



INTERIM STATEMENT
3 MONTHS 2015
FEIKE AG



COMPANY VISION

We are the second largest manufacturer of children's footwear in China.¹
Our vision is to become the largest supplier
of children's footwear in China.

COMPANY PROFILE

Feike AG is the second largest manufacturer of children's footwear in China.¹ The Company sells its wide range of products comprising children's footwear and apparel under the three well-known brands "Feike", "Atongmu" and "Lanmao". The sales network currently includes 2,393 retail outlets in 27 provinces of China. In 2014, Feike employed 1,082 people at its production sites in the Fujian Province.

KEY FINANCIALS

TEUR	3M 2015	3M 2014	Change in %
Revenue	29,485	22,849	29.0
Gross profit	8,753	7,092	23.4
Gross profit margin (%)	29.7%	31.0%	- 1.3 pp
EBITDA	7,104	5,914	20.1
EBITDA margin (%)	24.1%	25.9%	- 1.8 pp
EBIT	7,176	5,982	20.0
EBIT margin (%)	24.3%	26.2%	- 1.9 pp
Net profit	5,260	4,360	20.6
Net profit margin (%)	17.8%	19.1%	- 1.3 pp
Sales volume ('000 unit)	3,292	3,132	5.1
Net cash flow from operating activities	13,442	12,602	6.7
Equity to asset ratio (%)	73.4%	64.6%	8.8 pp
Headcount (person)	1,052	1,016	3.5

¹ By retail sales volume in 2012 according to the "Report on Children's Apparel and Footwear Markets in China" prepared by the Smart Cube (the "Smart Cube Report").

THE FEIKE GROUP

Feike Group is a specialised designer and manufacturer of children's footwear and apparel products with a leading position in the children's footwear market in China. Feike Group has focused on serving the children's footwear and apparel markets and has accumulated rich industry experience and established strong brand recognition since the commencement of its business in 2000.

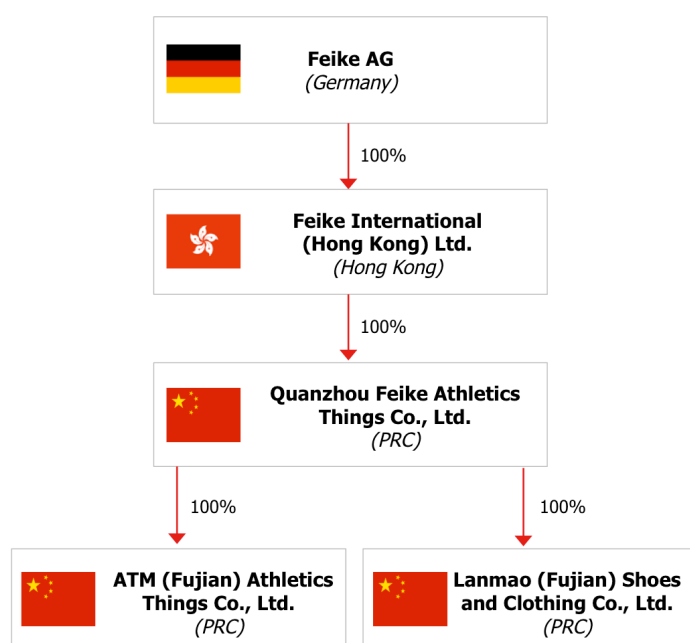
GROUP STRUCTURE

Feike Group comprises five member companies, i.e. Feike AG (the "**Company**"), the holding company based in Berlin, Germany, the intermediate holding company, Feike International (Hong Kong) Limited ("**Feike HK**") based in Hong Kong and three subsidiaries based in China. The three PRC subsidiaries include Quanzhou Feike Athletics Things Co., Ltd. ("**Quanzhou Feike**"), ATM (Fujian) Athletic Things Co., Ltd. ("**ATM Fujian**") and Lanmao (Fujian) Shoes and Clothing Co., Ltd. ("**Lanmao Fujian**"), which were incorporated under the laws of the PRC and with its registered address in Quanzhou, Fujian province, China (hereinafter collectively referred to as "**Feike Group**" / the "**Group**").

Feike AG was founded on 9 October 2013 as a shelf-company and registered in the commercial register with the local court of Charlottenburg on 15 October 2013.

