VanCamel AG

September 24, 2013

Basic Report / Listing

Analysts

David Szabadvari
Dr. Roger Becker, CEFA
+49 69 71 91 838 -48, -46
David.Szabadvari@bankm.de, Roger.Becker@bankm.de

Evaluation Result

NOT RATED

Fair Value

€ 15.10

Slim Structure for stylish Fashion

The established Chinese fashion company VanCamel plans to enter the Prime Standard of Deutsche Boerse in October 2013. With the listing, VanCamel wants to strengthen its standing in the domestic market. An additional goal is the expansion and diversification of the investor base.

With its branded apparel and footwear clothing, the Company addresses the young and middle-class men. The design of the products and the brand image are both characterized by a high fashion degree, which aims at meeting the extroverted lifestyle of the target group. For the Chinese affluent customers, brand image belongs to the main decision criteria and plays an increasingly important role in daily life and social recognition.

Consistently, VanCamel allocates its managerial expertise and capacity almost exclusively to the design, marketing and brand advancement, while outsourcing the production and distribution of the products to third parties. In the past, management has proven its ability to bring together both ends of the value chain and to capitalize on the added value emerging from brand building and cultivation. The resulting slim corporate structure makes capital-intensive investments obsolete and significantly reduces working capital needs for inventory. It also takes advantage of the competitive environment within the clothing manufacturing industry as this limits price increases from the supplier side.

The Company has already achieved a considerable market penetration via an extensive network of distributers throughout China. During the last years, the retail basis has grown to more than 2,200 stores. At the same time, VanCamel posted double-digit net profit margins. Top line growth in 2013 and 2014 will be hampered by the recently introduced rebate policy.

After discussion with management, we look forward to a cash dividend for the next years of at least 15% based on net profit.

Our fundamental analysis returns a fair value of € 15.10 per share, while we expect a short to mid-term "trading target" of € 7.57.

Key data / Earnings

Year	Sales (€ mln)	EBITDA (€ mln)	EBIT (€ mln)	EBT (€ mln)	Net Profit (€ mln)	EPS** (€)	DPS** (€)	EBIT-Margin	Net-Margin
2010a*	115.3	27.8	27.6	27.7	22.5	1.50	1.53	24.0%	19.5%
2011a*	131.0	24.7	24.6	24.7	19.0	1.27	1.10	18.8%	14.5%
2012a*	168.3	51.1	51.0	51.2	38.8	2.59	0.77	30.3%	23.1%
2013e*	172.9	45.7	45.6	45.6	34.2	2.28	0.34	26.4%	19.8%
2014e*	178.9	42.6	42.5	42.5	31.9	2.13	0.32	23.8%	17.8%
2015e	191.8	45.4	45.4	45.4	34.0	2.27	0.34	23.6%	17.7%
2016e	205.4	48.4	48.3	48.3	36.3	2.42	0.36	23.5%	17.7%

Source: BankM Research
* EBITDA, EBIT, EBT and Net Profit are distorted due to changes in IFRS accounting
** Adjusted for the number of shares after capital increase by contribution in kind, i.e. 15 mln

Sector	Clothing and Footwear
WKN	A1RFMM
ISIN	DE000A1RFMM9
Bloomberg/Reuters	VC8
Accounting standard	IFRS
Financial year	Dec 31
Financial reporting Q3 / 2013	End of Nov 2013
Market segment	Regulated Market
Transparency standard	Prime Standard

Financial ratios at Fair Value	**2013e**	**2014e**	**2015e**
EV/Sales	1.0	1.0	0.9
EV/EBITDA	3.9	4.2	4.0
EV/EBIT	3.9	4.2	4.0
P/E	6.6	7.1	6.7
Price/Bookvalue	2.5	2.0	1.6
Price/FCF	8.4	7.3	7.1
ROE (in %)	44.1	31.2	26.1
Dividend yield (in %)	2.3	2.1	2.3

Listing data	
Number of Shares (in ths)	15,000
Free float (in %)	at least 15%
Lead manager	biw AG - BankM
Issue volume	not applicable
International Roadshow	2013.10.07 - 09
Bookbuilding range	not applicable
Subscription period	not applicable
First listing	October 11, 2013
IPO lock-up	18 to 24 month

Source: BankM Research

Content

Investment Criteria

VanCamel AG is the German holding entity of a successful and established Chinese apparel and footwear company. With its fashionable design, the Company targets affluent men between 25 and 40 who live in the strongly growing Tier 2/3 cities. It operates a broad network of more than 2,200 stores through 41 regional distributors.

Following, we highlight the investment criteria which we consider relevant for the investor:

- Mature and highly profitable player in the Chinese fashion market with positive net profit since 2006
- Entirely financed by equity which makes it independent from possible credit crunches or other banking shenanigans
- Broad and established sales network with 41 different distributors who operate 2,217 stores as of 31st March, 2013
- We expect that the Company is going to pay a continuous yearly cash dividend of at least 15% of net income
- Due to slim corporate structure, 361 payment scheme and just-in-time production, very low inventory requirements and favorable working capital figures
- Experienced management team with over 20 years expertise in the fashion industry
- Macro-economic environment with high disposable income growth rates and urbanization rates (especially in Tier 2/3 cities) supports general strategic policy

Listing

VanCamel AG, the German-based holding of the group (see Group Structure below), will enter the Prime Standard of the Frankfurt Stock Exchange.

The CEO and founder, Mr. Ke, and the other members of the management board are bound by a soft lock-up, meaning that they can only sell shares after the approval of BankM. The lock-ups last for 24 and 18 months, respectively.

The envisaged listing is – in the first place – a strategic step to increase awareness both, among its customers as well as capital market participants. The exit of existing investors is a second important motive.

Shareholder	No. Of Shares	In % of Total
Mr. Ke Xiaming (founder & CEO)	11,055,000	73.70%
Mr. Cai Rongtang (chief designer)	525,000	3.50%
Mr. Zhuang Weibin (COO)	375,000	2.50%
Mr. Soh Eng Ann (CFO)	120,000	0.80%
Other Shareholder	2,925,000	19.50%
Total shares	**15,000,000**	**100.00%**

Source: VanCamel AG

The Company expects that the listing on its own will enhance the brand image in China, strengthen the standing towards its suppliers and distributors and open new markets in the mid- term. Of course, the Company plans to approach the capital market once the perception of Chinese companies in the capital market is improving.

The comfortable liquidity and solid operating cash flows allow VanCamel to continue the growth process. Additional funds from corporate actions shall be used to antedate and accelerate the strategic goals like the expansion of the sales network as well as the improvement of product design and of the development capabilities.

We estimate that VanCamel is going to experience one time listing costs of € 1.2 mln and increased regular expenses to comply with accounting standards and market regulations of € 1.0 mln in the following years. We also assume that dividend payments are going to be paid in continuation of the most recent years. After discussion with management, we look forward to a cash dividend for the next years of at least 15% based on net profit.

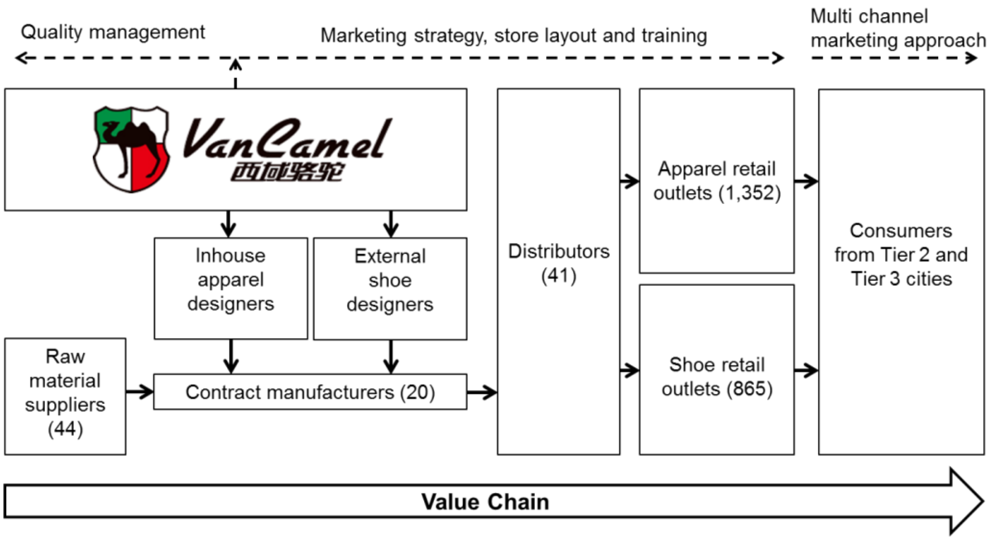
Company Description and Analysis

Executive Summary

Focus on design and marketing

VanCamel AG is a German holding company of a successful player in the Chinese clothing industry which focuses on the design, marketing and distribution of proprietary branded apparel and footwear products. Targeting the broad group of Chinese men between 25 and 40 who live in the rapidly developing Tier 2/3 cities, it aims to profit from key macroeconomic trends such as higher urbanization rates and a strong disposable income growth. Just as many of its competitors, the Company maintains a slim corporate structure by outsourcing the manufacturing and distribution process. This allows VanCamel to concentrate its activities on the design of new products and on the promotion of the Company's brand image to attract the relevant customer group and to increase customer loyalty. Accordingly, the main factors for the future success are the extension of the distributor network, the quality and control of the supplier base and the strength of the proprietary brand identity.

Business Structure of VanCamel



Source: VanCamel AG, BankM Research

Distribution – Sales

Extensive point-of-sales network

VanCamel sells its products to 41 regional distributors who operate 2,217 (as of March 2013) retail outlets across China. The distributors exclusively resell the products to the end-customers through own stores or through authorized third party retailers who operate the outlets in shopping streets and malls. To avoid cannibalization effects, each of the 26 provinces has one exclusive "key" distributor per product segment (apparel and footwear). The shops differ in size, layout and equipment depending on the location and age of the stores as well as on the product segment. The number of apparel outlets (1,352) exceeds the number of footwear outlets (865). Compared to 2010, the net number of outlets has increased by more than 400 new stores (+25%) albeit the pace of new openings has strongly come down (from an average of ca. 68 stores per quarter in 2010 to just 16 stores in 1Q13). The Company plans to open 100 stores each year via its distributor network.

Distribution Network as of 31st March 2013

Source: VanCamel AG

During the last three years, VanCamel has successively reduced the dependency from its top five distributors in both segments. The main driver was the extension of the distributor base in hitherto unexplored provinces.

Share of top five distributors

	2010	2011	2012	1Q13
Apparel	58.2%	56.1%	56.1%	55.1%
Footwear	40.5%	38.5%	38.4%	37.4%

Source: VanCamel AG, BankM Research

The extension and presence of the physical store network is a decisive factor in the competition as it contributes to both brand visibility and accessibility. In this regard, VanCamel ranks within the midfield of the competitive landscape.

Distribution Network in Comparison (in 2012)

Competitors	No. of Stores	Revenue per Store
Fujian Septwolves Industry Co	4,007	106,047
China Lilang Ltd	3,479	99,016
Joeone Co Ltd	2,300	137,975
VanCamel	**2,200**	**76,364**
China Xiniya Fashion Ltd	1,708	99,904
Zuoan Fashion Ltd	1,362	129,238

Source: Company reports, Capital IQ, BankM Research

With the focus on Tier 2/3 cities the Company deliberately dismisses revenues from more affluent customers in Tier 1 cities resulting in fewer revenues per store compared to the competitors. In return, VanCamel benefits from lower rent expenses and a less fierce competition for high-frequented locations within the cities which makes the shops profitable at lower revenue figures. Furthermore, the early positioning in these rapidly developing markets should compensate the temporary lower sales per stores in the mid to long term. It is envisaged to increase the density of the stores in the Tier 2/3 cities, to expand into selected Tier 4 cities and to complement the strategy with few concept stores in high-profile cities such as Shanghai, Beijing and Guangzhou to strengthen brand awareness.
Apart from the above mentioned strategic positioning of VanCamel, there are other reasons for the relatively low revenue per stores figures: in contrast to some of the competitors, VanCamel is not deeply engaged in the e-commerce business which naturally does not use physical points of sale; nor does VanCamel possess self-operated (flagship-) stores where revenues compared to distributor-operated stores are twice as high, simply because the products are directly sold to the end-consumer. Both aspects lead to revenues which are not generated by distributor-based points of sale. Due to lack of detailed information about the share of revenues between the different means of sales of the competitors, the figures in the table above represent total sales. Despite these blurring effects, we are confident about our reasoning above.

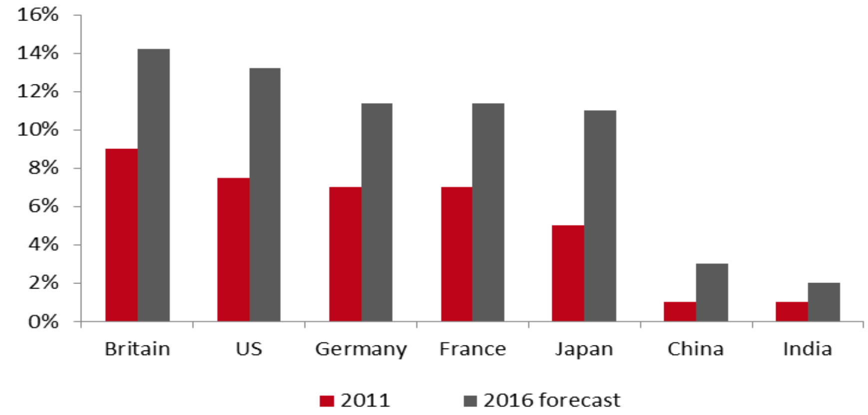
Online shopping in China is still in its infancy

The other important sales channel, namely the internet, has not yet reached the level of the physical retail channel. According to a study by the McKinsey Global Institute (China's e-tail revolution: Online shopping as a catalyst for growth, 03/2013) many online merchants lose money in the e-tailing business by competing solely on price. From discussions with different managements we also got the impression that counterfeit issues and logistical problems have an adverse effect on the propensity to sell the products via internet channels. Analysts from different research houses calculate the current share of the Chinese internet sales of the total sales between 1-2% which is far below the figures of developed countries.

Inside the stores

Source: BankM Research

Online Retail Sales in Percent of Total Sales (Country Comparison)



Sources: Economist (July 13th, 2013), Javelin Group, eMarketer, Forrester

McKinsey estimates a higher figure of 5-6% for 2011, induced by the strong growth of disposable income and increased broadband penetration. Thereby, the apparel segment accounts for the biggest share of total online consumption (ca. 35%). Due to the still underdeveloped internet connectivity in China [in 2011, 30% of all residents had a broadband account vs. 68% in the United States (see McKinsey)], growing circulation of smart phones and a more experienced e-tailing community, it is expected that the internet sales channel will grow at a yearly rate of more than 17% until 2020.

