

MERKUR

MERKUR - trgovina in storitve, d. d., Cesta na Okroglo 7, SI-4202 Naklo

**SUMMARY OF UNAUDITED
FINANCIAL STATEMENTS AND BUSINESS REPORT
OF MERKUR GROUP**

AND

MERKUR, D. D.

FOR THE INTERIM PERIOD FROM JANUARY TO SEPTEMBER 2007

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1 PREAMBLE

In compliance with *Pravila Ljubljanske borze vrednostnih papirjev, d. d.* (Rules and Regulations of the Ljubljana Stock Exchange), Merkur, d. d. (plc), with the registered office in Naklo, at Cesta na Okroglo 7, herewith releases the summary of unaudited financial statements of the Merkur Group and Merkur, d. d. for the interim period from January to September 2007. This was discussed by the Supervisory Board at their session of 15 November 2007. Any important changes to data in the company's prospectus are promptly released in public announcements on SEOnet of the Ljubljana Stock Exchange. The complete unaudited interim report for the period from January to September 2007 is available at sight at the company's head office at Cesta na Okroglo 7, Naklo, every working day from 8:00 to 12:00, or online in the information system of the Ljubljana Stock exchange, and at www.merkur.eu.

1.1 Reporting Standards

Merkur, d. d. has drawn the unaudited consolidated financial statements of the Merkur Group and the unaudited financial statements of Merkur, d. d. for the periods from January to September 2007 and January to September 2006 pursuant to the Companies Act, the EU adopted International Financial Reporting Standards (hereinafter referred to as IFRS), and Notes adopted by the International Accounting Standards Board (IASB).

The Merkur Group prepares and releases its consolidated financial statements in compliance with IFRS for all accounting periods after 1 January 2005. Merkur, d. d. prepares its financial statements in compliance with IFRS for all accounting periods after 1 January 2006. Unaudited consolidated financial statements of the Merkur Group and unaudited financial statements of Merkur, d. d. for the period from January to September 2007 observe the same accounting principles as the audited financial statements for the year 2006, and unaudited financial statements for the period from January to September 2006.

1.2 Functional and Presentation Currency

These financial statements are presented in the euro (EUR). The audited financial statements of Merkur Group and Merkur, d. d. for 2006 prepared in SIT have been translated into the euro at the exchange rate of 239.6400 SIT/EUR.

1.3 Companies Included in the Consolidation

Subsidiaries and associates	Country	Ownership share since	Ownership share in % at 30 Sept. 2007	Ownership share in % at 30 Sept. 2006
- Kovinotehna, d. o. o., Celje	Slovenia	1999	100	100
- Bofex, d. o. o., Ljubljana – Merkur Group	Slovenia	1999	100	100
- Merkur International Zagreb, d. o. o.	Croatia	1994	100	100
- Merkur Nekretnine Zagreb, d. o. o.	Croatia	2000	100	100
- Merkur International Beograd, d. o. o.	Serbia	1994	100	100
- Merkur Čelik d.o.o., Beograd*	Serbia	2007	100	-
- Bofex d.o.o. Beograd, Merkur Group	Serbia	2005	100	100
- Merkur Makedonija, doo, Skopje	Macedonia	1994	90.35	90.35
- Intermerkur, d. o. o., Sarajevo	Bosnia and Herzegovina	1998	100	99.99
- Merkur International Praha spol. S.r.o.	Czech Republic	1994	100	100
- Merkur - MI Handels, GmbH	Germany	1994	100	100
- Perles Merkur Italia, s.r.l.	Italy	1994	100	100
- Sava Trade, d. d.	Slovenia	2006	**	98.34
- Železokrivnica SCT – Merkur, d. o. o., Ljubljana***	Slovenia	2006	45	45

- * Subsidiary Merkur Čelik, d. o. o., Beograd has been included in consolidation since 1 September 2007.
- ** In 2006, the business of Sava Trade, d. d., Ljubljana, was successfully transferred to Merkur, d. d., and in April 2007 the subsidiary merged with Merkur, d. d.
- *** Železokrivnica SCT – Merkur, d. o. o., Ljubljana, is an affiliated company and is included in the consolidated financial statements under equity method.

Acquisition of the Ownership Share in a Subsidiary, Merkur Čelik, d. o. o.

