

# 2006 ANALYST MEETING: PREPARED FOR THE FUTURE

Hilton Hotel  
Bucharest  
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# Profitable Growth

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- Get takeaways

- Electrical retail is moving in larger volumes
- Rapidly growing IT share in traditional electrical retail
- Developing large area store concept together

May 12<sup>th</sup> 2006

- Closing date

May 2006

- Post Merger Integration (PMI) process has started

Dec 31<sup>st</sup> 2006

- End of design and implementation of PMI process

On-going

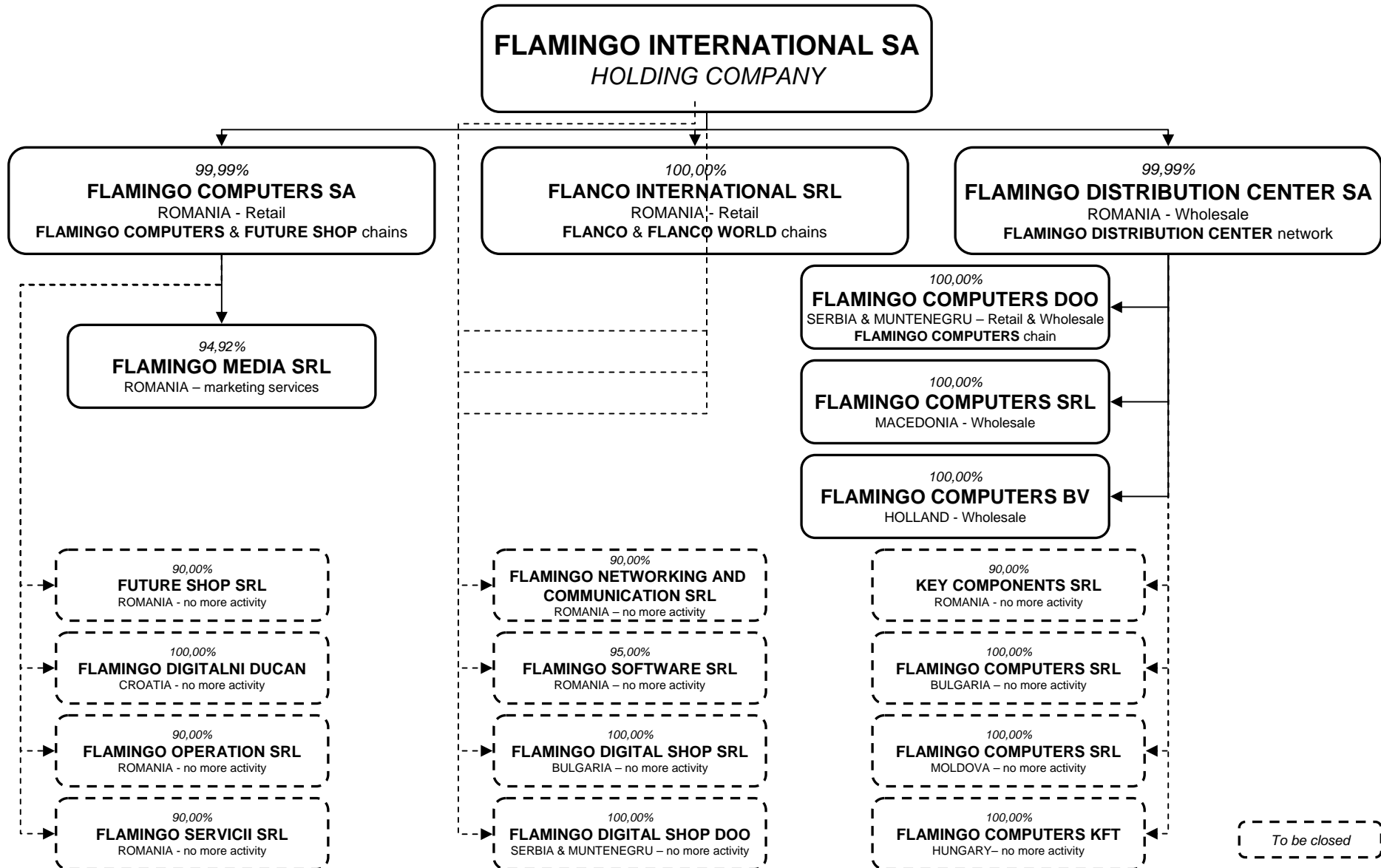
- IT alignment and operational fine-tuning phase

