For Immediate Release

ESPRIT

PRESS ANNOUNCEMENT

10 September 2013, Hong Kong

ESPRIT HOLDINGS LIMITED ANNOUNCES FULL YEAR RESULTS FOR THE 12 MONTHS ENDED 30 JUNE 2013

FY12/13 has been an extraordinary and challenging year for Esprit

- Management has undertaken a comprehensive reassessment of the original Transformation Plan, and new strategic priorities have been established moving forward
- Short term goal is to stabilize the business by reducing costs, normalizing inventory levels and overhauling core operations
- Positive initial results in the second half of FY12/13, particularly the narrowing of turnover decline, reduction in operating costs and decline in cash consumption rate
- Meanwhile, good progress also made in implementing faster and more efficient product related processes (referred to as a "high performance product engine") to regain competitiveness in the medium term
- Turnover of HK$25,902 million, down 11.5% in local currency terms as compared to last year, mainly due to a decline in business performance as well as the strategic decision to divest North American operations and the closure of certain loss-making stores as announced in prior financial years. Excluding the impact from the divestment of the North American operations and the closure of loss-making stores as announced in prior financial years, adjusted turnover was HK$25,523 million, representing a decline of 7.7% year-on-year in local currency terms
- EBIT Loss for the year of HK$4,170 million mainly due to provisions and impairments as previously disclosed in the Profit Warning announcement in May 2013, majority of which are non-cash and non-recurring items. Excluding the impact from the divestment of the North American operations, the closure of loss-making stores as announced in prior financial years, and the impact from the Exceptional Items*, adjusted EBIT Loss was HK$(534 million) for the year

** As defined below*

ESPRIT HOLDINGS LIMITED ("Esprit", "the Company" or the "Group"; stock code 00330) today announces its full year financial results for the 12 months ended 30 June 2013.

The Group has comprehensively reassessed the original transformation plan and realigned its strategic and business priorities.

Realignment of Strategic Priorities

Strategic measures have been put in place to (i) stabilize the business by decisively reducing costs, normalizing inventory levels and stabilizing the operations in the short term; (ii) reignite growth by installing a "high performance product engine" in the medium term; and (iii) develop a platform for future growth in the long term which includes, among other initiatives, further development of our business in China and expanding the edc brand.

Management is encouraged to see the initial results from the short term actions, the most noteworthy being a significant reduction of the Group's cash consumption, as evidenced by the considerable slowdown in cash consumption of only HK$42 million, net of dividend payment of HK$281 million, in the second half of FY12/13, as compared with cash consumption of HK$1,552 million in the first half of the financial year. This positive development was mainly attributable to our efforts to:

i) **significantly reduce operating costs** – especially on the more controllable cost items such as advertising & marketing expenses and staff costs;

ii) **reduce inventory** – by measures including adjusting buying quantities, clearance promotions and markdowns, as well as a net opening of 12 discount outlets during the financial year for better inventory management; and

iii) **selectively and moderately deploy CAPEX** – which led to a 35.3% reduction in CAPEX to HK$919 million from HK$1,420 million in the previous year.

These efforts enabled the Group to generate positive cash inflow from operations of HK$674 million in the second half, versus a first half cash outflow from operations of HK$1,091 million.

In terms of driving top line, we have continued to implement tactical sales activation initiatives to improve store traffic and conversion rate. These initiatives contributed to the narrowing of the rate of retail turnover decline to -1.6% in the second half of FY12/13 in local currency (first half FY12/13: -5.1%). This improving trend is even more apparent in China, our third largest retail market, where we saw a positive retail turnover growth of 4.4% in the second half (first half FY12/13: -0.2%).

To regain a strong level of competitiveness in the medium term, the priority is to put in place faster and more efficient product related processes in the form of a "high performance product engine" that will enable the Group to adapt quickly to continuous changes in consumer demand and deliver an outstanding value for money proposition. The objective of this "high performance product engine" is to facilitate Esprit's ability to more systematically produce successful collections while maintaining profitability. The underlying principle is a higher degree of vertical integration in our business model so that information, decisions and actions flow rapidly across all key areas, including to and from external partners.

