

Flamingo International 2006 Preliminary Financial Results

PROFITABLE GROWTH READY TO COMPETE IN EUROPE

- Company Overview
- 2006 Market Overview
- 2006 Result
- Market Perspectives
- Retail Development
- 2007 Budget
- Key success drivers

**Second player on the
Romanian market
in general electrical
retail**



**The only retailer listed on
the BSE since 2005**

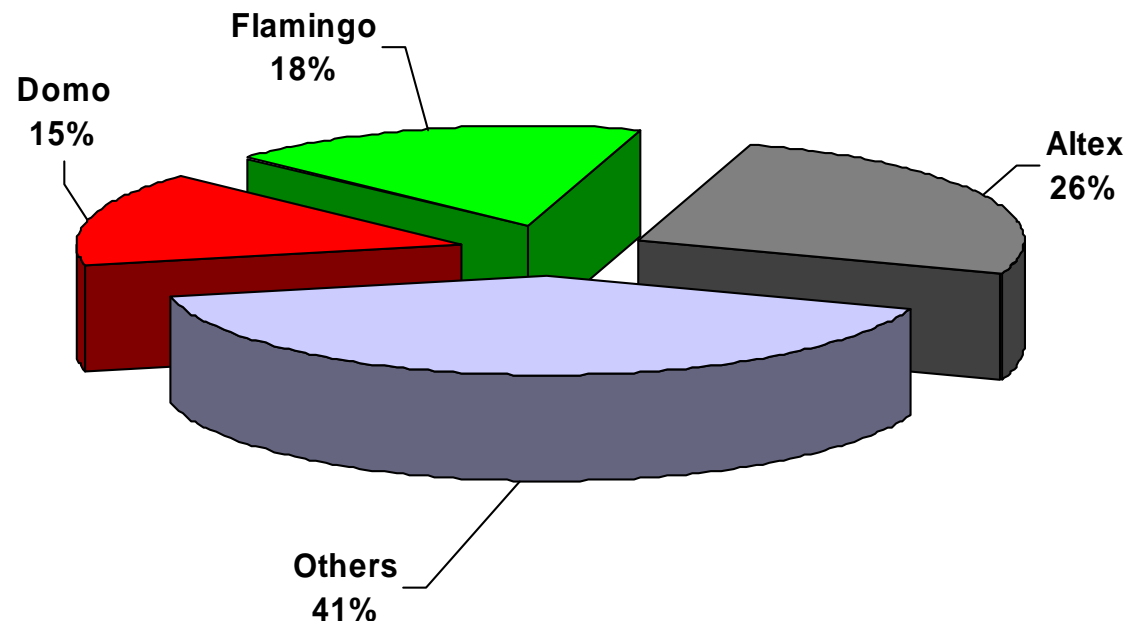
- Acquisition of Flanco International
- Fully functional single entity, one culture
- The best of two companies (Flamingo and Flanco)
- Cost reductions and purchasing benefits

2006 Market overview

Estimate of Romanian market in 2006

- Limited reliable market data are available
- The market **declined** with **15-20%** in 2006, stronger in White Goods and Brown Goods segments
- **0.85-0.9 billion EURO** our estimation for the total relevant retail market (electronics and IT&C) in 2006