With respect to the Internet, VanCamel has no focus on complementing the prevailing sales strategy. The Company has one distributor who sells the products via different platforms on the internet (amongst others the Chinese Amazon “TMall”). To avoid cannibalization and negative competition with the physical retail channel, the e-shop offers only last seasoned products. Furthermore, the local distributors have the right to first deliver an online order from the region so that it is the internet distributor’s turn only if the ordered article is not locally available. In our view this segment has potential for future development.

VanCamel has no direct control over the operations of the retailers. It rather relies on the enforcement power of the distributors who have to follow preset mandatory quality guidelines, store appearance, marketing policies, product pricing and expansion plans. The contractual agreements with the distributors are negotiated annually to achieve a better control over the distributor base. Nevertheless, the Company has not yet ceased a contract with a distributor which we take as a good indication for a solid and satisfactory relationship between the two parties.

VanCamel supports its distributors to maintain quality and store appearance

VanCamel plans to stick to its strategy to help the distributors setting up and maintaining the new stores, i.e. to not operate own stores. Until 2012, the Company has directly financed the furniture and other equipment for the distributors, but has changed this policy in the current year. Instead, sales rebates are granted to modernize existing stores and open new outlets. The sales rebates amounted to 1% of the order volume in 2012 and it is planned to increase the granted rebates to 4.5% in 2013 and up to 8% beyond. By this measure, VanCamel effectively transfers the decision-making about when to modernize the stores to the distributors giving them more flexibility and responsibility. The distributors should profit from this as they have a better overview about the necessity and frequency of future refurbishments and therefore can use the proceeds more efficiently. However, this measure could also lead to stronger dilution of the store design and image even if the distributors are constrained to refurbish their stores every three years.

The products are mainly sold via two self-organized trade fairs - one for the spring/summer collection, one for the autumn/winter collection - where the distributors place 95% of their orders. The fairs also function as a communication platform for the distributors to give direct feedback to the Company about the expected customer demand or most recent fashion trends.

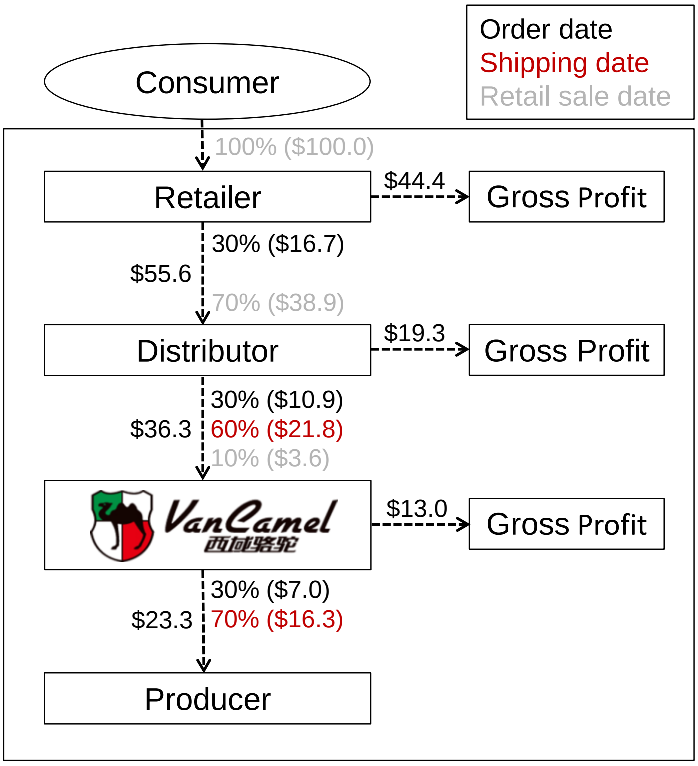
Before ordering new products, the distributors have to clear their existing inventory. In cases of problems with slow moving inventory, the items in question are shipped to distributors in other provinces where there may be more demand. VanCamel has not taken back any unsold products to date, in contrast to other Chinese apparel retailers.

Stringent payment scheme for control of cash flows

In its daily business, the Company uses the so called "361" payment system to transfer the cash flows from the retailers and distributors over VanCamel to the suppliers. In short, the distributors pay 30% of their order volume upfront at the date of the ordering, 60% at the date of the shipment (with 60 days term of credit) and 10% when the end-customer has bought the product. VanCamel in turn forwards part of the received payments to the suppliers (30% of the owed amount) and keeps the rest as gross profit (see below diagram). At the shipment date, VanCamel transfers the remaining 70% of the owed amount.

With this scheme, the general risk that the products are not well received by the customers and cannot be sold is assigned to the distributors who have to await the sales results of the retailers. In the long term of course, distributors are likely to switch to another brand if the products offered by VanCamel are notorious leftovers.

Example cash flow diagram (consumer pays 100$ for end-product)



Source: BankM Research, VanCamel

Pictures from Trade Fairs

Source: BankM Research

Production – Cost of Sales

“Just in time” production

The production of both product lines is completely outsourced to 34 unaffiliated contract manufacturers. Thereby, 20 manufacturers are responsible for the apparel production and the 14 for the production of footwear. The design department of VanCamel works closely together with the manufacturers to create new and original fashion products. The close cooperation allows the Company to optimize the production timeline and the raw material utilization. After the semi-annual trade fairs, VanCamel passes the orders from the distributors to the contract manufacturers and hereafter controls the quality and execution of the production process. The fixed production volumes and the aforementioned “361” payment scheme minimize both the risk of overproduction as well as potential short term liquidity issues of the suppliers. Finished goods are directly shipped to the distributors to save costs for maintaining storage capacity.

Favorable bargaining position…

Due to the outsourced production, the Company profits from the high degree of competition in the clothing and footwear manufacturing sector - especially in the eastern-coastal provinces - which allows it to stay flexible and to negotiate favorable short term contracts. Accordingly, the dependency from individual suppliers has successively been reduced for the last three years.

Share of top five suppliers

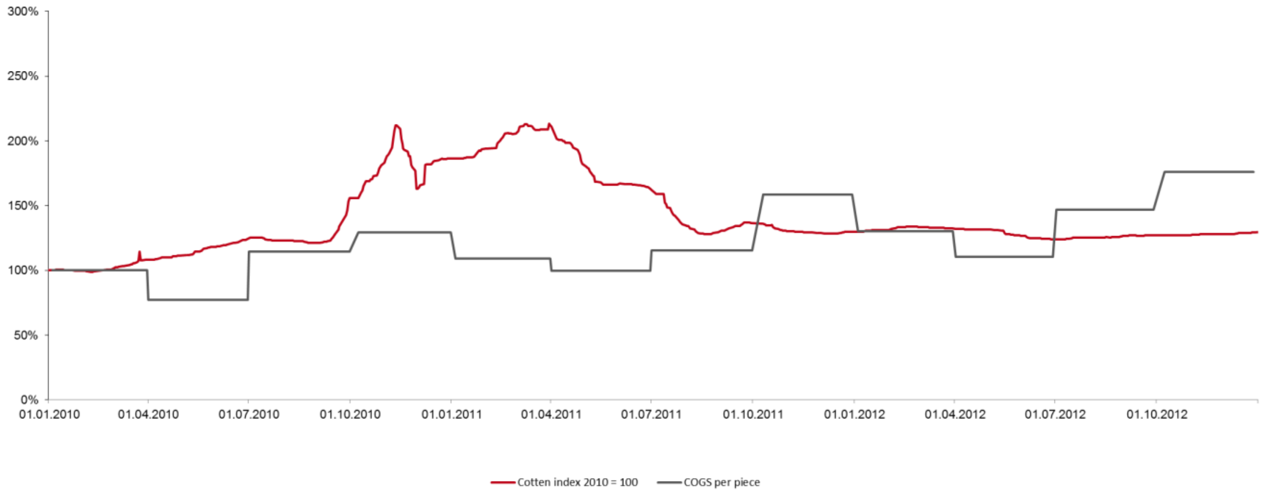
	2010	2011	2012	1Q13
Apparel	67.4%	53.8%	51.9%	52.4%
Footwear	74.9%	66.6%	62.5%	53.5%

Source: VanCamel AG

… but exposed to price increases in raw material

Nevertheless, VanCamel had to make concessions to its suppliers in terms of both higher COGS per revenue and per piece. The comparison with the 328 cotton spot index which is an indication of the raw material price development for the apparel (and footwear) manufactures reveals that the supplier base was able to mostly pass on or even over-compensate the raw material price increases to VanCamel from 4Q11 onwards. Other factors such as the prevalent wage increases in the apparel (and footwear) manufacturing industry may also explain this trend; however the rising COGS per piece indicate that the Company has difficulties to keep the pricing pressure from the supply side at bay.
In addition, the chart below (the grey line) displays the seasonality of the apparel industry. Clothes sold in the winter require more raw material and labor input than clothes sold in the summer which explains why prices are the highest in the last quarter of each year.

328 Cotton Spot Index Beijing



Source: Bloomberg, VanCamel AG, BankM Research

In the future, the transition of both the apparel and footwear manufacturing industry from growth phase to the mature phase should further curb price increases from the supply side. However, rising labor costs due to the shortage of skilled workers and the prevailing threat of the suppliers to either move production to cheaper regions in mid-China or to shift operations from OEM (original equipment manufacturing) to ODM (original design manufacturing) - thereby increasing direct competition - could prompt VanCamel to grant discounts. We perceive these risks in light of the very low industry concentration (according to ACMR-IBIS-World the top four players had a market share of 3.8% in 2012), the high number of companies (more than 18,000 enterprises just in the apparel industry) as well as the transparent and fair payment scheme as manageable.

Brand Building - Marketing, Design and Quality Control

Design and high degree of fashion are key in brand building

The design and marketing of the products are two key factors which determine the success and positioning of the Company in the competitive landscape. Accordingly, VanCamel focuses its efforts on these segments whereby almost half of the 191 employees work either in the design (45) or in the marketing department (40). Additional designers are hired externally for the design of the footwear products. In the near future, collaborations with established fashion and design schools shall secure the access to talented designers and help to create and to recognize new design trends. With respect to the importance of design, it seems odd that only the apparel products are entirely designed in-house. The design of the footwear products is partly executed by local contract designers who have to follow preset guidelines about style, color and material to reflect the elements used in the apparel design.

VanCamel targets the aspirant and affluent men between 25 – 40 years who live in Tier 2/3 cities. The brand is positioned as suitable for the “successful male” and is distinguished from competitive brands by a high degree of value and style. As many other Chinese fashion companies, the products are promoted by western models to create a more sophisticated and qualitative appeal. The Company ranks itself relatively high compared to its competitors on the scale of fashion. Since not having the cultural background, we are not able to evaluate this reception but the number of awards related to brand awareness and appeal seems to substantiate this view.

Brand image in the competitive environment (according to VanCamel's management)

Source: VanCamel AG

Broad marketing channels…

For the promotion of its products, VanCamel uses different channels such as print media (in particular fashion magazines), billboards, TV spots and internet websites. The Company has also collaborated with well received companies and organizers such as the American NBA (between 2006 and 2008) and (more recently) Mercedes.

… and stringent quality control support the brand

Apart from the marketing and design segment, VanCamel makes a great effort to control the products during production process and the finished goods. The team responsible for the quality control consists of 17 employees (ca. 9%). It conducts inspections at the premises of the suppliers and checks random sample batches for quality before going into mass production. The control team is also responsible for the selection of the contract manufacturers in accordance with a predefined set of guidelines (such as the past track record, financial strength, management and market reputation).

Company Structure

The following illustration shows the Company's corporate structure. VanCamel AG is the German holding of VanCamel International Group Co. Ltd. in Hong Kong, which in turn is the holding of the Chinese operating entity VanCamel Cloth Co. Ltd. based in Quanzhou. This is the typical structure for Chinese companies listed at the German stock exchange as the Chinese laws do not allow a direct investment of foreign entities in Chinese companies. The legally compliant structure with a sub-holding in Hong Kong or Singapore formally implements a comprehensive control of the German AG over the Chinese operating company. Moreover, the German holding has to comply with the rules and regulations of the Deutsche Börse. In practice, we see at least three issues that may arise to investors and increase the risk of an investment:

Typical holding structure with inherent risks

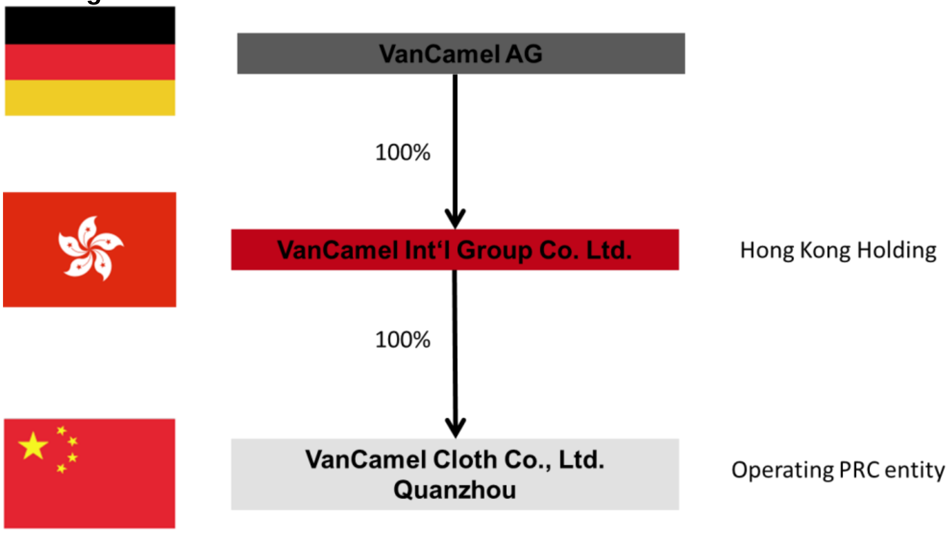
- The German holding does not directly generate cash flows but rather receives payments from the China/Hong Kong entities. Hence, there is the possibility of a default of the German holding although the China/Hong Kong entities are solvent. Another prevalent issue is that dividend payments have to be transferred out of

China which requires a 10% tax payment to the Chinese authorities. This is one reason why the China-based companies are very reluctant to pay cash dividends.

- It is common that the chairman of the supervisory board is of German nationality and also resides in Germany. It is therefore more difficult for the chairman to execute his supervisory duties. In addition, the board of directors often has a weak standing towards the Chinese management if the founder (and CEO) holds the majority of the shares outstanding.