On 4 June 2014 and on 7 July 2014, the extraordinary general shareholders' meeting of the Company resolved to increase the Company's share capital through a capital increase against contribution in kind: shareholders arranged for the contribution of all shares of Feike HK against the issuance of EUR 9,950,000 no-par value ordinary bearer shares each with a nominal value of EUR 1.00. The share capital increase became effective on 15 July 2014 when it was registered in the commercial register of the local court in Berlin.

The following diagram provides an overview of the current Feike Group structure as at 31 March 2015:



ECONOMIC ENVIRONMENT

Macroeconomic environment

All sales revenue of Feike Group is generated by the sale of its products in the China market and therefore, the business growth of the Group is directly associated with the economic development of China. The economy of China has continued to expand rapidly over the last three decades and recently emerged as the world's second largest economy next to the United States. Now, by leveraging on its vast domestic demand and investment spending, the China economy managed to show signs of stabilization and steady improvement.

In the first quarter of 2015, the economy grew at 7.0%, which is 0.4% lower than the growth of the corresponding period in 2014. The slowdown was mainly attributable to the slowdown in fixed asset investment and domestic consumption. Besides, the slowdown also represents the challenging economy outlook in China now whereby the sentiment is relatively weak and consumers are becoming more cautious in their spending.

In addition, despite China's economy was mainly driven by its domestic consumption, it would be affected by the headwinds from the world's economy, to a certain extent. The recent incidents, for example, political unrest in Ukraine, slowing European economy, in particular, the economic crisis in Russia and Greece, plummeting crude oil price and etc. will certainly have an impact on the China's economy.

Industry development

The rising disposable income and improved living standards in China have driven the rapid development of the children's footwear and apparel market in recent years. In addition, the relaxation of the one-child policy in 2013 is expected to further boost the children's footwear and apparel market in China to the next new level. Nowadays in China, the children's footwear and apparel market is a sunrise industry that is filled with positive factors.

Nevertheless, the booming industry has also attracted new players to the market and therefore, increased the competition in the industry. Among which there are entries of international players and adult-wear players that are huge in size. International players, for example Umi Shoes, a US-based children's footwear brand catering to the high-end segment, and Kappa, an Italian sports clothing, footwear and accessories company that launched a sub-brand Kappa Kids, entered the Chinese market in 2013 and 2012, respectively. On the other hand, adult-wear players, for example Li-Ning, introduced a sub-brand, Li-Ning Kids, to offer sports and leisure clothing for the age group from five to ten in 2012.

We are not aware of any comprehensive market research in the reporting period of the first three months 2015 covering all our market segments. The combined market size of the children's footwear and apparel market in China is estimated to reach EUR 29.2 billion in 2017, with the CAGR of approximately 11%. In particular, The children's apparel market in China is expected to increase from EUR 14.8 billion in 2013 to EUR 22.6 billion in 2017 by retail sales value, representing a CAGR of 11.1%, while the children's footwear market in China is expected to increase from EUR 4.4 billion in 2013 to EUR 6.6 billion in 2017 by retail sales value, representing a CAGR of 10.7%.

RESULTS OF OPERATIONS

The formation of Feike Group became legally effective by registration of the implementation of the capital increase in the commercial register of the local court of Berlin on 15 July 2014.

The table below presents the consolidated income statements for the first three months ended 31 March 2014 and 2015:

TEUR	3M 2015	3M 2014	Change in %
Revenue	29,485	22,849	29.0
Cost of sales	(20,732)	(15,757)	31.6
Gross profit	8,753	7,092	23.4
Other income	91	40	>100.0
Distribution expenses	(1,159)	(814)	42.4
Administrative expenses	(509)	(336)	51.5
Profits from operations (EBIT)	7,176	5,982	20.0
Finance costs	(155)	(135)	14.8
Profit before income tax	7,021	5,847	20.1
Income tax	(1,761)	(1,487)	18.4
Net profit for the period	5,260	4,360	20.6
Gross margin (%)	29.7%	31.0%	-1.3 pp
EBIT margin (%)	24.3%	26.2%	-1.9 pp
Net profit margin (%)	17.8%	19.1%	-1.3 pp

Revenue

Revenue increased from TEUR 22,849 in the first three months of 2014 by TEUR 6,636 or 29.0% to TEUR 29,485 in the corresponding period of 2015. Measured in RMB, revenue increased by 4.8% during the reporting period. The increase was mainly attributable to the increased sales volumes resulting from increased number of authorized retail outlets (2,306 as at 31 March 2014 and 2,437 as at 31 March 2015). During the reporting period, the number of units of footwear and apparel sold increased by 5.1% to 3.3 million while the average unit selling price increased slightly by 0.2%.

