



ESPRIT

The World of Esprit Corporate Presentation

CLSA Investors' Forum 2001
Hong Kong

May 15, 2001

www.esprit-intl.com

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Today's Presentation

- ◆ **Overview**
- ◆ **Financial Highlights**
- ◆ **Strategy & Outlook**
- ◆ **Appendix**



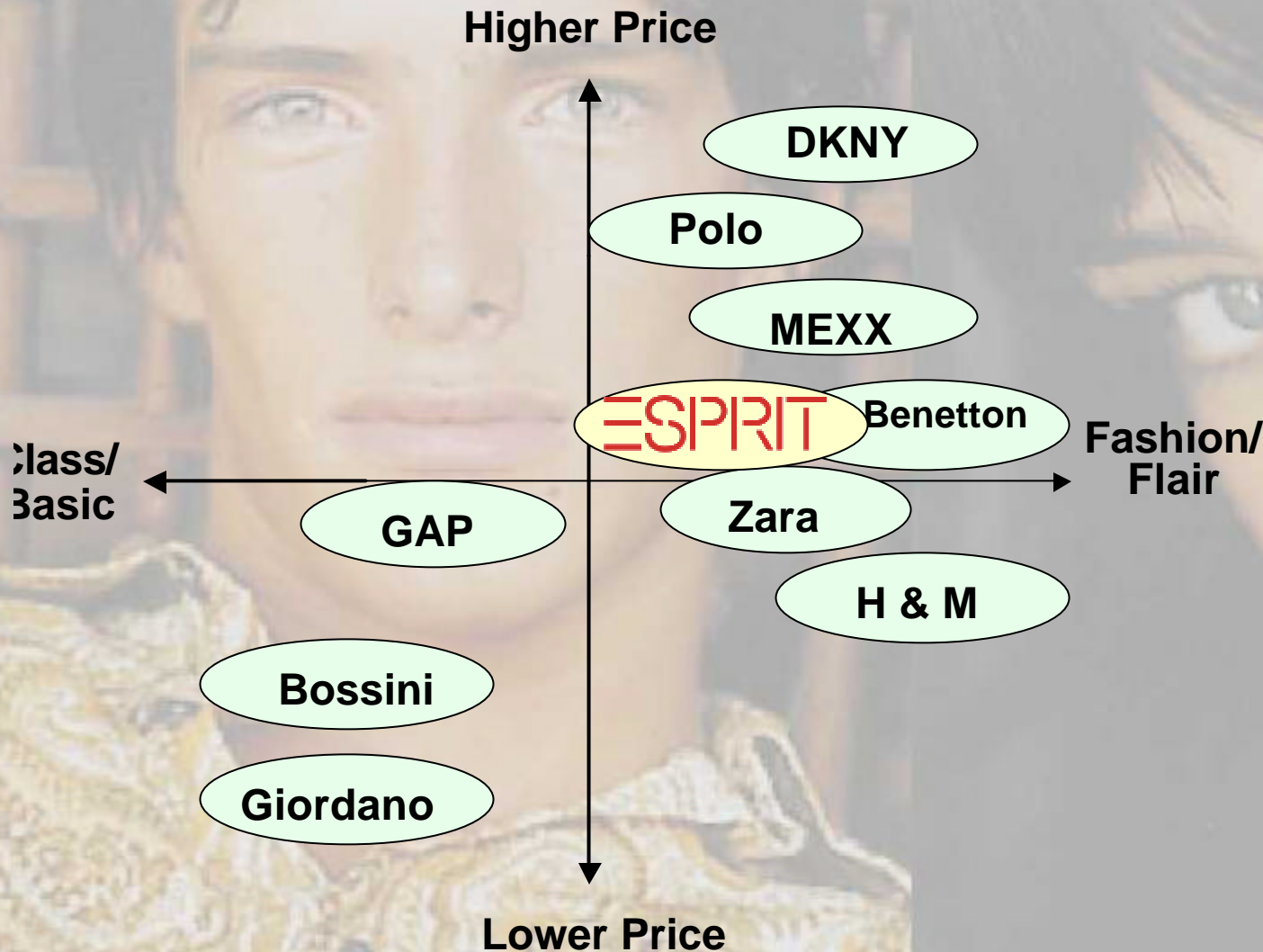
The World of **ESPIRIT**

- ◆ **Global brand with high awareness**
- ◆ **Wide range of products in over 40 countries**
- ◆ **Huge consumer franchise worldwide**
- ◆ **Around US\$ 1 billion turnover**
- ◆ **Over US\$ 1.3 billion market capitalization***

