

We invest in winners. That means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

L Brands Inc.

At the annual *Victoria's Secret Fashion Show* top models like Heidi Klum, Giselle Bündchen and Miranda Kerr celebrate themselves and their precious lingerie. It is a great honor for the so-called *Victoria's Secret Angels* to be presenters of the worldwide well-known brand. The ladies are fascinated both by the excellent, stylish and manifold products and by the unique service and competence of the motivated employees, trying to satisfy customers' wishes in one of the 1,050 US stores. The Holding L Brands has recently been named the world's most admired retailer in the category Apparel by the Fortune Magazine's annual survey *most admired companies*.

76 year old CEO and major shareholder Leslie Wexner established L Brands in 1963 and purchased the start-up Victoria's Secret in 1982. Victoria's Secret contributes 63% to Group sales. 28% are turned over by the cosmetic brand Bath & Body, founded in 1990 by Leslie Wexner. A further 9% of the sales come from the unprofitable La Senza brand and its remaining 160 stores. It was purchased for 600 million USD in 2007 and has since been written off. However, the Victoria's Secret and Bath & Body brands are highly profitable. The operating margin amounts to 20%. By growing 7% p.a. they have generated operating earnings of 14 billion USD for the last ten years. The space management of each of the core brands is excellent. It can be characterized by

outstanding inventory management, optimized turnover rate, store size and product variety. Victoria's Secret achieves an average annual turnover of 4.9 million USD per US store or a very high 9,000 USD per square meter. Bath & Body annually generates 1.7 million USD with 1,600 stores or 8,000 USD per square meter. In the last ten years L Brands reinvested 5 billion USD and distributed 13 billion USD or 70% of the current market value through dividends and net share buy-backs. Despite generous share option programs it was possible to reduce the number of shares by 45%. To this end, debts of 4 billion USD were incurred.

The economic globalization has bypassed L Brands up to now. The complete store and E-commerce-presence is only available in the USA and in Canada. The number of stores of both brands hasn't changed over the last ten years, although European women can barely wait to satisfy their desire for Victoria's Secret. With unbearable slowness the global demand finally receives active attention. Since 2009 small travel-stores have emerged at airports and since 2012 the first five European stores have been opened in London.

We expect L Brands to concentrate on the worldwide expansion of Victoria's Secret instead of spending 15 out of 18 billion USD on distribution and investments besides of the two core brands Victoria's Secret and Bath & Body, like they did during the past ten years. The global growth potential is enormous.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky