



Esprit Reports Interim Net Profit of HK\$61 million

Continued improvement of financial results

- Net profit of HK\$61 million, as compared to a Net loss of -HK\$238 million in the same period last year
- Positive EBIT from underlying operations (excl. exceptional items) of HK\$2 million, a significant recovery from LBIT of -HK\$252 million in the same period last year, driven by two major developments:
 - Downsizing of business (closure of unprofitable stores and loss of low-performing wholesale spaces)
 - Reduction of the level of promotional activities, price markdowns and wholesale discounts
- As a result, revenue decline by -9.9% yoy in LCY, against a -14.3% yoy reduction of total controlled space
- But gross profit margin was increased by +2.0% pts yoy
- And regular OPEX was reduced by -11.2% yoy in LCY; hence, fully out-weighting the decline in top line
- Net cash balance of HK\$4.5 billion at 31 December 2016, with zero debt

Continued progress in the execution of the Strategic Plan

- Progressive rejuvenation of the "Esprit brand"
- Development of the Vertical & Omnichannel models to improve products and channels performance
- Ambitious reduction of OPEX to accelerate turnaround

(22 February 2017, 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 2016 ("1H FY16/17"). Building on the positive progress achieved in the last financial year ("FY15/16"), the financial performance of the Group has continued to improve in 1H FY16/17 to record a net profit of HK\$61 million, representing a significant recovery from the net loss of -HK\$238 million recorded for the same period last year.

At a press conference in Hong Kong today, **Mr. Jose Manuel Martínez, Group Chief Executive Officer of Esprit**, said, "During 1H FY16/17, top line performance was under pressure and management therefore took decisive actions to drive profitability. As a result, bottom line performance of the Group continued to improve visibly."

Financial Highlights

Revenue of the Group for 1H FY16/17 amounted to HK\$8,323 million, representing a yoy decline of -9.9% in local currency (LCY), with development in the Second Quarter significantly better than in the First Quarter across key channels (Retail, Eshop and Wholesale) and markets (Germany, Rest of Europe and APAC). The decline in revenue compares favorably against a total space reduction of -14.3% yoy, and it is a normal consequence of Esprit's efforts to right-size its distribution footprint while improving gross profit margins and reducing operating expenses.

Gross profit margin improved by +2.0 percentage points to 52.5%, as a result of the actions to reduce the level of promotional activities, price markdowns and discounts granted to wholesale partners, partly offset by the continued weakness of the Euro. This improvement was observed across all channels, regions and key product divisions.

Operating expenses ("OPEX") amounted to HK\$4,384 million in 1H FY16/17, representing a yoy decline of -10.8% in LCY. **Mr. Thomas Tang, Group Chief Financial Officer of Esprit**, commented, "The Group has achieved a noticeable improvement in its financial performance thanks to the contribution of savings achieved in all key cost lines mainly through the accelerated closure of loss-making stores; the implementation of overhead cost restructuring measures, and the lower marketing and advertising expenditure down to normalized levels after the strong push last year. We are very much on track to achieve our target to reduce OPEX by HK\$1 Billion (excluding FX effects) over 2 years from FY15/16 level."

EBIT of underlying operations (i.e. excluding the Exceptional Items) was HK\$2 million, compared to a loss of -HK\$252 million in the same period last year. After including the Exceptional Expenses of HK\$15 million, mainly related to one-off costs for staff reduction, and including a net tax credit of HK\$74 million, **Net Profit** reached HK\$61 million in 1H FY16/17 compared with a net loss of -HK\$238 million in the same period last year.

Net Cash position was at HK\$4,548 million as at 31 December 2016, with zero debt, which is attributable to our prudent approach towards effective cost control and cash management.

Continuous Implementation of the Strategic Plan

Moving forward, the Group expects in the Second Half of this financial year ("2H FY16/17") a similar development as observed in the 1H FY16/17. Esprit will continue to execute the Strategic Plan with a primary focus on improving its bottom line. This approach may put short term pressure on revenue due to the closure of unprofitable controlled space, but a positive impact by the improvement of gross margins and the reduction of operating expenses.

Dr. Raymond Or, Chairman of Esprit, concluded, "Though operating environment is very challenging worldwide, we continue to make progress in most areas of the Group and this makes us confident that the Strategic Plan will restore the long-term competitiveness of Esprit. We remain fully committed and focused on executing the Plan."

ESPRIT HOLDINGS LIMITED UNAUDITED CONSOLIDATED FINANCIAL RESULTS

<i>(In HK\$ Million)</i>	For the 6 Months Ended 31 December 2016	For the 6 Months Ended 31 December 2015
Revenue	8,323	9,315
Gross Profit	4,371	4,700
Operating Loss	(13)	(247)
Net Profit/(Loss)	61	(238)
Net Cash Balance	4,548	4,192
Earnings/(Loss) Per Share (HK\$)	0.03	(0.12)
Interim Dividend Per Share (HK cents)	Nil	Nil

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About Esprit Holdings Limited

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 around 700 directly managed retail stores and through over 6,000 wholesale points of sales including franchise stores 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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