						In EUR
Company	Date of acquisition	Equity capital as at the acquisition date	Acquired share	Acquired equity	Payment for the acquired share	Goodwill
Merkur Čelik, d.o.o., (acquired by Merkur, d. d.)	7 Sept. 2007	8,849,434	66.16	5,854,786	5,865,870	11,084
Merkur Čelik, d.o.o., (acquired by MI Beograd)	7 Sept. 2007	8,849,434	33.84	2,994,648	3,000,000	5,352
			100.00	8,849,434	8,865,870	16,436

Acquired Assets and Liabilities of the Merkur Čelik, d.o.o. Subsidiary, as at the Acquisition Date 1 September 2007

			In EUR
Item	Fair value of assets and liabilities	Recognised assets and liabilities	
Cash and cash equivalents	502	502	
Property, land and equipment	8,549,488	8,549,488	
Intangible assets	299,444	299,444	
Fair value of net assets	8,849,434	8,849,434	

2 HIGHLIGHTS ON OPERATIONS FROM JANUARY TO SEPTEMBER 2007

MERKUR GROUP

In EUR if not stated otherwise

Item	January - September			Index	
	2007	Plan 2007	2006	Plan=100	2006=100
Net sales revenues	848,519,362	751,768,438	702,753,672	112.9	120.7
Net operating profit or loss from regular operations - EBIT	16,896,204	17,568,348	13,124,579	96.2	128.7
EBITDA (earnings before interest, tax, depreciation and amortization)	25,830,534	25,915,320	22,043,065	99.7	117.2
Profit before tax	16,084,962	15,049,828	11,541,529	106.9	139.4
Net profit	12,669,602	12,087,821	8,777,929	104.8	144.3
Added value	86,085,983	78,335,086	74,483,271	109.9	115.6
Assets (as at 30 September)	856,647,670		762,410,670	-	112.4
Equity capital (as at 30 September)	236,070,207		201,582,907	-	117.1
Number of employees from hours worked	4,051	4,012	3,818	101.0	106.1
Equity / liabilities (in %)	27.6		26.4	-	104.2
Net sales revenue per employee	209,480	187,375	184,063	111.8	113.8
Added value per employee	21,253	19,525	19,508	108.9	108.9
Net profit per employee	3,119	3,011	2,295	103.6	135.9
Net return on equity - ROE (% p.a.)	6.81		6.08	-	111.9
Total revenue net profitability rate (in %)	1.46	1.59	1.23	92.0	119.1
Book value of share (as at 30 September)	179.72		152.98	-	117.5
Market price per share (as at 30 September)	408.21		175.71	-	232.3
Market price per share in comparison to its book value (as at 30 September - in %)	227		115	-	197.8
Net profit of Merkur Group per MER share	9.63	9.20	6.85	104.6	140.6

MERKUR, D. D.

In EUR if not stated otherwise

Item	January - September			Index	
	2007	Plan 2007	2006	Plan=100	2006=100
Net sales revenues	687,298,361	617,217,524	558,115,874	111.4	123.1
Net operating profit or loss from regular operations - EBIT	13,874,952	15,121,353	12,279,999	91.8	113.0
EBITDA (earnings before interest, tax, depreciation and amortization)	20,012,193	20,684,256	18,292,172	96.8	109.4
Profit before tax	14,235,983	14,033,189	11,434,706	101.4	124.5
Net profit	11,371,703	11,226,551	8,919,070	101.3	127.5
Added value	65,815,313	61,639,235	56,361,238	106.8	116.8
Assets (as at 30 September)	792,873,586		692,515,419	-	114.5
Equity capital (as at 30 September)	234,276,925		205,421,128	-	114.0
Number of employees from hours worked	2,822	2,860	2,552	98.7	110.6
Equity / liabilities (in %)	29.5		29.7	-	99.6
Net sales revenue per employee	243,585	215,818	218,697	110.6	111.4
Added value per employee	23,326	21,553	22,085	108.2	105.6
Net profit per employee	4,030	3,926	3,495	102.7	115.3
Net return on equity - ROE (% p.a.)	6.44		6.12	-	105.3
Total revenue net profitability rate (in %)	1.62	1.79	1.57	-	102.9
Book value of share (as at 30 September)	178.49		156.50	-	114.0
Market price per share (as at 30 September)	408.21		175.71	-	232.3
Market price per share in comparison to its book value (as at 30 September - in %)	229		112	-	203.7
Price-earnings ratio (P/E)	8.66	8.55	6.97	101.3	124.3

3 IMPORTANT EVENTS IN THE PERIOD FROM JANUARY TO SEPTEMBER 2007

Successful Adoption of the Euro

On 1 January 2007, Merkur successfully introduced the euro as the new national currency. The company closely observed all legal requirements, and implemented new software that enabled smooth and trouble-free transition to the euro. Merkur had given a public promise not to change prices after the adoption of the euro, and the customers soon found out that the prices in fact remained unchanged.