## OBJECTIVES

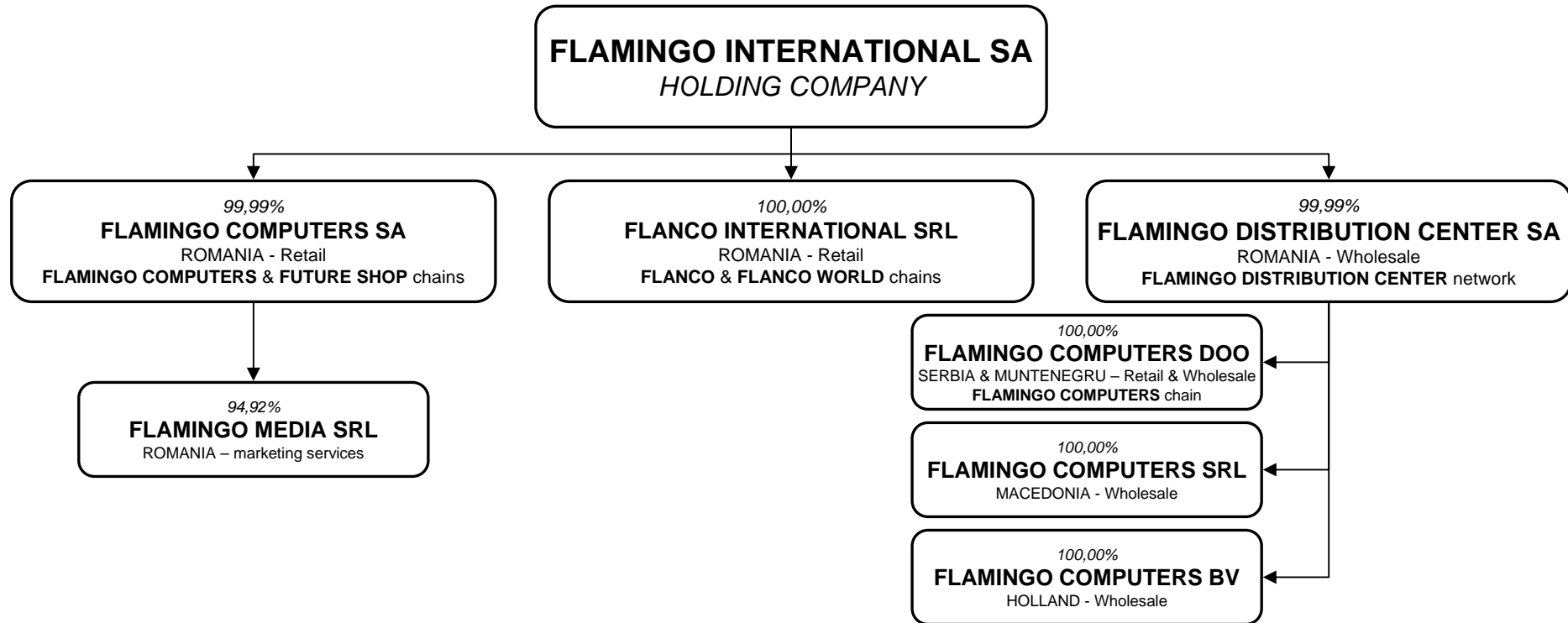
- Fully functional single entity, one culture
- The best of two companies
- Cost reductions and purchasing benefits

## ACHIEVEMENTS

- New organizational structure in place - done
- Best practices - done
- Flamingo retail chain – done, 50 units already closed or to be closed
- Personnel downsizing – done, from 2,000 to 1,400 employees
- Processes improvement - on-going
- IT migration - on-going
- Develop a new organizational culture - on-going



