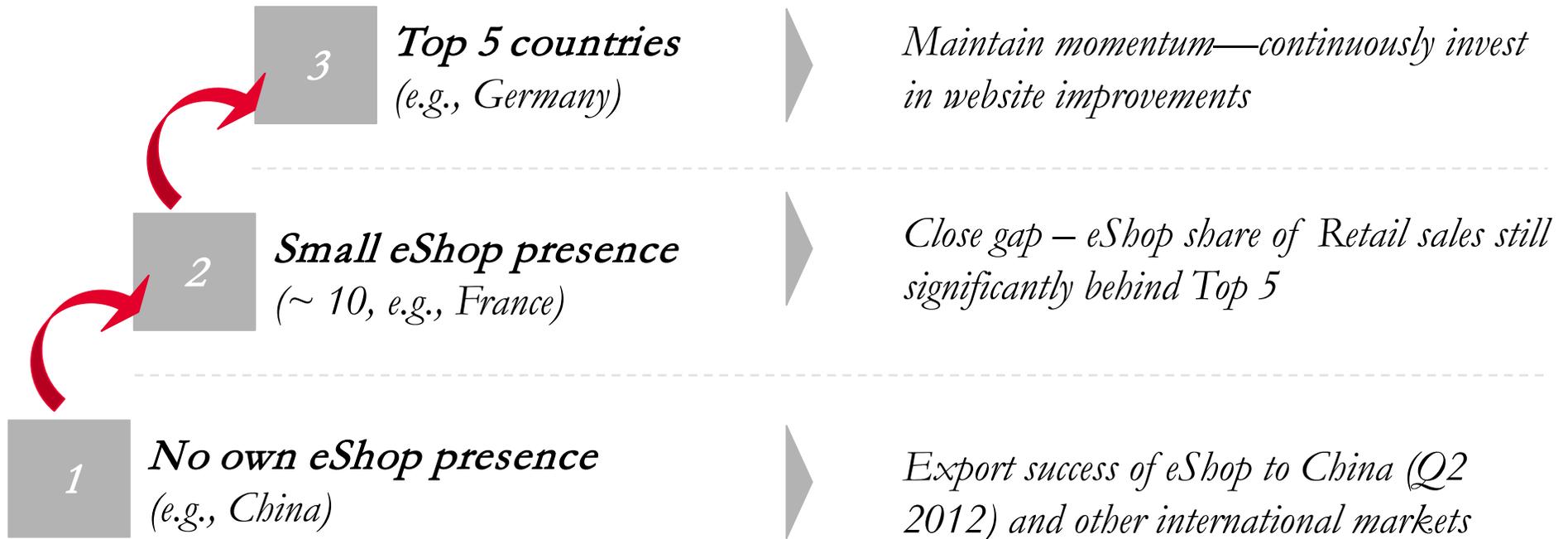
Active members (M) 2005–2011



Club members spend on average 25% more per year

"Esprit.de is the German fashion eShop with the highest customer satisfaction levels"

– Best Webshops Benchmarking



*Esprit's eShop among most successful in branded fashion eCommerce
visitors > 100M p.a.*

Upgrade shopping experience
Focused expansion
Build on loyal consumer base

Wholesale

1 *Strengthening of Wholesale channel*

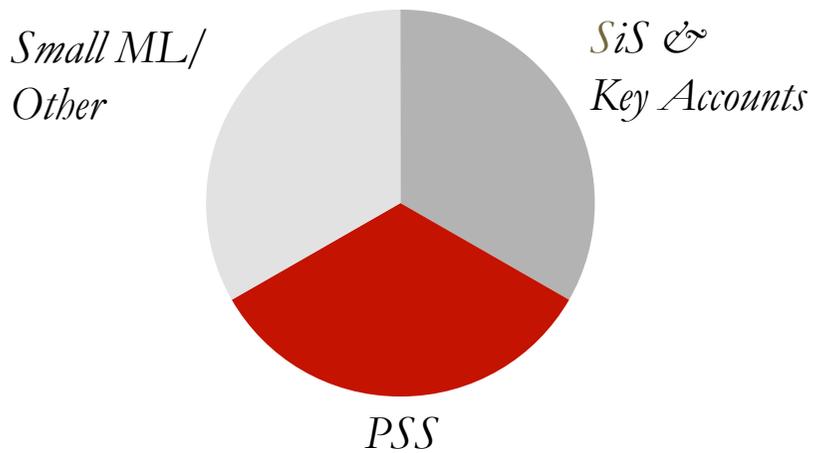
- *Support for our key wholesale partners*
- *Elimination of unprofitable distribution and brand-diluting accounts*
- *Optimized service levels*
- *Refurbishments of franchise stores and shop-in-shops*

