

# ESPRIT

esprit holdings limited

## ESPRIT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

### Proposed Major Transaction in relation to a Proposed Spin-Off and Separate Listing of Esprit Europe AG (formerly known as Esprit Wholesale AG) on the Frankfurt Stock Exchange

#### Summary

Roadshow and bookbuilding in respect of the Global Offering of Esprit Europe Shares will commence on Monday, June 19, 2000 on the basis of the Preliminary Offering Circular of Esprit Europe.

The Global Offering will initially comprise 13 million Esprit Europe Shares, and if the Over-Allotment Option is exercised in full, an additional 1.95 million Esprit Europe Shares will be issued. The offering price range has been fixed at between € 14 (approximately HK\$104) and € 17 (approximately HK\$126) per Esprit Europe Share.

The estimated proceeds, after expenses, will be € 208 million (approximately HK\$1,539 million) and € 171 million (approximately HK\$1,265 million) based on the respective maximum and minimum prices of the price range. If the Over-Allotment Option is exercised in full, the estimated net proceeds, after expenses, will be increased by € 32 million (approximately HK\$237 million) and € 26 million (approximately HK\$192 million) based respectively on the maximum and minimum prices of the price range as aforementioned.

THE PROPOSED TRANSACTIONS HAVE NOT BECOME UNCONDITIONAL. IN PARTICULAR, NO UNDERWRITING AGREEMENT HAS BEEN SIGNED AND THE FINAL OFFERING PRICE PER ESPRIT EUROPE SHARE REMAINS TO BE AGREED. THE PROPOSED TRANSACTIONS ARE ALSO CONDITIONAL ON LISTING APPROVAL BEING OBTAINED FROM THE FSE AND COMPLETION OF THE RESTRUCTURING. APPROVAL FOR THE LISTING HAS NOT YET BEEN OBTAINED AND THE RESTRUCTURING HAS NOT YET BEEN FULLY COMPLETED.

SHAREHOLDERS SHOULD THEREFORE EXERCISE CAUTION IN DEALING IN THE SHARES OF THE COMPANY.

Based on the current timetable, the Proposed Transactions are expected to be completed on or before June 30, 2000.

#### PRELIMINARY OFFERING CIRCULAR AND GLOBAL OFFERING

Further to the announcement made by the Company dated June 9, 2000, the Directors are pleased to announce that roadshow and bookbuilding in respect of the Global Offering of Esprit Europe Shares will commence on Monday, June 19, 2000 on the basis of a preliminary prospectus dated June 19, 2000 to be issued by Esprit Europe ("Preliminary Offering Circular"). All terms used in this announcement shall bear the same meaning as defined in the circular from the Company to its shareholders dated May 24, 2000 (the "Circular") unless otherwise defined herein.

The Global Offering will initially comprise 13 million Esprit Europe Shares. Esprit Europe will also grant to the Underwriters an option to acquire up to an additional 1.95 million Esprit Europe Shares, exercisable within 30 days from the commencement of trading in Esprit Europe Shares, for the purpose of covering over-allotment or other short positions (the "Over-Allotment Option"). An offering price range has been fixed at between € 14 (approximately HK\$104) per Esprit Europe Share and € 17 (approximately HK\$126) per Esprit Europe Share. On the basis of such a price range, the estimated net proceeds, less expenses, from the Global Offering will be € 208 million (approximately HK\$1,539 million) and € 171 million (approximately HK\$1,265 million) based respectively on the maximum and minimum prices of the price range. If the Over-Allotment Option is exercised in full, the estimated net proceeds, less expenses, will be increased by € 32 million (approximately HK\$237 million) and € 26 million (approximately HK\$192 million) based on the respective maximum and minimum prices of the price range as aforementioned.

#### EXPECTED TIMETABLE

Based on the current timetable, it is expected that:

- an underwriting agreement will be signed in the week commencing on Monday, June 19, 2000;
- listing approval will be obtained from the FSE on or about Monday, June 26, 2000;
- the final offering price per Esprit Europe Share will be agreed on or about Tuesday, June 27, 2000 and the offering price will be recorded in a price determination agreement to be signed between Esprit Europe and the Underwriters with allocation of the Esprit Europe Shares comprised in the Global Offering made on the same day. A final offering circular will also be issued on or about Tuesday, June 27, 2000;
- based on the current timetable, the Company expects that the final offering price per Esprit Europe Share under the Global Offering will be announced by the Company on the relevant teletext page of the Stock Exchange for information at the commencement of trading on Wednesday, June 28, 2000 and that the formal announcement of the Company will be published in Hong Kong on or about Thursday, June 29, 2000;
- trading in Esprit Europe Share on the FSE will commence on Wednesday, June 28, 2000; and
- settlement and closing will take place on or about Friday, June 30, 2000.

