For Immediate Release

ESPRIT

23 September 2014, Hong Kong

ESPRIT HOLDINGS LIMITED ANNOUNCES FULL YEAR RESULTS FOR THE 12 MONTHS ENDED 30 JUNE 2014

Esprit returned to profit

- Achieved Operating Profit (EBIT) of HK$361 million (2013: EBIT loss of HK$4,170 million) and Net Profit of HK$210 million (2013: net loss of HK$4,388 million)
- Turnover development in line with reduction of total controlled space
- OPEX reduced by -30.6% in Hong Kong dollar terms to a healthy level, enabling the Company to significantly improve Operating Profit margin which can be further leveraged in the future, once the top line grows
- Positive net cash generation of HK$1,120 million, resulting in a net cash position of HK$5,771 million as at 30 June 2014
- Short term Stabilization phase completed and in line with guidance
- Vertically integrated business model for faster and more cost efficient product management has been activated since July 2014, earmarking a major milestone of our medium term Transformation
- Final dividend of HK 4 cents per share with scrip alternative

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 2014 (FY13/14).

The strategic objectives of Esprit during the past year were first and foremost, to stabilize business performance in order to establish a healthy financial and operational platform for the future and, in parallel, prepare the organization to carry out the structural changes which form the basis of the Transformation required to regain the Group's market competitiveness.

As a result of collective hard work and focused execution, two important milestones that are instrumental for Esprit's turnaround strategy were achieved: (1) the return to profitability in FY13/14, and (2) the implementation of a more vertically integrated business model in July 2014.

Business Stabilized and Returned to Profitability

By stabilizing sales productivity, radically reducing costs, normalizing inventory levels and overhauling operations, the Group returned to profitability in FY13/14.

Esprit's sales performance in Europe, its largest market, continued to stabilize. Excluding store closures and stores with onerous leases, the region's turnover dropped slightly by -1.8% in Hong Kong dollar terms and by -6.3% in local currency, largely in line with the corresponding -7.9% reduction in net sales area. This result reflects an improvement in selling space productivity in the region and indicates that the Group's efforts to activate sales are bearing fruit.

In contrast, Esprit's performance in Asia Pacific, and in China in particular, was weighed down by the Group's efforts to rationalize unprofitable retail space and reduce aged inventories in the wholesale channel. Both of these initiatives were necessary to re-establish a healthy distribution platform for China to pave the way for driving sustainable expansion in the country in coming financial years.

The effective reduction of the Group's top line has been compensated by the very ambitious cost reduction plan that has driven down our operating expenses by -30.6% in Hong Kong dollar terms and by -32.9% in local currency. This cost reduction effort was also complemented by significant improvements in our management of the Group's working capital.

As a result, net profit for the full financial year turned positive as compared to a net loss last year. This, combined with improved working capital management and a selective approach to investments, has permitted the Group to return to positive cash flow generation.

New Vertical Business Model

After twelve months of team effort and intense training on new processes, the Group reached an important milestone in July 2014 in activating its new vertically integrated business model for both its retail and wholesale channels. The new model was implemented as per the Group's expectations, and once it reaches optimal performance, it will bring the necessary speed and efficiency that is required to deliver outstanding value for money products to the market, while maintaining profitability.

The implementation of the new model has required a number of structural changes within Esprit to establish a greater degree of vertical integration across the Group's entire business, from product design to store operations, which substantially reduces lead times by enabling information and decisions to flow rapidly across key functions of the business. The changes involve streamlining the Group's supply chain; re-organizing our product category management teams; centralizing all merchandise decisions; adjusting the size of the product range to our selling space and sales potential; simplifying product flow from twelve monthly collections per year to only four seasonal (and two cruise) collections; introducing fast-to-market product development in our core product divisions; strengthening our stock management model and capabilities; and implementing market-based pricing to optimize the Group's products from a price-value perspective.

Transformation Plan

In parallel with the above changes related to our primary focus on enhancing our products, the Group made good progress during FY13/14 in the following areas which form part of the broader scope of our Transformation:

- ***The Esprit Brand:*** The Group continued developing a unique and differentiated brand code that communicates Esprit's heritage as a brand that embraces fashion with a casual, relaxed style through its high quality products. Sticking to our all-time values and brand image is the best way to stay closer to our very loyal customers.

- ***New Retail Stores Concept:*** The Group further enhanced the commercial aspects of its Lighthouse store concept by incorporating a combination of architectural design, space management and visual merchandizing elements to deliver improved productivity and profitability. This enhanced Lighthouse concept will continue to be rolled out throughout Esprit's store network.

- ***Omni-channel Model for Long Term Growth:*** The Group worked intensely on developing an omni-channel model that shall become the basis for long term growth following the successful implementation of Esprit's Transformation. This model integrates Esprit's well established e-commerce platform with all other channels and consumers touch points to enable customers to better interact with the Esprit brand, thereby driving consumer satisfaction, loyalty and value.