Notification on Entry of No-Par Value Shares in the Central Register of Central Securities Clearing Corporation and Translation of Share Capital from SIT to EUR

On 9 February 2007, following the Decision reference no. KD 1844 of 7 February 2007, *KDD-Centralna klirinško depotna družba, d. d., Ljubljana (Central Securities Clearing Corporation)* amended the nominal value of the Merkur-trgovina in storitve, d. d. - MER shares - in the central register of securities to read "1 no-par value share", with no actual replacement of shares being made. On 1 January 2007, Slovenia introduced the euro as its national currency. At their 16th meeting of 3 June 2006, the General Meeting of Shareholders authorized the Supervisory Board to translate the share capital stated in the Articles of Association in total of SIT 13,125,850,000.00 to the euro at the exchange rate of SIT 239.640 for one euro. Following the Decision no. Srg. 2007/00200, the translated share capital and the related amendment to the Articles of Association were entered into the Register of Companies at the District Court in Kranj on 19 February 2007. Share capital of the company now totals EUR 54,773,201.47.

Merkur Increased Its Investment in Gorenjska banka, d. d., Kranj

In the period from January to September 2007, several transactions with shares of Gorenjska banka, d. d., Kranj were conducted. Merkur, d. d. acquired 46,889 shares of Gorenjska banka, d. d., Kranj, or 14.15% of its share capital and voting rights.

Acquisition of Sava Trade, d. d.

On 27 February 2007, the Supervisory Board passed the proposal for a downstream merger of Sava Trade, d. d. with Merkur. In 2006, the operations were successfully transferred to Merkur, and at the beginning 2007 Sava Trade no longer operated independently. The merger was the best possible solution, and was also approved by the General Meeting of Shareholders of Sava Trade, d. d. of 2 April 2007. The alteration was duly entered into the Register of Companies on 20 April 2007.

Significant Changes in Ownership Structure

At the end of December 2006, the State put on auction its 24.3% share in Merkur through Kapitalaska družba (KAD) and Slovenska odškodninska družba (SOD). In January, the complete stake was sold to Engrotuš, d. o. o., and eventually Engrotuš, d. o. o. sold 66,197 Merkur shares to Banka Koper, d. d. In February 2007, Engrotuš, d. o. o. sold another 70,422 of Merkur shares to Nova Ljubljanska banka, d. d. and 59,386 Merkur shares to Abanka, d. d. respectively. After the aforesaid transactions, Engrotuš, d. o. o. as at 30 June still controlled 84,376 Merkur shares, or 6.43% of the issuer's share capital and voting rights.

Sixty-five top managers of Merkur, including all members of the Management Board, had joined their assets to establish Merfin, d. o. o. On 9 July 2007, Merfin, d. o. o. acquired 15.64%, and on 16 July 2007 another 5.24% of all Merkur shares. The shareholders of Merfin – if also their personal holdings in Merkur are observed – now hold nearly 24% of the company. Merfin has become the largest shareholder in Merkur. The majority owner supports the existing strategic plans and objectives, i.e. to become the leading dealer in non-food items in South-Eastern Europe.

The Merkur House

On 1 January 2007, Merkur successfully presented its project *Merkurjeva hiša (the Merkur House)*. The company also launched a new portal to stimulate the environment-friendly and energy-saving construction and promote the sales of quality construction and installation materials. In addition to this, the company updated its online **MERKURPARTNER** portal as well.

A New Distribution Facility

On 12 February, Merkur opened a new office building for transport services, including the organisation of domestic and foreign transport, personal receipt of goods, customs activities, export related activities, receipt of goods, and security services. At the same time the regime of entering and exiting the distribution centre in Naklo was changed.

Fairs

In March 2007, Merkur Makedonija appeared at the Moebel fair in Skopje, Macedonia with a bathroom range, laminates, doors and windows. Also in March, another Merkur Group company, Intermerkur, presented construction materials and wood, technical products for domestic and industrial applications, and installation materials at the fair in Banja Luka. In April, Merkur participated at the Formatool fair in Celje, and displayed quality tools, band saws, grinding paper, and workshop furniture. Merkur also appeared in Novi Sad at the Poljoprivreda fair to exhibit lawnmowers and tractors, and other items from the gardening programme. In Zenica, Bosnia and Herzegovina, Merkur presented its programme of ferrous and non-ferrous metal products, and construction materials.