It should be noted that the above is merely an expected timetable which may not represent the actual timing of the events in question.

#### PROPOSED TRANSACTIONS REMAIN CONDITIONAL

IT SHOULD BE NOTED THAT THE SPIN-OFF PROPOSAL, THE GLOBAL OFFERING AND THE LISTING (THE "PROPOSED TRANSACTIONS") REMAIN CONDITIONAL ON VARIOUS MATTERS. IN THIS CONNECTION, SHAREHOLDERS WILL NOTE FROM THE EXPECTED TIMETABLE ABOVE THAT, AT THIS STAGE, NO UNDERWRITING AGREEMENT HAS BEEN SIGNED AND THAT THE FINAL OFFERING PRICE PER ESPRIT EUROPE SHARE HAS YET TO BE AGREED. THE PROPOSED TRANSACTIONS ARE ALSO CONDITIONAL ON LISTING APPROVAL BEING OBTAINED FROM THE FSE AND SUCH APPROVAL HAS NOT YET BEEN OBTAINED. IN ADDITION, THE PROPOSED TRANSACTIONS ARE CONDITIONAL ON COMPLETION OF THE RESTRUCTURING WHICH HAS NOT YET BEEN FULLY COMPLETED.

SHAREHOLDERS SHOULD THEREFORE EXERCISE CAUTION IN DEALING IN THE SHARES OF THE COMPANY.

#### LOCK UP OF ESPRIT EUROPE SHARES

It is expected that the Company, its wholly-owned subsidiary, Esprit Holdings GmbH, as well as Esprit Europe, will give a lock up undertaking to the Underwriters pursuant to which they would refrain, for a period of six months from the date of admission of Esprit Europe Shares to the official market of the FSE, from offering or selling Esprit Europe Shares and certain other securities, directly or indirectly, or announcing such action, or taking any other measures economically equivalent to a sale. The lock-up does not apply to the Company and Esprit Holdings GmbH provided that the acquirer of Esprit Europe Shares agrees to be subject to the same lock-up restriction for the remaining term of the lock-up period.

#### RELATIONSHIP BETWEEN THE ESPRIT HOLDINGS GROUP AND ESPRIT EUROPE GROUP AFTER THE SPIN-OFF

As disclosed in the Circular, management of the Company and that of Esprit Europe will be clearly delineated. The governing bodies of Esprit Europe are the Management Board ("Management Board"), the Supervisory Board ("Supervisory Board") and the general meeting. In this connection, it is proposed that the Management Board will comprise the following persons:

- Heinz-Jürgen Krogner-Kornalik* will be the Chief Executive Officer of Esprit Europe. He graduated from FI Hohenstein with a degree in business administration (VWA) and in industrial engineering. After several years of professional experience in the textile industry, he became a consultant with Kurt Salomon Associates (a consulting company specialized in the textile industry sector), and later became a member of the management. Subsequently, he worked as managing director of a subsidiary of the Asco Group for four years before joining in January 1995 as consultant to the company which held various businesses to be owned by Esprit Europe pursuant to the Restructuring. His first management position was Country Manager Wholesale and Retail and he was appointed Chief Executive Officer on July 1, 1996;
- Dr. Günter Wartenberg* will be the Chief Financial Officer of Esprit Europe. In 1991, he joined the company which held various businesses to be owned by Esprit Europe pursuant to the Restructuring. He has studied taxation and auditing before receiving his Doctorate Degree at the University of Cologne. He has had 16 years of experience in finance and accounting with Bertelsmann AG, Henkel KGaA, and Facit GmbH before joining the company which held various businesses to be owned by Esprit Europe pursuant to the Restructuring;
- Joris Leeman* will be the Chief Operations Officer of Esprit Europe. He holds both a Masters Degree and an MBA in International Business from the European Campus of Webster University, St. Louis. Before joining in September 1998 the company which held various businesses to be owned by Esprit Europe pursuant to the Restructuring, he worked for 11 years for MEXX and Johnson & Johnson on pan-European consolidation in logistics operations, quality management and European marketing;
- Jörg Wingbermhle* will be the Chief Division Officer of Esprit Europe. He studied economics at the Berufshochschule and graduated with a Diplom Betriebswirt (BA). He has worked in Hugo Boss for four years as product manager and assistant of the creative board and subsequently as a freelancer in the development of collections and production management for well known brands such as Joop, Mac Jeans and Uli Knecht. In 1997, he joined the company which held various businesses to be owned by Esprit Europe pursuant to the Restructuring as Division Manager Men; and
- Thomas Grote* will be the Chief Sales Officer of Esprit Europe. He joined Esprit de Corp. GmbH in 1990 as Key Account Manager for the Accessories Division and was later promoted to Sales Manager. In 1993, he left Esprit de Corp. GmbH to work as sales manager for InWear GmbH (Germany) and was promoted to managing director six months later. In June 1996, he returned to the company which held various businesses to be owned by Esprit Europe pursuant to the Restructuring as Manager of the women's division.