2 *Targeted international expansion*

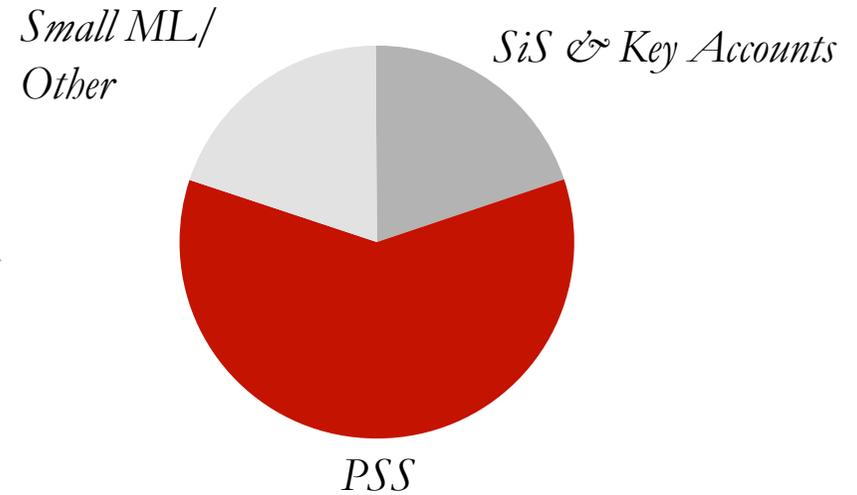
- *~200 new franchise stores in core markets*
- *Expansion in high opportunity markets: India, Eastern Europe, Russia, Latin America*

Incremental Opex investment of ~ HK\$3.9B over next 4 years

*Volume Share by
account type—TODAY*



*Volume Share by
account type—TARGET*



Account type

Sales Force

National Key Accounts



Dedicated Key Account teams

PSS Accounts



Dedicated PSS team

Field Accounts



Shared field reps

Inside Sales Accounts



Telesales/ B2B shop

We will co-invest into refurbishment

ESPRIT



- *Refurbishment of ~ 75% of all PSS & SiS space by the end of 14/15*
- *~ 2/3 of refurbishments planned for FY12/13 and 13/14*
- *~ 50% of all refurbishment expenses will be paid by Esprit*

- *~200 new franchise stores are planned until 14/15*
- *Targeted in core markets in Europe: Germany, Austria, Switzerland, France, Netherlands, and Belgium*
- *Expansion in high opportunity markets: India, Eastern Europe, Russia, Latin America*

*~ 2/3 of planned expansion in FY13/14 and 14/15
~ 50% of expenses contributed by Esprit*

Strengthening the channel
Growth with committed partners
Focused expansion

China

1 *Strong position in China with further growth potential*

- *Among top fashion brands*
- *2nd largest country for Group*
- *Profitable multi-channel business*

2 *Target group is largest consumer segment*

3 *Multi-channel model ideally suited and required to exploit attractive positioning*

4 *Ambitious, realistic growth plan for China in place*

Holly Li
CEO China

- *20 years of retail & wholesale experience in China*
- *2000–2011 adidas China*

