For Immediate Release

Esprit Announces Interim Results for FY19/20
Strategic Plan Execution Continues Well and On Track

- ✓ Financial results in line with expectations despite challenging market conditions
- ✓ LBITDA of underlying operation almost breakeven (-HK$15 million)
- ✓ Improvement in profitability due to
  - Productivity improvement
  - Wholesale acceleration
  - Full-price sales increase
  - Cost reduction
- ✓ One-off exceptional items mainly for China
- ✓ Organization is lean, fit, and agile. Experienced leadership team focused on execution
- ✓ Management is confident that the Group is on the right track to recovery

(26 February 2020, Hong Kong) – **ESPRIT HOLDINGS LIMITED** ("Esprit" or "the Group;" HKEx: 330) has today announced its interim financial results for the six months ended 31 December 2019 ("1H FY19/20" or "Period under Review").

Mr. Anders KRISTIANSEN, Group Chief Executive Officer, said, "Despite the challenging market conditions, the Group has delivered financial results in line with expectations. We have come far and have accomplished a lot in a short period of time. Today, our organization is leaner, quicker, fitter and more agile than 12 months ago. We have a business that is in a much better state than when we started the transformation. Most notably, the financial performance of the Group has continued to advance very positively and in line with management expectations."

Financial Highlights

In the Period under Review, the Group has adopted the new accounting standard IFRS 16, recognizing operating leases as right-of-use assets and lease liabilities on the balance sheet. Throughout this review, to aid comparability of performance against same period last year, a pro forma 1H FY19/20 before adoption of IFRS 16 ("Pro forma") has been included. See details on page 3.

Pro forma **LBITDA of underlying operations** almost achieved breakeven and came in at -HK$15 million, substantially better than the -HK$94 million for the same period last year.

This results represents a continuation of the positive development seen in the last financial year. On the one hand, revenue has declined due to bold decisions to rationalize the Group's distribution footprint and reduce discount-driven promotions very much in line with the strategy to behave like a brand. On the other hand, these Strategic Measures together with other efficiency initiatives facilitated a significant reduction of operating expenses and drove improved operating results.

Group Revenue for 1H FY19/20 amounted to HK$5,763 million, representing a year-on-year ("yoy") decline of -11.8% in local currency terms ("LCY") and compared favorably against the corresponding -14.8% reduction in space, reflecting **improvement in sales productivity**. The decline in Hong Kong dollar terms was moderately higher (-14.8%) due to the relative weakness of the Euro against Hong Kong Dollar during the Period under Review.

The decline in revenue was the result of a combination of the impact of (i) the Group's strategic rationalization of its distribution footprint leading to a reduction in total controlled space, and (ii) a reduction of discount-driven promotions closely in line with the strategy to behave like a brand.

On a positive note, **Germany Wholesale**, representing 54.6% of Wholesale revenue of the Group, has **stabilized** and reported broadly flat revenue development of -0.9% yoy in LCY after eleven consecutive years of decline. This is an encouraging development thanks to ongoing efforts to rebuild trust and confidence amongst wholesale partners.

In terms of **Gross Profit Margin,** both the Retail (ex-outlet) and ecommerce channels in Europe recorded **more full-price sales** and an increase in comparable gross profit margin, thanks to reduction of discount-driven promotions. However, the benefit was outweighed by margin pressure from (i) a shift in channel mix; (ii) investment in wholesale support measures; (iii) aggressive clearance of old inventories in Asia; and (iv) continued investments in product quality. Overall, the Group **Gross Profit Margin** was 49.2%, lower than last year by –2.1% points.

Pro forma **OPEX of underlying operations** was HK$2,848 million, representing a yoy reduction of -HK$717 million or -20.1%, reflecting significant savings attributable to the Group's restructuring measures to reduce headcount and closure / resizing of unprofitable stores, and management's continuous focus on cost awareness and persistent financial discipline.

There were **Exceptional Items** of -HK$138 million in the Period under Review primarily relating to restructuring of China for the new joint venture model, comprising severance, impairment of fixed assets, store closure costs, and inventory provision etc.

All-in-all, **Net Loss** of the Group was -HK$331 million, a significant improvement of HK$1.4 billion from the net loss of -HK$1,773 million in the same period last year.

The Group remained debt free with **Net Cash** totaling HK$2,740 million as at 31 December 2019.

Dr. Johannes SCHMIDT-SCHULTES, Group Chief Financial Officer, commented, "Building on the positive progress made in the last financial year, the Group has continued to deliver on what it set out to achieve in 1H FY19/20. We are proud to see that ongoing progress is contributing to improvements in the Group's operational metrics which resulted in overall improvement in profitability."

Outlook

While mindful of the geopolitical and trade tensions alongside intrinsic industry challenges, the Group is pleased with the progress made at this halfway point in its financial year.

