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## Final results announcement for the year ended 30 June 2011 / Esprit to invest over HK\$18 billion in its brand over the next four years

HONG KONG (ots) -

- Transformation plan 2014/15 to give the brand back its shine and recover its profitability
- Significant investments in stores, product design and brand communication
- Group turnover grew 0.5% year-on-year in local currency to HK\$33.8 billion
- Retail turnover grew 6.2% year-on-year in local currency
- Total retail space increased 5.3% year-on-year off pro-forma retail store base
- China growth and profitability accelerating in line with 5-year plan
- Divesting structurally loss-making stores as well as North America
- Operating result impacted by one-off restructuring costs related to store network
- Net profit of HK\$79 million or HK\$2,352 million excluding exceptional events

Esprit is to strengthen its brand with a comprehensive investment program over the coming four years. The Board of Directors has approved a transformation plan to re-establish Esprit as an inspiring fashion brand with a clear identity and sustainable profitability. The company, which is listed on the Hong Kong Stock Exchange, has set the course accordingly. The investments in stores, product design and brand communication are intended to revive customers' awareness of Esprit as an inspiring fashion brand, based on the unique values and heritage of the company.

The company will focus on the most attractive markets with profitable growth in the future and withdraw from unprofitable locations and markets. Esprit plans to invest a total of over HK\$18 billion into the future of the company until 2014/15, thereof HK\$7 billion to be spent on long-term investments (CAPEX) and HK\$11.5 billion on business operations (OPEX).

Mr. Ronald Van Der Vis, Group CEO of Esprit said: "In essence Esprit is a strong and profitable brand, but the brand has gradually lost its soul over the past few years. The heritage of the brand has been neglected and the company lost its customer focus. In 2010 we started addressing this with the launch of the Six Strategic Initiatives. After having defined the new brand direction and having started the first steps with encouraging results, we now step-up our efforts. We are taking bold and decisive steps to rebuild the brand emotionally, inspired by our Californian heritage. Going forward Esprit will again be a brand with both a clear identity and a strong personality, returning the company to a high level of sustainable profitability. We will align all our business activities with the needs and expectations of our customers. Everything we'll do will be focused on the Esprit woman, who embraces fashion and style in a confident, relaxed way, caring about her looks as well as the ones around her. She wants Esprit back: a responsible brand that gives her fashion and quality to last. To her that is more relevant than ever before."

To reshape and build a tangible, unique brand profile across all channels and regions, Esprit invests an additional HK\$1.7 billion annually (in total HK\$6.8 billion over four years) in brand communication.

The collections will be given a much more distinct and fashionable profile. To drive this forward the product divisions will be reorganised. All divisions will be regrouped around Women's and Men's with apparel centred around Knits and Wovens. Esprit will step-up its design capabilities by establishing a Trend division in the fashion capital Paris and a dedicated design hub in China for the Chinese market. This way fashion trends can be implemented into the collections more quickly. To capture the huge opportunities in denim, a new Denim division will be established.

In order to concentrate on developing the best products, all buying functions will be centralised within one sourcing organisation. New sourcing offices will be opened to accelerate our sourcing strategy. In doing so Esprit targets annual savings of around HK\$1 billion by FY14/15.

To upgrade the shopping experience for the customers in line with the new brand direction, approximately HK\$3 billion will be invested until FY14/15 in the refurbishment of the entire retail full price store network.

In line with its retail business Esprit will also concentrate its efforts in the wholesale business. The company will invest in the opening of more than 200 new franchise stores (excluding China) until FY14/15 and is going to support wholesale partners with refurbishing their space. Furthermore, expansion in high opportunity markets will be driven forward. The total investment in wholesale is expected to be approximately HK\$3.9 billion.