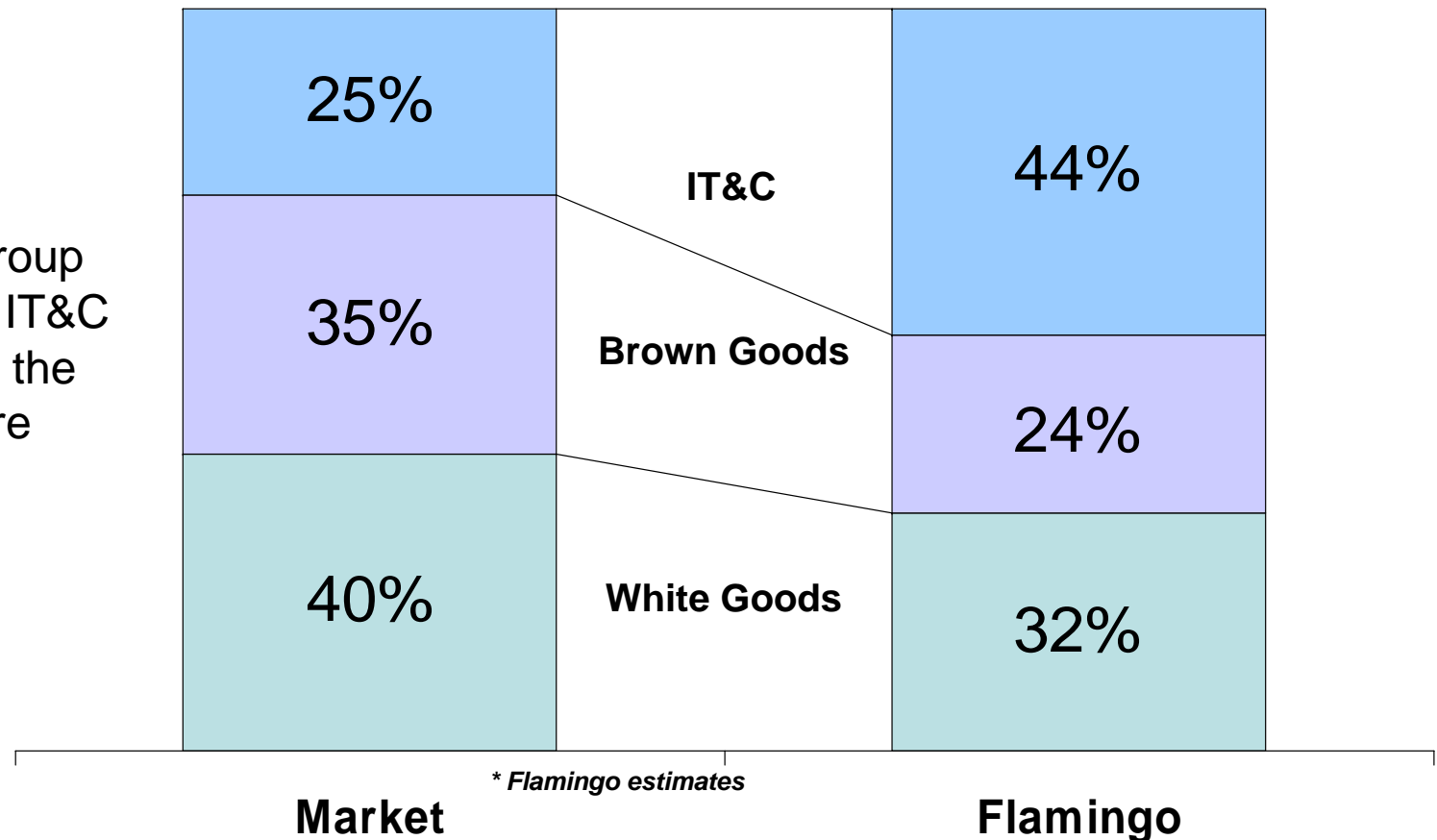
Market Shares, 2006



• *Flamingo estimates*

2006 Flamingo Sales vs. Market by main product categories

In Flamingo Group product mix the IT&C products have the highest share



2006 Result

As the market declined with 15 to 20% in 2006 comparing with the previous year, we decided to concentrate all the bad news in 2006 and to finish the integration of the two companies in less than one year, by the end of 2006

- New organizational structure in place already
- Personnel downsizing – from 2,000 to 1,400 employees in 2006 and to 1,200 employees in March 2007
- Not profitable stores were/are being closed, purely driven by company profitability
- Processes improvement – new processes were implemented mainly in 2006, fine-tuning in Jan'07 together with new simplified structure for 2007
- IT migration - fully aligned systems from Jan'07

- Inventory provisions of €3,6 mil.
- Accounts Receivable provision of €1,8 mil.
- One-time integration and restructuring costs of €4,2 mil.
- Diminished gross profit with €3,4 mil. due to lower market (less direct gross profit, less volume bonuses from vendors and less sales on credit)
- Diminished gross profit with €2,5 mil. due to de-stocking
- As consequence of the points above the net '06 result is negative
- The provisioning and one-time costs deliver a strong company ready for profitable growth already from 2007

Main factors to influence 2006 Flamingo Group loss

1. Operational One-time costs	9,600
Provisions	5,400
<i>Inventory provision</i>	3,600
<i>Accounts receivable provision</i>	1,800
Integration costs	4,200
<i>Processes readjustment (logistics, warehousing, etc)</i>	1,400
<i>Costs generated by shops closing process</i>	1,200
<i>Product portfolio readjustment</i>	700
<i>Discounted sales of inventory in closed shops</i>	600
<i>Professional business consultancy</i>	300
2. Unrealized Revenues	5,900
Lower level of Total Sales	2,500
Lower level of direct GM%	2,500
Diminished volume contribution & marketing COOP	600
Diminished sales on credit	300
Total Loss (1+2)	15,500

* All Values are in k EUR

2006 CONSOLIDATED P&L

Values in k EUR	Y 2006	Y 2005	YoY
SALES (pro forma basis)	153,500	175,900	-12.7%
<i>* consolidated value</i>	<i>131,900</i>	<i>83,800</i>	<i>+57.2%</i>
OPERATING EXPENSES (pro forma basis)	163,300	172,000	-5.1%
<i>* consolidated value</i>	<i>140,000</i>	<i>79,000</i>	<i>+77.2%</i>
PROVISIONS	5,100		
EBITDA (pro forma basis)	-14,900	3,900	-
<i>* consolidated value</i>	<i>-12,700</i>	<i>4,800</i>	-
NET RESULT (pro forma basis)	-15,500	-100	-
<i>* consolidated value</i>	<i>-13,000</i>	<i>2,000</i>	-

* All Values are in k EUR

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

Pro forma = Flamingo and Flanco full year for 2006; Flamingo and Flanco full year for 2005

Consolidated = Flamingo full year and Flanco May-December for 2006; only Flamingo full year for 2005

	12/31/06 <i>consolidated</i>	12/31/05 <i>pro forma</i>	Conso. '06 vs. pro forma '05	12/31/05 <i>consolidated</i>	Conso. '06 vs. conso '05
ASSETS					
Non-current assets					
Fixed assets	17,000	16,200	5%	9,900	72%
Other non-current assets	41,300	700	6020%	100	
Total non-current assets	58,300	16,900	245%	10,000	482%
Current assets					
Inventories	28,800	34,900	-18%	15,100	91%
Trade and other receivables	25,200	39,000	-35%	36,100	-30%
Cash and cash equivalents	2,500	4,300	-42%	1,000	140%
Other current assets	4,800	0	0%	0	0%
Total current assets	61,300	78,200	-22%	52,200	17%
TOTAL ASSETS	119,600	95,100	26%	62,200	92%
LIABILITIES					
Non-current liabilities					
Borrowings	-	3,400	-100%	1,600	-100%
Other non-current liabilities	4,900	1,300	264%	800	483%
Total non-current liabilities	4,900	4,800	3%	2,400	104%
Current liabilities					
Trade and other payables	43,200	41,800	3%	24,800	74%
Borrowings	24,800	20,100	23%	10,700	132%
Other liabilities	100	1,100	-89%	300	-56%
Total current liabilities	68,100	63,000	8%	35,700	91%
TOTAL LIABILITIES	73,000	67,800	8%	38,100	91%
EQUITY	46,600	27,300	71%	24,100	94%