* as of May 11, 2001

Brand Positioning

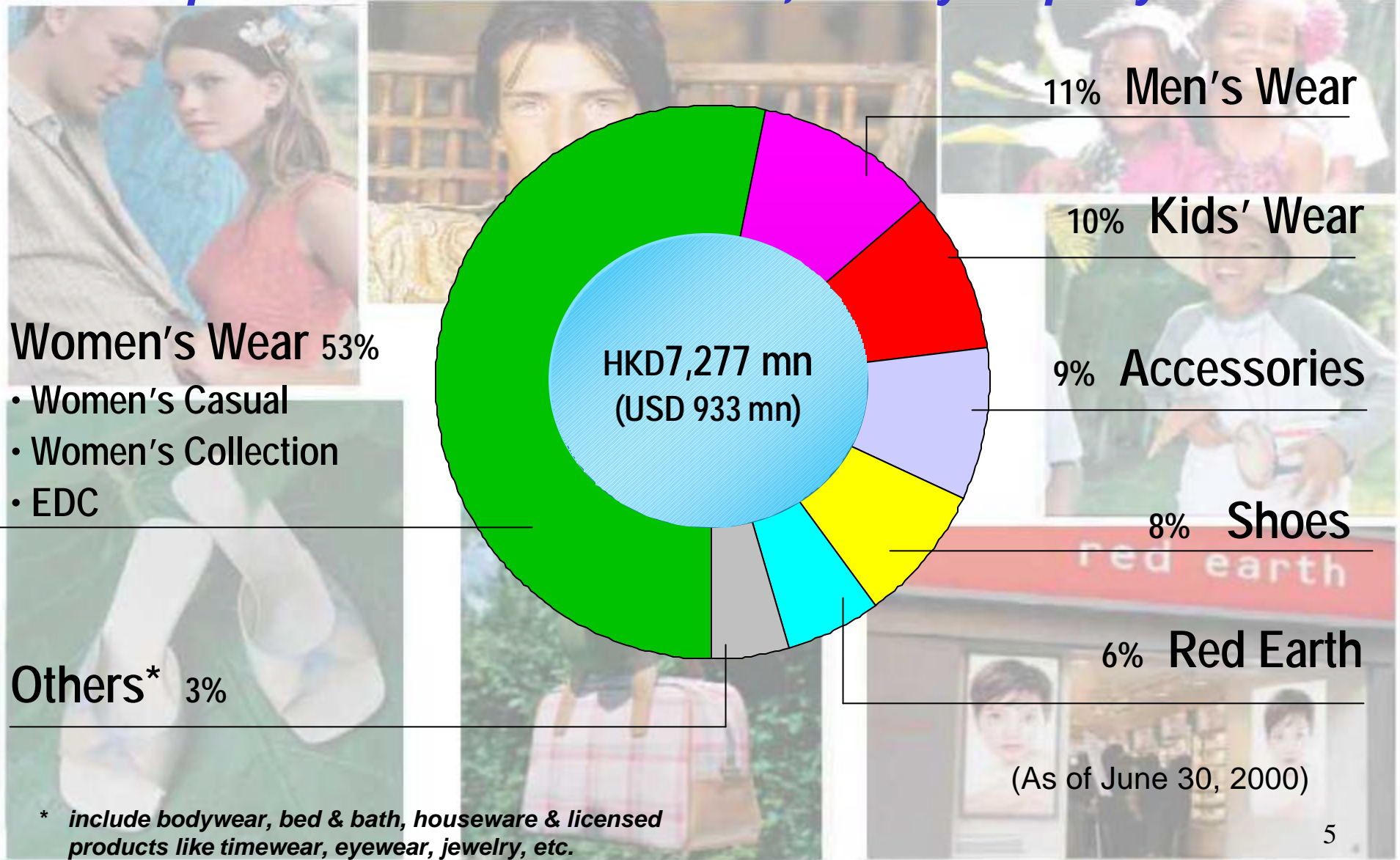
Esprit – An International Contemporary Lifestyle Brand