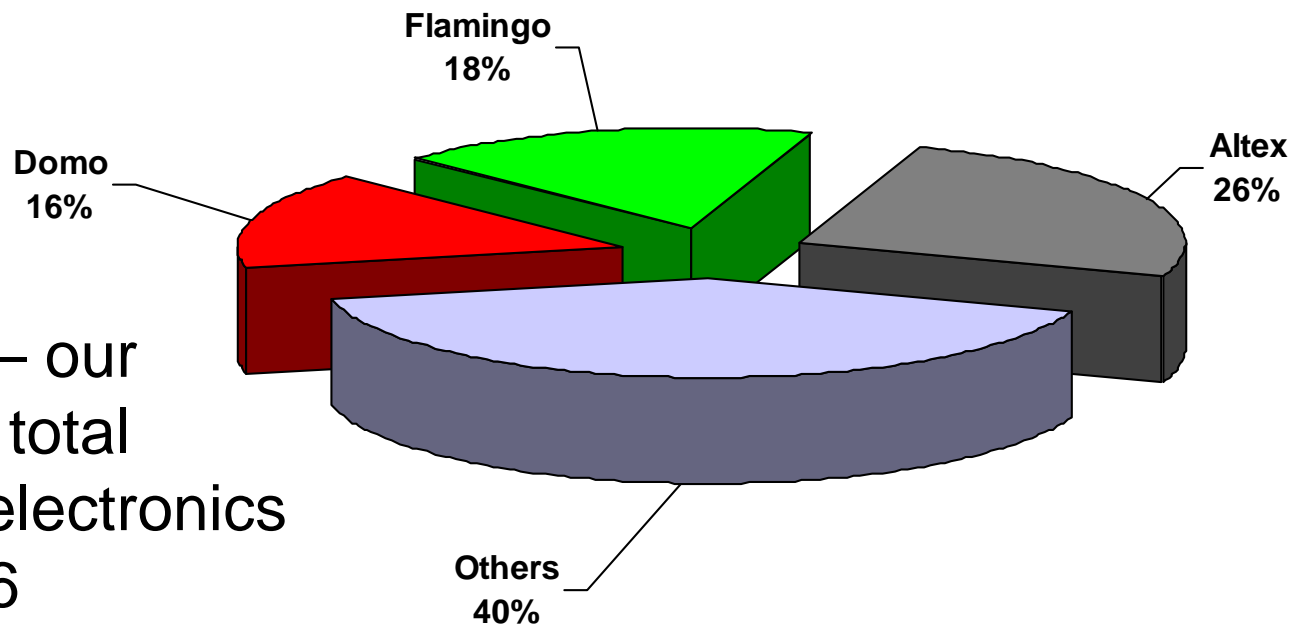




## Estimation of Romanian market in 2006

- Limited reliable market data are available

### Market Shares, 2006



- 0.9 billion EURO – our estimation for the total relevant market (electronics and IT&C) in 2006

