For Immediate Release

ESPRIT

Esprit Announces Annual Results of FY17/18
And Strategy for Moving Forward

- **Revenue** of HK$15,455 million, down -3.1% yoy in HK$ term (or -11.1% yoy in LCY), mainly due to the Group's strategic rationalization of distribution footprint and weaker than expected performance of the retail channel
- **Gross profit margin** of 51.3%, similar to last year
- **Regular OPEX** reduced by -3.3% yoy in LCY
- **Results of underlying operations** (LBIT excl. exceptional items) of HK$(909) million
- **Net Loss** of HK$(2,554) million, after taking into account the exceptional items of HK$(1,344) million comprising mainly pure accounting adjustments with no impact on our cash and operating performance
- **Net Cash** position of HK$4,521 million with zero debt
- **Strategy for moving forward ("Strategy") is clear** and management sees great opportunity to realize the brand's true potential

(18 September 2018, Hong Kong) – **ESPRIT HOLDINGS LIMITED** ("Esprit" or "the Group"; HKEx: 330) today announced its annual financial results for the year ended 30 June 2018 ("FY17/18").

Financial Highlights

Revenue of the Group for FY17/18 amounted to HK$15,455 million (FY16/17: HK$15,942 million) representing a decline of -11.1% year-on-year ("yoy") in local currency terms ("LCY"). The decline in Hong Kong dollar terms was less (-3.1% yoy) due to the strengthening of the Euro against Hong Kong Dollar (average rate increase of +10.3%) during the year. The decline in revenue was the result of a combination of the impact from (i) the Group's strategic rationalization of distribution footprint (total controlled space -9.3% yoy) to improve bottom line, and (ii) weaker than expected retail sales performance due to decreased customers' traffic.

The Group recorded a **Gross Profit** of HK$7,921 million, which resulted in a **gross profit margin** of 51.3%, more or less the same as compared to last year. The slight decrease of -0.3% point in LCY was mainly due to lower proportion of Retail (excl. eshop) revenue which represents 40.4% of Group revenue this year as compared to 42.1% last year.

Regular OPEX (excluding Exceptional Items) amounted to HK$(8,830) million in FY17/18, representing a yoy decline of -3.3% in LCY. We continue to see reduction in operating expenses, with savings achieved across all the major cost lines, except for a slight increase in marketing and advertising expenses (+0.9% yoy in LCY) to strengthen our customer relationship management program.

In terms of profitability, the improvement in Regular OPEX was not sufficient to outweigh the negative impact from higher than expected decline in revenue. As a result, **LBIT of underlying operations** (i.e. excluding the Exceptional Items) for FY17/18 was a loss of HK$(909) million (FY16/17: HK$(186) million).

On top of the LBIT of underlying operations, our financial results for FY17/18 have been significantly impacted by **Exceptional Items** totaling HK$(1,344) million. It is important to note that these Exceptional Items are primarily related to non-recurring provisions and impairments, which were triggered by continuous decline of the business in recent years. Majority of these are purely accounting adjustments, with no impact on our cash and operating performance.

Taking into account the significant negative impact from the Exceptional Items, the Group recorded a **Net Loss** of HK$(2,554) million. **Mr. Thomas Tang, Group Chief Financial Officer of Esprit**, commented, "Due to the worse than expected decline in revenue, net cash balance reduced to HK$4.5 billion as at 30 June 2018. We are reassessing the best possible use of our cash in order to drive sustainable growth and profitability."

Moving Forward

The results of FY17/18 are far from satisfactory and the Group is currently in the midst of undergoing a thorough assessment to address this situation and develop corrective measures to ensure a successful turnaround.

Mr. Anders Christian Kristiansen, Group Chief Executive Officer of Esprit, said, "We have a fantastic opportunity to realize Esprit's true potential. However, bold changes are needed to return Esprit to sustainable growth and profitability. We are currently affected by a combination of internal weaknesses. This includes a high cost structure which is no longer in line with the sales level, too many loss making stores in our portfolio, a lack of clear brand identity, and product that doesn't meet our customers' expectations. I have appointed an internal task force that has been working closely with me to gather consumer insights, and establish possible strategic initiatives. The next step will be to map out execution plans. With what I have learnt in the last months, I am firmly convinced we have the right ideas to put Esprit back on track. Later this Fall 2018, we will be ready to share our Strategy. I am genuinely excited about the next phase of the turnaround and remain very confident about Esprit's future."

Looking ahead, the operating environment will likely remain challenging in the upcoming financial year with the fallout from the trade war and rising interest rates, which may weigh on consumer sentiment and spending. In our drive to regain competitiveness, we must sharpen our brand identity, improve our product offering with a focus on quality, and create an inspiring omnichannel shopping experiences for our customers. These efforts will be driven by the results of extensive consumer research to ensure that our brand, products and channels properly resonate with Esprit's target customers. We will bring our customers and what Esprit stands for as a brand to the center of everything we do in order to become more relevant to our customers again and provide them with a strong brand experience.

Mr. Anders Kristiansen further commented, "Our profitable wholesale business will play a central role in the new direction of the Company. We want to become "best-in-class" in what we offer to our wholesale partners in terms of products, marketing and other support."

Dr. Raymond Or, Executive Chairman of Esprit, concluded, "While we certainly have a lot of work in front of us, I am convinced that by aligning the execution of our Strategy, the better days of Esprit are ahead of us."

ESPRIT HOLDINGS LIMITED AUDITED CONSOLIDATED FINANCIAL DATA

(In HK$ Million)	For the Year Ended 30 June 2018	For the Year Ended 30 June 2017
Revenue	**15,455**	15,942
Gross Profit	**7,921**	8,230
Operating Loss	**(2,253)**	(102)
Net (Loss) / Profit	**(2,554)**	67
Net Cash Balance	**4,521**	5,221
Dividend Per Share (HK cents)	**Nil**	Nil

- End -

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 has a presence in over 40 countries with around 580 directly managed retail stores and over 5,400 wholesale points of sale including franchise stores and sales spaces 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.

For media enquiries, please contact:

Asia: Strategic Financial Relations Limited
Heidi So
Phone: +852 2864 4826
Email: heidi.so@sprg.com.hk
Fax: +852 2527 1196

Europe: Hartmut Schultz Kommunikation GmbH
Hartmut Schultz
Phone: +49 89 99 24 96 20
Email: hs@schultz-kommunikation.com

The information contained herein is not a public issuance of securities. These materials do not contain or constitute an offer of securities for sale in the United States or to any "U.S. Person" as defined in Regulation S under the United States Securities Act of 1933, as amended (the "Act"). The securities referred to herein have not been and will not be registered under the Act, and may not be offered or sold in the United States absent registration under such Act or an available exemption from it.

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.