- ◆ Volume prestige: high quality at affordable prices
- ◆ Attitude rather than age
- ◆ Young and dynamic
- ◆ Tasteful and clean

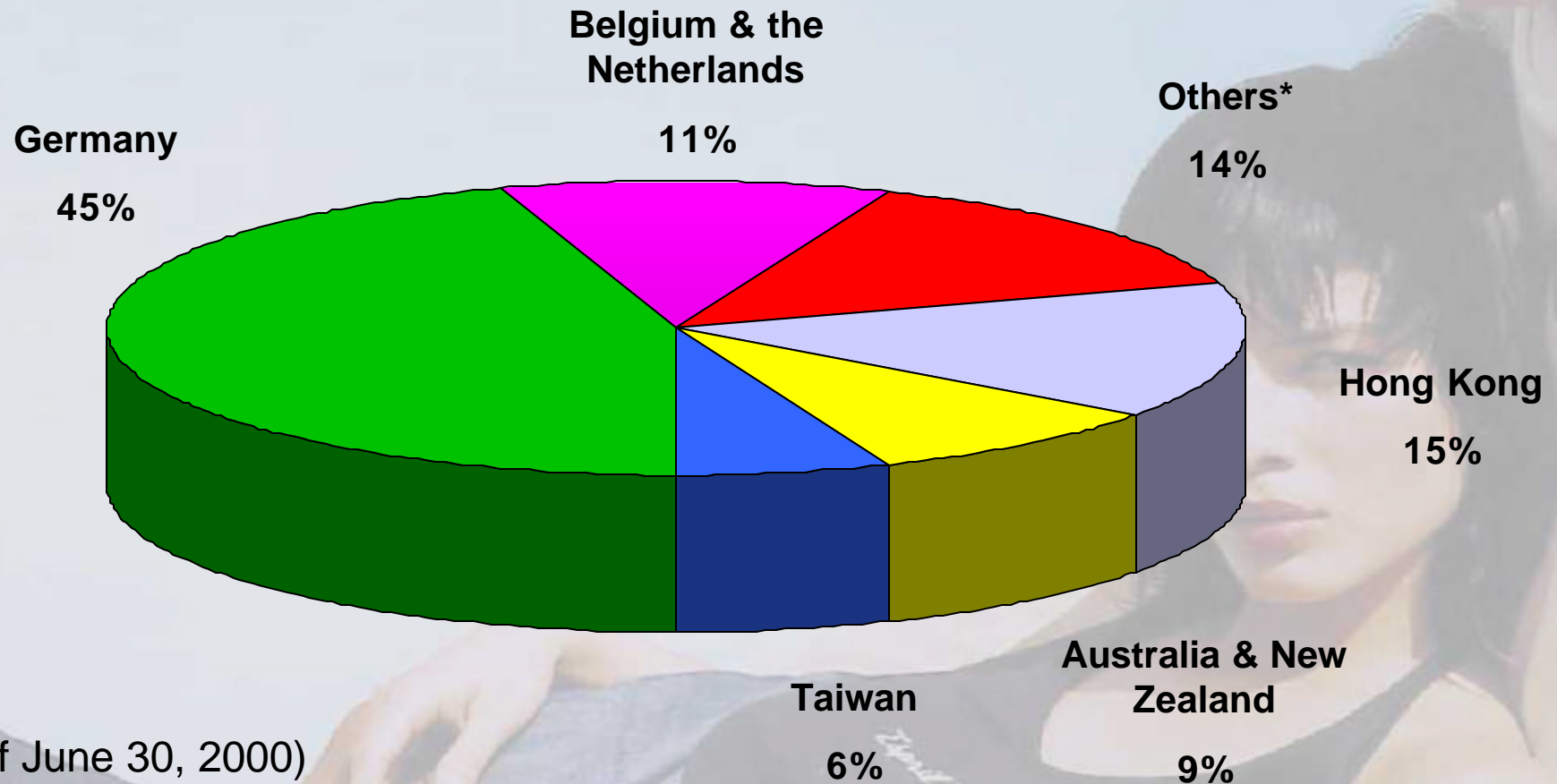
Broad Product Range

6 product seasons & over 7,000 styles per year