* All Values are in k EUR

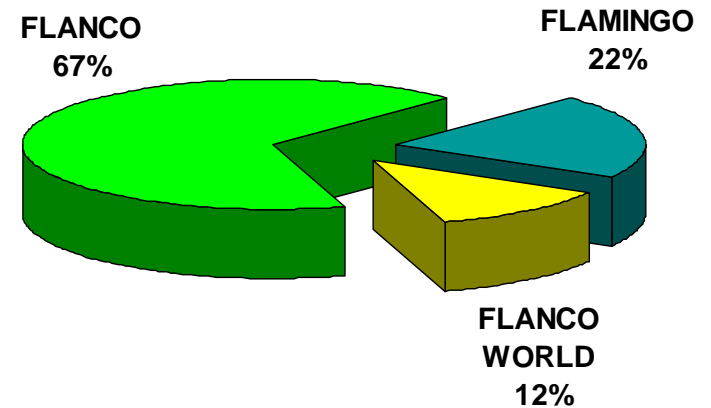
NOTE:

31/12/06 Consolidated = Flamingo and Flanco full year
 31/12/05 Pro Forma = Flamingo and Flanco full year
 31/12/05 Consolidated = only Flamingo full year

Main Group Retail indicators, 31st Dec.2006

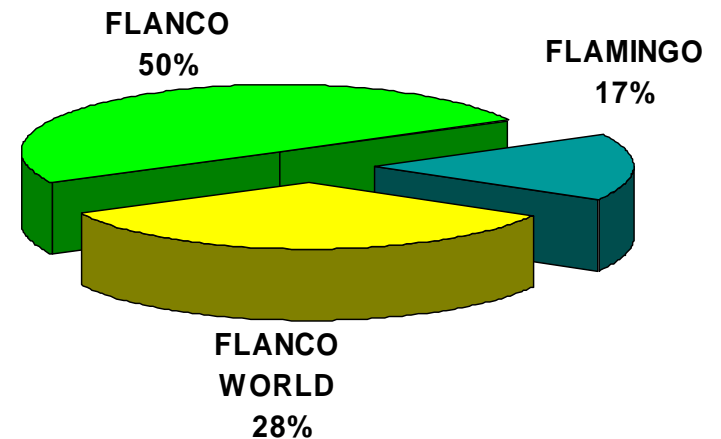
No. of shops	157
Net Selling Area (sqm)	45,000

2006 Retail Sales Structure



<i>Retail chains:</i>	<i>No. of shops</i>
FLANCO WORLD	8
FLAMINGO COMPUTERS	61
FLANCO	88

2006 Retail NSA sqm



Better shop portfolio

- *47 overlapping shops, non profitable or not in line with the Flamingo development strategy have been closed during 2006*
- *In the same time the company secured already the opening of 10 new Flanco World shops for the next period*

Better inventory

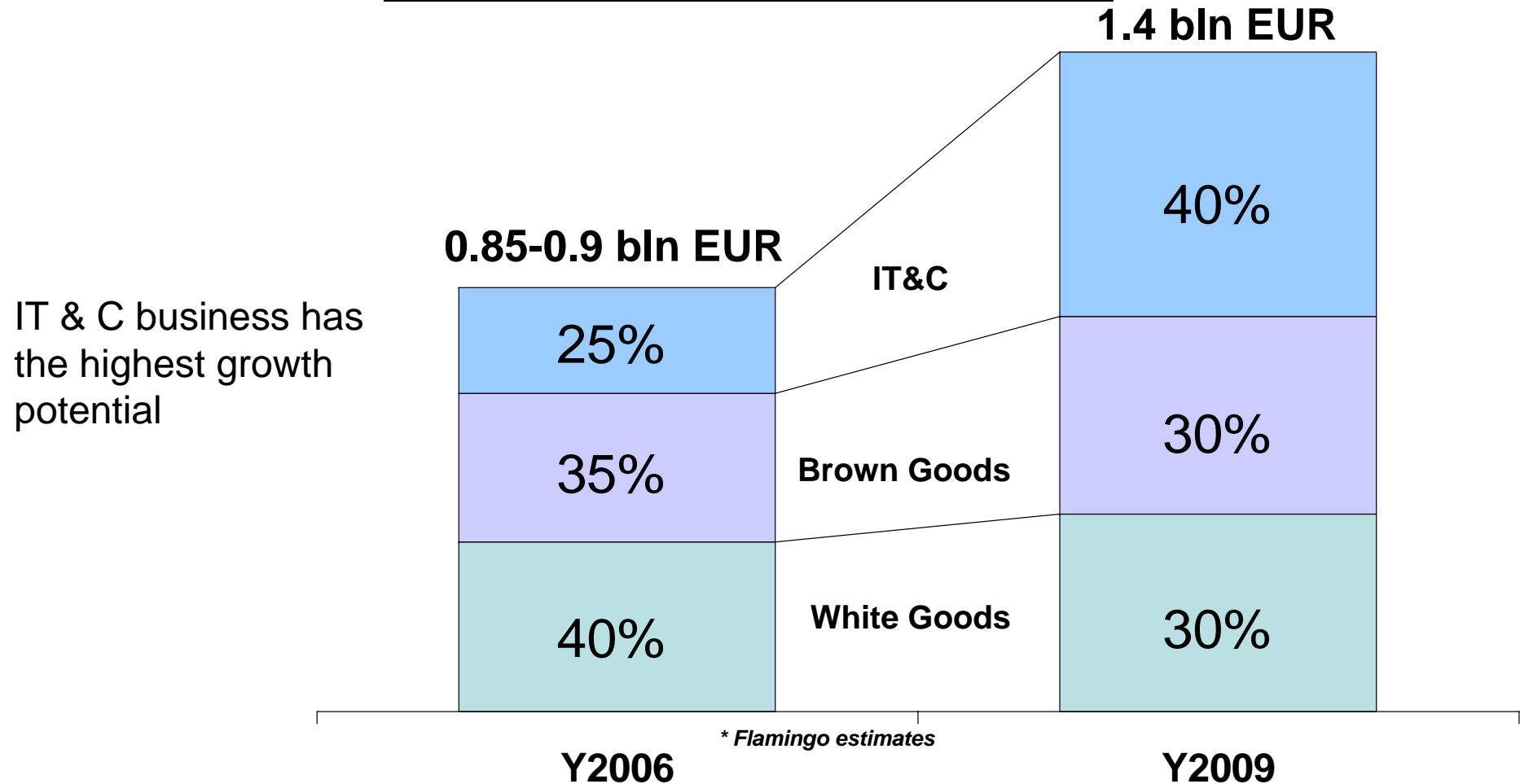
- *80% of the total inventory has an ageing of less than 6 months, comparing with only 65% in August 2006 - a very good performance considering the international practices applied by Flamingo group for inventory provisioning (IT after 6 months and White/Brown Goods after 1 year)*