Commenting on the results, Mr. Jose Manuel Martínez Gutiérrez ("Mr. Martínez"), the Group Chief Executive Officer of Esprit, said, "…during a difficult year, we have continued to set, step by step, an ambitious course for regaining our competitiveness. We are aware of the great challenge ahead of us but also mindful of the immense potential for Esprit. The second half of the financial year has indicated that we are indeed on the right track. We will remain focused on this path and will continue to work harder on the Company's strategic initiatives."

Reported Earnings

Group turnover of HK$25,902 million was down 11.5% in local currency terms (or down 14.1% in Hong Kong dollar terms) as compared to the last financial year, mainly due to a decline in business performance as well as the Group's strategic decision to divest its North American operations and the closure of certain loss-making stores as announced in prior financial years.

The Group reported an EBIT Loss of HK$4,170 million, an operating result significantly impacted by a number of provisions and impairments, the majority of which are non-cash and non-recurring items, including:

i) China goodwill impairment (HK$1,996 million), additional 16 store closures (HK$274 million), 43 onerous contracts (HK$224 million), and additional provisions for inventory arising from a change in the estimation methodology to reflect more appropriately the net realisable value of aged inventory (HK$228 million), totalling HK$2,722 million, as previously disclosed in the Profit Warning announcement in May 2013; and

ii) higher than normalized levels of provisions due to turnover decline totalling HK$855 million,

hereinafter referred to as "Exceptional Items".

Adjusted Earnings

Excluding the impact from the divestment of the Group's North American operations, the closure of loss-making stores as announced in prior financial years, and the impact from the Exceptional Items, adjusted turnover was HK$25,523 million, representing a decline of 7.7% year-on-year in local currency terms, with adjusted EBIT Loss of HK$(534 million) for the year.

Outlook

Management priorities over the coming financial year will continue to focus on returning the Group to profitability through further efforts in cost reduction, inventory normalization and overhauling of our core operations. In parallel with these short term priorities, we will continue to implement our medium-term initiatives to turn around the business and ensure sustainable growth mostly through a continued improvement of our product offering. Another area we will continue to spend our efforts on is enhancing the appeal and productivity of our stores by further developing our new Lighthouse store concept.

Mr. Raymond Or, Chairman of Esprit, commented: "… the road to recovery is still full of challenges. However, the Board fully supports the strategic priorities laid down by the management. With the continued dedication, commitment and hard work of our executive management team and our employees, I remain confident that we are on the right path to restore the Group's sustainable profitability, to build the foundation for our future growth and to achieve our goal of re-establishing Esprit as a leading international fashion brand."

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ESPRIT HOLDINGS LIMITED AUDITED CONSOLIDATED FINANCIAL DATA

(In HK$ Million)

	For the year ended 30 June 2013	For the year ended 30 June 2012
Turnover	25,902	30,165
Gross Profit	12,837	15,206
Operating (Loss)/Profit	(4,170)	1,171
Net (Loss)/Profit	(4,388)	873
Cash, Bank Balances and Deposits	5,171	3,171
Bank Loans	520	1,682

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About Esprit

Founded in 1968, Esprit is an international fashion brand that pays homage to its roots and expresses a relaxed, sunny Californian attitude towards life. Esprit creates inspiring collections for women, men and kids made from high-quality materials paying great attention to detail. All of Esprit's products demonstrate the Group's commitment to quality design and execution.

Esprit's collections are available in over 40 countries worldwide, in more than 1,000 self-operated retail stores and through over 9,000 wholesale points of sales including franchise partners, and sales space in department stores. The Group markets its products under two brands, namely the Esprit brand and the edc brand. Listed on the Hong Kong Stock Exchange since 1993, Esprit has headquarters in Germany and Hong Kong.