Global Business

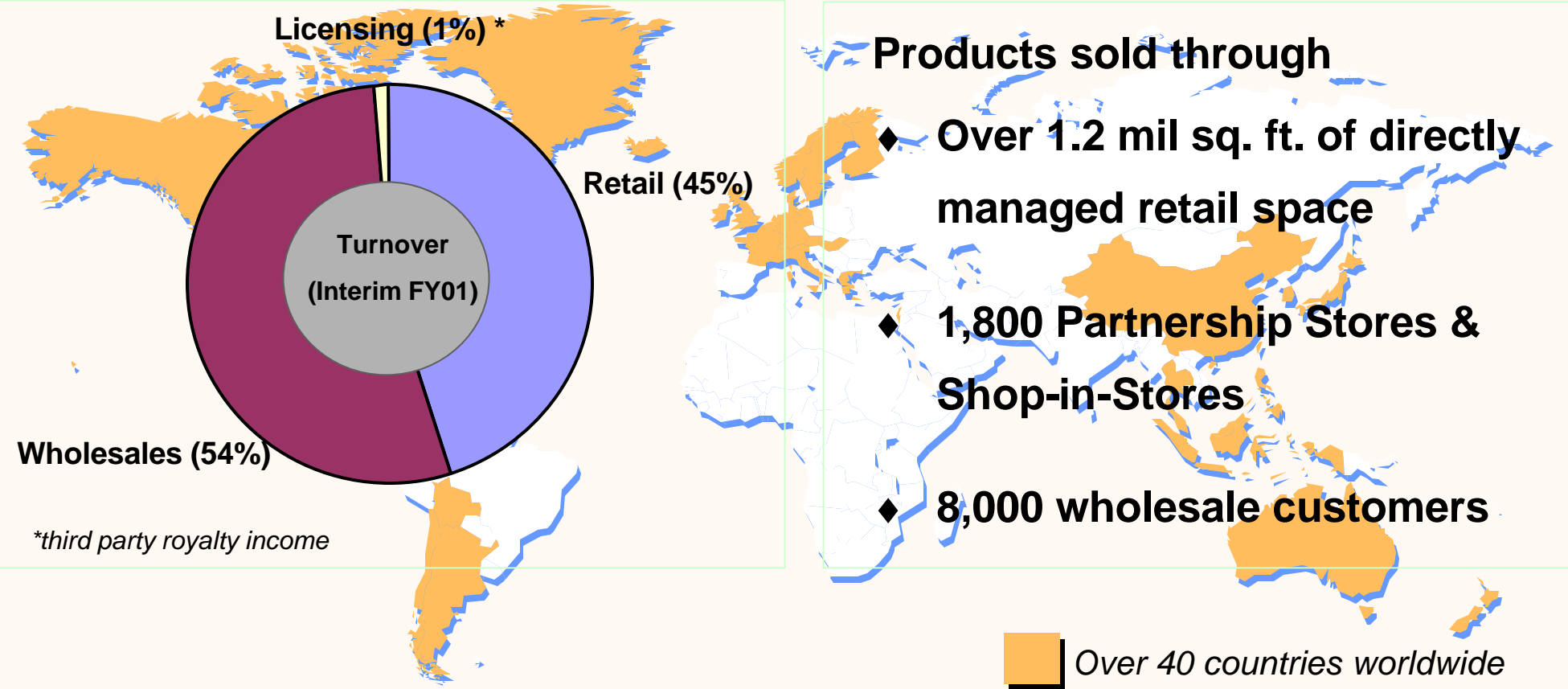
Based on turnover of \$7,277million (US\$933 million)



(As of June 30, 2000)

* Others - including Austria, Canada, Denmark, Finland, France, Malaysia, Singapore & Sweden

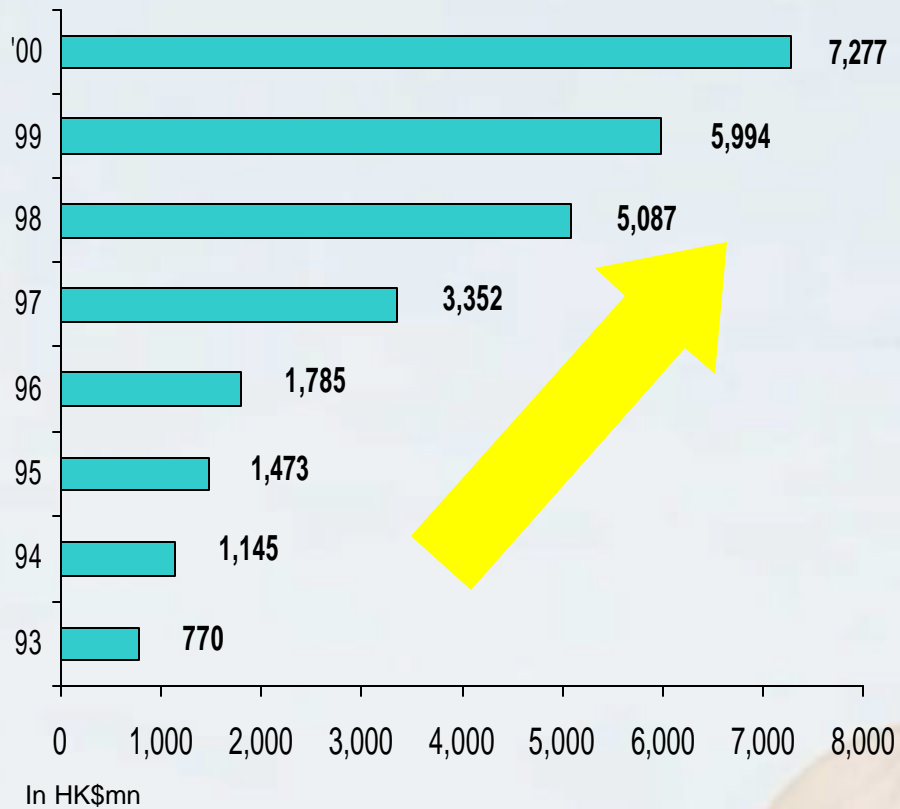
Multi - Channel Distribution Network



Seven Consecutive Year of Growth

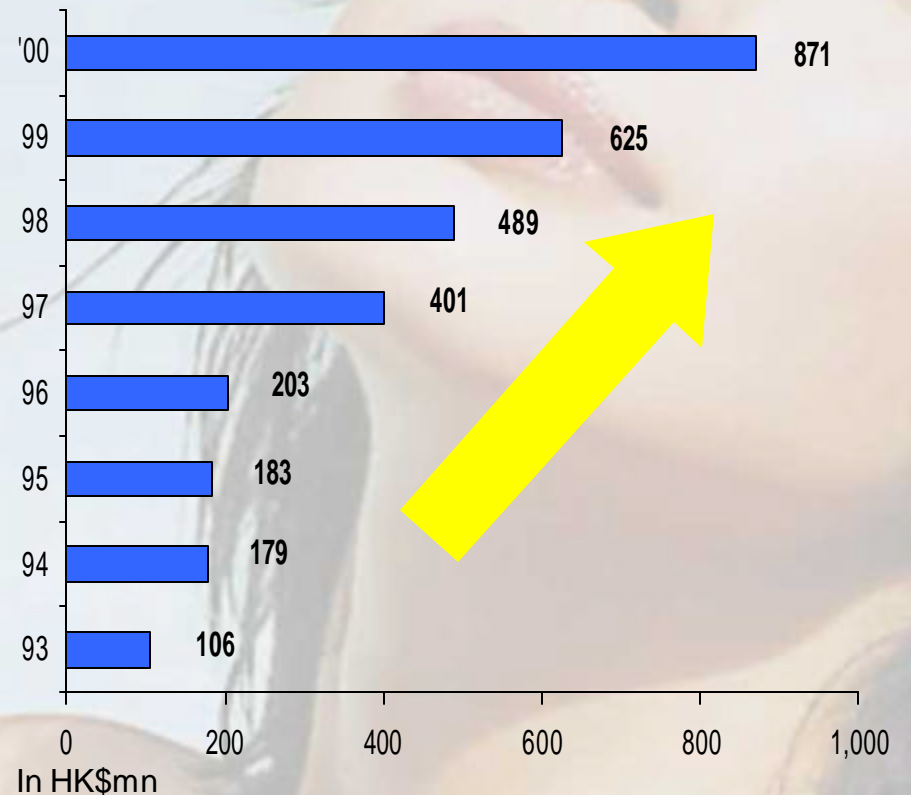
Turnover

7 years CAGR = 38%



Operating Profit*

7 years CAGR = 35%



* After finance costs 8

1H 2001 Performance

	%Change YOY	12/31/00
Group Operating Results (HK\$m)		
Turnover	↑10	3,994
EBITDA	↑23	655
Operating profit*	↑30	559
Net Profit	↑30	273
Per Share Data (HK cents)		
Earnings per share	↑28	24

* after finance costs

Sales Performance Update

Solid Growth in Europe

(9 Months to March 01 YOY in Euro terms)

Wholesales	:	↑	40% plus
Retail	:	↑	20% plus
Overall	:	↑	30% plus
Germany	:	↑	30% plus
Benelux	:	↑	30% plus
Other markets	:	↑	40% plus

Sales Performance Update

Mixed Results for Asia Pacific

(9 months to March 01 YOY in local currency terms)

Hong Kong: ↑ 10% plus

Taiwan : ↑ 3%

Australia: ↓ 8 %

Canada : ↓ 8 %

Overall (net of currency impact) : ↑ low single digit (%)

China JV : ↑ 40% plus

Focused Expansion Strategy

**Develop new &
smaller product lines**

**Build mega stores in
key cities**

**Expand existing
markets and develop
new markets**



**Better economies of scale
+
Extensive sourcing network and capability**



Improvement to bottom line

Capex for growth

Over HKD500mn (USD64mn) for FY01

Total directly managed retail footage :

- **Asia Pacific : 800,000 sq.ft. ↑ 12% vs. June 2000**
- **Europe : 458,000 sq.ft. ↑ 26% vs. June 2000**

(as of December 2000)

Should exceed 1,300,000 sq.ft. globally by end of FY01

Global Expansion Existing Markets

- ◆ **Hong Kong** - **New 50,000 sq.ft mega store in Causeway Bay**