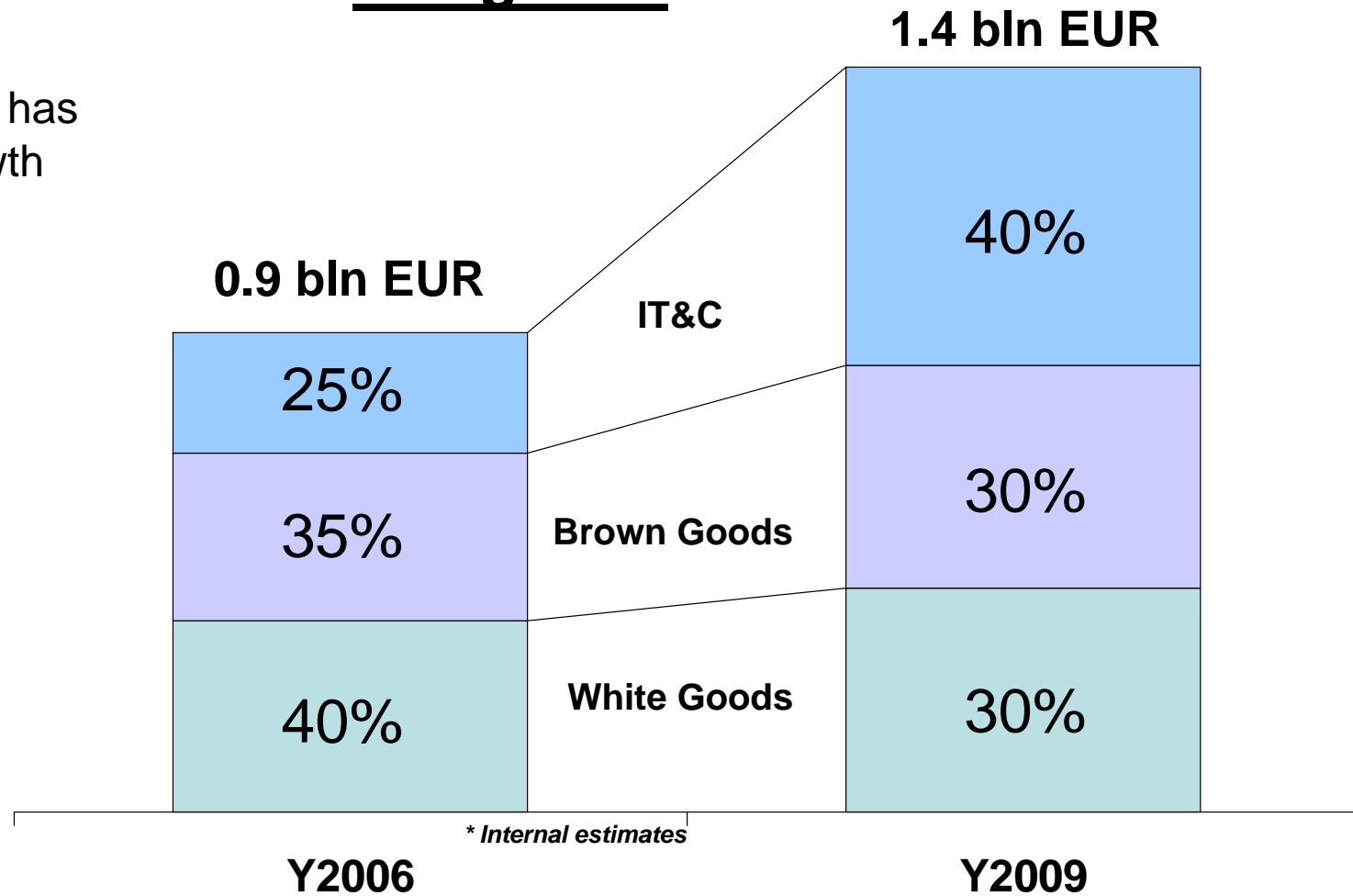
• *Internal estimates*

## Market perspectives for 2007-2009

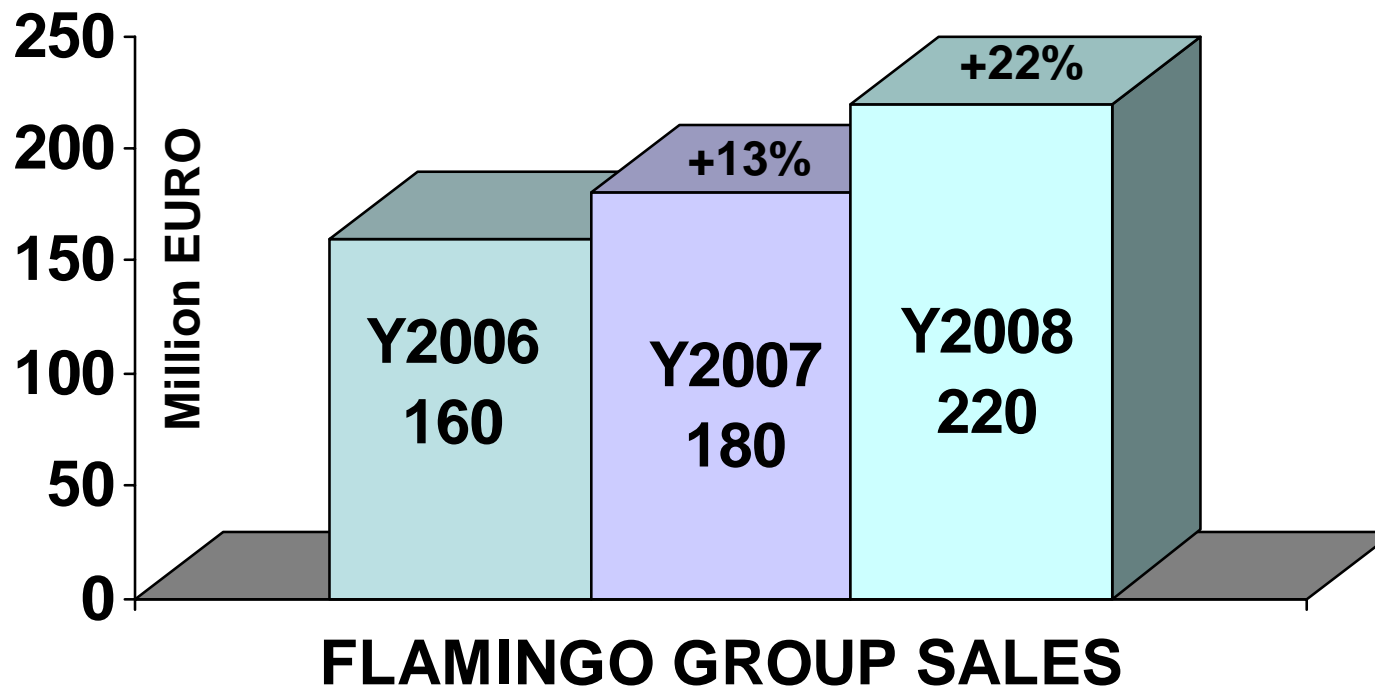
- Increase of the purchasing power will be the main driver of a market growth
- The purchase power will grow faster in large cities
- Estimated average market growth rate of 15% p.a. until 2009
- Market size is expected to reach 1.4 billion EUR in 2009
- Czech market is roughly the same size about 1 billion EUR with 10 mil. population
- The electrical product price erosion will continue, so cheaper, better and more attractive products will be available
- Low probability for a big European player to reach a significant market share before 2009