Merkur Days

It has become a tradition for Merkur to organize Merkur Days for suppliers and business partners to meet, obtain information, and socialise. So far this year Merkur Days have been held for partners dealing with power distribution, electro-installation materials, heating, ventilating and air-conditioning, gardening and greenery, and for trading partners. In Serbia, the company has organised a Merkur Day for buyers of locks and furniture fittings, tools and bathroom equipment.

Merkur Is One of the Best Slovene Companies

According to the research *Poslovni ugled podjetij* (Credit Ratings of Slovene Companies), Merkur ranked high and won the sixth place among one hundred best Slovene companies. In comparison to the year before, Merkur moved up one place.

Prizes

On 22 February 2007 at the *Logistika 07* conference organised by the Faculty of Logistics Celje, Tatjana Oražem, Executive Director of Logistics at Merkur, was awarded the title of *the best logistic officer of the year 2006*.

Service »Se zgodi« (It Happens)

On 13 February 2007, Merkur's subsidiary Bofex, d. o. o. launched a new service »Se zgodi« (*It Happens*) for its customers. When they buy a product, the buyers may ask for prolonged product warranty. The warranty period may be extended to three or six years at convenient prices.

17th Annual General Meeting of Shareholders of Merkur, d. d.

On 2 July 2007, the General Meeting of Shareholders convened at their 17th regular meeting. The shareholders passed the proposal concerning the distribution of accumulated profit for 2006, and discharged the Management and Supervisory Boards from their duties. The shareholders appointed the certified auditor (KPMG Slovenija, podjetje za revidiranje, d. o. o.) to audit business operations and financial statements of Merkur, d. d. and Merkur Group. At 16th General Meeting of Shareholders of 3 July 2006, Mrs Zvonka Novak Habot was appointed to the Supervisory Board of Merkur as a shareholders' representative. However, the ownership structure of Merkur changed subsequently, so at the first meeting of the new Supervisory Board of 25 January 2005, her resignation was accepted. General Meeting of Shareholders appointed Mr Aleksander Svetelšek, the director of Engrotuš, d. o. o. as a replacement member to the Supervisory Board to act as a shareholders' representative in the term of office until 19 December 2010. No challenging actions were announced at the General Meeting of Shareholders.

Meeting of Merkur Group Employees

On 1 September, employees from all Merkur Group companies met at *Gospodarsko razstavišče* in Ljubljana. In the morning, sporting games were organised, and in the afternoon the employees gathered for a social meeting. On this occasion, the best fellow worker was selected from among the proposed candidates from all parts of the company.

New Sales Centre in Novi Sad

Merkur International, d. o. o., Beograd is one of the subsidiaries of Merkur. On 21 September it opened a modern sales centre in Novi Sad, Serbia. The centre consists of two parts, **MERKURDOM** and **MERKURPROFI**, and offers a complete range of products for home, garden, and workshop.

Sales Contract on Merkur Čelik, d.o.o., Beograd

In September, a sales contract was signed. Accordingly, Merkur Group acquired the Serbian company Merkur Čelik, d.o.o. This used to be the most important metal product dealer in Serbia in the past. Thanks to the acquisition, Merkur plans to increase sales. It obtained 17 hectares of land, and warehousing facilities on 11,000 square metres.

4 RISK MANAGEMENT

Merkur Group has recorded the expected risk exposure, and this has not changed much in comparison to the previous periods. The Group has paid special attention to the financial risk control.

Financial Risks

In 2007, Merkur Group has closely observed the adopted financial policy in risk control and management. This includes the basic guidelines for effective and systematic control over financial risks. The active risk management objectives are as follows:

- To attain stability of operations and reduce the risk exposure to an acceptable level;
- To increase the market value of the Merkur Group, its competitiveness and credit rating;
- To improve the predictability of cash flow and profit;
- To alleviate the effects of exceptional loss or damage sustained.

The financial risk consists of the following risk groups:

- **Credit risk** indicates any risk that customers or other business partners might fail to settle their liabilities to the company thus reducing the company's economic benefits;
- **Market risk** includes the interest risk, foreign exchange risk, inflation risk, liquidity risk, risk of changes in market prices of securities;
- **Insolvency risk** represents the short-term and long-term inability to settle the liabilities on time.

