



**Esprit Announces Annual Results for FY18/19
Revenue Recorded Quarter-on-Quarter Improvement
Positive Progress on the Strategy Plan to Unfold the Brand's Potential**

- **Revenue** of HK\$12,932 million, down -12.9% yoy in LCY, compares favorably against the corresponding reduction in total controlled space of -14.3% yoy
- **Gross Profit Margin** down by -1.1% points in LCY to 50.3% mainly due to clearance of inventory in the first half of FY18/19 as part of the Strategy Plan
- **Regular OPEX** substantially reduced by -16.6% yoy in LCY to HK\$(7,088) million, benefiting from the effective restructuring program
- **LBIT Underlying Operations** (LBIT excl. exceptional items) improved to a loss of HK\$(587) million, much improved compared with that of the last financial year FY17/18 of HK\$(909) million
- **Net Loss** was HK\$(2,144) million, after taking into account the exceptional items of HK\$(1,493) million primarily comprising provisions for one-off restructuring costs in connection with the restructuring plan
- **Net Cash** position of HK\$3.28 billion with zero debt

(18 September 2019, Hong Kong) - **ESPRIT HOLDINGS LIMITED** ("Esprit" or "the Group," Stock code: 0330.HK) has today announced its annual financial results for the year ended 30 June 2019 ("FY18/19" or "Period under Review").

The Strategy Plan is well underway and has already been yielding results contributing to improvements in operational metrics after its launch in November 2018. At the results press conference in Hong Kong today, **Mr. Anders Kristiansen, Group Chief Executive Officer of Esprit**, said, "Looking back over my first year here at Esprit, I am extremely proud of our team and the substantial progress we have made across operational and financial metrics. We formulated and laid out a Strategy Plan to re-establish Esprit once again as an iconic brand since November last year. Despite various headwinds, I am very pleased to report that good progress has been made and the Strategy Plan is overall on track. It is encouraging to see how the ESPRIT brand's potential has already begun to unfold during the Period under Review, while there are still many tasks to complete and we will continue to work on diligently."

FINANCIAL HIGHLIGHTS

Revenue of the group recorded HK\$12,932 million (FY17/18: HK\$15,455 million), representing a decline of -12.9% year-on-year (“yoy”) in local currency terms (“LCY”). The decline in Hong Kong dollar terms was moderately higher (-16.3% yoy) due to the slight weakness of the Euro against the Hong Kong Dollar during the Period under Review (average rate decrease of -4.2% compared with last year). The decline in revenue imputed to the Group’s strategic measures to resize the retail stores footprint in the first two fiscal years of the Strategy Plan. Nonetheless, it is worth noting that the rate of revenue decline in FY18/19 has continued to narrow quarter-on-quarter (“qoq”), mainly driven by the markets in Germany which accounted for the largest share of the Group revenue, reflecting a positive trend of improvement.

Gross Profit of the Group amounted to HK\$6,501 million, resulting in a **Gross Profit Margin** of 50.3% (FY17/18: 51.3%). The slight yoy decrease of -1.1% points in LCY was mainly due to the decline in the first half (-1.6% points) when the Group was clearing old inventory as part of the Strategy Plan. The situation has much improved in the second half where the gross profit margin decline had narrowed to -0.4% point, thanks to less discount and markdown for the new products partly offset by investment in quality.

Regular OPEX (excluding Exceptional Items) amounted to HK\$(7,088) million, representing a significant yoy decline of -16.6% in LCY, benefiting from the restructuring program. We continue to see reduction in operating expenses with savings achieved across all the major cost lines, including personnel cost, occupancy costs and marketing & advertising expenses.

LBIT of Underlying Operations (i.e., excluding the Exceptional Items) was a loss of HK\$(587) million. It was much improved compared with last year of HK\$(909) million since revenue decline and lower gross profit margin were outweighed by significant reduction in Regular OPEX.

Exceptional Items of HK\$(1,493) million was recorded primarily in connection with the one-off restructuring costs, consisting of i) net provision for store closures and onerous leases of HK\$(895) million; ii) one-off cost in relation to staff reduction plans of HK\$(354) million; iii) inventory provision of HK\$(159) million, iv) impairment of property plan and equipment of HK\$(110) million, and v) write-back of provision for one-off costs in relation to closure of ANZ operations of HK\$25 million. **LBIT** of the Group was HK\$(2,080) million which was adversely impacted by Exceptional Items.

Taking into account **Net Interest Income** of HK\$14 million and **Net Taxation Expenses** of HK\$(78) million, **Net Loss** of the Group was HK\$(2,144) million. As the Group recorded a loss for the full financial year, the Board has not recommended the payment of a final dividend.

Mr. Thomas Tang, Group Chief Financial Officer of Esprit, said, “As a result of our bold decision to reduce headcount, closure/resizing of unprofitable stores and overall discipline on cost reduction measures, the Group was able to achieve significant savings across all of the major cost lines. We now have a much healthier cost base for future growth and are well on track to achieve the announced annualized expense savings target of HK\$2 billion over two years from the FY17/18 level.”

OUTLOOK

Looking ahead, the macro environment continues to present challenges and uncertainties amid escalation of trade tensions damaging economic growth and weighing on consumer sentiment. In FY19/20, the Group's goal is to stay on course and remain focus on executing the Strategy Plan rapidly and consistently. The first and foremost priority is to leverage the new brand ethos and the strengths of its new dynamic organization to improve products and enhance the ESPRIT experience across channels with a clear presentation. The Group will drive business performance through a brand based, customer centric, and data driven approach to improve our operational and financial metrics both online and offline.

Mr. Kristiansen added, "There has been great progress against our strategic objectives in FY18/19, and we have delivered on what we set out to achieve this financial year. We are confident of the strategic direction we are taking and the future is super bright for Esprit. While there is much more to do, we will remain focus on our transformation and will continuously track our progress and performance so as to adapt and make appropriate adjustments in a dynamic manner as and when necessary."

Dr. Raymond Or, Executive Chairman of Esprit, concluded, "The intense efforts exerted over the past year have laid the foundation of the Group's future business model and have resulted in positive progress. Our commitment to move forward with our Strategy Plan remains intact as we firmly believe that the plan is vital to creating long-term value for all stakeholders. I have full confidence that with our strengthened management team and razor-sharp focus on achieving our goals, we are well along the road to recovery."

ESPRIT HOLDINGS LIMITED AUDITED CONSOLIDATED FINANCIAL DATA

(In HK\$ Million)	For the Year Ended 30 June 2019	For the Year Ended 30 June 2018
Revenue	12,932	15,455
Gross Profit	6,501	7,921
Regular OPEX	(7,088)	(8,830)
LBIT of Underlying Operations	(587)	(909)
Net Excpetional Items	(1,493)	(1,344)
LBIT	(2,080)	(2,253)
Net Loss	(2,144)	(2,554)
Net Cash Balance	3,282	4,521

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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.

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