- ◆ **Canada** - **Adding 10 stores (close to 100,000 sq.ft) across the country, including a 15,000 sq.ft store in West Edmonton Mall**
- ◆ **China**
 - **Opened mega-stores in Shanghai Times Square (16,900 sq.ft) and Beijing Times Square (6,639 sq.ft)**
 - **Opened a mega-store in City Square Shanghai (9,842 sq.ft.) in March 2001**
- ◆ **Europe** - **Expanding retail business with 18 new stores**



Global Expansion New Markets

- ◆ **UK**
 - **New store on Regent Street, London (22,000sq.ft.) opening this Thursday, 17 May 2001**
 - **New store in Bluewater Mall, Kent (15,000sq.ft.) in September 2001**
- ◆ **Korea**
 - **Optimistic in re-entering in 2001**
- ◆ **Japan**
 - **Looking for partners and / or prime retail space**

New Product Lines

- ◆ **Successful introduction of Active Sport line on the ISPO fair : approx. 500 potential clients**
- ◆ **Launch of new licenses:**
 - **Toys**
 - **Scents + Senses**
 - **Cutlery (as part of “the Esprit home offering”)**
- ◆ **Elected as “Best timewear brand” & “Best supplier for jewelry” of the year (Source : Market Intern)**

Currency Impact and Outlook

- ◆ Translation rate for 1H FY01 was relatively low for major currencies like Euro and AUD; probably will remain low for the fiscal year
- ◆ Indication of 20%+ profit growth for FY01 & FY02 was made when Euro was around 0.88; outlook for Euro has become relatively more positive



German Tax Cut

- ◆ **Germany's general corporate tax rate has come down from 40% to 25% effective January 1, 2001**
- ◆ **Double-digit million Euros positive impact for Esprit in FY02**