CREDIT RISK

Merkur, d. d. and Merkur Group have adopted effective credit risk management policies, including the regular monitoring of outstanding receivables, absolute exposure, and its structure. All entities that buy goods from the parent company, and entities that buy from the Group subsidiaries, have been included in the system.

Already in 2006, the company upgraded its credit risk control over the business partners whose net exposure exceeds EUR 100,000. The credit risk control now also includes an independent risk assessment and a recommendation of a credit limit given by an external party to objectively identify the highest risk partners. The company intends to continue this policy in 2007 as well.

We also closely observed those partners against whom petitions have been filed (for e.g. compulsory settlement, bankruptcy, or winding up). According to our observations, the assets engaged in business with such partners have remained unchanged and most cases are not new. It could therefore be concluded that credit monitoring of partners and of order confirmation systems yielded good results.

From January to September 2007, the parent company and the Group recorded no write-offs of receivables due to outstanding payments without any appropriate adjustments made, so these did not affect the results of operations in terms of value.

INTEREST RISK

The EURIBOR variable interest rate applies to the majority of Merkur's loans, so operations are exposed to interest risk. The company, however, continually adjusted the interest rates arising from assets to the interests arising from equity and liabilities, and established that the balance sheet – as far as financing is concerned – is capable of absorbing the changes of interest rates. For that reason, Merkur did not opt for hedging with derivatives. Thanks to the adjustment of interest rates applied to assets and liabilities and internal protection, the exposure to interest risk is moderate.

CURRENCY RISK

On 1 January 2007, Slovenia adopted the euro as its national currency, so the previously basic currency pair EUR/SIT was eliminated. Other significant currency pairs were determined according to the geographical location of the subsidiaries abroad. Although moderate, the exposure to currency risk was still low, if the entire business share in the Merkur Group is considered.

Insurance of Property, Liability and Employees

In 2007, Merkur Group provided for optimum safety, and obtained insurance against various damages. The Group has taken out various insurances, including:

- fire insurance,
- earthquake insurance,
- general liability insurance, including ecological damages,
- business interruption insurance,
- cargo insurance for shipments in domestic and international transport,
- burglary insurance,
- machine breakdown insurance,
- land motor vehicle insurance,
- full coverage collision insurance, and
- credit insurance.

5 APPRAISAL OF MERKUR GROUP OPERATIONS IN THE PERIOD FROM JANUARY TO SEPTEMBER 2007

In the third quarter of 2007, the sales volume of Merkur Group was larger than in the second. If indices of growth for 2006 and 2007 are compared, in the first two quarters of 2007 the increase in sales volume was significant, and the growth was sustained in the third quarter as well. Due to the exceptionally sharp growth in the third quarter of 2006, the index of growth in the third quarter of 2007 failed to reach the index of first two quarters. Sales revenue amounted to EUR 848.5 million, or nearly 21% more than in the same period of 2006. Sixty-six percent of total sales volume were earned in Slovenia, or 12% more than the year before, if the performance of Sava Trade is included in the 2006 data. If Sava Trade operations are excluded from the 2006 results, domestic sales went up by 19%. In comparison to the same period of 2006, Bofex increased its sales by 30%, and the Group improved its sales outside Slovenia by 59% respectively. As far as core programmes are concerned, sales of metal products saw the steepest growth and increased the sales value by nearly 50%. This was mostly possible thanks to higher prices of metal products, which grew by 20%. In terms of quantity, that programme increased its sales by 33% in comparison to the year before, especially sales of reinforcing steel. By the end of September, the Group sold a total of 470,000 tons of steel, and this was roughly equal to the total quantity of metal products sold in 2006.

In the first nine months of 2007, the price difference percentage averaged slightly short of the 2006 figure. This happened mostly because the sales structure changed: The share of reinforcing steel in total sales increased significantly, but this material always sells at lower-than-average price difference. If we analyse the difference in prices by individual sales segments, a nearly one percentage point improvement can be observed. Gross profit from sales went up by 15.6%, or EUR 19.5 million. Sales abroad contributed 35% to the improvement, Bofex 15% or EUR 3 million, and Merkur's domestic

sales added the remaining 50%.