- In case of a fraud or bankruptcy, it has not yet been proven that (non-Chinese) investors get access to assets located in China. Thus a recovery of previous investments is uncertain and the achievement of direct control over the operating entity is at least very tedious at current date.

Holding structure of VanCamel



Source: VanCamel AG, BankM Research

Company History

VanCamel was incorporated in 2003 with its headquarter located in Shishi in the east coastal province Fujian. In 2005, it launched its first collection of men´s apparel under the VanCamel brand and opened the first concept store to promote the image of the VanCamel brand. In the following years, the Company has steadily extended its distributor base and retail network. It thereby reached 1,000 stores in 2007 and more than 30 distributors in 26 provinces throughout China in 2008. Today, VanCamel operates more than 2,200 shops via 41 distributors and plans to further increase these numbers in the future.

Since inception, VanCamel has received several different awards and recognitions which were assigned by domestic fashion newspapers and magazines, associations and local governmental authorities. Amongst others, the Company was awarded the “China’s Most Influential Brand in Sports & Leisure Apparels” award, the “Asia’s Top 10 Most Creative Brands” award and became member of the “Association for quality inspection during the period from February 2012 to February 2013”. In our view, these awards certainly display - to some extent - the importance and success of VanCamel in the fashion sector. However in relation to the competitive environment, they are probably ranked more as “must haves” than as unique selling proposition as the major competitors can also boast comparable trophies.

Organization and Management

In order to evaluate the organizational and administrative structure, we have to keep in mind that VanCamel operates within an emerging economy where certain standards to which we are accustomed to are not yet in place. One example is the low ownership of bank accounts among the employees so that wages are often paid in cash. Also the daily paperwork and documentation often does not meet latest standards. In our view this explains the hierarchic organizational structure within the Company where the founder/CEO is in full control of the decision making processes. It is necessary to introduce a system of checks and balances to improve internal coordination and reporting as well as to better diversify responsibilities. During the preparation of the listing, the Company has worked on incorporating the instruments required for adequate level of transparency, accounting and reporting. While we are confident that the Company will meet German regulatory requirements, we cannot exclude that it will stumble over minor hurdles like some other Chinese companies listed in Germany.

Board of Directors

Xiaming Ke, Executive Chairman and CEO (Chief Executive Officer)

Mr. Ke has more than 20 years of experience in the apparel and fashion industry. After managing and operating his own start-up garment manufacturing company from 1987 to 1991, Mr. ke started another company which collaborated with a well-known menswear company from 1995 to 1998. From 1998 to 2004, Mr. Ke developed and strengthened a new apparel brand created under him and a business associate. Mr. Ke is the honorary vice-chairman of the committee of the Shishi association for science and technology and the vice-president of the administrative council of the Shishi city Chamber of Commerce.

Weibin Zhuang, Deputy Executive Chairman and COO (Chief Operation Officer)

Mr. Zhuang is in charge of all financial matters at Van Camel. Mr. Zhuang has more than 10 years of experience in finance. Mr. Zhuang obtained an accounting degree from Xiamen University in 1999 and has been certified as an accountant by the PRC Ministry of Finance since 2004.

Soh Eng Ann, CFO (Chief Financial Officer)

Mr. Soh is the Company's Chief Financial Officer and is the only English speaking member of the board of directors. He graduated with a Bachelor of Accountancy degree from the Nanyang Technological University in 1996 and is a member of the Institute of Certified Accountants of Singapore.

Rongtang Cai, Head of Design and Development

With more than 20 years of experience in the design field, Mr. Cai heads the design of both apparel and shoes for the Company. Mr. Cai was head of design in Haixia from June 1996 to January 2003.

Rong Zhao, Apparels Division GM

Ms. Zhao is in charge of the apparel division, including all sales and marketing matters for apparels. Ms. Zhao graduated from Anhui Finance and Economic University. Ms. Zhao has a strong background in brand marketing and establishing distribution networks. She was previously a sales director in K-boxing.

Mingcai Ke, Footwear Division GM

Mr. Ke is in charge of the footwear division, including all sales and marketing matters for footwear. Mr. Ke also oversees the design and development of footwear products. Mr. Ke has more than 10 years of experience in the shoes and footwear industry.

Qinghe Zhao, Head of Production Planning Division

Mr. Zhao is in charge of liaising with the Company's external suppliers, planning production schedule and ensure the products arrive on time and are of good quality. Mr. Zhao has more than 20 years of experience in the fashion industry.

Market and Competition

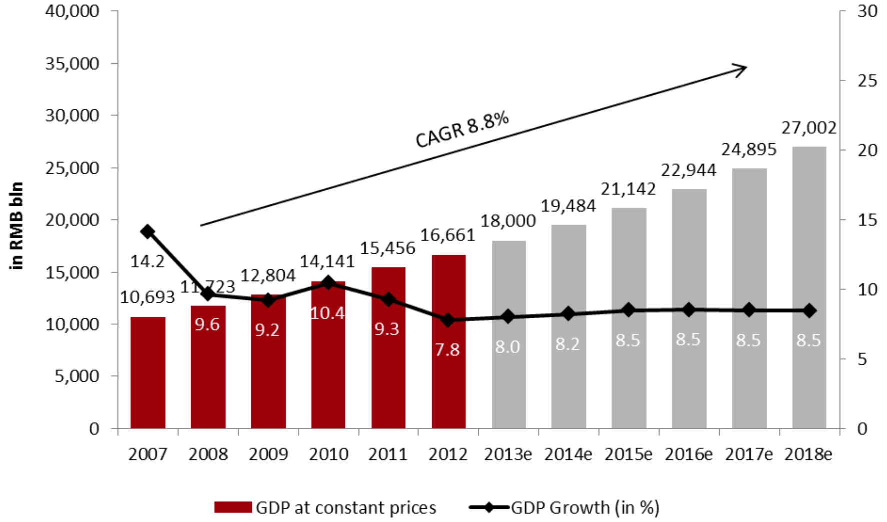
Chinese Economic Overview

China has experienced a sustained economic growth in the past thirty years which is attributable to the Chinese economic reform started in December 1978. Since the introduction of the reform, GDP has increased on average by ca. 10% per year. In 2010 China outpaced Japan as the world's second-largest economy; according to Goldman Sachs the country will surpass the U.S. as the world's largest economy by 2027.

All this reflects China's increasing dominant role in the global economy. While most of the world's major economies were heavily affected by the global recession during the financial crisis, China kept growing and by this means supported other, particularly commodity-exporting, countries.

The figure below shows the historical and forecasted annual GDP growth rate of China:

GDP development and growth



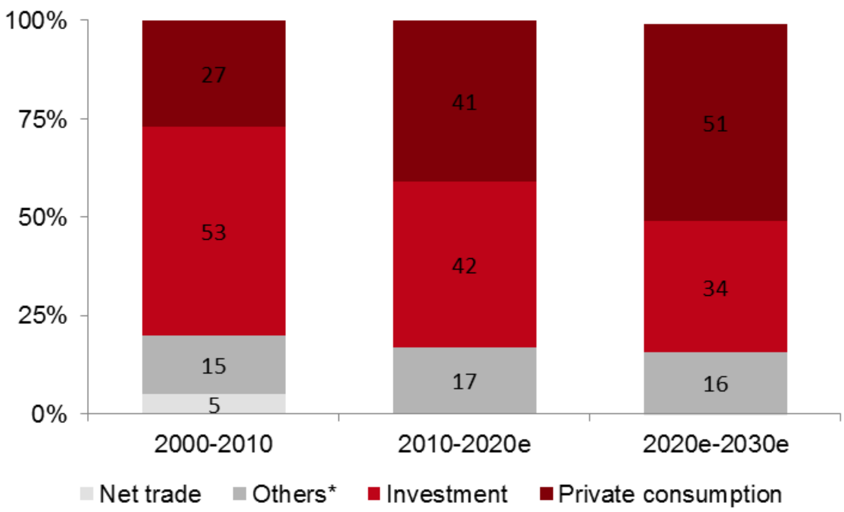
Source: IMF World Economic Outlook Database April 2013, BankM Research

In the long term, China will likely not be able to achieve the strong growth rates of the previous years. A study by McKinsey ("Insights China macroeconomic update", April 2012) reaches the result that Chinese growth rates are going to decline successively, from yearly 7% in the late 2010's to just 5% at the end of 2030.

In the past, the major part of the GDP Growth has been Investment driven. This is about to change as the private consumption is becoming the new force behind the Chinese GDP growth rate. McKinsey ("Whats next for China", April 2012) suggests that in the next five years, the consumer's contribution to GDP growth will stop its long-term decline and begin to grow and gradually accelerate.

The GDP growth decomposition in 2020E-2030E reveals that 51% will consist of private consumption which is almost twice the amount than in 2000-2010 where private consumption had a stake of 27%. By then, the Chinese consumer market will be one of the biggest consumer markets in the world, which generates various growth opportunities to consumption categories.

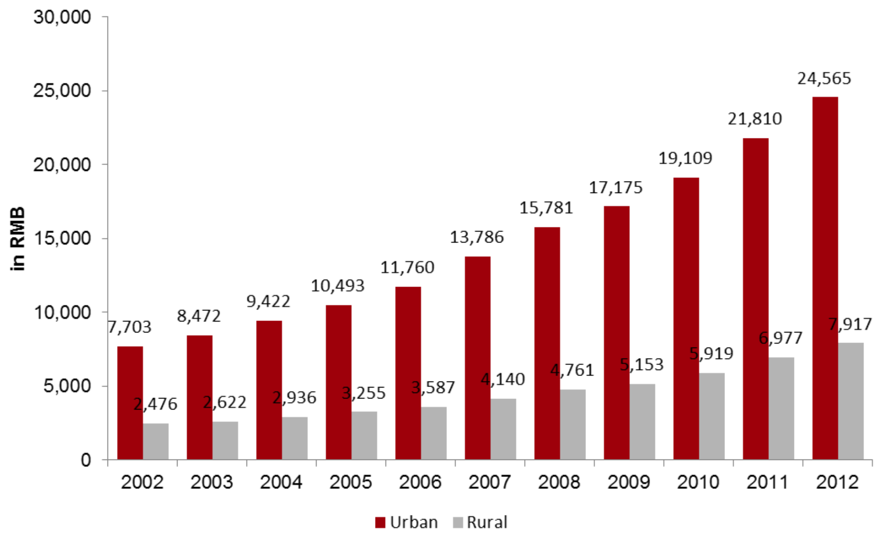
China's Real GDP growth decomposition in %



Source: Global Insights; McKinsey Insights global macroeconomic model update (April 2012)

The main factor behind the rise of private consumption is the household income growth, which is caused by rising wages resulting from government policies and structural changes in the labor market. More precisely, policymakers intend to increase minimum and reference wages. Next to the intervenion in the minimum wages, steps to open financial markets and increase in competition gives a boost to the economy which creates more and better paid jobs. Finally this development will lead to a growing income. The main driver of the income growth is still coming from the urban areas and especially from the big cities, but the rural areas and the smaller cities are catching up, as it can be seen below.

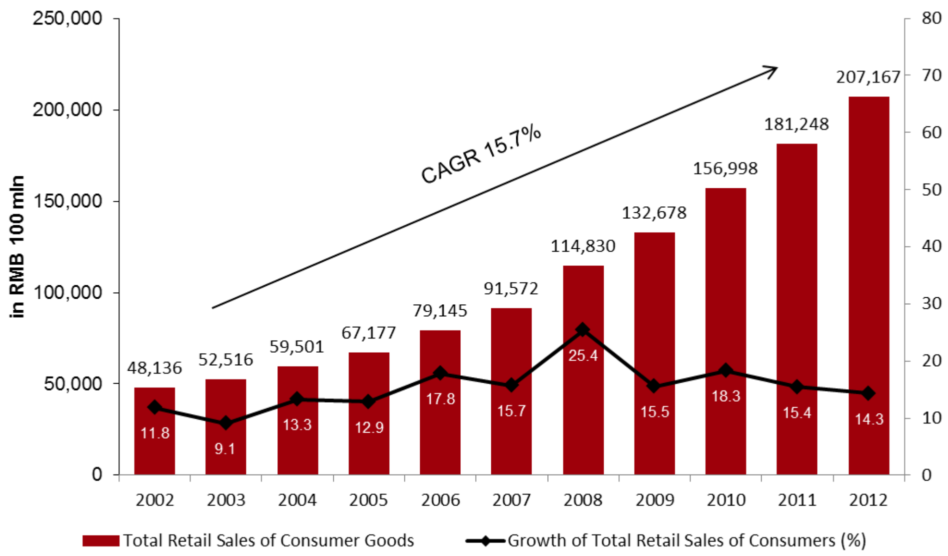
Annual per capita disposable income of urban and rural households



Source: National Bureau of Statistic of China (China statistical Yearbook 2012)

The growing income generates new opportunities and chances for retailers. At higher income levels, the pattern of consumption changes, Chinese consumers move beyond survival needs and are purchasing often for esteem. At this stage the consumption is based on quality of life and is quickly adopting the same characteristics that motivate Western consumers (e.g. buying based on quality rather than price, choosing status symbols etc.).

Total Retail Sales of Consumer Goods in China



Source: National Bureau of Statistic of China (China statistical Yearbook)

The numbers are expected to grow and China is likely to overtake Japan and become the world's second-largest consumer market in the next three years.

Development of Private Consumption

Private consumption and living standard up due to strong economy

The private consumption of the Chinese has changed drastically during the past decade. Through the uprising of China´s economy and the increase in income, Chinese consumers have moved beyond satisfying the basic needs and are willing to spend on lifestyle-related goods. The living standard of a citizen in Shanghai for example is, on average, on the level of a citizen in Europe or the USA. This development also takes its roots in the rise of the Chinese affluent class (households with an annual disposable income between $ 20,000 and $ 1,000,000), which is becoming a bigger part in the Chinese society and is going to play an important role in China's future.