Commenting on the results, Mr. Jose Manuel Martínez Gutiérrez ("Mr. Martínez"), the Group Chief Executive Officer of Esprit, said, "…we are pleased with the encouraging results and good progress achieved over the past twelve months, and believe that we have turned a corner in our road to recovery. We stabilized the business and returned to profitability, and in so doing, have established a solid foundation from which to carry out our Transformation, which is moving forward as planned. Commencing operations under our new vertical business model was a defining moment for us as improving speed and efficiency in our product related processes is perhaps the most critical element for Esprit's successful turnaround. Although our new model is in its early stages and will need further refinement, the initial feedback from our partners has been positive, both in relation to our products and to our new approach. With the progress made, our business is in a much stronger position today to face the most challenging phase of our Transformation, and I am convinced that we are moving closer to our objective of restoring Esprit back to its full potential."

Reported Earnings

Group turnover amounted to HK$24,227 million (FY12/13: HK$25,902 million), representing a decline of -6.5% year-on-year in Hong Kong dollar terms (-9.9% in local currency), which was in line with a -10.7% reduction in retail and wholesale space.

Gross profit margin improved slightly year-on-year to 50.2% (FY12/13: 49.6%), mainly due to improved inventory management and a larger share of retail turnover to Group turnover, notwithstanding the continued spending in improving product quality.

Operating expenses ("OPEX") amounted to HK$11,795 million (FY12/13: HK$17,007 million) representing a significant reduction of HK$5,212 million or -30.6% year-on-year in Hong Kong dollar terms (-32.9% in local currency), bringing OPEX-to-sales ratio to 48.7% (FY12/13: 65.7%).

EBIT reached a positive HK$361 million and net profit was HK$210 million, compared to an EBIT loss of HK$4,170 million and a net loss of HK$4,388 million a year ago.

Net cash increased by HK$1,120 million to HK$5,771 million (30 June 2013: HK$4,651 million), the highest level since the end of FY07/08, primarily driven by HK$2,006 million cash inflow from operations (FY12/13: HK$417 million cash outflow) as well as strict management of working capital and capital expenditure.

The Group's Board of Directors is pleased to recommend a final dividend for the twelve months ended 30 June 2014 of HK 4 cents per share (FY12/13: Nil). This represents a final dividend payment ratio of 65% of basic earnings per share.

Commenting on the Group's reported earnings, Mr. Thomas Tang, the Group Chief Financial Officer of Esprit, said, "… the intensive efforts of our team to reduce operating expenses and improve working capital management were key drivers of the Group's success in returning to both profitability and positive net cash generation. As our Transformation progresses from a sound balance sheet, we intend to maintain financial discipline as well as leverage the Group's reduced cost base to further improve overall performance when our top line recovers."

Outlook

Management priorities for the new financial year will focus on finalizing the implementation of the vertical model and overhauling the Group's new operations. While this implies a challenging year for the Company, it is the crucial step to regain competitiveness and sales performance. Once the top line recovers, the Group will fuel growth through both its omni-channel model and more intensive marketing efforts, as well as through organic expansion in markets where the Esprit brand is already relevant, but where distribution is still limited.

Mr. Raymond Or, Chairman of Esprit, commented: "… the Board is pleased to see the good progress made this year in the Group's business. With the stabilization of our business achieved, Esprit will continue its process of Transformation in the coming financial year under the new, vertically integrated business model. While the final stages of the Group's recovery will clearly take time, and although the operating environment remains challenging, as does the road to Esprit's recovery, we are confident of Esprit's immense potential and believe that we have the appropriate elements in place to move closer to our objective of building a stronger foundation for the future."

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ESPRIT HOLDINGS LIMITED AUDITED CONSOLIDATED FINANCIAL DATA

(In HK$ Million)

	For the year ended 30 June 2014	For the year ended 30 June 2013
Turnover	24,227	25,902
Gross Profit	12,156	12,837
Operating Profit /(Loss)	361	(4,170)
Net Profit/(Loss)	210	(4,388)
Net Cash Balance	5,771	4,651
Earnings/(Loss) Per Share (HK$)	0.11	(2.50)
Final Dividend Per Share (HK cents)	4	Nil

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ESPRIT Contacts

Hong Kong
Joeling Law
phone: +852 2765 4356
email: joeling.law@esprit.com

Germany
Mona Schmadl
phone: +49 2102 123 46176
email: mona.schmadl@esprit.com

For media enquiries, please contact:

Asia: Artemis Associates
Jonathan Yang
phone: +852 2861 3234
email: jonathan.yang@artemisassociates.com

Europe: Hartmut Schultz Kommunikation GmbH
Hartmut Schultz
phone: +49 89 99 24 96 20
email: hs@schultz-kommunikation.de

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 over 900 self-operated retail stores and through over 8,100 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.

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Forward-Looking Statement

This press release contains certain forward-looking statements. Such forward-looking statements are subject to various risks and uncertainties, including without limitation, statements relating to our plans to transform the Company's business, make significant investment in our businesses and achieve sustainable profitability in the future, and other risks and factors identified by us from time to time. Although the Group believes that the anticipations, beliefs, estimates, expectations and/or plan stated in this document are, to the best of its knowledge, true, actual events and/or results could differ materially. The Group cannot assure you that those current anticipations, beliefs, estimates, expectations and/or plan will prove to be correct and you are cautioned not to place undue reliance on such statements. The Group undertakes no obligation to publicly update or revise any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or any other applicable laws and regulations. All forward-looking statements contained in this document are expressly qualified by these cautionary statements.