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This brief memorandum is intended to present the main features of the **Fiddiam Group**. It is intended exclusively for parties who have expressed a strong interest in the eventual acquisition of the group.

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## **Fiddiam Group**

### **Memorandum of presentation**

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#### **1 – The legal structure of the Group:**

**Fiddiam SA**, 100% owned by Mr Siegfried BILSKI is located in Luxembourg (2,5 hours from Paris, and from Bruxelles) .

#### **2 - Brief history:**

In 1997 Mr Siegfried BILSKI, entrepreneur, set up this company in Luxembourg in the health food supplements, distributing mainly American products through mail order selling and internet.

Distribution agreements with well-known brands (AOR, Boscogen, Country Life, Nature's way...) represent 95% of the sales, the last 5% are with the own brand of Fiddiam.

Web sites:

<http://www.nutrilife-shop.de>

<http://www.nutrilifeshop.com/index.php>

<http://www.nutrilife-shop.co.uk/>

#### **3 – Activities of the group:**

The Group is specialised in the development and the marketing of nutritional supplements, in Germany, France and Austria, through 2 sales channels:

- sales by catalogue,
- e-commerce

#### **4 – Brands and products of the group:**

##### **Suppliers**

##### **Principals**

Fiddiam operates:

- 24 third party brands, mainly from the USA : AOR, Boscogen, Cevrai, Country Life, Deba, Industex, Innovital, Irwin Natural, Kala Health, Life Extension, Medex, Millenium Health, Natrol, Nature's way, Neocell, Nowfoods International, Nutricology, Nutrilife, Peak Sport, Progressive Lab, Pure Planet, Puritan's pride, Solaray, Source Naturals, Tovlibrands Pharma.
- one internal brand owned by itself

##### **Relationship with the suppliers**

The supplier's relationship management is facilitated due to the large number of suppliers; in case of difficulty (delay, price, quality...) with one, it is easy to supply with another.

The current contracts with theses suppliers and Fiddiam can be denounced at any time by both contractors.

The strong competition between these suppliers guaranty a competitive price for Fiddiam on the European market and the homogeneous quality between the different suppliers allows substituting one by another in case of problem of delivery.

### **Own products**

Concerning the internal brand, Fiddiam is not involved in the manufacture of its in-house products, but develops strong partnerships with specialised manufacturers in France to ensure protection and confidentiality of its formulations.

In this way it has a growing input of value-added to its activities.

Gross margin = sales – cost of sales = 73 to 81% of the sales

## **5 – Group Sales**

<b>P&amp;L</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Sales K€</b>	3827	5487	7724	10462	14684
<b>Annual growth</b>		43,4%	40,8%	35,4%	40,4%

Figures including distributed and owned brands

The success of the brands in Germany, in France and in Austria is due to the know-how, marketing, the high quality of products, and the energy of the founder of the group which has resulted in strong consumer demand (average of 40%/year between 2006 and 2010) and, in turn, rapid and consistent growth in turnover over this period.

Turnover breakdown by country in 2010:

	<b>Turnover in K€</b>	<b>%</b>
Germany	7 329	52,1%
France	5 976	42,5%
Austria	657	4,7%
Others	104	0,7%
<b>TOTAL</b>	<b>14 068</b>	<b>100,0%</b>

In 2009, when the group was one of the top suppliers of health food outlets, Mr BILSKI decided to:

- Accelerate its development on the web,
- Increase the development of the group's with his own brand and products,

### **Recent growth:**

As shown clearly in the above table, the growth of the group has been consistently strong over the recent years and can be explained by 5 factors:

- Huge marketing investment (6M€/year)
- Capacity to adapt every month the proposed products to the customers
- Capacity to get promotions and to discount when useful
- Exceptional positioning of the products in terms of “value for money”
- Successful growth of the web sites

If the large majority of the group's turnover (95%) is currently generated by distributed brands, the in-house brands are forecasted to account for an ever-increasing proportion of sales (from 5% today to 50% in the next 5 years).

## 6 – Cost of sales and gross margins

P&L K€	2006	2007	2008	2009	2010
<b>Sales</b>	<b>3827</b>	<b>5487</b>	<b>7724</b>	<b>10462</b>	<b>14684</b>
Cost of sales	915	1475	2117	2141	2770
<b>Gross margin</b>	<b>2912</b>	<b>4012</b>	<b>5607</b>	<b>8321</b>	<b>11914</b>
<b>GM%Sales</b>	<b>76%</b>	<b>73%</b>	<b>73%</b>	<b>80%</b>	<b>81%</b>

### Comments:

Overall level of gross margin: 81% in 2010.

The group's management believe that the most effective way to establish strong consumer loyalty is to ensure best "value for money". In other words, the formulations of the products are of the highest quality, while the price at which its products are sold should be no more than the cost of the competing products of inferior quality. In this way strong customer loyalty is established.

## 7 – Distribution expenses

Distribution of products is organised as follows by two externalized mailing firms Luxroutage and XXX:

- products are delivered from the suppliers to the Luxroutage and YYY Warehouses,
- they are controlled and stored in the same warehouses,
- when appropriate, products are relabelled for export markets or prepared for special sales promotions.

Once the order has been checked by the sales administrators, it is processed in one the two externalised warehouses:

- each customer order is picked, checked and packed safely into parcels,
- preparation of a detailed invoice,
- the invoice is then inserted to the customer's parcel,
- customer parcels are then collected by an express transport company which is responsible for end delivery to clients.