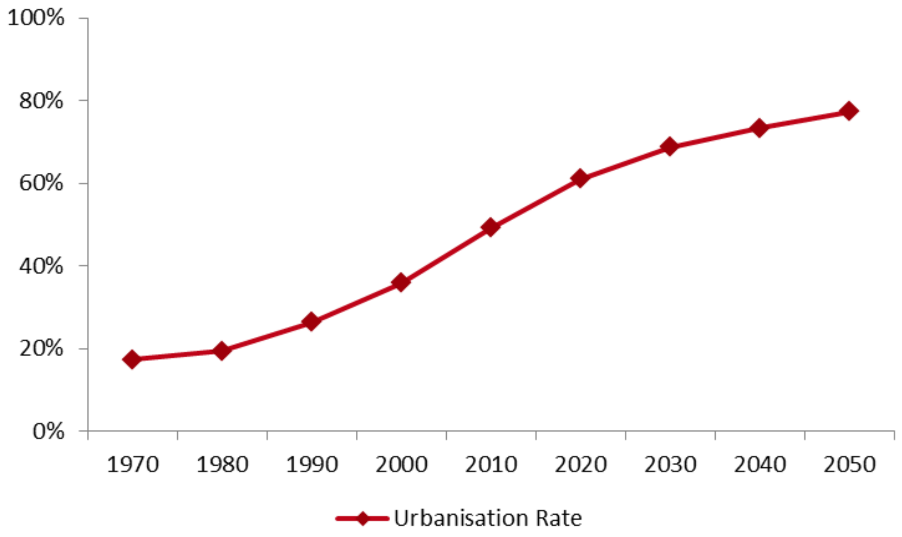
A study by Boston Consulting Group - The Age of the Affluent (2012) - expects the Chinese affluent class to rise up to 280 mln by the end of 2020. which makes them drive 40% of the consumption growth in China. Affluent consumers are important for the consumption industry not only because they will make up a big stake in the future, but also because they are enthusiastic about shopping, particularly for the very best they can afford. Compared to the other groups they are less sensitive to price increases or negative changes in economic conditions through their greater financial security.

Urbanization continuously increases

Out of a total of 1.3 billion people, 681 million of the Chinese live in rural areas. The current urbanization rate (%-age of the population that lives in urban areas) is

51 percent, well below that of developed countries such as Germany (74%) or USA (82%). Since China's adoption of economic reforms in 1978 the country experiences a mass migration to the cities located in the East and it is expected that the urbanization level will reach 77 percent by 2050 (according to United Nations):

Urban Population (as % of total)



Source: UN Population Division Estimates

The urbanization and the growth were mainly driven by the big cities and especially through the mega cities in the past. This is about to change in the future. According to McKinsey Insights China, the smaller cities with current urban populations of less than 1.5 million will make the largest contribution to growth in the next two decades. These cities will represent the single largest growth cohort and contribute 40% of total China urban GDP Growth through 2030.

Market and Competition

Since VanCamel market apparel and footwear products, we have analyzed the relevant clothing industry sectors. Our main sources for market information are up-to-date reports from ACMR-IBIS-World.

Apparels

Between 2007 and 2012, the Chinese apparel manufacturing industry has grown by an annual rate of 13.1% albeit with diminishing pace: The global crisis in 2008 and 2009 has strongly led to a decreased demand from foreign markets so that growth rate plummeted from 24.6% in 2008 to only 8.2% in 2012. Exports in relation to total revenues have declined from the peak level of 68.8% in 1998 to just 25.2% in 2012. To face the fading international competitive advantages such as low raw material and labor costs, favorable trade barriers and a weak currency, the industry seeks its salvation in focusing more on the domestic market. The key drivers are the increasing disposable income levels and population growth rates (especially in Tier 2/3 cities), a favorable demographic structure with a large group of young adults and the availability of more diversified distribution channels. The companies have started to focus more on quality, design and brand image instead of cheap pricing. OEMs (original equipment manufacturers), who in the past only produced for established labels, have started to transition to ODMs (original design manufacturers). The related investments into marketing and research activities are to some extent be absorbed by relocating the production from facilities in the more expensive coastal regions to the cheaper mainland. In addition, the production efficiency is ramped up by introducing new machines and software applications.

The industry is characterized by a high number of small and medium sized enterprises and is therefore very competitive: the top four apparel manufacturers have a combined market share of only 4.2%. Chinese apparel manufacturers also have to struggle against global competitors from south-east Asian countries such as Vietnam or Indonesia which put lower labor costs in the balance.

Growth rates for 2013 to 2018 are forecasted at a CAGR of 6.9%.

Footwear

With more than 6,000 companies operating in the footwear manufacturing industry, China is the largest producer of footwear in the world. Since 2007, total industry revenues have increased at a yearly rate of 13.9% but also with a decelerating pace. The main driver was the growth from domestic demand which amounted to 16.8%. The global crisis in 2008 and 2009 in particular led to decline of foreign demand. Similar to the apparel industry, footwear producers are looking to get a footstep into the domestic market. Again, key drivers for the domestic demand are the increase of disposable income and (urban) population growth. To compete for customers, the products should display a high fashion degree in combination with acceptable quality.

Industry concentration level is low as the top four companies account for only 6.8% of industry revenues.

The expected annual growth rates for the domestic demand of footwear products are estimated at 7.2% until 2018.

SWOT–Analysis

Strenghts

- Broad network of shops in whole China; strong standing in Tier 2/3 cities
- Diversified customer and supplier base
- Established brand name (as far as we can assess) with a focus on fashionable design
- No proceeds are necessary to continue growth
- Management has committed itself to pay dividends of at least 15% of net profit are held out in prospect
- Low inventory requirements due to slim corporate structure and just-in-time production
- Conservative growth strategy has led to solid inventory positions on the distributor level; hence no inventory destocking required
- Very high operational margins

Weaknesses

- No direct control of the supplier base and the distributor network
- Main assets and operating activities lie in China and therefore are less controllable by German investors
- Internal controlling processes have not yet reached the standard of comparable German companies
- Management board has limited experience in the (European) capital market and English skills
- Belongs to the group of Chinese companies listed in China which currently have a rather bad sentiment
- Strong dependency on the expertise of the founder and CEO

Opportunities

- Yet unexplored internet distribution strategy has strong upward potential
- Further expansion of sales network in economically fast growing Tier 4 cities
- Chinese consumer-oriented companies in general enjoy a favorable macro-economic environment, e.g. rise in middle-class income and a parallel increase in middle-class' demand in consumer goods
- Share price should experience significant boost if trust comes back to the specific asset class

Threats

- Higher competition for shop locations and rising rents
- Working capital requirements may change when revenues ramp up
- Sector depends on consumer climate and growth of the Chinese economy
- Uncertainty of investors regarding access to assets in case of default
- Certain degree of fashion risk
- In general, Chinese companies are subject to governmental regulations which may interfere with entrepreneurial spirit

Financial Analysis and Discussion

In this chapter we discuss VanCamel AG's operating results, cash flow statement as well as balance sheet and present a short term forecast until 2016. These forecasts are based on the analysis of the relevant markets and in-depth discussion with the Company's management regarding corporate strategy.

Profit and Loss Account

Change in IFRS accounting policy entails distortion in P&L presentation

In 2012, the Company generated revenues amounting to € 168.3 mln compared to € 131.0 mln in 2011, representing a topline growth of 28.5% on Euro basis. Due to the strong appreciation of the RMB against the Euro in 2012 (ca. +11% on average), the currency adjusted revenue growth amounted to 15.8%. Sales rebates to distributors for financing the regular refurbishments of the stores were introduced as a new item in the calculation of the sales figures from 2012 onwards. We have framed gross sales (total sales before rebates were deducted) and the derived sales rebates for transparency reasons, only.

Gross profit increased by 26.6% (14.5% at constant currency) to € 59.5 mln whereby the gross margin slightly slipped to still noteworthy 35.4%.

EBIT and EBIT margin have fluctuated between 2010 and 2012 because of changes in the accounting practice (also refer to the "P&L before change in IFRS accounting" table below): historically, the Company has made investments into the refurbishment of the distributor-operated stores and has depreciated these assets successively on a linear basis. After the first auditing, it became clear that this procedure does not comply with accounting standards. Instead, VanCamel introduced the aforementioned sales rebates system to provide economically equivalent compensations to its distributers in the future. The historical payments which were previously capitalized and depreciated had to be restated and booked as marketing expenses. This change in the accounting practice entails the volatile pattern of the operating results displayed in the actual P&L.

Net profit moved in tandem with the operating results. It rose from € 22.5 mln to € 38.8 mln. The Company enjoyed tax exemption in the years 2010 and 2011, i.e. it only had to pay 12.5%. In 2012 the tax exemption ended and the full corporate tax rate of 25% had to be applied.

Since VanCamels success is a function of market penetration in terms of the number of stores and the resulting increase of pieces sold, our forecast is based on the envisaged expansion strategy which we have discussed with management. The growth strategy is accompanied by significant selling and marketing expenses.

Profit and Loss Account

Fiscal Year Dec. 31 (IFRS) in € ths	2010a	2011a	2012a	2013e	2014e	2015e	2016e	4y - CAGR 2012 - 2016
Total Sales	**115,269**	**130,976**	**168,313**	**172,905**	**178,911**	**191,831**	**205,351**	
Growth rate (in %)	*n.a.*	*13.6*	*28.5*	*2.7*	*3.5*	*7.2*	*7.0*	*5.1*
included Sales rebates to distributors	*0*	*0*	*2,044*	*8,147*	*15,557*	*16,681*	*17,857*	
resulting Gross sales	*115,269*	*130,976*	*170,357*	*181,053*	*194,468*	*208,511*	*223,207*	
Growth rate (in %)	*n.a.*	*13.6*	*30.1*	*6.3*	*7.4*	*7.2*	*7.0*	*7.0*
Cost of sales	73,527	83,965	108,793	117,051	125,772	135,160	144,999	
Gross Profit	**41,742**	**47,011**	**59,520**	**55,854**	**53,139**	**56,670**	**60,352**	
Growth rate (in %)	*n.a.*	*12.6*	*26.6*	*-6.2*	*-4.9*	*6.6*	*6.5*	*0.3*
Selling and marketing expenses	12,623	20,855	6,466	6,983	7,542	8,145	8,797	
General and administration expenses	1,152	1,186	1,595	2,795	2,611	2,637	2,663	
R&D expenses	319	355	457	469	485	520	557	
EBIT	**27,648**	**24,615**	**51,002**	**45,607**	**42,501**	**45,368**	**48,335**	
Growth rate (in %)	*n.a.*	*-11.0*	*107.2*	*-10.6*	*-6.8*	*6.7*	*6.5*	*-1.3*
Net Finance Result (inc. +/ exp. -)	24	108	158	0	0	0	0	
EBT	**27,672**	**24,723**	**51,160**	**45,607**	**42,501**	**45,368**	**48,335**	
Growth rate (in %)	*n.a.*	*-10.7*	*106.9*	*-10.9*	*-6.8*	*6.7*	*6.5*	*-1.4*
Taxes on Income (Exp.+/Inc.-)	5,194	5,678	12,358	11,402	10,625	11,342	12,084	
t/o deferred taxes (Exp.+/Inc.-)	*0*	*0*	*0*	*1,085*	*0*	*0*	*0*	
Net profit	**22,478**	**19,045**	**38,802**	**34,205**	**31,876**	**34,026**	**36,251**	
Growth rate (in %)	*n.a.*	*-15.3*	*103.7*	*-11.8*	*-6.8*	*6.7*	*6.5*	*-1.7*
For information purposes								
Depreciation and amortization	104	100	111	118	121	26	24	
EBITDA	*27,752*	*24,715*	*51,113*	*45,725*	*42,622*	*45,394*	*48,359*	
Growth rate (in %)	*n.a.*	*-10.9*	*106.8*	*-10.5*	*-6.8*	*6.5*	*6.5*	*-1.4*
No. of shares (Ø outstanding)*	15,000	15,000	15,000	15,000	15,000	15,000	15,000	
Net profit / share (EPS)*	1.50	1.27	2.59	2.28	2.13	2.27	2.42	

* Adjusted for the number of shares after capital increase by contribution in kind, i.e. 15 mln
Source: BankM Research

P&L Margins

Margins (in %)	2010a	2011a	2012a	2013e	2014e	2015e	2016e
Gross Profit margin	36.2	35.9	35.4	32.3	29.7	29.5	29.4
EBITDA margin	24.1	18.9	30.4	26.4	23.8	23.7	23.5
EBIT margin	24.0	18.8	30.3	26.4	23.8	23.6	23.5
EBT margin	24.0	18.9	30.4	26.4	23.8	23.6	23.5
Net Profit margin	19.5	14.5	23.1	19.8	17.8	17.7	17.7

Source: BankM Research

Profit and Loss Account before change in IFRS accounting

Fiscal Year 31.12 (IFRS) in € ths	2010a	2011a	2012a	2013e	2014e	2015e	2016e	4y - CAGR 2012 - 2016
Total Sales	**115,269**	**130,976**	**168,313**	**172,905**	**178,911**	**191,831**	**205,351**	
Growth rate (in %)	*n.a.*	*13.6*	*28.5*	*2.7*	*3.5*	*7.2*	*7.0*	*5.1*
included Sales rebates to distributors	*0*	*0*	*2,044*	*8,147*	*15,557*	*16,681*	*17,857*	
resulting Gross sales	*115,269*	*130,976*	*170,357*	*181,053*	*194,468*	*208,511*	*223,207*	
Growth rate (in %)	*n.a.*	*13.6*	*30.1*	*6.3*	*7.4*	*7.2*	*7.0*	*7.0*
Cost of sales	73,527	83,965	108,793	117,051	125,772	135,160	144,999	
Gross Profit	**41,742**	**47,011**	**59,520**	**55,854**	**53,139**	**56,670**	**60,352**	
Growth rate (in %)	*n.a.*	*12.6*	*26.6*	*-6.2*	*-4.9*	*6.6*	*6.5*	*0.3*
Gross Profit margin in %	*36.2*	*35.9*	*35.4*	*32.3*	*29.7*	*29.5*	*29.4*	
Selling and marketing expenses	13,189	16,511	16,816	13,650	10,179	8,145	8,797	
General and administration expenses	1,152	1,186	1,595	2,795	2,611	2,637	2,663	
R&D expenses	319	355	457	469	485	520	557	
EBIT	**27,082**	**28,959**	**40,652**	**38,941**	**39,864**	**45,368**	**48,335**	
Growth rate (in %)	*n.a.*	*6.9*	*40.4*	*-4.2*	*2.4*	*13.8*	*6.5*	*4.4*
EBIT margin in %	*23.5*	*22.1*	*24.2*	*22.5*	*22.3*	*23.6*	*23.5*	
EBIT as reported	**27,648**	**24,615**	**51,002**	**45,607**	**42,501**	**45,368**	**48,335**	
EBIT margin as reported in %	*24.0*	*18.9*	*30.4*	*26.4*	*23.8*	*23.6*	*23.5*	

Source: BankM Research

The revenue breakdown to the two segments shows the focus of the Company on the apparel segment. During the last three years, sales growth from this segment exceeded growth of the footwear segment by 5.3%-points.