As disclosed in the Circular, Mr. Heinz-Jürgen Krogner-Kornalik is the Chairman of the Management Board of Esprit Europe, he will change his position from being an executive Director to a non-executive Director of the Company. This change in position is intended to take effect as soon as practicable after completion of the Proposed Transactions and, on the basis of current timetable, it is expected that this change in position will take effect on or about July 1, 2000.

As regards the Supervisory Board, it comprises 3 members. With effect from July 1, 2000, the Chairman of the Supervisory Board will be Mr. Michael Ying Lee Yuen, Chairman of the Company; the Deputy Chairman will be John Poon Cho Ming, executive Director of the Company; and the third member will be Mr. Jürgen Friedrich, a non-executive Director of the Company.

It has also been disclosed in the Circular that there will be continuing relationship and a number of recurring transactions between members of the Esprit Europe Group on the one hand and members of the Esprit Holdings Group on the other, and that such transactions would be governed by contractual agreements on arm's length terms and will be in the ordinary course of business. In this connection, in addition to the transactions disclosed in the Circular, it is proposed that Esprit Holdings Group will continue to provide centralised treasury functions for the Esprit Europe Group after completion of the Proposed Transactions. Any such services, if provided, will be on the basis of arm's length commercial terms which will provide, in particular, that there will be no co-mingling of the funds between the Esprit Holdings Group and the Esprit Europe Group and that there will not be any cross guarantees, set off or other similar arrangements so that the obligations and assets of the Esprit Holdings Group and the Esprit Europe Group will be maintained separately. It is considered that the continuation of such centralised treasury functions will be for the benefit of both the Esprit Holdings Group and the Esprit Europe Group for various reasons including (but without limitation) that such an arrangement will enable better terms to be obtained from third party financial institutions as well as other benefits and advantages on account of economy of scale.

#### SUMMARY FINANCIAL DATA OF ESPRIT EUROPE EXTRACTED FROM THE PRELIMINARY OFFERING CIRCULAR

The following summary financial data of Esprit Europe are extracted from the Preliminary Offering Circular.

The selected consolidated financial data as of and for the nine months ended March 31, 2000 and March 31, 1999 have been derived from Esprit Europe's unaudited interim consolidated financial statements. These unaudited interim consolidated financial statements include, in the opinion of management, all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation. The interim results set forth below for the nine months ended March 31, 2000 may not be indicative of results for the full financial year.

#### Unaudited Income Statement Data

	Nine months ended March 31	
	2000	1999
	(In € '000)	
Net Sales	480,467	361,263
Cost of Sales	(292,788)	(219,589)
Gross Profit	187,679	141,674
Selling Expenses	(111,303)	(90,559)
General and Administrative Expenses	(26,297)	(20,731)
Other Income and (Expenses) — net	(974)	(650)
Operating Profit	49,105	29,734
Interest Income	577	422
Interest Expense	(3,541)	(4,739)
Foreign Currency Transaction Gains	492	473
Profit Before Taxes	46,633	25,890
Provision for Income Taxes	(28,623)	(19,149)
Net Profit	18,010	6,741

#### Unaudited Consolidated Balance Sheet Data

	As of March 31	
	2000	1999
	(In € '000)	
Cash and Cash Equivalents	34,533	12,923
Current Assets (including Cash and Cash Equivalents)	150,890	103,924
Non-Current Assets	73,411	66,306
Total Assets	224,301	170,230
Current Liabilities	107,167	81,363
Non-Current Liabilities	129,800	131,904
Capital and Reserves/(Shareholders' Deficit)	(12,666)	(43,037)

#### FURTHER ANNOUNCEMENTS

Shareholders will be kept appropriately informed in respect of material developments.

In particular, as disclosed in the section headed "Expected timetable" above, Shareholders should watch out for the announcement by the Company in respect of the final offering price per Esprit Europe Share under the Global Offering. It is expected that this will be announced by the Company on the relevant teletext page of the Stock Exchange for information at the commencement of trading on Wednesday, June 28, 2000 and that the formal announcement of the Company will be published in Hong Kong on or about Thursday, June 29, 2000.

#### GENERAL

For the purpose of this announcement, unless otherwise indicated, an exchange rate of HK\$7.4: € 1 has been used, where applicable, for the purpose of illustration only and no representation is made that any amounts have been, could have been or may be exchanged, at such or any other rate, or at all.

By Order of the Board  
John Poon Cho Ming  
Executive Director

Hong Kong, June 16, 2000

This announcement may be viewed on the internet at [www.esprit-intl.com/company/financial/](http://www.esprit-intl.com/company/financial/) and [www.irasia.com/listco/hk/esprit](http://www.irasia.com/listco/hk/esprit)