

integration
global of our
business...
it is like a
new
company



Dear Shareholders,

For the first time as the Group's CEO, I am happy to report that the Group had another very successful year and achieved record turnover and profits. Overall, despite the backdrop of continuing difficult retail environment worldwide, all lines of business were profitable. The reason for such success is simple: the management has defined a sound strategy and this strategy is being consistently upheld and executed throughout the Group. Through close contact with our target customers, we are increasingly market-driven and remain committed to delivering high-quality Esprit products at fair prices. Increasing brand awareness of our world-class image and flexible distribution strategies are also paramount factors in our success.

Last year, we made significant strides towards building a stronger global company. We integrated the strategies, system and thinking of different regions into one global structure. We aligned all divisions, from retail to sourcing, under a functional reporting structure, rather than a regional or country-based one. We added new talents to our management team, and we strengthened our retail and merchandising efforts in Asia. Esprit is now a global brand "at home" in Europe, North America and Asia. Today, our strong global brand is supported and developed on the backbone of an ever more competitive and flexible company.

Europe continued to be our growth driver in the past fiscal year. A finely calibrated three-tier pricing strategy, careful use of injection-ordering, the implementation of 12 collections-year that kept the store-offer fresh and the promotion of full-price sales, all contributed to our success. Our penetration into Europe was further deepened with Benelux, France and Scandinavia achieving over 50% wholesale turnover growth. Encouraging sales improvement in non-women's wear was another indication of the level of diversification that we achieved so far.

Our position in Asia is to be aligned with our international platform to project a volume prestige brand. It is essential that we have in Asia a product range that mirrors our global offering, provides a wider selection of merchandise, and most important of all, offers a similar price-quality correlation that appeals to a broad range of consumers. To achieve this, it is necessary to centralize our merchandising practice so that we can leverage off the synergies that can be achieved with and

through our global team. Best practices that are highly successful in Europe, such as the 12 collections-year, injection ordering, demand-driven pricing and inventory management, are now being implemented in Asia. We are focusing on improved stock turns and margins through a bottom-up store-by-store inventory planning approach and pricing merchandise fairly without relying on discounts. The full effect of the rejuvenation of our Asian operation will be seen in FY2003/04.

Entry plans for the U.S. are continuing, with no operating loss and minimal capital expenditure incurred during the last financial year as planned. We have already established partnerships with three department store chains and we are working with these partners to further energize the ESPRIT brand, as well as to fine-tune our products and strategies to fit the specific U.S. market needs.

The appreciation of the euro provided us with unexpected profit in the past financial year. Yet we continue to be prudent in our foreign exchange exposure and we will continue to focus on our core business while minimizing our exposure to the volatility of the various currencies in which we operate.

I strongly believe that our consistent and sustained performance is largely attributable to the hard work and dedication of our brilliant management team. I would like to thank all of our employees around the world for the outstanding efforts that they have made during the past year. The strength of the Group and its brands, the exciting opportunities we now have to grow the business globally, and our new global management structure and team, make me extremely confident that Esprit's growth momentum will continue this year and well into the future.



Heinz KROGNER
Deputy Chairman and Group CEO
September 18, 2003