Revenues per segment

	2010	2011	2012	2Y-CAGR
Apparel	78,783	92,201	118,227	22.5%
in % of total	68.3	70.4	70.2	
Footwear	36,486	38,775	50,086	17.2%
in % of total	31.7	29.6	29.8	

Source: VanCamel AG

Cash Flow Statement

For the last three years, VanCamel has shown strong operating cash flows which were driven by the positive EBT development. Accordingly, operating cash flow increased from € 15.7 mln in 2010 to € 41.2 mln in 2012. Due to the slim corporate structure, where both manufacturing and distribution are outsourced, capital requirements for working capital and investments have remained at a low level. Dividends were paid aggressively in the past, even overstating the free cash flow in 2011. While the Company did not follow a specific scheme, we expects (after discussions with management) dividend payments of at least 15% of the net profit for the next years.

Cash Flow Statement

Fiscal Year Dec. 31 (IFRS) in € ths	2010a	2011a	2012a	2013e	2014e	2015e	2016e	4y - CAGR 2012 - 2016
EBT	**27,672**	**24,723**	**51,160**	**45,607**	**42,501**	**45,368**	**48,335**	
Growth rate (in %)	*n.a.*	*-10.7*	*106.9*	*-10.9*	*-6.8*	*6.7*	*6.5*	*-1.4*
+ Depreciation and amortization	104	100	111	118	121	26	24	
= Cash Earnings	**27,776**	**24,823**	**51,271**	**45,725**	**42,622**	**45,394**	**48,359**	
Growth rate (in %)	*n.a.*	*-10.6*	*106.5*	*-10.8*	*-6.8*	*6.5*	*6.5*	*-1.5*
+ Other non-cash items	244	-108	-158	0	0	0	0	
- Chg. in net working capital	9,291	-1,513	2,092	782	1,023	2,200	2,302	
- income taxes paid	3,020	3,687	7,801	17,941	10,548	11,163	11,898	
= Operating Cash Flow	**15,709**	**22,541**	**41,220**	**27,003**	**31,051**	**32,031**	**34,158**	
Growth rate (in %)	*n.a.*	*43.5*	*82.9*	*-34.5*	*15.0*	*3.2*	*6.6*	*-4.6*
- Capex	1	11	10	18	18	18	18	
= Free Cash Flow	**15,708**	**22,530**	**41,210**	**26,985**	**31,033**	**32,013**	**34,140**	
Growth rate (in %)	*n.a.*	*43.4*	*82.9*	*-34.5*	*15.0*	*3.2*	*6.6*	*-4.6*
+ Other net items	996	1,466	-263	7,413	0	0	0	
- Dividends	5,087	22,919	11,681	16,465	5,131	4,781	5,104	
+ Increase in share capital	0	0	0	0	0	0	0	
+ Bank and other loans	-1,272	-1,273	-842	0	0	0	0	
= Incr. in Cash (+)/Decr. in Cash (-)	**10,345**	**-196**	**28,424**	**17,933**	**25,902**	**27,231**	**29,036**	
Growth rate (in %)	*n.a.*	*n.a.*	*n.a.*	*-36.9*	*44.4*	*5.1*	*6.6*	*0.5*

Source: BankM Research

Balance Sheet

The balance sheet is characterized by very low inventory figures compared to other fashion manufacturing companies and by the typical missing of long term debt. The significant increase of the balance sheet total in 2012 was caused on the one hand by the doubling of the liquid funds position, on the other hand by the creation of short term tax and dividend liabilities. Despite the aforementioned dividend payments, the Company shows a healthy equity ratio of >70% which in our forecast will even exceed the 85% mark in this year.

Balance Sheet

Fiscal Year Dec. 31 (IFRS) in € ths	2010a	2011a	2012a	2013e	2014e	2015e	2016e
Assets							
Tangible assets	20	27	31	36	35	27	21
Intangible assets	385	313	207	102	0	0	0
Deferred tax assets	378	1,069	1,085	0	0	0	0
Total Fixed Assets	**783**	**1,409**	**1,323**	**138**	**35**	**27**	**21**
Inventories	386	164	556	571	591	634	678
Trade receivables	28,825	32,765	35,824	36,801	38,080	40,830	43,707
Amounts receivable from related parties	4,881	6,466	7,413	0	0	0	0
Total liquid funds	18,350	18,154	46,578	64,511	90,413	117,644	146,680
Total Current Assets	**52,442**	**57,549**	**90,371**	**101,883**	**129,084**	**159,107**	**191,066**
Balance Sheet Total	**53,225**	**58,958**	**91,694**	**102,021**	**129,119**	**159,135**	**191,087**
Shareholder's Equity / Liabilities							
Subscribed capital	4,650	4,650	4,650	15,000	15,000	15,000	15,000
Foreign currency translation reserve	3,025	6,162	5,786	5,786	5,786	5,786	5,786
Retained earnings and other reserves	37,476	33,602	55,805	68,064	94,809	124,054	155,201
Shareholders Equity	**45,151**	**44,414**	**66,241**	**88,850**	**115,595**	**144,840**	**175,987**
Long term liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**
ST Liab. < 1 year	**8,074**	**14,544**	**25,453**	**13,171**	**13,523**	**14,295**	**15,100**
t/o Trade payables & pre-paymts.	*2,823*	*5,336*	*7,716*	*7,927*	*8,202*	*8,794*	*9,414*
t/o Short term tax liabilites	*2,628*	*5,778*	*10,203*	*2,579*	*2,656*	*2,835*	*3,021*
t/o Dividends Payable	*0*	*0*	*4,869*	*0*	*0*	*0*	*0*
t/o Other short term liabilities	*2,623*	*3,430*	*2,665*	*2,665*	*2,665*	*2,665*	*2,665*
Total Liabilities	**8,074**	**14,544**	**25,453**	**13,171**	**13,523**	**14,295**	**15,100**
Balance Sheet Total	**53,225**	**58,958**	**91,694**	**102,021**	**129,119**	**159,135**	**191,087**

Source: BankM Research

Balance Sheet Ratios

In % of Balance Sheet Total	2010a	2011a	2012a	2013e	2014e	2015e	2016e
Total Fixed Assets	1.5	2.4	1.4	0.1	0.0	0.0	0.0
Total Current Assets	98.5	97.6	98.6	99.9	100.0	100.0	100.0
Inventories	54.2	55.6	39.1	36.1	29.5	25.7	22.9
Trade receivables	9.2	11.0	8.1	0.0	0.0	0.0	0.0
Total liquid funds	34.5	30.8	50.8	63.2	70.0	73.9	76.8
Shareholders Equity	84.8	75.3	72.2	87.1	89.5	91.0	92.1
Long Term Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short Term Liabilities	15.2	24.7	27.8	12.9	10.5	9.0	7.9
Total Liabilites	15.2	24.7	27.8	12.9	10.5	9.0	7.9

Source: BankM Research

Valuation

In order to calculate a fair value for VanCamel AG, we applied two methods which allow for mutual validation and thus sensitize for the plausibility of each of the derived values:

1. Analysis of Free Cash Flows (DCF analysis)
2. Multiple analysis by means of peer group comparison

The derived values will be equally weighted.

DCF Model

For the analysis of Free Cash Flows we have applied a 3-stage model:

Phase I	2013 – 2016 (short-term planning)
Phase II	2017 – 2020 (mid-term prognosis)
Phase III	Terminal Value

The forecasting of future cash flows used in our model is based on the following sources:

- Prospectus of the company
- Discussions with VanCamel AG´s Executive Directors and Management
- Analysis of the relevant markets
- On-site visit of the Company October, 2012

Time-weighted discounting of Free Cash Flows is a central element within the DCF valuation. Currently, fundamental quantitative analysis is faced with methodical problems in calculating a risk premium by means of a market portfolio proxy (a broadly diversified index). Geometric returns over longer periods (CAGR over 5 – 10 years) are still not suitable due to their sharp decline in recent years. For example, on the MSCI World and S&P 500 indices show a 10y-performance, expressed as CAGR, of 7.85% and 7.29%, respectively. Moreover, during the preceding two years, the MSCI World and the S&P 500 indices have gained 19.68% and 23.81%, respectively (index data as of September 23, 2013). In light of these returns and considering the historically low risk free returns, we feel comfortable with a market risk premium of 6.5%.

We routinely pay specific attention to the calculation of the Beta. We have calculated a suitable beta by regressing the relevant Dax Subsector Clothing and Footwear against the MSCI World as a proxy for the market portfolio. The respected beta was then unlevered to reflect VanCamels current and target capital structure of 0% debt and 100% equity which resulted in a Beta of 0.98.

Regarding further risks, we account for the current country specific risk for China with 1.05% (*Damodaran, Country Default Spreads and Risk Premiums, Jan 2013*).

As a last step, we adjust our cost of equity by a company specific premium for the following reason: the Subsector which we use to derive our Beta is heavily influenced by a few global players such as Hugo Boss AG, Puma and Addidas and does not adequately reflect the market risks of VanCamel AG. We apply a company specific risk in order to account for the less optimized administration structure, weaker brand image and smaller company size.

DCF-Model

		Forecast								
		Phase 1				Phase 2				Terminal Value
	2012a	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	
in € ths	Basis	1	2	3	4	5	6	7	8	
Growth	28.5%	2.7%	3.5%	7.2%	7.0%	CAGR - 7.0%				1.0%
Revenues	**168,313**	**172,905**	**178,911**	**191,831**	**205,351**	**219,725**	**235,106**	**251,563**	**269,173**	**271,864**
EBIT	**51,002**	**45,607**	**42,501**	**45,368**	**48,335**	**44,472**	**39,568**	**33,760**	**26,642**	**27,186**
- Tax	12,358	11,402	10,625	11,342	12,084	11,118	9,892	8,440	6,660	6,797
+ Depreciation and amortization	111	118	121	26	24	21	18	18	18	18
+ Change in long-term provisions	0	0	0	0	0	0	0	0	0	0
- Change in net working capital	2,092	782	1,023	2,200	2,302	2,448	268	2,135	2,142	0
- Other non-cash items	0	0	0	0	0	0	0	0	0	0
- Capex	10	18	18	18	18	18	18	18	18	18
= Free Cash Flow	**36,653**	**33,523**	**30,956**	**31,834**	**33,955**	**30,909**	**29,408**	**23,185**	**17,840**	**20,390**
Terminal Value										176,535
Discount factor	n.a.	0.89	0.79	0.70	0.63	0.56	0.50	0.44	0.39	0.39
NPV of Free Cash Flows	**n.a.**	**29,822**	**24,498**	**22,411**	**21,265**	**17,220**	**14,575**	**10,222**	**6,997**	
NPV of Terminal Value										**69,241**
Valuation		**Proportion of EV**								
Result of Future Cash Flows	147,011	**68%**								
+ Result of Terminal Value	69,241	**32%**								
= Value of the Entity	**216,253**									
+ Cash (as of 31.12.2012)	46,578									
- LT Debt (as 31.12.2012)	0									
= Value of Equity	**262,831**									
Current No. of Shares (in ths)	15,000									
Price per Share	17.52									

Source: BankM Research

Sensitivity Analysis

		Discount rate of Terminal Value						
		10.00%	11.00%	12.00%	**12.55%**	13.00%	14.00%	15.00%
	-1.00%	17.66	17.26	16.93	16.76	16.64	16.39	16.17
Growth in Terminal Value	0.00%	18.18	17.70	17.30	17.11	16.97	16.68	16.43
	1.00%	18.83	18.24	17.75	**17.52**	17.35	17.01	16.71
	2.00%	19.64	18.89	18.29	18.01	17.80	17.39	17.05
	3.00%	20.67	19.70	18.95	18.60	18.34	17.85	17.44

		EBIT Margin in Termal Value						
		7.00%	8.00%	9.00%	**10.00%**	11.00%	12.00%	13.00%
	-1.00%	15.61	15.99	16.38	16.76	17.15	17.53	17.92
Growth in Terminal Value	0.00%	15.85	16.27	16.69	17.11	17.53	17.95	18.37
	1.00%	16.14	16.60	17.06	**17.52**	17.98	18.45	18.91
	2.00%	16.48	16.99	17.50	18.01	18.52	19.03	19.54
	3.00%	16.89	17.46	18.03	18.60	19.17	19.74	20.31

Source: BankM Research

Model Assumptions

	Phase I	Phase II	TV
Riskfree Return	2.00%	2.00%	
10 Year Government Bond (GER)			
Sector Beta (12M vs. MSCI World)	0.98	0.98	
Beta in Terminal Value = 1			
Market Premium	6.50%	6.50%	
Country Risk Premium	1.05%	1.05%	
Damodaran			
Company Specific Risk	3.00%	3.00%	
Sum of different risk factors			
Cost of Equity	**12.41%**	**12.41%**	
Target Weight	*100.00%*	*100.00%*	
Cost of Debt	**0.00%**	**0.00%**	
Target Weight	*0.00%*	*0.00%*	
Tax Shield	*25.00%*	*25.00%*	
WACC	**12.41%**	**12.41%**	**12.55%**
Growth Rate Terminal Value			**1.0%**

Source: BankM Research

Our DCF Analysis returns a value of € 17.52 per share.

Peer Group Analysis

For the purposes of our multiple analysis, we have compiled a Peer group consisting of national operating apparel and footwear companies and a peer group of Chinese companies listed in the Prime Standard of Deutsche Boerse. While the first peer group should reflect the valuation of VanCamel relative to its direct competitors and sector peers, the second peer group should capture the current negative sentiment of investors against Chinese companies listed at the German stock exchange. We weight both peer groups equally to calculate our valuation summary. Source for the company descriptions is Capital IQ.

Chinese Apparel and shoe market

China Lilang Limited

China Lilang Limited, together with its subsidiaries, engages in the manufacture and wholesale of menswear and accessories in the People's Republic of China. The company offers casual and fashion casual menswear, including suits, jackets, shirts, trousers, sweaters, and accessories under the LILANZ and L2 brand names. As of December 31, 2012, it had 64 distributors and 1,472 sub-distributors operating a total of 3,227 retail outlets for the LILANZ brand; and 41 distributors and 68 sub-distributors operating a total of 252 retail outlets for the L2 brand. China Lilang Limited sells its products through a distribution network covering 31 provinces, autonomous regions, and municipalities in the People's Republic of China. The company was founded in 1987 and is headquartered in

Jinjiang, the People’s Republic of China. China Lilang Limited is a subsidiary of Xiao Sheng International Limited

China Xiniya Fashion Limited

China Xiniya Fashion Limited designs, manufactures, and sells men’s business casual and business formal apparel and accessories to retail customers in the People’s Republic of China. It offers business casual apparel, including jackets, pants, shirts, T-shirts, sweaters, and overcoats; business formal apparel comprising suits, business pants, and dress shirts; and accessories, such as ties, bags, belts, shoes, and other accessories. The company sells and markets its products under the Xiniya brand through a network of approximately 1,708 authorized retail outlets owned and managed by authorized retailers and distributors located in 21 provinces, 4 autonomous regions, and 4 municipalities. As of December 31, 2012, it owned and managed two flagship outlets. The company was founded in 2005 and is headquartered in Xiamen, the People's Republic of China.