**Market evolution by main product categories**

IT & C business has the highest growth potential



## FLAMINGO GROUP SALES ESTIMATES, '06-'08



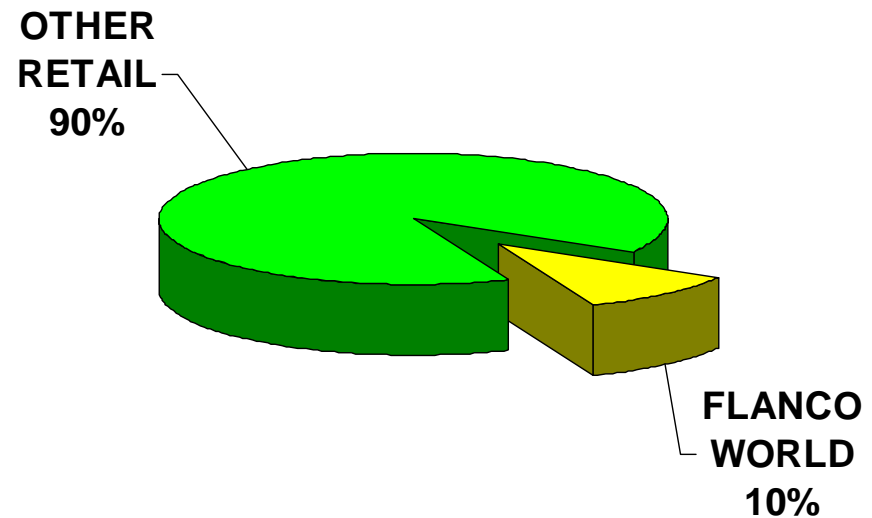
## Main Group Retail indicators for 2006

No. of shops	160
Net Selling Area (sqm, end of 2006)	45,000

### *Four Retail chains:*

- FLANCO WORLD
- FLANCO
- FLAMINGO COMPUTERS
- FUTURE SHOP

## 2006 Retail Sales Structure



## Development strategy for 2006-2008

- Focus on large format concept - FLANCO WORLD  
10 locations already secured for 2007, others under negotiation
- Develop Flamingo Computers as IT Specialist based on new concept store
- Continuous upgrade of the current network
- Net selling area of 80,000 sqm by the end of 2008