Prospects

- ◆ **Estimated turnover growth in FY01:**
 - **Europe: 30% plus**
 - **Asia Pacific: low single digit**
- ◆ **Growth in European wholesale orders to Sept 01**
 - **YOY growth : mid to high 20's percentile**
- ◆ **Highly confident in achieving 20%+ growth in net profits in FY01 and FY02 in spite of challenging operating conditions for apparel retailers**

The background of the slide features a close-up, slightly blurred image of a woman's face, looking directly at the camera. Her eyes are light-colored, and her hair is dark. The image is split vertically, with the left side showing more of her face and the right side being more faded and overlapping with the text.

Directors' Dealing - 2001

Jurgen Friedrich

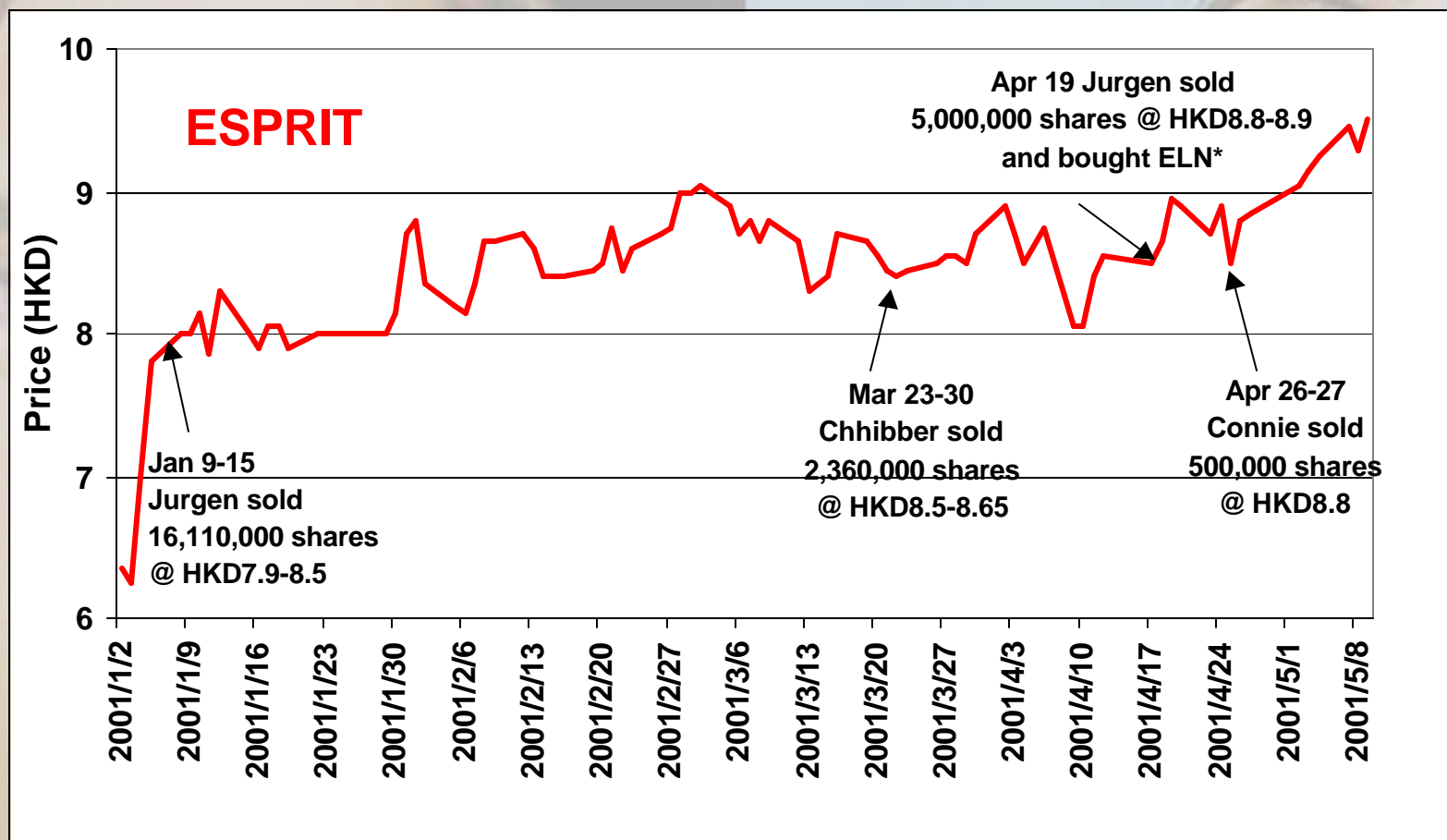
- ◆ **Non - executive Director**
- ◆ **Age 62, retired and lives in the U.S.**
- ◆ **Currently holds approx. 127m shares or 11.2% of the Company**
- ◆ **Stated intention to reduce shareholding to below 10% in 2001 for personal reasons**
- ◆ **Entitled to sell like other shareholders except compliance with the Listing Rules as a director of the Company**