Fujian Septwolves Industry Co. Ltd.

Fujian Septwolves Industry Co., Ltd. principally engages in the design, manufacture, and sale of men’s clothing under the Septwolves brand name in China and internationally. It primarily offers jackets, sweaters, suits, pants, shirts, T-shirts, coats, dresses, and others. The company provides its products under life casual series, fashion business series, classic business series, classic hedonism lifestyle series, SEPEWOLVS series, SWLADIES series, and SWKIDS series. Fujian Septwolves Industry Co., Ltd. was founded in 1990 and is based in Jinjiang, China.

JOEONE Company Limited

Situated in Quanzhou City, Fujian Province, the PRC, JOEONE Company limited is principally involved in the design, production and marketing of men’s business and casual wear in China. It targets middle to upper-middle male customers. The company is especially famous for its men’s trousers. At present, JOEONE owns more than 80 internationally advanced production lines of trousers and casual plants, producing more than 5.7 million pairs annually.

Sinoer Men's Wear Co. Ltd.

Sinoer Men’s Wear Co. Ltd is primarily engaged in the production and sale of menswear in China. The products it offers include business formal, casual wear and accessories, which are distributed both domestically and internationally. One competitive advantage of the company is its provision of customized tailor-made services for customers. Sinoer Men’s wear delivers its products through different channels, including self-operated stores, franchise stores, group orders, original equipment manufacturing services and online direct marketing.

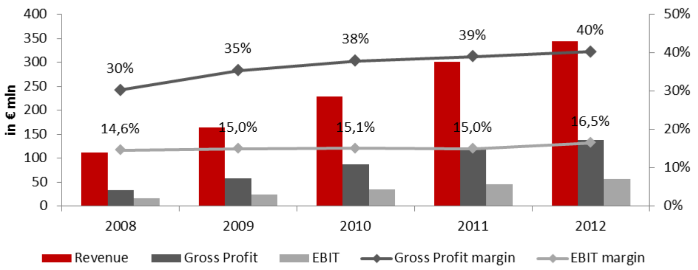
Zhejiang Baoxiniao Garment Co., Ltd.

Zhejiang Baoxiniao Garment Co., Ltd. engages in the design, manufacture, and sale of garments for men. It provides suits, trousers, shirts, T-shirts, jackets, sweaters, leather dustcoats, underwear, and ties. The company offers its garment products under four series: classic series, business series, casual series, and leather series. It sells its products primarily under the Baoxiniao brand in the People's Republic of China and internationally. The company was founded in 2001 and is based in Wenzhou, the People's Republic of China.

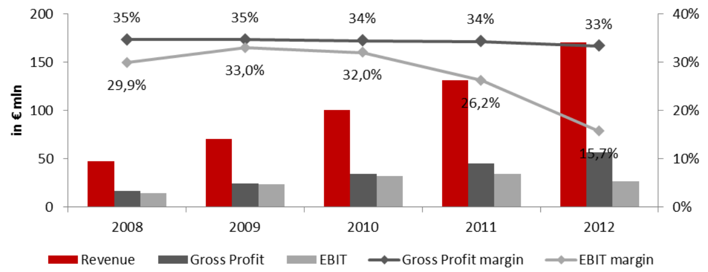
Zuoan Fashion Limited

Zuoan Fashion Limited engages in the design, manufacture, and distribution of fashion casual menswear. It offers apparel products, including blazers, jackets, sweaters, shirts, T-shirts, leather jackets, down jackets, pants, and jeans; and accessories, which include shoes, bags, ties, belts, socks, and scarves for urban males between the ages of 20 and 40. The company offers its products under the Zuoan brand name. It sells its products directly through its stores, as well as through retail stores operated by its distributors and their sub-distributors in 31 provinces and centrally administered municipalities of China. As of March 31, 2013, it had 1,362 stores. The company is headquartered in Shanghai, China.

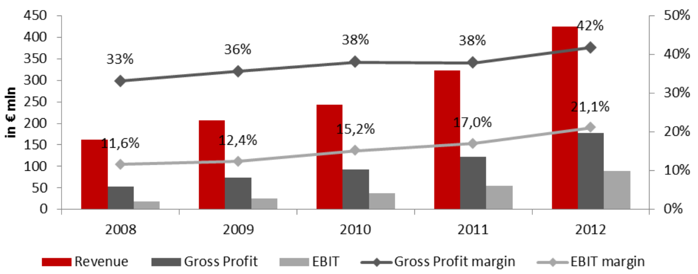
China Lilang Ltd.



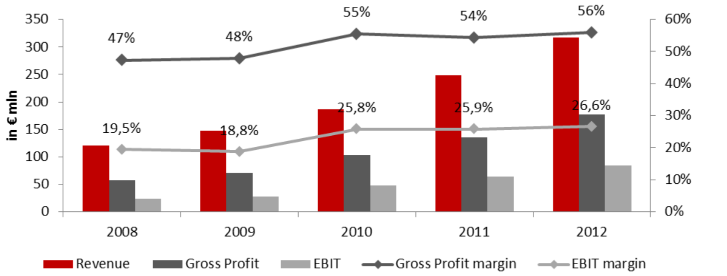
China Xiniya Fashion Ltd.



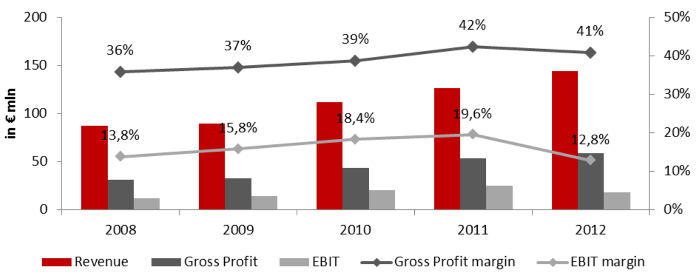
Fujian Septwolves Industry Co.



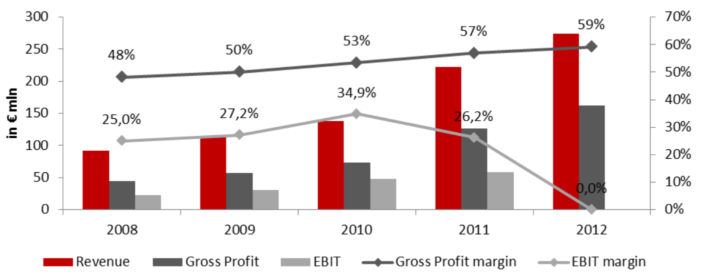
Joeone Co Ltd.

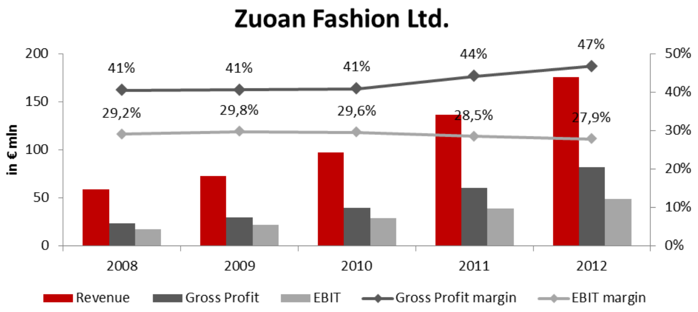


Sinoer Men's Wear Co Ltd.



Zhejiang Baoxiniao Garment Co.





Peer Group Analysis (Sector Peer Group)

	Mkt Cap	EV	Revenues			EBITDA			Net Profit			Book Value		
Peer Group	prev. Day	prev. Day	2012a	2013e	2014e	2012a	2013e	2014e	2012a	2013e	2014e	2012a	2013e	2014e
(in € mln)														
Fujian Septwolves Industry Co	780.00	466.33	424.93	409.49	440.27	104.87	89.21	92.57	69.20	67.54	73.84	527.28	Data not available	
China Lilang Ltd	504.24	386.41	344.48	292.35	302.34	83.76	75.50	80.41	77.30	61.34	62.40	289.49		
China Xiniya Fashion Ltd	-	-	170.64	-	-	27.33	-	-	21.64	-	-	170.51		
Zhejiang Baoxiniao Garment Co	470.16	563.56	273.98	296.85	327.21	70.49	63.34	72.25	58.90	48.62	54.05	320.25		
Joeone Co Ltd	918.60	626.23	317.34	322.82	352.19	92.95	90.81	99.35	82.43	74.34	81.95	533.83		
Sinoer Men's Wear Co Ltd	259.47	283.71	144.11	160.54	181.71	26.56	-	-	17.25	15.17	17.05	242.82		
Zuoan Fashion Ltd	-	-	176.02	-	-	49.97	-	-	36.43	-	-	159.13		
VanCamel	**n.a.**	**n.a.**	**168.31**	**172.91**	**178.91**	**51.11**	**45.73**	**42.62**	**38.80**	**34.21**	**31.88**	**66.24**	**88.85**	**115.60**

*If EV prev. day is not available, the EV current day is displayed without further notice

	Mkt Cap	EV	EV/Revenues			EV/EBITDA			P/E			P/B		
Peer Group	prev. Day	prev. Day	2012a	2013e	2014e	2012a	2013e	2014e	2012a	2013e	2014e	2012a	2013e	2014e
Multiples														
Fujian Septwolves Industry Co	780.00	466.33	18.25	1.14	1.06	73.96	5.23	5.04	16.70	11.55	10.56	2.23	1.40	1.40
China Lilang Ltd	504.24	386.41	12.80	1.32	1.28	52.65	5.12	4.81	6.97	8.22	8.08	1.86	1.58	1.58
China Xiniya Fashion Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Zhejiang Baoxiniao Garment Co	470.16	563.56	23.49	1.90	1.72	91.30	8.90	7.80	12.33	9.67	8.70	2.27	1.43	1.43
Joeone Co Ltd	918.60	626.23	21.97	1.94	1.78	75.01	6.90	6.30	13.80	12.36	11.21	2.13	1.68	1.68
Sinoer Men's Wear Co Ltd	259.47	283.71	18.70	1.77	1.56	101.48	-	-	18.11	17.10	15.22	1.29	1.03	1.03
Zuoan Fashion Ltd	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Median	**504.24**	**466.33**	**18.70**	**1.77**	**1.56**	**75.01**	**6.06**	**5.67**	**13.80**	**11.55**	**10.56**	**2.13**	**1.43**	**1.43**
Mean (for information purposes, only)	586.49	465.25	19.04	1.61	1.48	78.88	6.53	5.99	13.58	11.78	10.75	1.96	1.42	1.42
VanCamel	**n.a.**	**n.a.**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

*Multiple based on historical price as of Dec 31 prev. year (not shown); as of publication date, some figures for 2012 may still be estimates

Enterprise Value VanCamel			**n.a.**	**305.56**	**279.33**	**n.a.**	**277.18**	**241.70**	**n.a.**	**395.05**	**336.74**	**n.a.**	**127.29**	**165.61**
-net debt			**n.a.**	**-45.64**	**-45.64**	**n.a.**	**-45.64**	**-45.64**						
Value of the Equity			**n.a.**	**351.20**	**324.97**	**n.a.**	**322.82**	**287.34**	**n.a.**	**395.05**	**336.74**	**n.a.**	**127.29**	**165.61**

Year	2013	2014
Implicit Price	**19.94**	**18.58**

	2013	**2014**
Equity value based on EV/Revenues (€ mln)	351.20	324.97
Equity value based on EV/EBITDA (€ mln)	322.82	287.34
Equity value based on P/E (€ mln)	395.05	336.74
Equity value based on P/B (€ mln)	127.29	165.61
Mean	299.09	278.66
No. of shares (in ths)	15,000	15,000
Price/share (€)	19.94	18.58

Source: Bloomberg, BankM Research

Chinese companies listed in Prime Standard of Deutsche Boerse

Asian Bamboo AG

Asian Bamboo AG engages in the cultivation, harvesting, and processing of bamboo plantations primarily in the People's Republic of China and Japan. The company offers bamboo trees, fresh winter bamboo shoots, fresh spring bamboo shoots, processed bamboo shoots and bamboo fiber. The company primarily serves construction and furniture industries. Asian Bamboo AG was founded in 1992 and is headquartered in Fuzhou, the People's Republic of China.

China Specialty Glass AG

China Specialty Glass AG engages in the development, manufacture, and sale of specialty glass in China. The company's security and construction glass comprises architecture laminated, architecture tempered, fire resistant, hollow, and electric-controlled color-changing glass. The company sells its products under Hing Wah brand name through its own sales network. It also acts as distribution partner of Saint-Gobain Group. The company was founded in 1994 and is based in Grunwald, Germany.

FAST Casualwear AG

FAST Casualwear AG, together with its subsidiaries, engages in the design, production, and sale of footwear, and apparel and accessories for male and female customers in the People’s Republic of China. It offers casual footwear, such as fashion shoes, sneakers, canvas shoes, sandals, slippers, slip-ons, and boots as well as casual apparel, such as coats, jackets, sweaters, T-shirts, shirts, jeans, trousers, and shorts, as well as accessories, such as bags, scarfs, caps, and belts under its FAST brand. The company sells its products through regional distributors to retail outlets, as well as through department stores. It also manufactures sports shoes and casual shoes as a contract manufacturer for various international brands in Europe and the United States. The company was founded in 1993 and is based in Hamburg, Germany.

Firstextile AG

Firstextile AG engages in the manufacture and sale of yarn-dyed fabrics in the People’s Republic of China. It provides yarn-dyed fabrics and uniform fabrics for apparel manufacturers and trading companies as well as uniform shirts and other uniforms to government institutions and enterprises under the brand name of Verdurous. It also provides men’s shirts for distributors, as well as to government institutions and enterprises directly under the brand names of Varpum and Firstextile. The company also exports its products to South East Asia, Europe, and the United States. Firstextile AG was founded in 2006 and is based in Frankfurt, Germany.

Haikui Seafood AG

Haikui Seafood AG processes fish and seafood for the Chinese and international markets. The Company's product portfolio comprises different products of frozen or canned fish and seafood, produced from a large variety of species of raw fish and seafood, including prawn, crab, various fish species and shellfish as well as cephalopods.

