For Immediate Release

ESPRIT

PRESS RELEASE

18 May 2015, Hong Kong

ESPRIT HOLDINGS LIMITED ISSUES PROFIT WARNING

The Group anticipates recording a loss for the full financial year ending 30 June 2015, primarily due to:

- Relevant non-cash items such as the impairment of China Goodwill, and provisions and impairments related to Esprit's directly managed retail stores
- An expected operating loss mainly caused by performance of the autumn/winter season which was much affected by the unusual warm weather in Europe

Nevertheless,

- The Group maintains a very sound financial footing, with a strong net cash position (HK$5.23 billion) and a debt-free situation
- Esprit continues to make good progress in the key fronts of its transformation plan

ESPRIT HOLDINGS LIMITED ("Esprit", "the Company" or the "Group"; stock code 00330) today announced that it anticipates recording a loss for the full financial year ending 30 June 2015 ("FY14/15"), based on a preliminary review of the Group's unaudited consolidated management accounts for the ten months ended 30 April 2015. Nevertheless, the Group has a very sound financial footing, maintaining a strong cash position and a totally debt free situation.

Financial performance for FY14/15 will be primarily impacted by the following factors:

- **China goodwill impairment** – a non-cash and non-recurring charge estimated to be in the range of HK$2,500 million to HK$2,700 million. This is an accounting adjustment, which will have no impact on Esprit's daily operations or cash flow. The impairment resulted from the less than satisfactory performance of the Group's operations in China over the past two years, which can be attributed to a number of factors: i) a reduction of total controlled space on the back of our strategic decision to close unprofitable retail stores and the decline of controlled wholesale space; ii) inventory clearance by wholesale partners, including special return agreements implemented to address the long time problems with aged inventory in the country's wholesale channel; and iii) an overall challenging operating environment and China's softening economy.

  On a positive note, the necessary restructuring of the operations in China has been almost completed and we are beginning to work on driving sales growth in the country.

- **Provisions and impairments related to Esprit's directly managed retail stores** – these include provisions for store closures and onerous leases estimated to be in the range of HK$280 million to HK$300 million, and a non-cash impairment of fixed assets estimated to be in the range of HK$160 million to HK$170 million. Notwithstanding the impact of these accounting charges on the Group's FY14/15 results, our strategic decision to close loss-making stores is expected to improve operating efficiency, generate OPEX savings and enhance profitability over the long term.

- **An expected operating loss** – due to a higher than expected decline in turnover, especially during the first half of FY14/15 when the unusually warm European winter significantly impacted sales of the Group's Autumn/Winter 2014 products. This had a spill over effect on the performance of the second half of FY14/15 due to the highly discount-driven efforts to clear unsold autumn/winter inventories.

Despite these negative effects on the Group's accounts, the Company continues to make good progress in the key fronts of the transformation plan:

- **Product improvement** in the first collections developed under the new Vertical Model, i.e. the Spring/Summer 2015 collections launched in February 2015, which have been well received. The year-on-year decline of retail turnover for February and March 2015 has narrowed significantly to -2.9% in local currency (versus -17.1% for January 2015 and -12.4% for the first half of FY14/15), thus better than the square meters reduction of -3.1% for the same period.

- **Leaner supply chain** continues to positively impact sourcing costs, enabling reinvestment of the savings towards further product improvements, while driving year-on-year improvement of Gross Profit Margin.

- **Lower operating expenses** as internal efforts have enabled a continued reduction of costs across the whole operation (-8.9% year-on-year in local currency term) during the first half of FY14/15.

The Group also maintains a **strong net cash position** of HK$5.23 billion, as at 31 December 2014, which combined with a **zero debt situation**, makes Esprit financially very sound and will enable the Group to fully carry out the transformation plan that is the basis for our turnaround.

Mr. Jose Manuel Martínez Gutiérrez ("Mr. Martínez"), the Group Chief Executive Officer of Esprit, said, "…While market and operating conditions have remained challenging, Esprit continues to make good progress in all fronts of our turnaround plan. We are encouraged by the initial positive response to our new collections available in stores from February 2015, which is reflected by improved retail turnover performance during February and March 2015.

We remain focused on further improving our products and our sales development, and expect the fruits of this work to surface progressively in subsequent financial periods as the benefits of the new Vertical Model are optimized over time. The Group's strong cash position will enable us to complete our transformation plan and to trigger more aggressive initiatives to drive top line recovery. For instance, we are already stepping up our marketing efforts and implementing an ambitious omni-channel model that will enhance the shopping experience for our customers across our multiple distribution channels.

The Board and I are confident that our current strategy will enable us to turnaround Esprit and to establish a strong foundation for future long term growth."

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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 make consumers "feel good to look good". The company's "esprit de corps" reflects a positive and caring attitude towards life that embraces community, family and friends – in that casual, laid-back California style. The Esprit style.

Esprit's collections are available in over 40 countries worldwide, in over 800 directly managed retail stores and through over 7,800 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.*