Better Head Office budget

- *Slimmer, more efficient and transparent operational structure – the head office personnel decreased from 350 employees to only 120 employees by the end of January 2007*

Market perspectives

Expected market evolution by main product categories



Market perspectives for 2007-2009

- Increase of the purchasing power will be the main driver of a market growth
- Postponed purchases from 2006 will be realized during 2007, mainly in the 2nd half
- The purchase power will grow faster in large cities
- Estimated average market growth rate of 10-15% p.a. until 2009
- Market size is expected to reach 1.4 billion EUR in 2009
- Czech and Hungarian markets are 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

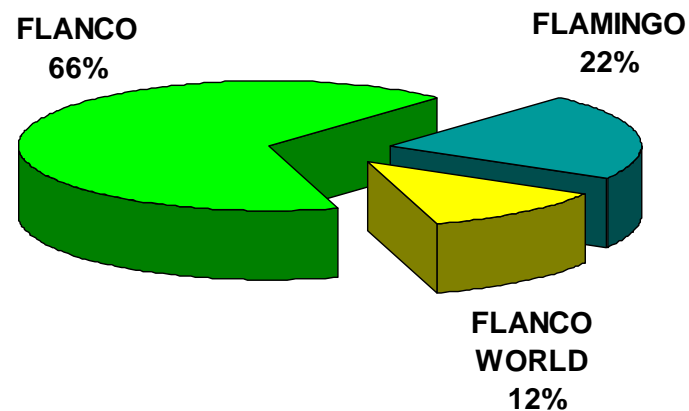
Retail Development

Development strategy for 2006-2008

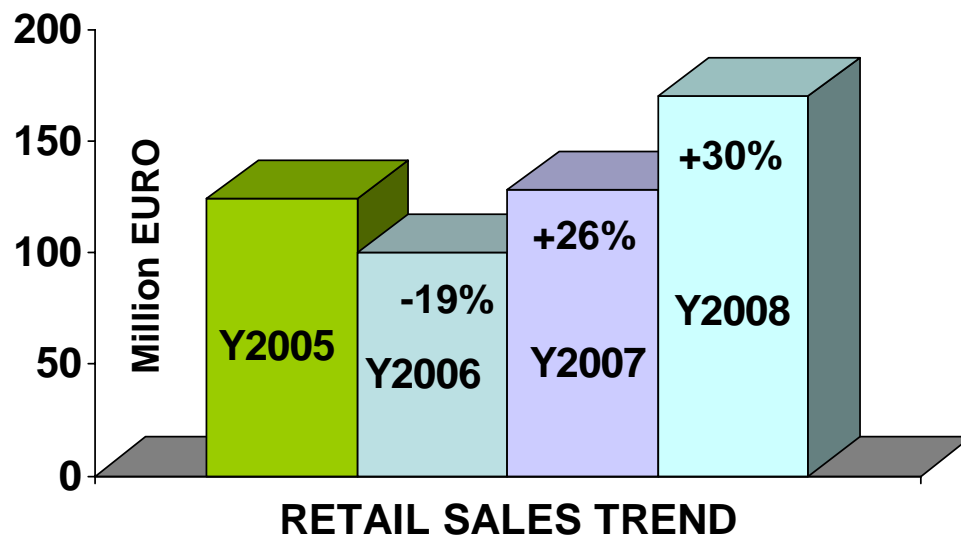
- Focus on large format concept - FLANCO WORLD
10 new locations already secured for 2007, others under negotiation
- Develop Flamingo Computers as IT Specialist based on new concept store
- Continuous upgrade of the current network
- Net selling area of 75,000 sqm by the end of 2008

INDICATOR	Year 2005	Year 2006	Year 2007	Year 2008
Net Selling Area (sqm, end of period)	39,000	45,000	59,000	75,000