Joyou AG

Joyou AG designs, produces, and sells faucets and other sanitary ware products under the Joyou brand name in the People’s Republic of China. It provides bathroom faucets and kitchen basins and crude products etc. The company was founded in 1988 and is based in Hamburg, Germany. As per transaction announced on June 15, 2011, Joyou AG operates as a subsidiary of Grohe Holding GmbH.

Ming Le Sports AG

Ming Le Sports AG, a sportswear company, designs, develops, manufactures, and sells footwear, apparel, accessories, and equipment for men and women in the People’s Republic of China. The company’s footwear products include running, basketball, tennis, skateboard, canvas, casual, and outdoor shoes; and apparel products comprise basketball, tennis, and other leisure sportswear apparel. It also offers sports accessories and equipment. The company sells its products under the Ming Le brand through a network of distributors to retail outlets. Ming Le Sports AG is headquartered in Quanzhou, the People's Republic of China.

Powerland AG

Powerland AG engages in the design, production, promotion, and sale of textile and leather products. The company offers women's handbags, travel cases, men's handbags, briefcases as well as accessories. The company, through its independent distributors, operates a retail distribution network. The company also acts as a contract manufacturer for international brands. The company was founded in 2010 and is based in Frankfurt am Main, Germany.

Ultrasonic AG

Ultrasonic AG, through its subsidiaries, engages in the design, production, and sale of footwear products primarily in the People's Republic of China. It provides urban footwear products that include outdoor, casual, and business footwear products, as well as accessories, such as socks, leather bags, and belts, sandals and slippers. It also produces shoes soles for sports shoes. The company markets its products to the manufacturers of footwear and sports-related apparel products. Furthermore it sells premium footwear to trading companies under the Ultrasonic brand name through its regional distributors. Ultrasonic AG was founded in 1998 and is based in Düsseldorf, Germany.

United Power Technology AG

United Power Technology AG, together with its subsidiaries, engages in the design, development, manufacture, and sale of engine-driven power equipment. It offers portable residential and commercial gasoline and diesel generators, industrial equipment, such as gasoline and diesel water pumps, landscaping machinery, which include gasoline and diesel pressure washers, engine-driven electric welders, gasoline, diesel, and v-twin gasoline engines, and parts, including rotators, pistons, fuel tanks, crankcases and covers, silicon-steel sheets, panels, mufflers, crankshafts, cylinder heads, enamel wires, and motorstanders. The company sells its products through retailers, wholesalers, specialized dealers, and direct sales primarily in China, North America, and Europe. United Power Technology AG was founded in 2003 and is based in Eschborn, Germany.

Vtion Wireless Technology AG

Vtion Wireless Technology AG, through its subsidiaries, engages primarily in the development and sale of wireless data cards and associated services for the mobile use of computers through broadband wireless networks in the People's Republic of China. The company provides a range of 3G wireless data cards. It sells its wireless data cards primarily through mobile network operators and wholesalers, as well as directly to end customers. The company was founded in 2007 and is based in Frankfurt, Germany.

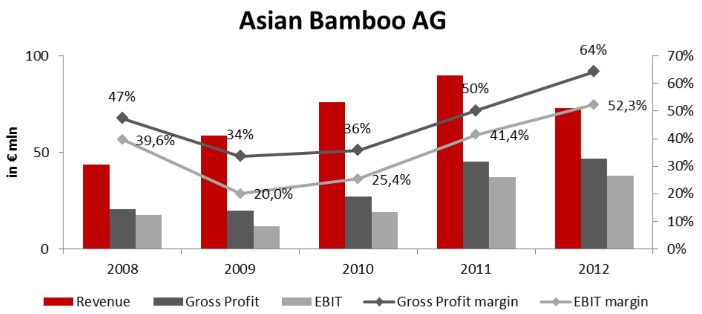
Youbisheng Green Paper AG

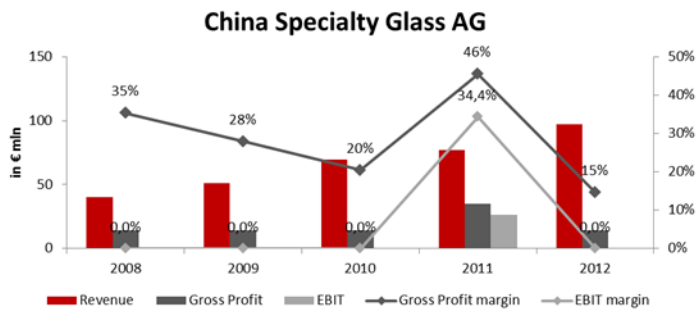
Youbisheng Green Paper AG engages in the manufacture and sale of linerboard. The company's products include single-sided testliners, double-sided testliners, and anti-counterfeit linerboard. Its linerboard is primarily used for the production of corrugated board and boxes, paper bags, as well as apparel labels and tags.

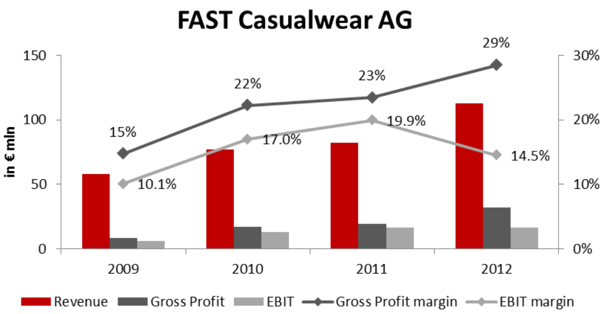
The company markets its linerboard under Guige brand name. Youbisheng Green Paper AG sells its products to printing and packaging companies in the People's Republic of China. The company was founded in 2000 and is based in Munich, Germany.

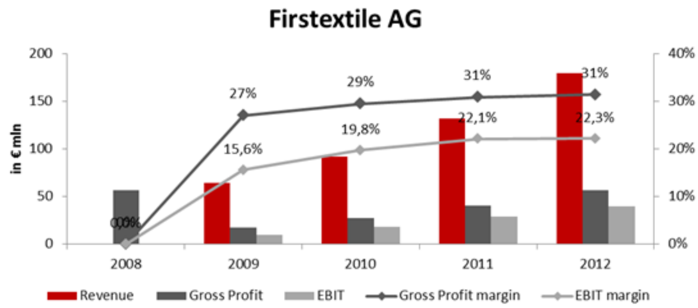
Zhongde Waste Technology AG

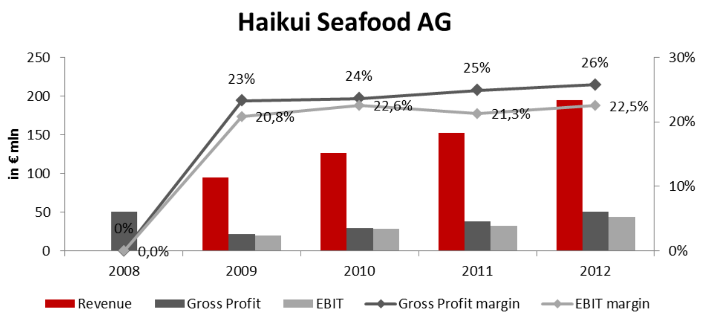
Zhongde Waste Technology AG designs, manufactures, and installs incinerators for the disposal of solid medical, municipal, and industrial waste in the People's Republic of China. The company operates through three segments: Incinerators, Engineering, Procurement and Construction (EPC) Projects, and Build-Operate-Transfer/Build-Operate-Own-Transfer (BOT/BOOT) Projects. The Incinerators segment develops, produces, and installs incinerators for public and private-sector companies, hospitals, and municipalities. The EPC Projects segment is involved in the design, construction planning, procurement, construction, and assembly of energy-from-waste incinerators. The BOT/BOOT Projects segment builds and operates waste incinerators under concession. ZhongDe Waste Technology AG was founded in 1996 and is headquartered in Frankfurt am Main, Germany.

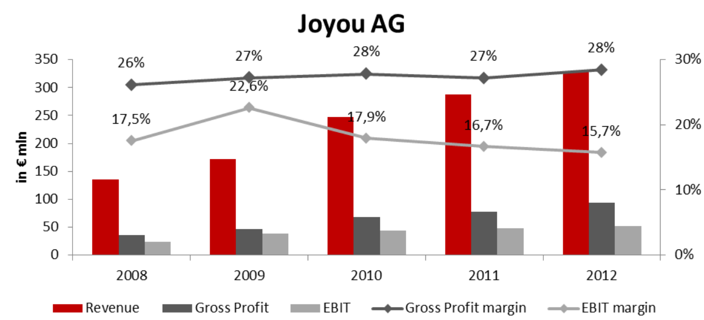




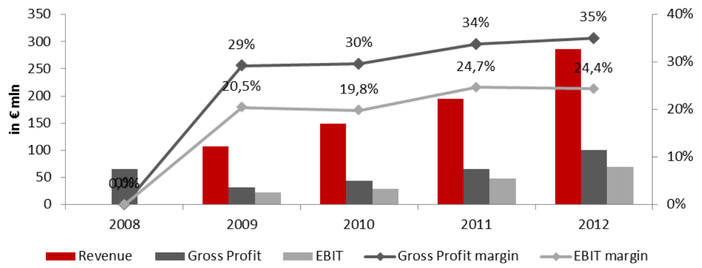




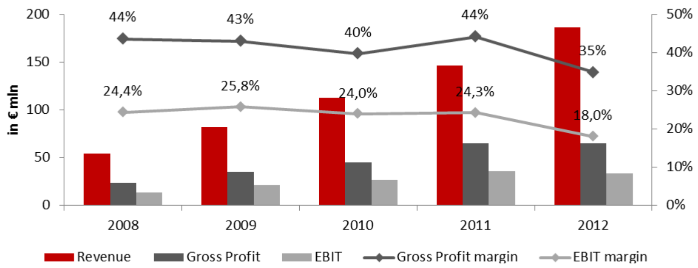




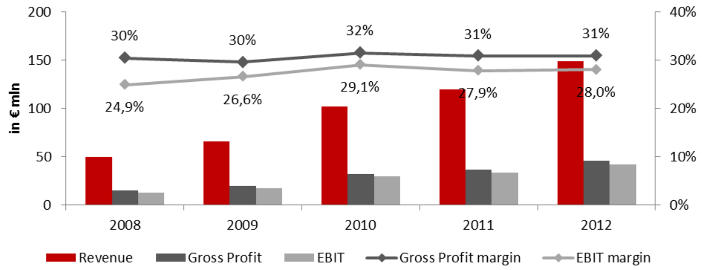
Ming Le Sports AG



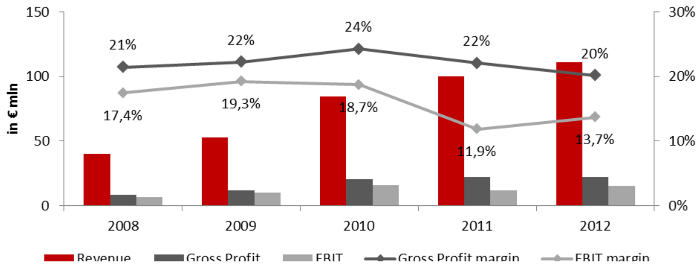
Powerland AG



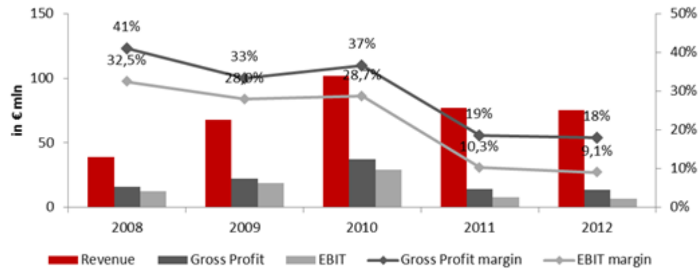
Ultrasonic AG



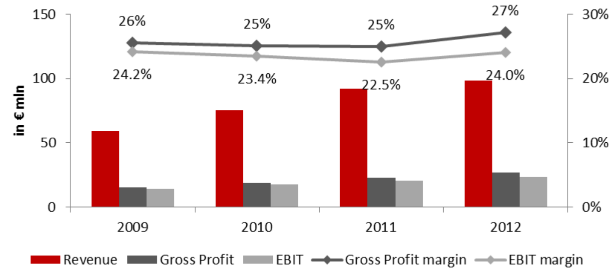
United Power Technology AG



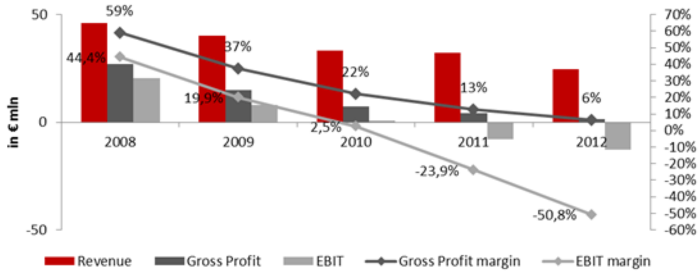
Vtion Wireless Technology AG



Youbisheng Green Paper AG



Zhongde Waste Technology AG



Peer Group Analysis (China sentiment peer group)

Peer Group	Mkt Cap prev. Day	EV prev. Day	Revenues 2012a	Revenues 2013e	Revenues 2014e	EBITDA 2012a	EBITDA 2013e	EBITDA 2014e	Net Profit 2012a	Net Profit 2013e	Net Profit 2014e	Book value 2012a	Book value 2013e	Book value 2014e
(in € mln)														
Asian Bamboo AG	41.18	55.35	72.86	70.00	77.00	-4.10	31.90	34.80	-19.81	14.70	18.40	287.98	Data not available	
China Specialty Glass AG	42.00	-	113.71	148.00	170.00	40.57	44.40	47.50	16.32	26.60	27.60	114.85		
FAST Casualwear AG	7.41	17.48	112.98	-	-	-	-	-	14.53	-	-	-		
Firstextile AG	116.76	96.68	179.55	209.33	288.33	43.12	50.47	75.13	32.53	35.17	48.40	95.52		
Haikui Seafood AG	67.62	24.65	195.12	156.00	168.00	46.22	23.30	24.35	32.18	15.25	14.75	146.67		
Joyou AG	311.22	294.12	329.61	355.00	383.50	57.98	68.20	72.35	39.67	36.05	43.40	341.55		
Ming Le Sports AG	67.46	-	286.13	-	-	70.39	-	-	61.14	-	-	155.18		
Powerland AG	53.30	2.41	-	230.50	271.50	-	48.40	64.20	-	28.40	36.90	-		
Ultrasonic AG	115.55	46.44	149.01	168.00	200.00	43.15	45.50	51.70	30.81	32.90	36.80	122.32		
United Power Technology AG	39.24	2.49	111.05	121.00	127.00	19.77	23.50	24.60	12.67	15.30	16.00	101.54		
Vtion Wireless Technology AG	47.83	-	75.57	65.00	65.00	7.45	6.20	5.90	5.35	4.50	4.30	134.80		
Youbisheng Green Paper AG	43.07	1.90	98.56	-	-	25.64	-	-	17.69	-	-	64.05		
Zhongde Waste Technology AG	27.57	-	24.76	11.20	66.70	-4.66	-1.40	2.40	-12.23	-3.50	0.20	112.76		
VanCamel	**n.a.**	**n.a.**	**168.31**	**172.91**	**178.91**	**51.11**	**45.73**	**42.62**	**38.80**	**34.21**	**31.88**	**66.24**	**88.85**	**115.60**