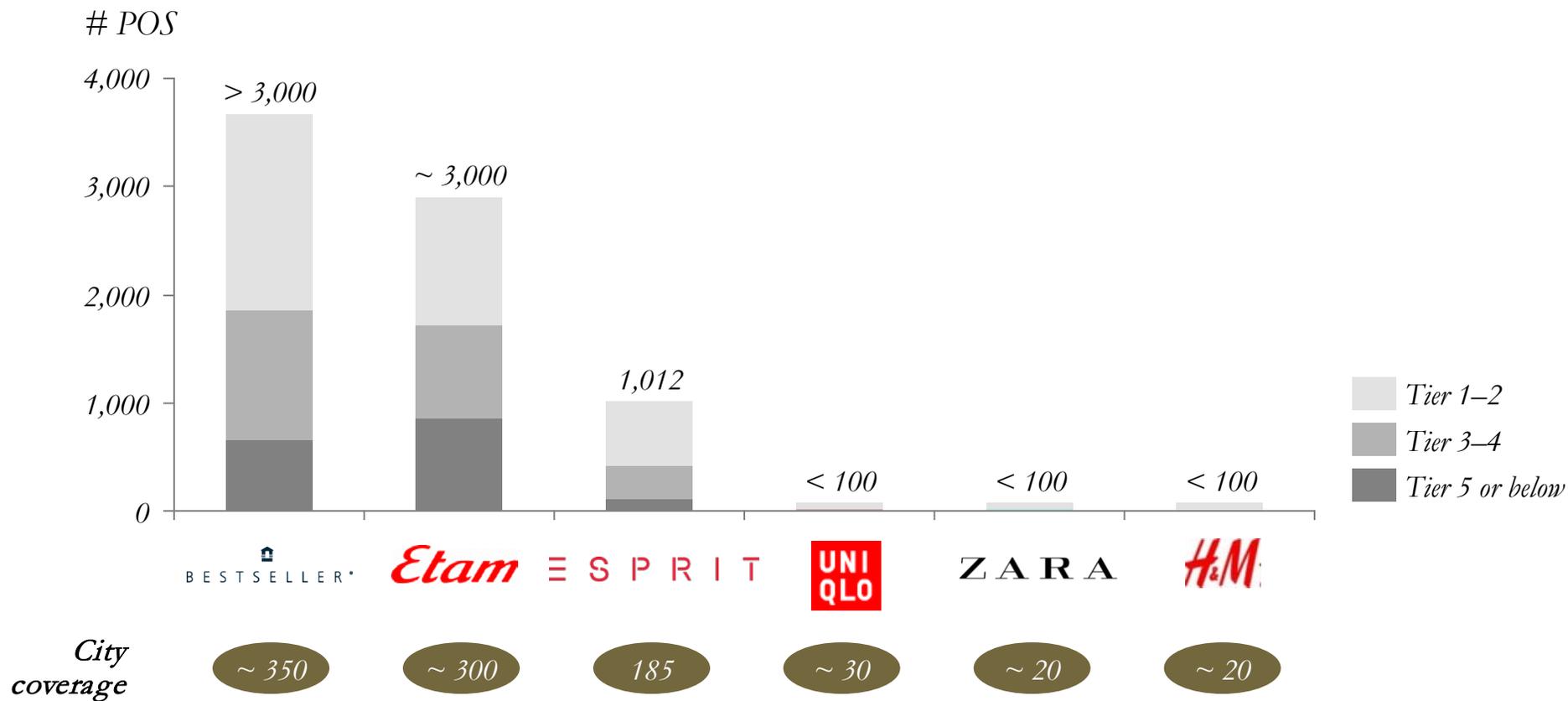




- *No 3 Favorite brand*
- *No 3 Leader of fashion*
- *No 3 Value for money*
- *No 2 Share of wallet*
- *No 4 Latest trends*

Esprit with strong position in China

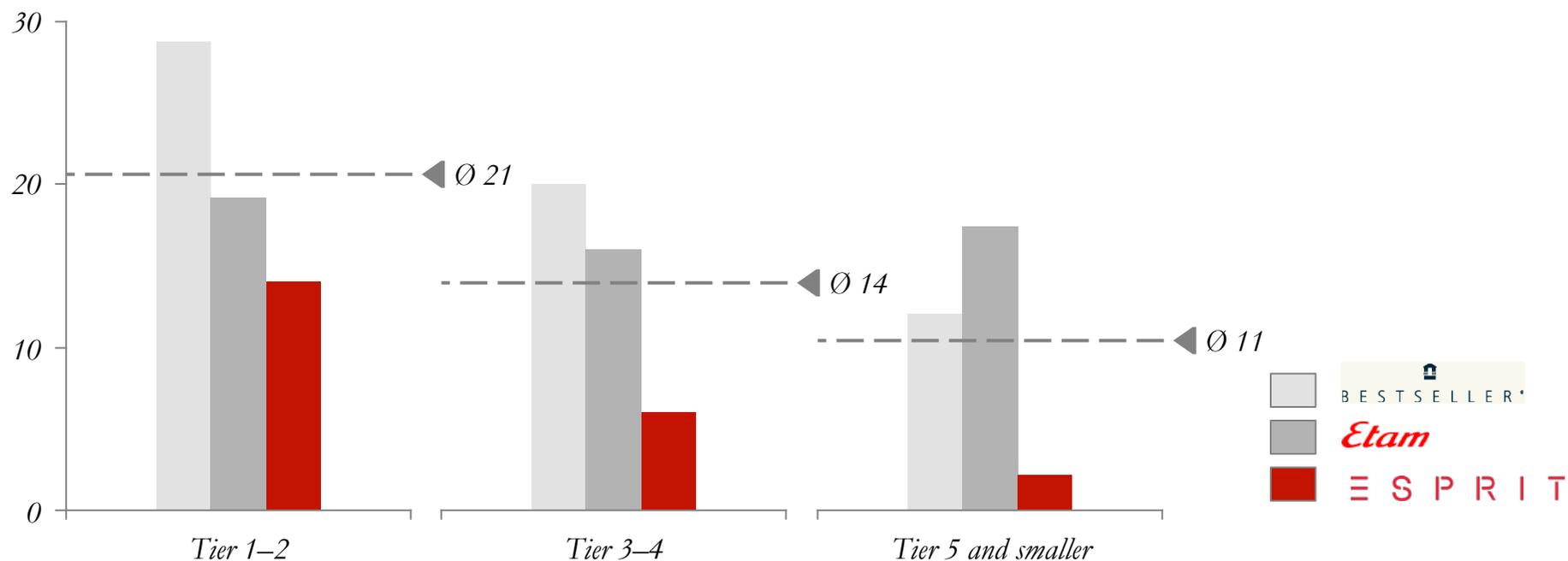
ESPRIT



Source: Company data, National Bureau of Statistics, market research

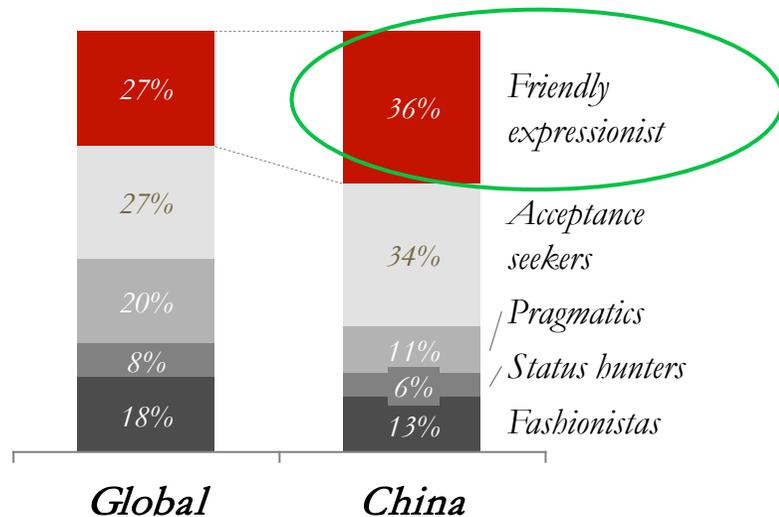
Potential to increase city coverage and penetration

Density (# of POS/K MAC¹ population)

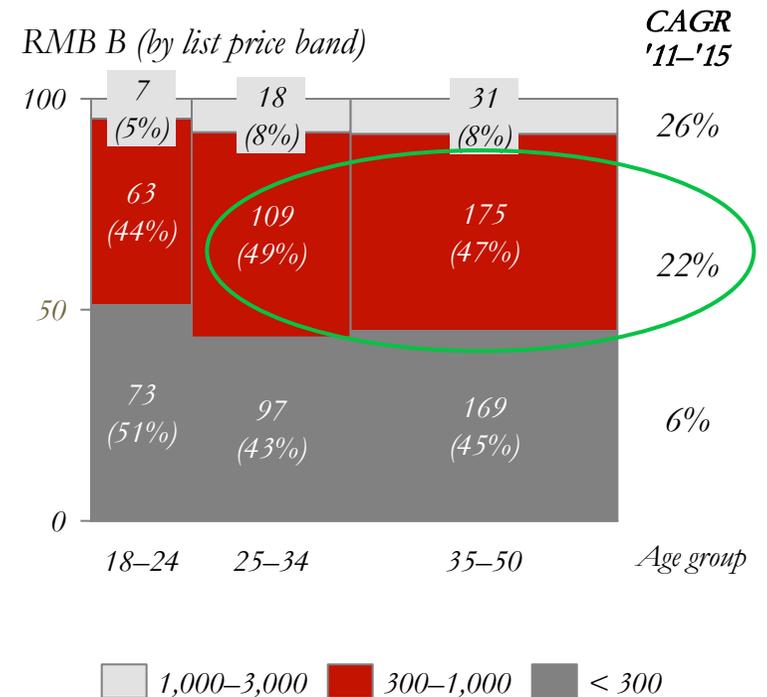


Note: MAC = middle and affluent class (disposable income > 60,000 RMB)
Source: Company data, National Bureau of Statistics, market research

Largest consumer segment

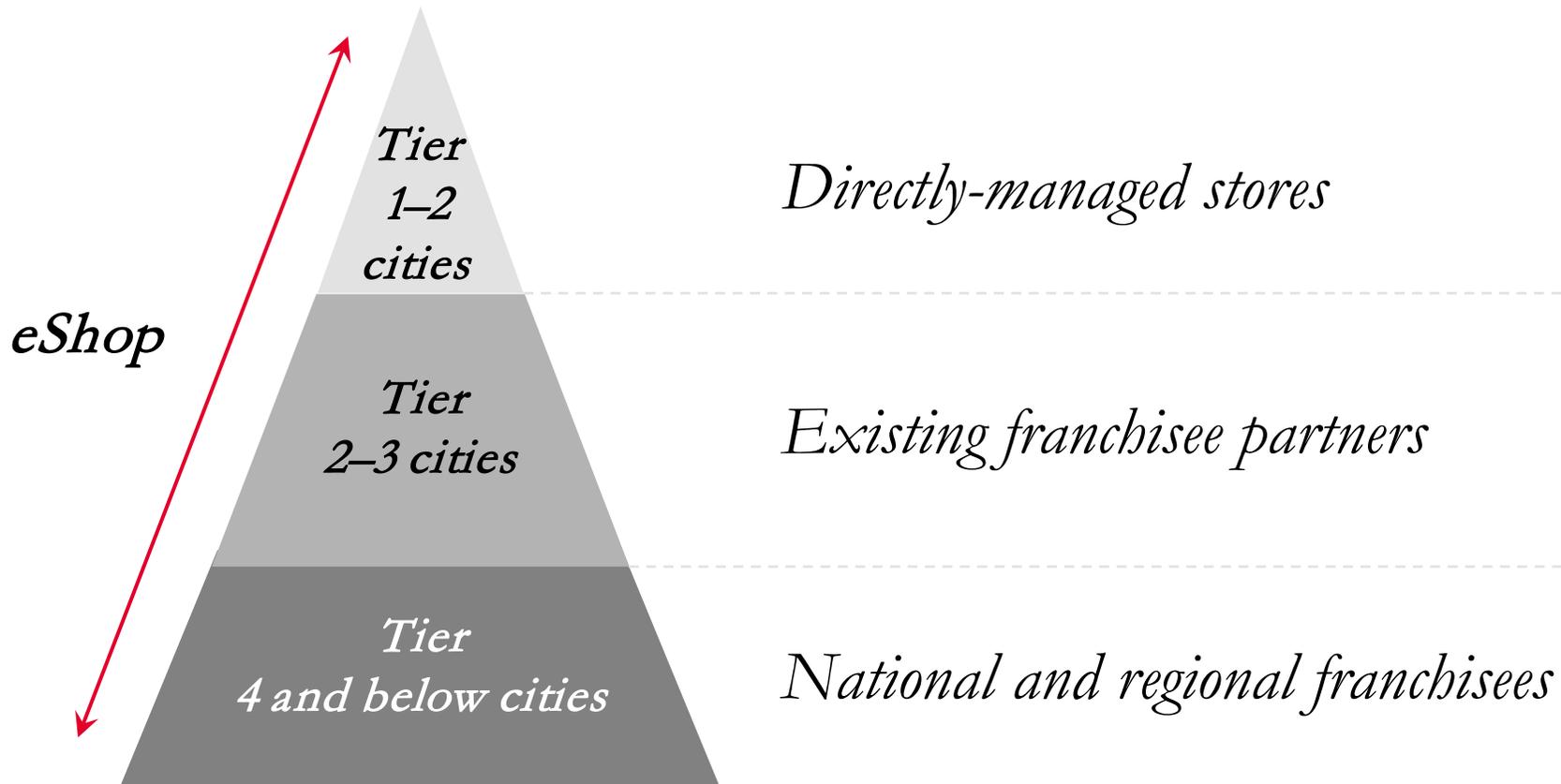


Growing price segment



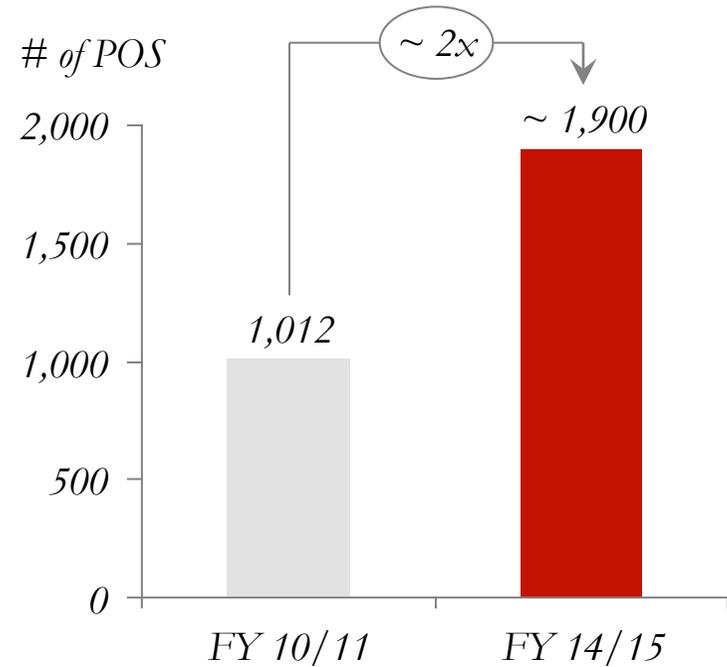
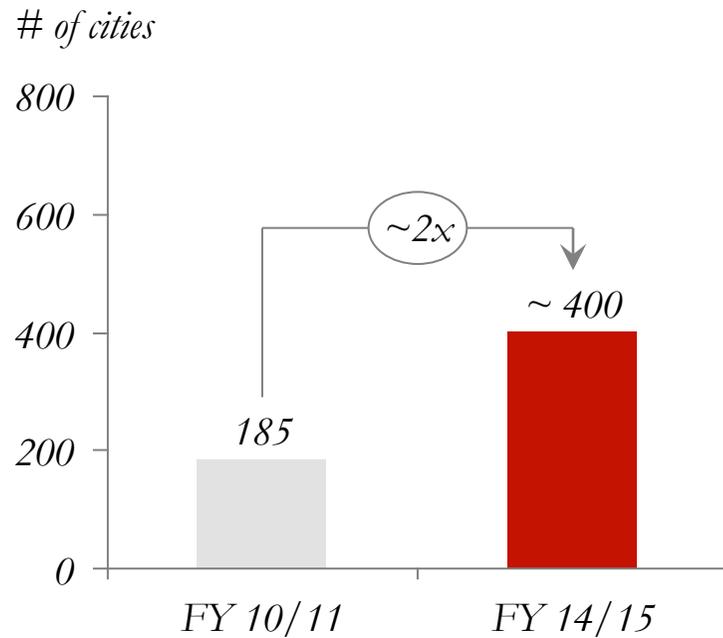
Note: All numbers only take into account urban population; categories exclude intimates, kids wear, footwear, accessories
 Source: Company data, National Bureau of Statistics, Esprit Synovate study 2010, market research

Source: Market research



Increasing city coverage...

...and POS density



Strong position
Attractive growth opportunity
Right business model
Strong China team

Brand

Product

Preview Spring 2012

Channels

Transformation plan

FY11/12 results impacted by short-term measures related to our Transformation Plan

E S P R I T

Sales growth

- *3%–5% decline vs. FY 10/11*
- *Lose ~ HK\$2.1B of sales (on a full year run-rate basis) as a result of divestments*

Branding and Marketing

- *Incremental Opex spending of around HK\$1.5B to rebuild our brand*

Retail

- *5%–10% full year yoy space growth off pro-forma retail store base*

Wholesale

- *Order intake for Jul-Dec 2011 shows mid single digit % decline*
- *Incremental Opex spending of HK\$0.9B for our wholesale partners*

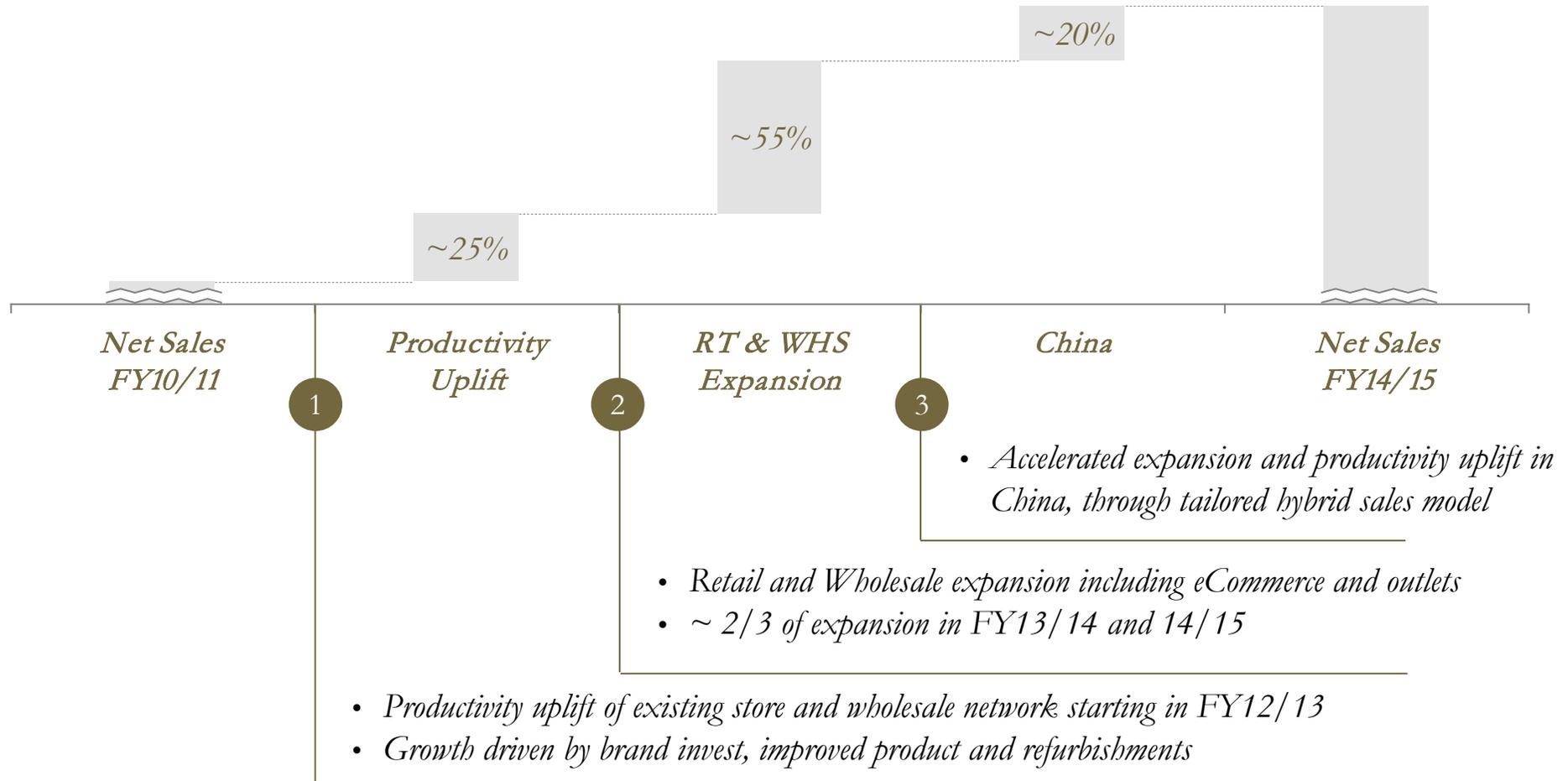
Capital expenditures

- *~ HK\$1.5B: HK\$0.2B on store expansion, HK\$0.5B on store refurbishment, HK\$0.5B on IT projects, HK\$0.2B on Europe Distribution Centre*

Operating profit margin

- *1%–2%*

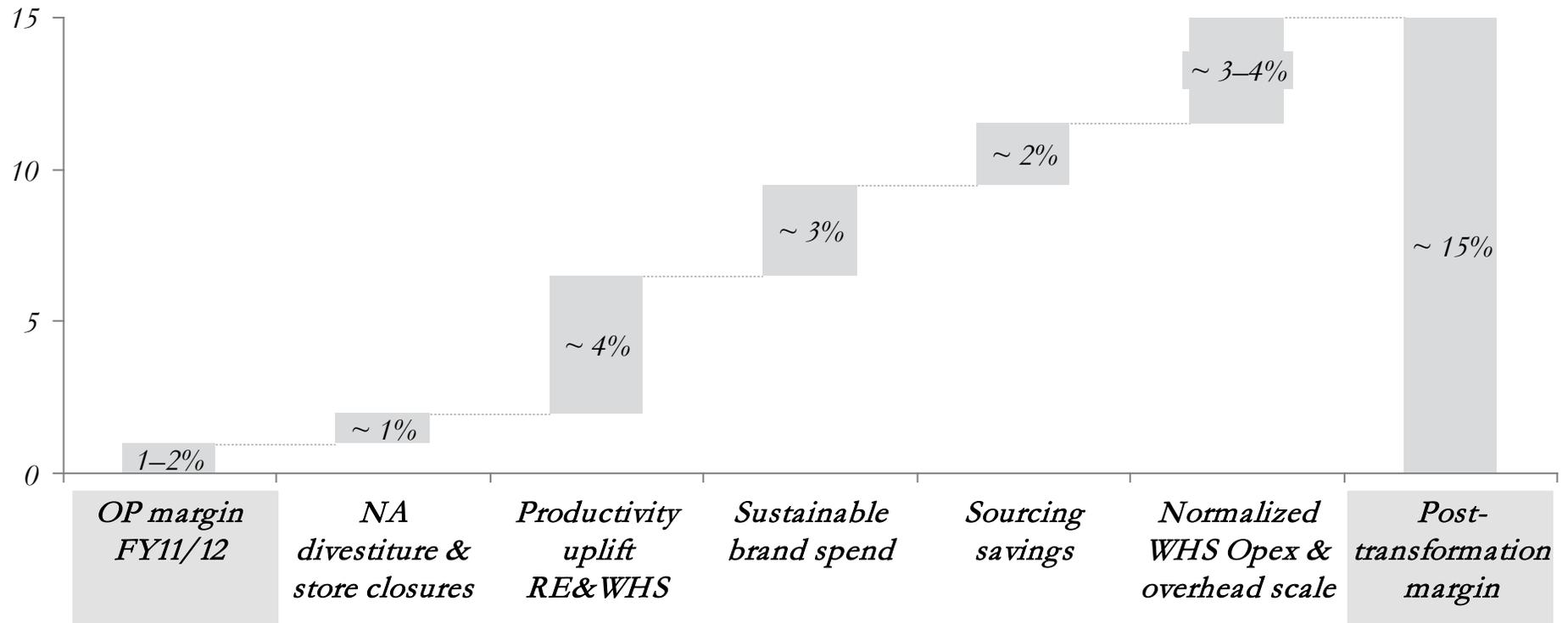
*Targeted Sales CAGR of ~ 8%–10%
Building the bridge to FY14/15*