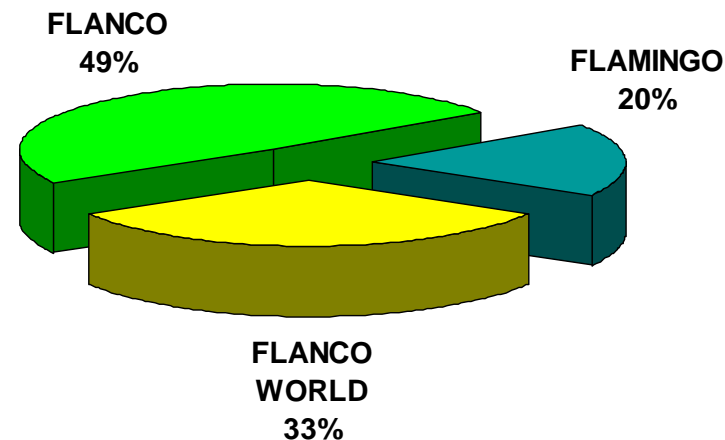
2006 Retail Sales Structure



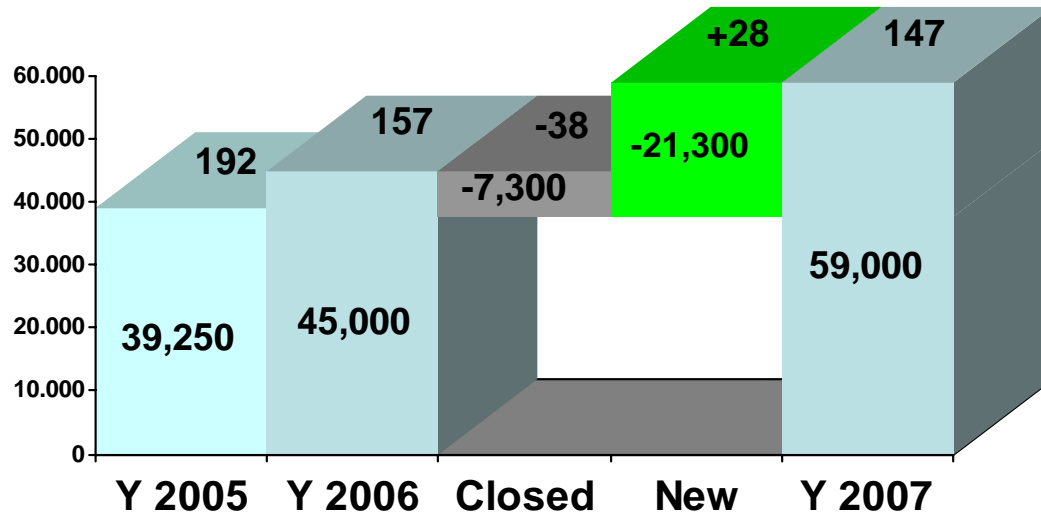
Retail Sales Evolution, '06-'08



2007 Retail Sales Structure



2007 FLAMINGO GROUP RETAIL development

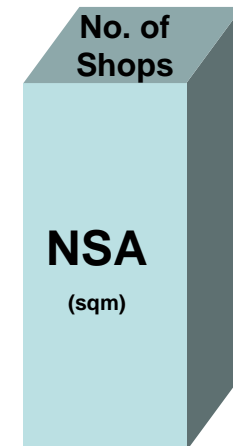


INVESTMENT IN NEW SHOPS

CAPEX – 4.5 mil EUR

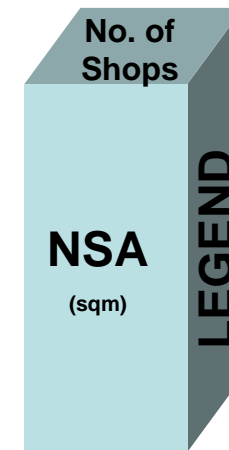
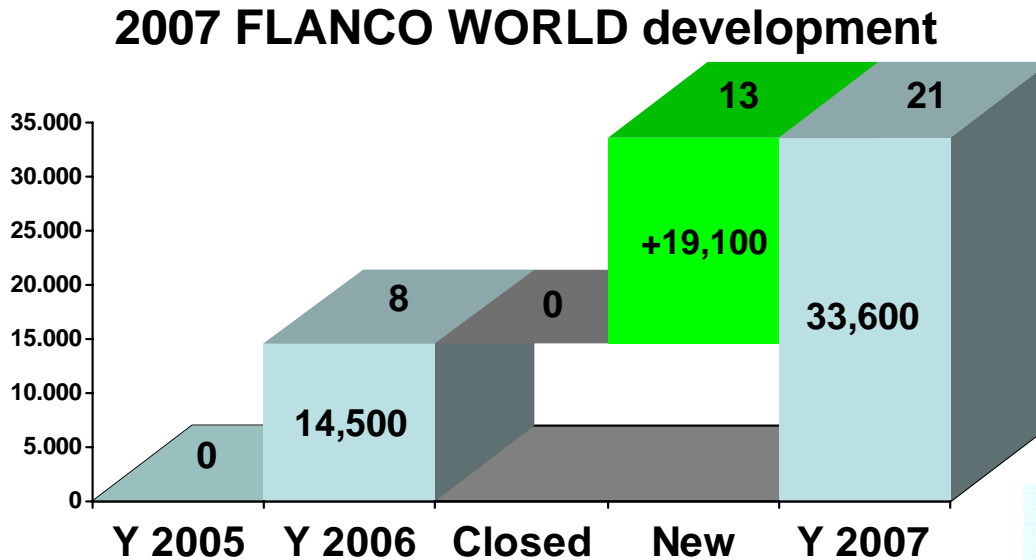
INVENTORY – between 2 and 3 months of monthly sales

LEGEND

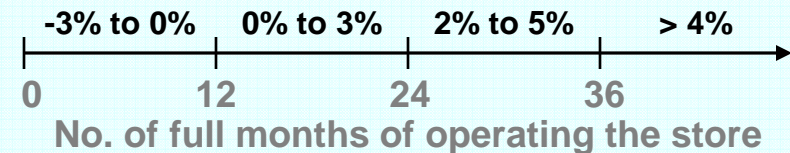


INDICATOR	Y 2005	Y 2006	Y 2007
Sales / NSA (annual) (EUR / sqm, avg. of the period)	3,200	2,600	2,500
NSA / Employee (Sqm / No. of employees, avg. of the period)	28	44	52
Sales / Employee (kEUR / No. of employees, avg. of the period)	90	100	110