Directors' Dealing - 2001

Executive Option Scheme

- ◆ **Scheme expiring on Nov 2003 with some options expiring before then**
- ◆ **Outstanding options: approx. 58m shares or 4.9% of the enlarged capital**
 - **Directors' options: 40m shares with 31m shares vested**
- ◆ **Tax consequences to individuals on exercise of options (not disposition):**
 - **Germany : over 50% tax on deemed gain payable within 60 days**
 - **Hong Kong : 15% tax on deemed gain payable at next due date**
- ◆ **Option holders are entitled to sell shares except during restrictive period**
- ◆ **Company encourages periodic orderly disposal of these shares prior to expiry of the scheme**
- ◆ **New shares issued pursuant to option scheme will increase the free float of the counter**

Upward price trend unaffected by directors' dealing



*Equity - Linked - Note at strike of HK\$9.50 due on August 1, 2001 with an obligation to take back 5,000,000 ordinary shares of HK\$0.10 each in the Company (the "Share") on August 1, 2001 if the price of the Share is below HK\$9.50

Esprit Europe Spin Off

- ◆ **NO TIMETABLE FOR RE-LAUNCH**
- ◆ **Since June 2000 US prime rate dropped 200bp**
- ◆ **Monitoring market condition including upcoming IPO of Zara and Prada**
- ◆ **The indicative valuation range and investors' response to Zara IPO so far may lead to possible re-rating of the major counters with a global brand including Esprit Holdings**

Esprit vs Global Peers

	ESPRIT	Gap	H&M	INDITEX## (Zara)	Hugo Boss	Benetton
ROE* (%)	29.12	34.00	23.02	30+	41.27	21.24
P/E 2001** (x) Calendarized	15.91	31.9	44.57	30+	16.47	15.18
PEGR***	0.69	1.67	2.62	1.5+	1.18	N.A.
EV/EBITDA# (x)	9.53	14.30	32.97	15+	11.46	9.51

As of May 11, 2001

All data sources from Bloomberg

* ROE is calculated using (Net Income / average total common equity) based on last published full year accounts, average total common equity is the average of the beginning balance and ending balances

** Based on IBES consensus earnings estimates from Bloomberg

*** Based on calendarized 2001 P/E and IBES Long-Term growth

Based on current market cap. and last published full year accounts

Indicative based on Zara's IPO syndicate materials



ESPRIT

Efficiency and Profitability Enhancement

(As of Dec 31, 2000)

(as % of Sales)	Change YOY	12/00	12/99
Group Operating Expenses	↓ 3.8%	35.4%	39.2%
◆ Building	↓ 0.2%	9.8%	10.0%
◆ Staff	↓ 0.9%	14.0%	14.9%
EBITDA Margin	↑ 1.8%	16.4%	14.6%
EBIT Margin	↑ 2.0%	14.0%	12.0%
EBT Margin	↑ 2.4%	14.3%	11.9%

Financial Backing

(As of Dec 31, 2000)

	% Change	12/00	6/00
Group Cash on Hand (HKD mn)	↑ 12	792	707
Net Cash (after bank borrowings) (HKD mn)	↑ 50	488	325
Interest Cover (x)	↑ 35	32	23
Bank Borrowing to Equity Ratio	↓ 7	17%	24%