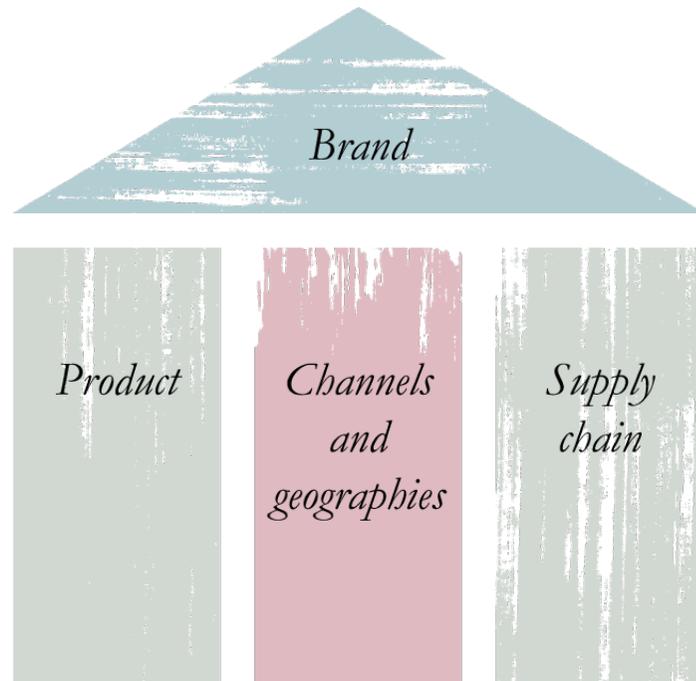
Target post-transformation operating margin ~ 15%

SPRIT

Operating Profit margin
(in % of sales)



- *Plan does not foresee significant changes to existing financing structure*
- *3 sources of financing for investments*
 - *Operating cash-flow*
 - *Existing cash reserves*
 - *Rolling over of existing debt*
- *Cash-requirements have been stress-tested*
- *Investments will be released gradually and monitored closely (no long-term commitments)*
- *Esprit's balance sheet would enable additional financing, if required*
- *Dividend payout policy of 60% will be maintained*



SUMMARY

Brand

- *New campaign well received. Improved consideration in key markets*
- *License portfolio reviewed and partner negotiations ongoing*

Product

- *Margin invest into product delivering outstanding value for money*
- *China design hub delivering first concepts*

Channels

- *First closures implemented, negotiations ongoing*
- *New pilot store opened in Cologne (today's visit)*
- *New China CEO hired*
- *For NA operations, divestment process ongoing*

- *Detailed Transformation plan in place*
- *New brand direction as starting point for transformation*
- *Important changes to products, stores and communication*
- *Experienced management team to drive*
- *Structured execution—rigorous processes & implementation KPIs*
- *Financing ensured*

Transformation on track

*Esprit will be
an INSPIRING fashion brand
with a clear identity
and SUSTAINABLE
PROFITABILITY*



REMEMBER ME