Gross profit and gross profit margin

Gross profit increased from TEUR 7,092 in the first three months of 2014 by TEUR 1,661 or 23.4% to TEUR 8,753 in corresponding period of 2015. The gross profit margin was recorded at 29.7% for the first three months of 2015 as compared to 31.0% of the corresponding period in 2014. The slight decrease of 1.3% in gross profit margin was mainly attributable to the promotional leisure shoes with lower gross profit margin.

Distribution expenses

Distribution expenses increased from TEUR 814 in the first three months of 2014 by TEUR 345 or 42.4% to TEUR 1,159 in the corresponding period of 2015. In term of percentage to revenue, distribution expenses increased from 3.6% in the first three months of 2014 to 3.9% of the first three months of 2015. The increase was mainly attributable to the increase in sales incentives to the distributors and retailers during the reporting period.

Profits from operations (EBIT)

EBIT increased from TEUR 5,982 in the first three months of 2014 by TEUR 1,194 or 20.0% to TEUR 7,176 in the corresponding period of 2015. This represented EBIT margin of 24.3% (3M 2014: 26.2%). The decrease in EBIT margin was in line with the decrease in gross profit margin.

Net profit

Net profit increased from TEUR 4,360 in the first three months of 2014 by TEUR 900 or 20.6% to TEUR 5,260 in the corresponding period of 2015. This represented net profit margin of 17.8% in the three months 2015 (3M 2014: 19.1%). The decrease in net profit margin was in line with the decrease in gross profit margin.

BUSINESS PERFORMANCE BY PRODUCT TYPE

The following table presents the business performance by product type for the first three months ended 31 March 2014 and 2015:

TEUR	3M 2015	3M 2014	Change in %
Footwear products			
Revenue	23,983	18,920	26.8
% of total revenue	81.3%	82.8%	-1.5 pp
Gross profit margin (%)	29.1%	30.9%	-1.8 pp
Apparel products			
Revenue	5,502	3,929	40.0
% of total revenue	18.7%	17.2%	1.5 pp
Gross profit margin (%)	32.4%	31.5%	0.9 pp

Footwear products

In the first three months of 2015, revenue for footwear products accounted for 81.3% of the total revenue. The revenue increased from TEUR 18,920 in the first three months of 2014 by TEUR 5,063 or 26.8% to TEUR 23,983 in the corresponding period of 2015. The decrease in gross profit margin was mainly attributable to the promotional leisure shoes with lower gross profit margin.

Apparel products

In the first three months of 2015, revenue for apparel products accounted for 18.7% of the total revenue. The revenue increased from TEUR 3,929 in the first three months of 2014 by TEUR 1,573 or 40.0% to TEUR 5,502 in the corresponding period of 2015. The increase in revenue ratio was in line with the Company's strategy to increase sales volume of apparel products and to improve its position on the highly fragmented children's apparel market.

ASSETS AND FINANCIAL POSITION

Net assets

The following table presents the consolidated statements of financial position as at 31 December 2014 and 31 March 2015:

TEUR	31 Mar 2015	31 Dec 2014
Non-current assets	2,548	2,336
Current assets	121,540	105,657
Total assets	124,088	107,993
Total equity	91,061	76,221
Non-current liabilities	5,355	4,631
Current liabilities	27,672	27,141
Total liabilities and equity	124,088	107,993

Non-current assets

Property, plant and equipment

Property, plant and equipment comprise mainly leasehold buildings, plant and machinery, IT equipment, motor vehicles and office equipment. Property, plant and equipment increased from TEUR 1,165 as at 31 December 2014 by TEUR 94 or 8.1% to TEUR 1,259 as at 31 March 2015. The increase resulted from the unrealized foreign exchange gain and was partially offset by its three-month depreciation.

Land Use Rights

Land use rights represent the prepayments for land use rights. The balance increased from TEUR 681 as at 31 December 2014 by TEUR 76 or 11.2% to TEUR 757 as at 31 March 2015. The increase resulted from the unrealized foreign exchange gain and was partially offset by its three-month amortization.

Prepaid Lease Rental (Non-current and Current)

Prepaid lease rental represented the prepayments for lease of buildings. The balance increased from TEUR 437 as at 31 December 2014 by TEUR 32 or 7.3% to TEUR 469 as at 31 March 2015. The increase resulted from the unrealized foreign exchange gain and was partially offset by its three-month amortization.