"We are pleased with the trajectory of the Group's financial performance and believe the Group is on track to deliver what the Strategic Plan set out to achieve. Management is encouraged by the progress made in 1H FY19/20 and is confident that the Group is on the right track to recovery", said **Mr. KRISTIANSEN**.

Dr. Raymond OR, Executive Chairman, concluded, "The positive developments have so far demonstrated the Strategic Plan has set the right direction for the company and more importantly management's ability to successfully execute it. Looking forward to the second half of FY19/20, our goal is to stay on course and remain focused on rapidly executing the Strategic Plan. With the outbreak of coronavirus, the retail market is going to be challenging, however we firmly believe that this plan is vital to creating long-term value for all stakeholders."

ESPRIT HOLDINGS LIMITED UNAUDITED CONSOLIDATED FINANCIAL RESULTS

	For the 6 months ended 31 December				
	Before adoption of IFRS 16			**Reported under IFRS 16**	
	2019 Pro forma [1]	2018	Change in %	2019	Change in %
	HK$ million	HK$ million	HK$	HK$ million	HK$
Revenue	**5,763**	6,766	-14.8%	5,763	-14.8%
Cost of goods sold	**(2,930)**	(3,295)	-11.0%	(2,930)	-11.0%
Gross profit	**2,833**	3,471	-18.4%	2,833	-18.4%
Gross profit margin	**49.2%**	*51.3%*	*-2.1 pts*	49.2%	*-2.1 pts*
OPEX of underlying operations [2]					
Staff costs	**(966)**	(1,291)	-25.2%	(966)	-25.2%
Marketing and advertising expenses	**(293)**	(350)	-16.3%	(293)	-16.3%
Logistics expenses	**(324)**	(485)	-33.2%	(292)	-39.8%
Occupancy costs	**(898)**	(1,093)	-17.8%	(238)	-78.2%
Other operating costs	**(367)**	(346)	6.1%	(506)	46.2%
Subtotal	**(2,848)**	(3,565)	-20.1%	(2,295)	-35.6%
LBITDA of undelying operations [3]	**(15)**	(94)	83.4%	538	678.0%
Depreciation and amortisation					
Depreciation of Right-of-Use Assets	**-**	-		(525)	
Depreciation of Fixed Assets	**(204)**	(238)		(203)	
Subtotal	**(204)**	(238)		(728)	
LBIT of undelying operations [3]	**(219)**	(332)		(190)	
Exceptional items [4]					
i) Provision for China restructuring	**(104)**	-		(104)	
ii) Provision for store closures and leases, net	**(21)**	(924)		(21)	
iii) One-off costs in relation to staff reduction plans	**(5)**	(401)		(5)	
iv) Loss on disposal of investment properties	**(6)**	-		(6)	
v) Impairment of property, plant and equipment	**(2)**	(116)		(2)	
vi) Write-back of one-off costs in relation to closure of ANZ operations	**-**	23		-	
Subtotal	**(138)**	(1,418)		(138)	
Reported LBIT	**(357)**	(1,750)		(328)	
Interest income	**44**	31		45	
Finance costs	**(2)**	(18)		(51)	
Loss before taxation	**(315)**	(1,737)		(334)	
Taxation credit/(charge)	**3**	(36)		3	
Net Loss	**(312)**	(1,773)		(331)	

Notes:

1. Pro forma figures for 1H FY19/20 are estimations before adoption of IFRS 16 to aid comparability to1H FY18/19
2. OPEX of underlying operations comprises recurring expenses of the underlying operation except depreciation and amortization
3. LBITDA of underlying operations and LBIT of underlying operations are the LBITDA and LBIT of the Group before exceptional items
4. Exceptional Items are one-off and non-operating gains and expenses arising from non-regular operational activities of the Group

- End –

About Esprit Holdings Limited

Fueled by the vision of essential positivity, Esprit was founded in California by couple Susie and Doug Tompkins in 1968. Inspired by the revolutionary spirit of the 60s the brand developed a clear philosophy – always celebrating real people and togetherness, in line with the brand's promise: “We want to make you feel good to look good”. The success story of Esprit is based on two pillars: Delivering joy every day through laid-back tailored, high quality essentials and carefully selected fashion-forward pieces while staying true to its core values of sustainability, equality and freedom of choice. Example: In the early 90ies, long before "Eco Fashion" became fashionable, Esprit debuted its first “ecollection” made of 100% organic cotton and featured its own team instead of models in honor of their “Real People Campaign.”

Keeping this spirit alive since day one, today Esprit has a presence in 40 countries around the globe. Esprit’s headquarters are located in Germany and Hong Kong, where the brand has been listed on the Hong Kong Stock Exchange since 1993. Esprit – Keeping it easy, comfortable and looking great. Every day.

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: Ketchum Pleon
Kristina Muchin
Phone: +49 211 9541 2154
Email: esprit@ketchumpleon.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.