*If EV prev. day is not available, the EV current day is displayed without further notice

Peer Group	Mkt Cap prev. Day	EV prev. Day	EV/Revenues 2012a	EV/Revenues 2013e	EV/Revenues 2014e	EV/EBITDA 2012a	EV/EBITDA 2013e	EV/EBITDA 2014e	P/E 2012a	P/E 2013e	P/E 2014e	P/B 2012a	P/B 2013e	P/B 2014e
Multiples														
Asian Bamboo AG	41.18	55.35	1.24	0.79	0.72	neg.	1.74	1.59	neg.	2.80	2.24	0.28	-	-
China Specialty Glass AG	42.00	-	0.02	-	-	0.05	-	-	2.71	1.58	1.52	0.39	0.36	0.29
FAST Casualwear AG	7.41	17.48	0.30	-	-	-	-	-	1.67	-	-	-	-	-
Firstextile AG	116.76	96.68	0.61	0.46	0.34	2.54	1.92	1.29	3.99	3.32	2.41	1.15	0.89	0.67
Haikui Seafood AG	67.62	24.65	0.22	0.16	0.15	0.94	1.06	1.01	2.68	4.43	4.58	0.59	0.42	0.39
Joyou AG	311.22	294.12	0.61	0.83	0.77	3.49	4.31	4.07	5.60	8.63	7.17	0.65	0.82	0.74
Ming Le Sports AG	67.46	-	0.04	-	-	0.15	-	-	1.63	-	-	0.64	-	-
Powerland AG	53.30	2.41	-	0.01	0.01	-	0.05	0.04	-	1.88	1.44	-	-	0.30
Ultrasonic AG	115.55	46.44	0.35	0.28	0.23	1.22	1.02	0.90	3.95	3.51	3.14	0.99	-	-
United Power Technology AG	39.24	2.49	0.17	0.02	0.02	0.96	0.11	0.10	4.03	2.56	2.45	0.51	0.36	0.33
Vtion Wireless Technology AG	47.83	-	-	-	-	-	-	-	11.28	10.63	11.12	0.41	0.36	0.35
Youbisheng Green Paper AG	43.07	1.90	0.15	-	-	0.59	-	-	3.18	-	-	0.88	-	-
Zhongde Waste Technology AG	27.57	-	-	-	-	-	-	-	neg.	neg.	137.87	0.20	0.24	0.24
Median	**47.83**	**24.65**	**0.26**	**0.28**	**0.23**	**0.95**	**1.06**	**1.01**	**3.56**	**3.32**	**2.80**	**0.59**	**0.36**	**0.34**
Mean (for information purposes, only)	75.40	60.17	0.37	0.36	0.32	1.24	1.46	1.28	4.07	4.37	17.40	0.61	0.49	0.41
VanCamel	n.a.	n.a.	-	-	-	-	-	-	-	-	-	-	-	-
*Multiple based on historical price as of Dec 31 prev. year (not shown); as of publication date, some figures for 2012 may still be estimates														
Enterprise Value VanCamel			n.a.	47.79	41.54	n.a.	48.37	43.14	138.22	113.57	89.13	n.a.	32.04	39.20
-net debt			n.a.	-45.64	-45.64	n.a.	-45.64	-45.64						
Value of the Equity			n.a.	93.43	87.18	n.a.	94.01	88.78	138.22	113.57	89.13	n.a.	32.04	39.20

Year	2013	2014
Implicit Price	**5.55**	**5.07**

	2013	2014
Equity value based on EV/Revenues (€ mln)	93.43	87.18
Equity value based on EV/EBITDA (€ mln)	94.01	88.78
Equity value based on P/E (€ mln)	113.57	89.13
Equity value based on P/B (€ mln)	32.04	39.20
Mean	83.26	76.07
No. of shares (in ths)	15,000	15,000
Price/share (€)	5.55	5.07

Source: Bloomberg, BankM Research

Equally weighting the results of both peer groups (€ 19.94 and € 5.55) returns a market value of € 12.74 per share.

Valuation Summary

Fair Value of the Stock: € 15.10; P/E at Fair Value: 6.6

Our DCF analysis returns a value of € 17.52 per share. The peer group analysis results in a value of € 12.74 based on 2013e. Equally weighted, this results in an arithmetic mean of € 15.13. We consider the share fairly valued at € 15.10, implying an implicit P/E of 6.6.

Considering the current median P/E of the other Chinese companies listed in the Prime Standard of ca. 3.3, we expect that the share price of VanCamel is going to converge towards this P/E in the short to mid-term translating into a “trading target” of € 7.57.

Important information, disclosures and disclaimer

A. Important information

Equity investments generally involve high risks. Investors may lose some or all of the money invested. Potential investors should take into account that share prices may fall and rise and that income from an investment may fluctuate considerably. Past performance is no guarantee for future results. Investors make their decisions at their own risk.

B. Disclosures according to Section 34b of the German Securities Trading Act (WpHG) and the Ordinance on the Analysis of Financial Instruments (FinAnV):

I. Information about author, company held accountable, regulatory authority:

Responsible for the content of this document: biw Bank für Investments und Wertpapiere AG, Willich, Germany.

Authors: David Szabadvari and Dr. Roger Becker, CEFA, Analysts.

Regulatory authority for biw Bank für Investments und Wertpapiere AG is the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Graurheindorfer Straße 108, 53117 Bonn, Germany and Lurgiallee 12, 60439 Frankfurt am Main, Germany.

Issuer of the analysed instruments is VanCamel AG.

Notice according to sec. 4 §. 4 N° 4 FinAnV (previous publications regarding the issuer within the last 12 months):

No previous publications. Initiation of coverage.

II. Additional Information:

1. Sources of information:

Main sources of information for the compilation of this document are publications in national and international media and information services (e.g. Reuters, VWD, Bloomberg, dpa-AFX, ACMR-IBIS World and others), financial newspapers and magazines (e.g. Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Economist and others), specialist media, published statistics, rating agencies as well as publications by peer group companies and the company itself. Furthermore talks with the management of the issuer have been held. This document was made available to the issuer before publication to ensure the accuracy of the information provided. This resulted in no/some textual changes.

2. Summary of the valuation principles and methods used to prepare this document:

BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG uses a 3-tier absolute rating model. The ratings are the evaluation results and refer to a fair value pricing reflecting a time-horizon of up to 12 months.

BUY: The calculated fair value of the company’s stock is at least 15 % higher than the current market price at the time of the compilation of this document.

NEUTRAL: The calculated fair value of the company’s stock lies between –15% and +15 % of the current market price at the time of the compilation of this document.

SELL: The calculated fair value of the company’s stock is at least 15 % lower than the current market price at the time of the compilation of this document.

The following valuation methods are being used: Multiple-based models (Price/Earnings, Price/Cash-flow, Price/Book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer-group comparisons, historical valuation approaches, discount models (DCF, DDM), break-up value and sum-of-the-parts-approaches, asset-based evaluation methods or a combination of the above. The used valuation models depend on macroeconomic factors, such as interest rates, exchange rates, raw materials and on basic assumptions about the economy. Additionally, market sentiment affects the valuation of companies. The valuation is also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries. Rendered evaluation results and fair values derived from the models might therefore change respectively. The evaluation results in general relate to a 12-month horizon. However, evaluation results are subject to changing market conditions and represent only the situation at a given point of time. The evaluation results and fair value prices may in fact be achieved more quickly or slowly than expected by the analysts. Also, the evaluation results and fair value prices might need to be revised upward or downward.

3. Date of first publication of this document:

24 September, 2013

4. Date and time of prices of the instruments quoted in this document:

Closing prices of 23 September, 2013

5. Updates:

A specific date or time for an update of this document has not been set. The information given in this document reflects the author’s judgement on the date of this publication and is subject to change without notice; it may be incomplete or condensed and it may not contain all material information concerning the company covered. It is in the sole responsibility of BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG to decide on a potential update of this document.

III. Disclosures about potential conflicts of interest:

1. BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG´s business model is based on economic relationships with issuers and equity transactions to be performed relating to the issuer´s stock. BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG has entered into an agreement about the preparation of this document with the issuer that is, or whose financial instruments are, the subject of this document.

BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG (incl. subsidiaries and affiliates), the authors of this document as well as other persons that were involved in the compilation of this document or affiliated parties:

- **do not have a major shareholding (shareholding exceeding 5%) of the share capital of the issuer,**
- **have not, within the past twelve months, participated in leading a consortium for the issue via public offer of the financial instruments that are, or whose issuers are, the subject of this document,**
- **have, within the past twelve months, been party to an agreement on the provision of investment banking services with the issuer that is, or whose financial instruments are, the subject of this document, or have received services or a promise to perform under the terms of such an agreement during the same period,**
- **have no other significant economic interests relating to the issuer that is, or whose financial instruments are, the subject of this analysis.**

2. In the function as a designated sponsor, BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG manages the financial instruments that are, or whose issuers are, the subject of the financial analysis on a market by placing buy or sell orders and will regularly hold a trading stock or long or short positions in the issuer´s stock.

3. BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG´s internal organisation is aligned with the prevention of conflict of interests in producing and distributing research reports. Possible conflicts of interests will be treated adequately. In particular, physical and non-physical boundaries were installed to keep analysts from gaining access to information that possibly could constitute a conflict of interest for the bank. biw Bank für Investments und Wertpapiere AG keeps insider registers according to sec. 15 WpHG for employees and assignees that normally have access to inside information. These registers will be transmitted to BaFin on request. Insiders´ dealings according to sec. 14 WpHG categorically are prohibited. Staff members that fill a specific position and have access to inside information categorically have to disclose all dealings in financial instruments to the internal compliance department. The compliance of legal requirements and supervisory regulations is subject to continuous supervision and control of the compliance department of biw Bank für Investments und Wertpapiere AG. In this regard, the right to restrict employees´ dealings in financial instruments is reserved.

4. The remuneration of the analysts mentioned above is not dependent on any investment banking transactions of BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG or its affiliates. The analysts that compiled this document did not receive or acquire shares in the issuer that is, or whose financial instruments are, the subject of this document at any time. The analysts mentioned above herby certify that all of the views expressed accurately reflect their personal views about the issuer and that no part of their compensation was, is or will be, directly or indirectly, related to the specific evaluation result or views expressed by the analyst in this document.

5. Updated information according to sec. 5 para. 4 Nº. 3 FinAnV is is available at: http://www.bankm.de/webdyn/138_cs_Gesetzliche+Angaben.html.

C. Disclaimer:

This document was compiled by BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG solely for informational purposes and for the personal use by persons in Germany that are interested in the company and who purchase or sell transferable securities for their own account or the account of others in the context of their trade, profession or occupation. This document neither constitutes a contract nor any kind of obligation.

This document and its content, in whole or in part, may not be reproduced, distributed, published or passed on to any other person without the prior written consent of BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG.

This publication is for distribution in or from the United Kingdom only with the prior written consent of BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG and only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made there under or to investment professionals as defined in Section 19(5) of the Financial Services and Markets Act 2000 (financial promotion) order 2005 (the order) respectively in the version as amended from time to time and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons.

Neither this document nor any copy of it may be taken or transmitted into the United States of America, Canada, Japan or Australia or distributed, directly or indirectly, in the United States of America, Canada, Japan or Australia or to any resident thereof.

The distribution of this document in other jurisdictions may be restricted by law, and persons who are in possession of this document have to inform themselves about any such restrictions and observe any such restrictions.

This document is not intended to be an offer, or the solicitation of any offer, or any advice or recommendation to buy or sell the securities referred to herein. This document is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor. Potential investors should seek professional and individual advice before making their investment decisions. Investment decisions must not be based on this document. For the purposes of the listing of the shares on the regulated market (Regulierter Markt) of the Frankfurt Stock Exchange and simultaneously on the official market of the Vienna Stock Exchange, a prospectus has been prepared. This Prospectus has been approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – “BaFin”) and can be downloaded at www.vancamel.de. Potential investors are strongly recommended to read the prospectus before buying shares of the company.

The information within this document has been obtained from sources believed by BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG to be reliable, but BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG does not examine the information to be accurate and complete, nor guarantees its accuracy and completeness. Although due care has been taken in compiling this document, it cannot be excluded that the information given is incomplete or the document contains errors. The liability of BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG shall be restricted to gross negligence and wilful misconduct. All opinions expressed in this document are those of BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG respectively the authors and subject to change without notice. Possible errors or incompleteness of this document may be corrected by BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG and do not constitute grounds for liability, neither with regard to indirect nor to direct or consequential damages. Only in case of failure in essential tasks, BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG is liable for simple negligence. In addition BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG does not accept any liability or responsibility for any loss arising from any use of this publication or its contents or otherwise arising in connection herewith. In any case, the liability of BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG is limited to typical, foreseeable damages and the liability for any indirect damages is excluded.

By accepting this document, the reader/user of this document agrees to be bound by all of the foregoing provisions and this disclaimer. Moreover, the user agrees not to distribute this document to unauthorized persons. The user of this document shall indemnify BankM – Repräsentanz der biw Bank für Investments und Wertpapiere AG for any damages, claims, losses, and detriments resulting from or in connection with the unauthorized use of this document.

This document is subject to the laws of the Federal Republic of Germany. Place of jurisdiction is Frankfurt am Main, Germany.

Should certain specifications of this disclaimer not be legally binding or become legally non-binding, this will have no impact on the legally binding character of this disclaimer and its other legal specifications.

This document is not intended for use by persons resident in any jurisdiction that regulates access to such documents by applicable laws. Investment decisions must not be based on any statement in this document. Persons in possession of this document should inform themselves about possible legal restrictions and observe them accordingly. In case of uncertainty persons should not access and/or consider the content of this document in any decisions. This document is not intended for use by persons that are classified as US-persons under the United States Securities Act.