Intangible Asset

Intangible asset comprises the two Lanmao related trademarks acquired from third parties. The balance increased from TEUR 125 as at 31 December 2014 by TEUR 10 or 8.0% to TEUR 135 as at 31 March 2015. The increase resulted from the unrealized foreign exchange gain and partially offset by its three-month amortization.

Current assets

Inventories

The balance increased from TEUR 2,407 as at 31 December 2014 by TEUR 247 or 10.3% to TEUR 2,654 as at 31 March 2015. The increase was mainly attributable to the unrealized foreign exchange gain. Measured in RMB, inventories decreased slightly by 1.4% during the reporting period.

Trade Receivables and Prepayments

The balance decreased from TEUR 29,213 as at 31 December 2014 by TEUR 8,441 or 28.9% to TEUR 20,772 as at 31 March 2015. The decrease was mainly attributable to the faster collection during the reporting period.

Cash and Cash Equivalents

The balance increased from TEUR 73,965 as at 31 December 2014 by TEUR 24,077 or 32.6% to TEUR 98,042 as at 31 March 2015. The increase was mainly attributable to the cash generated from operations resulting from the increased profit before tax and unrealized foreign exchange gain.

Total Equity

Equity increased from TEUR 76,221 as at 31 December 2014 by TEUR 14,840 or 22.4% to TEUR 91,061 as at 31 March 2015. The increase was mainly attributable to the strong profit after tax and the increased foreign currency translation reserve.

Current liabilities

Trade Payables and Other Payables

The balance increased from TEUR 18,471 as at 31 December 2014 by TEUR 957 or 5.2% to TEUR 19,428 as at 31 March 2015. The increase was mainly attributable to the unrealized foreign exchange loss. Measured in RMB, trade payables and other payables decreased by 6.0% during the reporting period.

Amount Owing to a Director (Non-current and Current)

The balance increased from TEUR 7,314 as at 31 December 2014 by TEUR 724 or 9.9% to EUR 8,038 as at 31 March 2015. The increase was mainly attributable to the unrealized foreign exchange loss and the expenses paid on behalf by the director.

The balance was mainly attributable to the interest-free loan from the director, which is repayable in three years (2014–2016).

Liquidity

The following table presents the summary of the cash flow data for the first three months ended 31 March 2014 and 2015:

TEUR	3M 2015	3M 2014	Change in %
Cash at the beginning of the period	73,965	40,830	81.2
Cash flow from operating activities	13,442	12,602	6.7
Cash flow from / (for) investing activities	91	(220)	>100.0
Cash flow from / (for) financing activities	967	(226)	>100.0
Cash at the end of the period	98,042	52,739	85.9

Cash flow generated from operating activities

Net cash flow generated from operating activities increased from TEUR 12,602 in the first three months of 2014 by TEUR 840 or 6.7% to TEUR 13,442 in the corresponding period of 2015. The increase was mainly attributable to the decrease in trade receivables during the reporting period.

Cash flow generated from investing activities

Net cash flow used in investing activities decreased from TEUR 220 in the first three months of 2014 by TEUR 311 to net cash flow generated from investing activities of TEUR 91 in the corresponding period of 2015. The net cash flow used in investing activities in the first three months of 2014 was mainly attributable to the prepayment for the office building that was newly leased from a director in January 2014.

Cash flow generated from financing activities

Net cash flow used in financing activities decreased from TEUR 226 in the first three months of 2014 by TEUR 1,193 to net cash generated from TEUR 967 in the corresponding period of 2015. The decrease was mainly attributable to the advances received from the director.

Cash and cash equivalents at end of period

The balance increased from TEUR 52,739 as at 31 December 2014 by TEUR 45,303 or 85.9% to TEUR 98,042 as at 31 March 2015. The increase was mainly attributable to the cash generated from operations resulted by the increased profit before tax and the unrealized foreign exchange gain.

RISK AND OPPORTUNITY REPORT

There were no significant changes in risks and opportunities in the first three months of 2015. For further information on the risks the Company is exposed to and the Company's risk management policy, please refer to the **"Opportunity and Risk Report"** section in the annual report 2014.

DEVELOPMENTS AFTER THE END OF THE REPORTING PERIOD

No material events between the end of the reporting period and the date of the approval and authorisation for issuance of the financial statements have occurred.

OUTLOOK AND OPPORTUNITIES

In general, there were no material changes in the outlook and opportunities compared to the disclosure in the annual report 2014. For further information, please refer to the **"Outlook 2015"** and **"Opportunity and Risk Report"** sections in the annual report 2014.