2007 FLANCO WORLD development

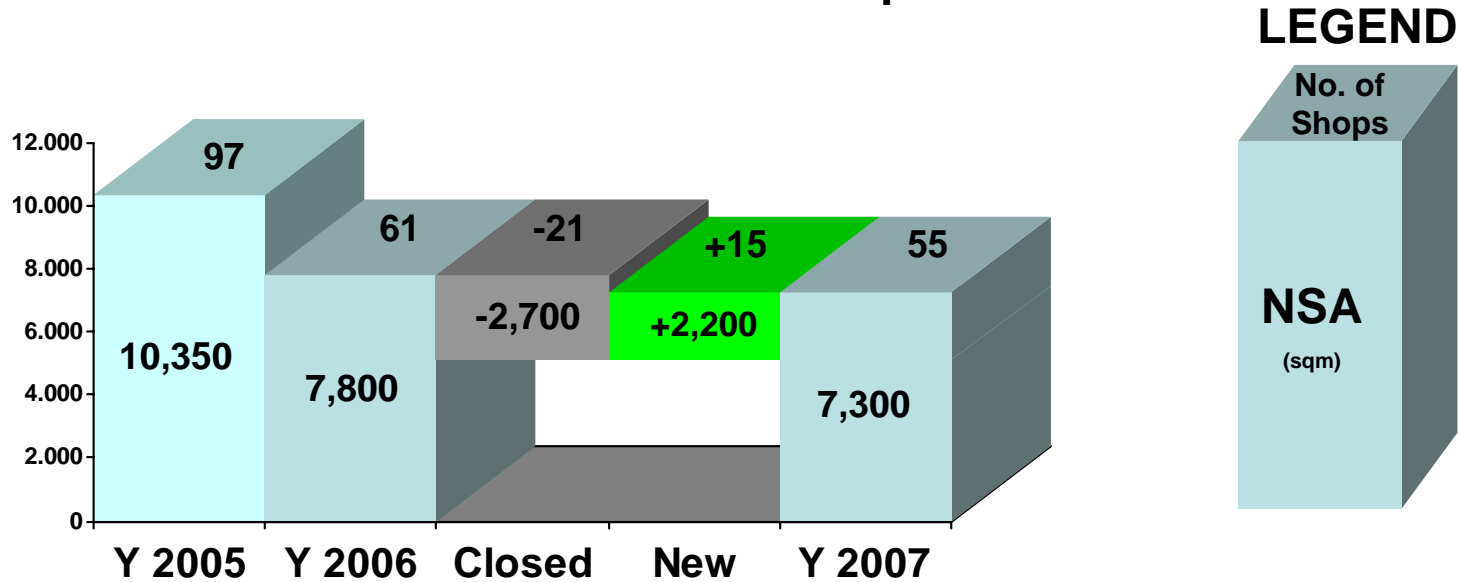


Contribution profit of the store



INDICATOR	Y 2005	Y 2006	Y 2007
Sales / NSA (annual) (EUR / sqm, avg. of the period)	-	1,600	1,700
NSA / Employee (Sqm / No. of employees, avg. of the period)	-	66	75
Sales / Employee (kEUR / No. of employees, avg. of the period)	-	82	120

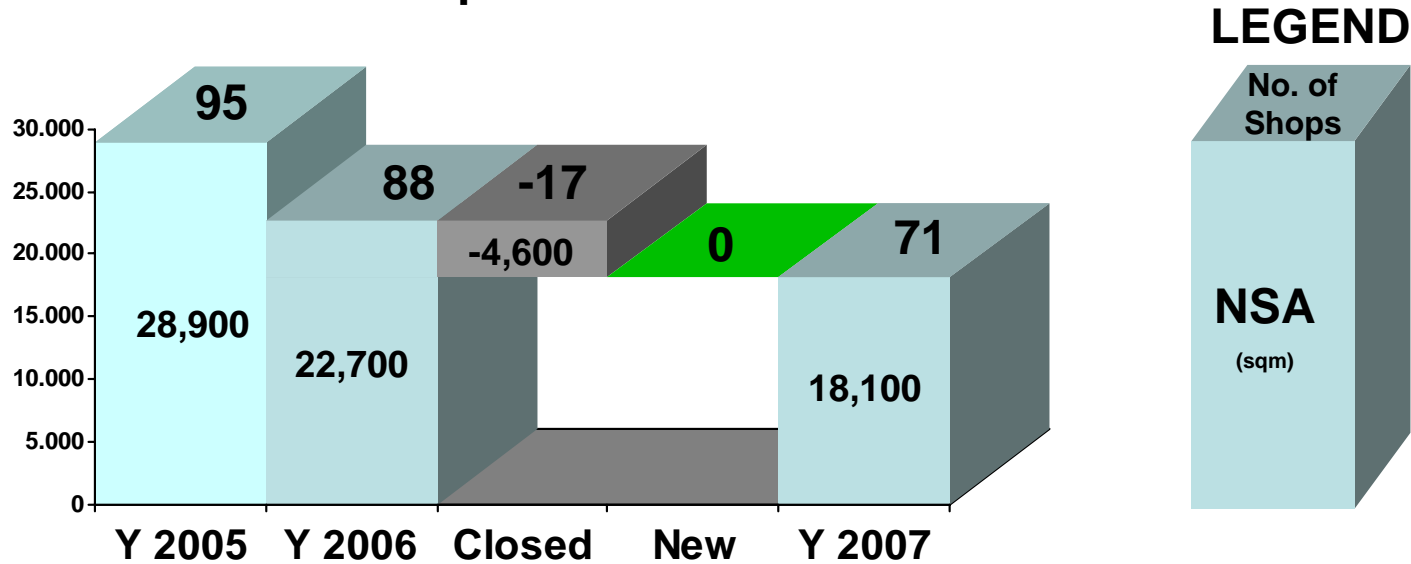
2007 FLAMINGO COMPUTERS development



INDICATOR	Y 2005	Y 2006	Y 2007
Sales / NSA (annual) <small>(EUR / sqm, avg. of the period)</small>	3,750	3,100	3,450
NSA / Employee <small>(Sqm / No. of employees, avg. of the period)</small>	21	37	30
Sales / Employee <small>(kEUR / No. of employees, avg. of the period)</small>	75	92	100