About 1 000 individual orders are received and processed every day from the two Warehouses.

Logistics expenses:

P&L	2006	2007	2008	2009	2010
<b>Sales</b>	<b>3827</b>	<b>5487</b>	<b>7724</b>	<b>10462</b>	<b>14684</b>
Logistics	203	315	468	605	1296

Logistics: ordering, warehousing, delivery

## 8 – Marketing expenditure:

P&L		2006	2007	2008	2009	2010
<b>Sales</b>		<b>3827</b>	<b>5487</b>	<b>7724</b>	<b>10462</b>	<b>14684</b>
Marketing	50%	1688	2686	3603	5832	7470
Mailing		1539	2538	3393	5341	6587
Printing advertising		149	148	210	491	896

Marketing = conception, printing of advertising + renting mailing and emailing lists

Comment:

- Obviously, the success of this company is due to their marketing knowhow, especially in the catalog and mail order techniques and to the strong budget to contact news prospects (mailing and emailing lists rented)
- Transition from the catalog to the web channel (hiring: 2 web marketer mid 2011 to increase the presence for Fiddiam on the web))

## 10 – Contribution by brand/channel

To be defined

## 11 – Human resources

Group headcount is 31, including general management, customer service, marketing, finance and administration.

Warehousing and transport are externalised.



	Germany Austria	France Other countries
General Management	1	2
Customer service	6	5
Marketing	4	4
Supply management	1	1
Orders and stocks management	2	2
Accounting	1	1
Total	15	15

The staff is based at the premises of Fiddiam in Luxembourg. They are subject to Luxembourg taxation and employment legislation

## 12 – 6 years consolidated P&Ls :

P&L		2006	2007	2008	2009	2010	2011
<b>Sales</b>		<b>3827</b>	<b>5487</b>	<b>7724</b>	<b>10462</b>	<b>14684</b>	<b>16800</b>
Cost of sales	20%	915	1475	2117	2141	2770	3360
<b>Gross margin</b>		<b>2912</b>	<b>4012</b>	<b>5607</b>	<b>8321</b>	<b>11914</b>	<b>13440</b>
<b>GM%Sales</b>	<b>80%</b>	<b>76%</b>	<b>73%</b>	<b>73%</b>	<b>80%</b>	<b>81%</b>	<b>80%</b>
Logistics	7%	203	315	468	605	1296	1176
Marketing	50%	1688	2686	3603	5832	7470	8400
Overheads 1 (personnel)	11%	607	773	1047	1291	1744	1500
<i>staff</i>		307	373	500	741	900	
<i>management</i>		300	400	547	550	700	
Overheads 2	4%	176	226	326	357	581	672
Depreciation NT							
Depreciation T		31	34	86	38	40	50
<b>EBIT</b>		<b>207</b>	<b>-22</b>	<b>77</b>	<b>198</b>	<b>783</b>	<b>1642</b>
<b>EBIT%Sales</b>		<b>5%</b>	<b>0%</b>	<b>1%</b>	<b>2%</b>	<b>5%</b>	<b>10%</b>
Interest		-32	-41	-89	-87	-100	-100
Non recurrent		-1	17	48	8	20	20
Profit tax		0	0	0	0	0	0
<b>Operating profit</b>		<b>174</b>	<b>-46</b>	<b>36</b>	<b>119</b>	<b>703</b>	<b>1562</b>

### 13 – 5 years Consolidated Balance Sheets:

<b>Balance sheet</b>		<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Non tangibles	5ans	0	0	1	392	312
Tangibles		84	53	32	77	50
Financials		2	2	2	1	0
Inventories		153	180	283	290	455
Receivables		444	331	361	587	1006
Other Assets		4	277	16	281	200
Cash		63	114	136	158	-343
Net worth		-5	-52	-15	103	600
Provisions		0	0	0	0	0
Bank debt		0	0	0	0	0
Invoices discounting						
Payables		608	874	727	1484	911
Social and taxes		94	117	73	142	200
Other liabilities		54	19	44	57	50
Total Balance		751	958	829	1786	1761

#### 14 – P&L forecasts:

P&L		2011	2012	2013	2014	2015
<b>Sales</b>		<b>17621</b>	<b>19383</b>	<b>21321</b>	<b>23453</b>	<b>25799</b>
Cost of sales	20%	3524	3877	4264	4691	5160
<b>Gross margin</b>		<b>14097</b>	<b>15506</b>	<b>17057</b>	<b>18763</b>	<b>20639</b>
<b>GM%Sales</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>
Logistics	7%	1233	1356,8	1492,5	1641,7	1805,9
Marketing	50%	8810	9691	10661	11727	12899
Overheads 1 (personnel)	11%	1500	1575	1653,8	1736,4	1823,3
Overheads 2	4%	705	775	853	938	1032
Depreciation NT						
Depreciation T		50	50	50	50	50
<b>EBIT</b>		<b>1798</b>	<b>2058</b>	<b>2347</b>	<b>2670</b>	<b>3028</b>
<b>EBIT%Sales</b>		<b>10%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>	<b>12%</b>
Interest		-100	-100	-100	-100	-100
Non recurrent		20	20	20	20	20
Profit tax		0	0	0	0	0
<b>Operating profit</b>		<b>1718</b>	<b>1978</b>	<b>2267</b>	<b>2590</b>	<b>2948</b>

Growth for 2011: 20%

Growth 2012-2015: 10%/year

The overall approach is consistent and gives a fair view of the evolution and a good basis for projections and evaluations of the Group.