Esprit's expansion in the future will be focused on the opportunities for profitable growth. With this strategy, the company is going to strengthen its European business in German-speaking DACH- countries, Benelux and France. In Asia, Esprit will concentrate its expansion in the growth markets of Taiwan, Singapore, Malaysia and - above all - China. In China, turnover is expected to double over the next four years to around HK\$6 billion, with the store network increasing from approximately 1,000 to 1,900 POS. In addition to the expansion in China, Esprit plans to open a total of 185 new full price retail stores until FY14/15. As part of this transformation process and focusing its activities, Esprit is going to divest the loss-making North American operations. In addition, 80 unprofitable stores will be closed, which includes the exits of the retail operations in Spain, Denmark and Sweden. The costs related to these exceptional events have impacted the results of the FY10/11.

Mr. Ronald Van Der Vis further commented: "We are determined to do what is right medium as well as long-term for the brand, our customers and ultimately our shareholders. These measures need to be taken to recharge the profit potential of Esprit and to re-establish Esprit again as an inspiring fashion brand. With this we will bring Esprit back on track. The results of our work will gradually become visible over time, but the full transformation process will take until FY14/15 to complete. Especially in the next 24 months our financial results will be impacted by the measures and investments required to transform our business."

#### Esprit Final Results For Year Ended 30 June 2011

The Group's turnover grew by 0.5% in local currency over FY09/10 from HK\$33,734 million to HK\$33,767 million. In retail, sales increased by 6.2% to HK\$19,059 million, and was thus able to compensate for a drop of 6.0% in wholesale to HK\$14,475 million. The share of retail sales increased from 53.0% in the previous year to 56.4% in the FY10/11.

Despite the continued difficult economic climate in Europe, the comparable growth rate in retail improved like-for-like from the previous fiscal year's -2.4% to -1.1% in the FY10/11. Total retail space increased 5.3% year-on-year, excluding stores under 33-store closure program. Particularly strong growth in turnover was noted in China, which is now the company's second-biggest market. Comparable store sales growth there improved from -6.0% last year to 2.7% this year.

In wholesale, Esprit's sales declined as a result of both generally weak economic conditions worldwide and Esprit's deliberate policy of withdrawing from unprofitable or brand diluting accounts. In Germany, the company's main market, wholesale local currency turnover trend improved significantly from -15.6% in the FY09/10 to -3.0% in FY10/11.

Results were significantly impacted by the exceptional events. The net profit before exceptional events amounts to HK\$2,352 million. Including the divestment of North American operations costing HK\$1,268 million and additional store closures costing HK\$1,005 million, net profit for the Group amounts to HK\$79 million.

Esprit's net cash position remains strong at approximately HK\$2,714 million as at 30 June 2011. The Board of Directors adhered to the Company's dividend policy. As a result, no final dividend is recommended since the interim dividend, which had already been paid, exceeds the 60% regular payout ratio.

#### ESPRIT HOLDINGS LIMITED

##### AUDITED CONSOLIDATED FINANCIAL DATA

(in HK\$ million, with the exception of dividend per share)

	For the year ended 30 June 2011	For the year ended 30 June 2010	
Turnover	33,767	33,734	
Gross profit	18,198	18,436	
Profit before taxation	710	5,474	
Net profit	79	4,226	
Cashflow from operating activities	1,835	5,412	
Cash and bank balances	4,794	6,748	
Bank loans	2,080	2,600	
Total dividend (per share)	HK\$1.00	HK\$1.41	
Final dividend (per share)	Nil	HK\$0.67	
Interim dividend (per share)	HK\$1.00	HK\$0.74	

Esprit Holdings Limited ( [www.espritholdings.com](http://www.espritholdings.com) ) is a constituent stock of the Hang Seng Index, MSCI Hong Kong Index, FTSE All-World Index for Hong Kong, S&P/HKEx LargeCap Index and S&P Asia 50 Index. Its subsidiaries are engaged in the retail and wholesale distribution of quality lifestyle products designed under its globally recognised Esprit and edc brands. The Group operates over 1,100 directly managed retail stores worldwide and distribute through more than 11,000 controlled space wholesale point-of-sales internationally, occupying total selling space of over 1,000,000m<sup>2</sup> in more than 40 countries.

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#### Forward-Looking Statements

This news 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, believes, estimates, expectations and/or plan stated in this document are true, actual events and/or results could differ materially. It cannot assure you that those current anticipations, believes, 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.

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