IT Specialists

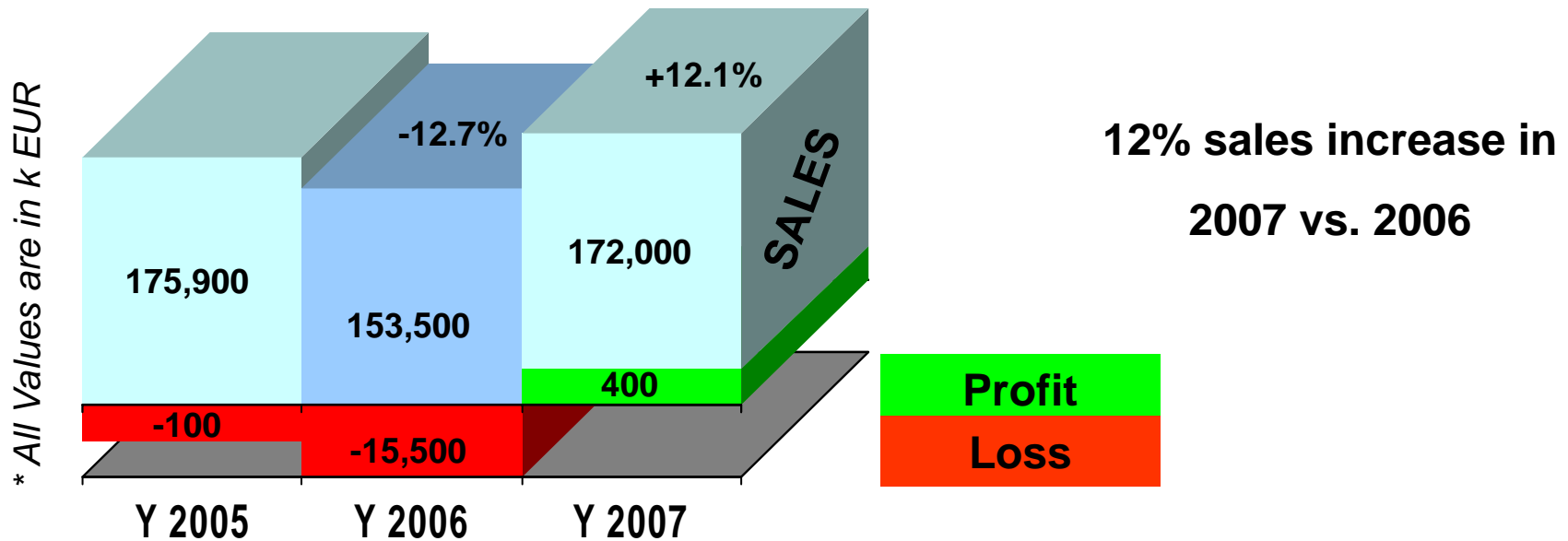
2007 FLANCO development



INDICATOR	Y 2005	Y 2006	Y 2007
Sales / NSA (annual) <small>(EUR / sqm, avg. of the period)</small>	3,100	3,000	3,200
NSA / Employee <small>(Sqm / No. of employees, avg. of the period)</small>	32	38	41
Sales / Employee <small>(kEUR / No. of employees, avg. of the period)</small>	100	105	130

2007 Budget

Main P&L indicators '05 – '07 (pro forma basis)



INDICATOR	Y 2005	Y 2006	Y 2007
Sales (pro forma basis)	175,900	153,500	172,000
EBITDA (pro forma basis)	3,900	-14,900	5,400
Net result (pro forma basis)	-100	-15,500	400

* All Values are in k EUR

Flamingo Group 2007 Budget - Segment Reporting

INDICATOR	Total	% of Sales	Retail	% of Sales	Wholesale	% of Sales
Total Sales	172.000		127.900		44.100	
Cost of Sales	-148.800	-86,5%	-107.800	-84,3%	-41.000	-93,0%
Gross Profit	23.200	13,5%	20.100	15,7%	3.100	7,0%
General and administrative expenses	-21.200	-12,3%	-19.500	-15,2%	-1.700	-3,9%
Rental costs	-11.200	-6,5%	-11.100	-8,7%	-100	-0,2%
Personnel costs	-7.000	-4,1%	-6.300	-4,9%	-700	-1,6%
Other expenses	-3.000	-1,7%	-2.100	-1,6%	-900	-2,0%
Contribution Profit	2.000	1,2%	600	0,5%	1.400	3,2%
Head Office related costs	-5.400	-3,1%				
Other incomes	8.800	5,1%				
EBITDA	5.400	3,1%				
Depreciation	-3.300	-1,9%				
EBIT	2.100	1,2%				
Financial costs	-1.700	-1,0%				
EBT	400	0,2%				
Income tax expenses	0	0,0%				
NET PROFIT	400	0,2%				

* All Values are in k EUR

LEGEND:

Cost of Sales = Cost of Goods Sold, including marketing and logistics costs

Head Office related costs = All H/O costs, including Assembly & Service

Other incomes = Vendor volume bonuses, suppliers marketing COOP, consumer credit fees

Flamingo Group 2007 Budget

INDICATOR	Q1	Q2	Q3	Q4	Y 2007	% of Sales
Total Sales	36,000	34,100	40,100	61,800	172,000	
Cost of Sales	-32,500	-29,400	-34,300	-52,600	-148,800	-86.5%
Gross Profit	3,500	4,700	5,800	9,200	23,200	13.5%
General and administrative expenses	-5,200	-5,200	-5,100	-5,700	-21,200	-12.3%
Rental costs	-2,700	-2,700	-2,700	-3,100	-11,200	-6.5%
Personnel costs	-1,700	-1,700	-1,700	-1,900	-7,000	-4.1%
Other expenses	-800	-800	-700	-700	-3,000	-1.7%
Contribution Profit	-1,700	-500	700	3,500	2,000	1.2%
Head Office related costs	-1,400	-1,300	-1,300	-1,400	-5,400	-3.1%
Other incomes	1,000	1,300	2,900	3,600	8,800	5.1%
EBITDA	-2,100	-500	2,300	5,700	5,400	3.1%
Depreciation	-800	-800	-800	-900	-3,300	-1.9%
EBIT	-2,900	-1,300	1,500	4,800	2,100	1.2%
Financial costs	-500	-500	-400	-300	-1,700	-1.0%
EBT	-3,400	-1,800	1,100	4,500	400	0.2%
Income tax expenses	-	-	-	-	-	0.0%
NET PROFIT	-3,400	-1,800	1,100	4,500	400	0.2%