## Flanco World



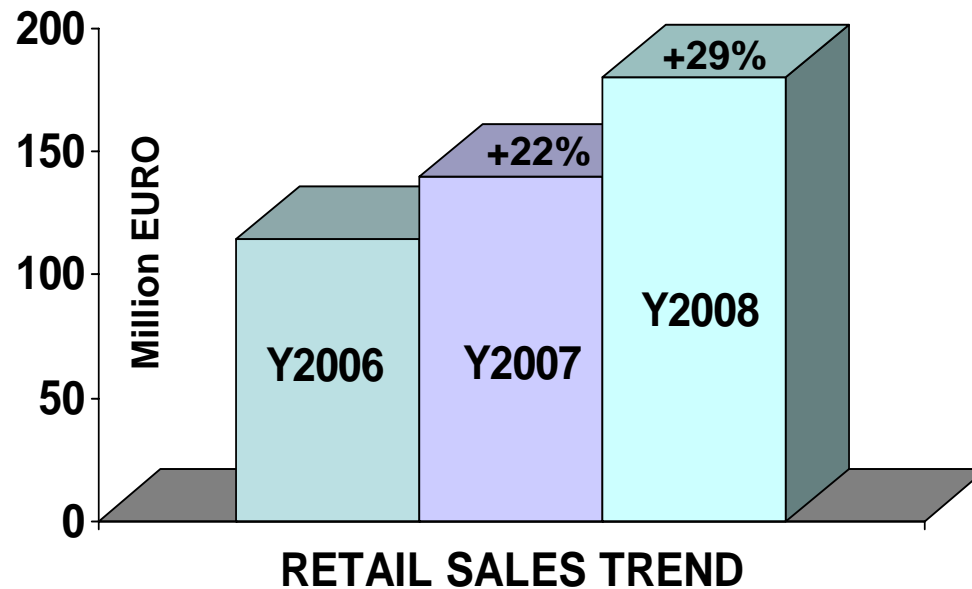
### Why now?

- Fast growing supply of high quality commercial areas
- Declining rents

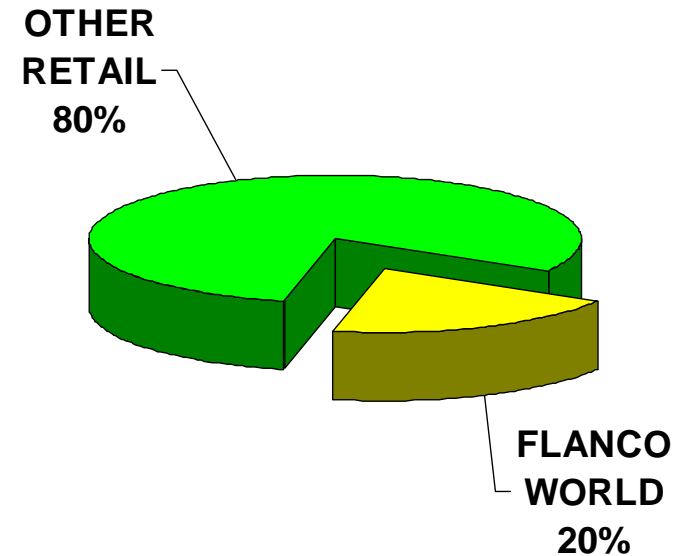


INDICATOR	Year 2006	Year 2007	Year 2008
<b>Net Selling Area</b> (sqm, end of period)	45,000	60,000	80,000

**Retail Sales Evolution, '06-'08**



**2007 Retail Sales Structure**



## WHOLESALE PERSPECTIVES

- Estimated share of 20% from group turnover in 2007
- Focus on opportunities and profitable markets for international activities

- Inventory provisions of 2,8mio EUR in '06 P&L
- One-time integration and restructuring costs
- Limited impact of the 2006 net results in our cash flow

## 2006 CONSOLIDATED P&L BUDGET

Values in kEUR	Y 2006
<b>SALES</b> (proforma basis)	<b>160,000</b>
<i>* consolidated value</i>	<i>138,800</i>
<b>OPERATING EXPENSES</b> (proforma basis)	<b>157,600</b>
<i>* consolidated value</i>	<i>136,150</i>
<b>PROVISIONS</b>	<b>2,800</b>
<b>EBITDA</b> (proforma basis)	<b>-400</b>
<i>* consolidated value</i>	<i>-150</i>
<b>NET RESULT</b> (proforma basis)	<b>-5,350</b>
<i>* consolidated value</i>	<i>-4,600</i>

NOTE: for the first four months consolidation is proforma; normally, under IFRS the consolidation is made starting only May 2006

- Positive development of the integration process
- Lean legal structure will improve operations
- New organizational structure - in place
- Declining market in 2006, yet with good perspectives for coming years (EU accession)
- Focus on Flanco World development
- Total Sales in 2006 of 160mio EUR (proforma basis)
- Net Selling Area of 45,000 sqm by the end of 2006
- Increase of Retail business in total group turnover
- Created inventory provision of 2,8mio EUR
- Expected consolidated net result of -4,6mio EUR for 2006
- Profitable growth for 2007 and 2008

# Q&A