Group development and strategy

Brand recognition and consumer acceptance are the determining factors for consumers in making purchasing decisions for children's footwear and apparel products. Feike Group's ability to maintain and enhance the market reputation of its brands is critical to its success. As such, Feike is continuing to invest in raising brand awareness. The principal measures include advertisements geared to the target group and the opening of flagship stores at strategic locations in cooperation with the respective distributor. The number of its retail outlets as a non-financial key performance indicator is expected to reach approximately 2,500 by the end of 2015. The number of outsourced units of footwear and apparel as further a non-financial key performance indicator is expected to reach 10.5 million units in 2015.

Macroeconomic environment

Feike Group derives its entire turnover substantially from sales of its products in China. The success of Feike Group's business depends on the condition and growth of the Chinese consumer market, which in turn depends on macro-economic conditions and individual income levels in China. In 2015, the economy of China is expected to grow 7.0%, which is 0.4% less than 2014. Nevertheless, despite the slowdown in growth, the estimated growth rate of 7.0% in 2015 is still ahead of most countries in the world. With such growth rate, the accompanying increase in disposal income, ongoing urbanization, higher productivity and the growth of added value are continuing and are expected to lead to further increase in retail sales of consumer goods in China. However, the mentioned positive factors are expected to be partially offset by the relatively weak consumer sentiment resulting from the slowdown. Given the tougher market and economic conditions moving forward, 2015 is expected to be an even more challenging year for Feike Group.

Last but not least, China, as the world's second largest economic entity, is inevitably to be affected by the headwinds from the world's economy, to a certain extent. The recent incidents, for example political unrest Ukraine, the slowing European economy, in particular the economic crisis in Russia and Greece, plummeting crude oil price etc. will certainly have an impact on China's economy.

On top of that, the average rate of RMB for the first three months of 2015 has appreciated for more than 15% against Euro as compared to the average rate of 2014. In addition, the EUR is expected to depreciate further with the quantitative easing proposed of the European Central Bank. Despite the fact that Feike Group is not influenced by the fluctuation of foreign currency risks due to its operational activities are denominated mainly in RMB, but the appreciation of RMB against EUR will definitely have a favorable effect on Feike Group's consolidated financial statements that present in EUR.

Industry development

The children's footwear and apparel industry in China is characterized by intense competition from both international and domestic brands, and Feike Group expects competition to grow in this industry in the future. Moreover, due to the ever increasing significance of the Chinese market for multinational companies, Feike Group expects more of its international competitors to increase their business activities in China. As such, we will channel more resources to the design and development capabilities to further enhance our competitive edge and leading position in the industry.

On the other hand, the relaxation of the one-child policy is expected to have a positive impact on Feike Group's business. According to the authority, there would be additional 1 to 2 million newborn children each year after the relaxation of the one-child policy. In particular, such addition is expected to be on top of the existing base of 16 million newborn children per year. In addition, with the rising disposable income, there is increasing brand awareness among consumers. Nowadays in China, the non-branded products are either being eliminated or struggling with the extremely low profit margin.

Feike Group's future business development

We expect our business will continue to benefit from the growth of China's economy and foresee that consumer spending will be the main growth driver in the future. The consumers in China are becoming increasingly conscious of quality and fashion trends and therefore, brand awareness is becoming more significant for purchase decisions. Feike Group therefore sees good prospects of raising its share on the market for high-quality fashionable children's footwear and apparel in the coming years. In view of its present distribution network, the expected rise in the number of authorized retail outlets, its proven strength in product development and its stable financial position, we believe that it is well-positioned to derive benefit from the developments outlined here for 2015.

In 2015, we are expecting relatively stable gross and net profit margin and double digit growth in our revenue as compared to 2014. Nevertheless, the growth of our revenue in 2015 is forecasted based on the assumption of RMB's appreciation against EUR as mentioned above. Measured in RMB, the growth of our revenue in 2015 has a forecasted range from 4% to 6%, after taken into consideration the abovementioned factors. We expect the growth of gross profit and net profit in the same range as the growth of revenue.

Berlin, 15 May 2015
Feike AG

The Management Board

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements, which are based on the current estimates and assumptions by the corporate management of Feike AG. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Feike AG and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside Feike AG's control and cannot be accurately estimated in advance, such as the future economic environment or the actions of competitors and others involved in the market place. Feike AG neither undertakes nor plans to update any forward-looking statements.