* All Values are in k EUR

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	12/31/07 <i>pro forma</i>	12/31/06 <i>pro forma</i>	12/31/05 <i>pro forma</i>
ASSETS			
Non-current assets			
Fixed assets	11,300	17,000	16,200
Other non-current assets	41,300	41,300	700
Total non-current assets	52,600	58,300	16,900
Current assets			
Inventories	29,600	28,800	34,900
Trade and other receivables	14,000	25,200	39,000
Cash and cash equivalents	2,000	2,500	4,300
Other current assets	3,700	4,800	0
Total current assets	49,300	61,300	78,200
TOTAL ASSETS	101,900	119,600	95,100
LIABILITIES			
Non-current liabilities			
Borrowings	-	-	3,400
Other non-current liabilities	500	4,900	1,300
Total non-current liabilities	500	4,900	4,800
Current liabilities			
Trade and other payables	39,600	43,200	41,800
Borrowings	13,800	24,800	20,100
Other liabilities	1,100	100	1,100
Total current liabilities	54,400	68,100	63,000
TOTAL LIABILITIES	54,900	73,000	67,800
EQUITY	47,000	46,600	27,300

Diminished A/R value in 2007 comparing with previous years

Only short term loans

Improved cash position – lower level for Borrowings and Payables

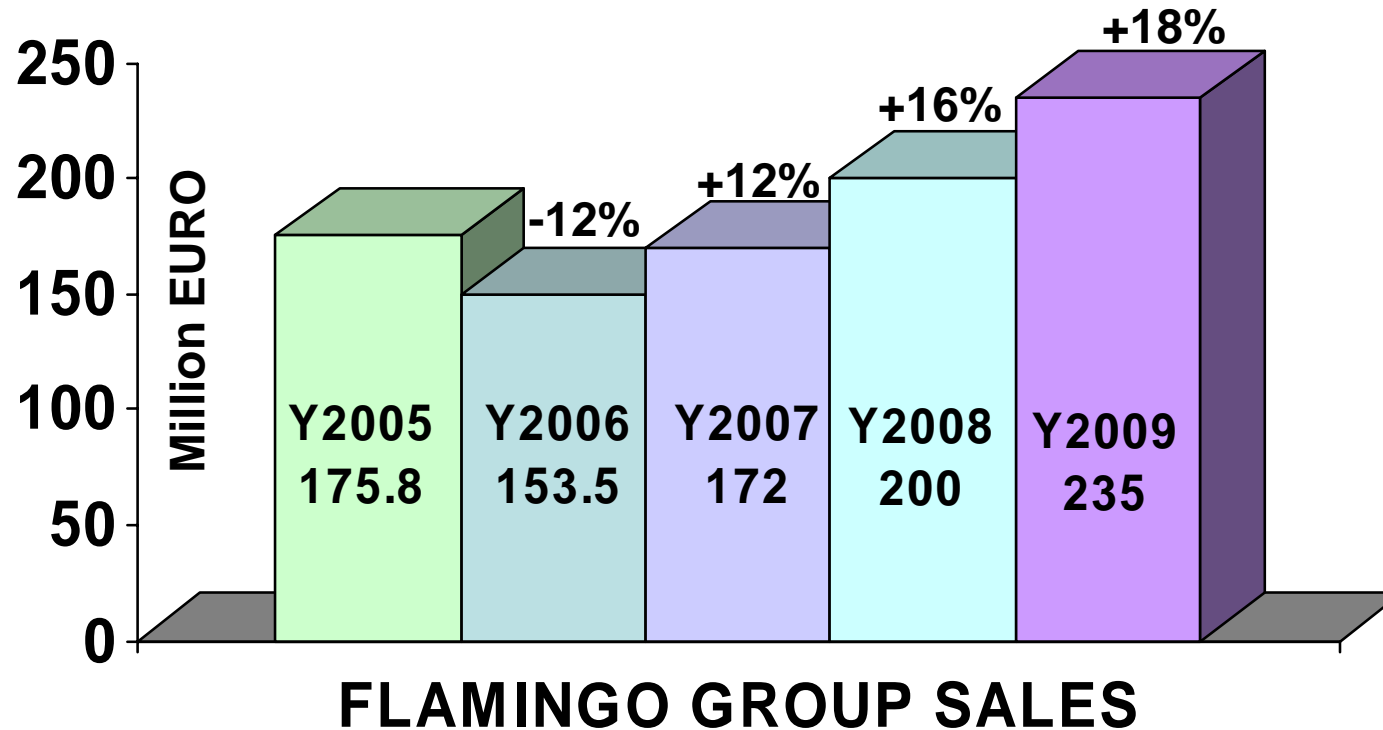
NOTE:

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 31/12/06 pro forma = Flamingo and Flanco full year
 31/12/05 pro forma = Flamingo and Flanco full year

- Return to positive numbers for net result
- Strong and optimized shop portfolio to assure future development of the group
- Improved cash position due to better inventory policy
- Optimized cost structure for the head office

Key success drivers

FLAMINGO GROUP SALES ESTIMATES, '07-'09



- Much slimmer organizational structure from January '07
- Reached significant staff reduction from 2000 in Dec'05/Jan'06 to 1,400 in Dec'06 and 1,200 in Jan'07
- Increased effectiveness and much higher responsibilities
- Good market perspectives for coming years of Romania being part of EU

- Positive development of the integration process
- Priority No.1 is large store concept Flanco World
- Net Selling Area of 45,000 sqm by the end of 2006 growing to 59,000 sqm by the end of 2007
- Increase of Retail business in total group turnover
- Delivering clean company for profitable growth already in 2007