In comparison to the first nine months of 2006, the costs increase lagged behind the growth in gross profit by two percentage points, and profit from operations grew by 36%. Labour costs represented a little less than 50% of the total cost structure. They rose by nearly 15%, but if the 6.1% increase in the number of employees is considered, labour costs grew by 8.3% per employee. Thanks to the excellent performance, the stimulation included in salaries and wages increased. In addition to that, in September every employee received a special bonus for good performance in total of EUR 450 net. If other operating revenues and expenses are included, operating profit of Merkur Group reached EUR 16.9 million, and this was 28.7% more than in the same period of 2006. Interest rates rose, and financial assets engaged in current operations were slightly less than 25% higher. Even so, net financing costs were lower because profits from financial investments increased considerably. In the first nine months of 2007, net financial costs amounted to EUR 811,000 in comparison to the same period of 2006 when they reached a total of EUR 1,583,000.

If financing costs are considered, profit in the first nine months of 2007 totalled EUR 16.1 million. After income tax deduction, net profit of Merkur Group reached EUR 12.7 million, or 44.3% more than in the same period last year. In comparison to sales revenue, this represents 1.5%, whereas return on equity reached 7.6%, if calculated to the annual level.

In the third quarter of 2007, Merkur Group invested most heavily in Serbia. The Group opened its second sales centre in Novi Sad. In September 2007, the Group also acquired Merkur Čelik, d. d. Beograd. Thanks to the purchase, Merkur Group got the opportunity to further increase the sales of metal products on the Serbian market, and acquired the warehousing facilities and 170,000 square metres of land to pursue its development plans in Serbia. In Slovenia and Croatia, Merkur Group continued all the activities to obtain the required necessary documentation for construction of new sales centres and warehouses. The first construction works are due in 2007. Merkur Group started building its first sales centre in Sarajevo, and the opening is planned before summer 2008.

In the third quarter of 2007, the ownership structure of the company changed as well. Already at the beginning of July 2007, 65 top managers of Merkur established Merfin, d. o. o. (ltd) and acquired 21% of Merkur shares. At the beginning of October, Merfin acquired another lot of shares and achieved a 49% ownership share. At present, Merfin and four of its partners control 79.5% of Merkur, and they announced a takeover bid to acquire the remaining Merkur shares at EUR 405 per share. The bid price is slightly lower than the highest price offered at the Ljubljana Stock Exchange (i.e. EUR 426 per share on 4 September 2007), but the bid price exceeds the average 2006 stock exchange price for a Merkur share by 143%, and the average 2007 share price by 33%. As at 30 September 2007, the book value of a Merkur share totalled EUR 179.

In the first nine months of 2007, Merkur Group operated successfully. The majority of performance indicators improved by 20% at least. If present trends continue, good results can be expected at the end of the year as well. The index of growth in the last quarter of 2007, however, is expected to present a slightly lower growth rate in comparison to the indices of the first three quarters of 2007 due to the exceptionally high sales volume in the last quarter of 2006. The observed trends and figures assured us that our strategy is correct. In the years to come, our ambitious goals will be fulfilled. To ensure this, the ownership structure will be changed. We must, however, be aware that good performance at present is also possible thanks to favourable global trends, and that the competition on the markets of former Yugoslavia – in the countries where we intend to expand our business the most – will become much keener. A properly devised strategy and commitment of all the employees will therefore play the key role in our success.

Mag. Bine Kordež
Chairman of the Management Board and CEO

6 THE MANAGEMENT BOARD'S NOTES AND ANALYSES

6.1 Changes to the Management and Supervisory Boards, and Business Object

Management Board (Term of Office from 1 December 2003 until 1 December 2008):

Mag. Bine Kordež, Chairman of the Management Board – CEO

Mag. Goran Čelesnik, Member of the Management Board – Director of Commerce

Mag. Milan Jelovčan, Member of the Management Board – Director of Organisation and IT

Marijana Kajzer, Member of the Management Board – Director of Labour Relations

There were no changes to the Management Board in the period from January to September 2007.

Supervisory Board (Term of Office from 20 December 2006 until 19 December 2010):

Shareholders' representatives:

Zlatko Kavčič, Chairman of the Supervisory Board

Jakob Piskernik, Deputy Chairman

Janez Bohorič

Miha Resman

Marta Bertoncej

Aleksander Svetelšek – from 2 July 2007

Workers' Representatives:

Peter Podplatnik

Vika Rozman

Marjan Smrekar

There were no changes to the Supervisory Board in the period from January to September 2007.

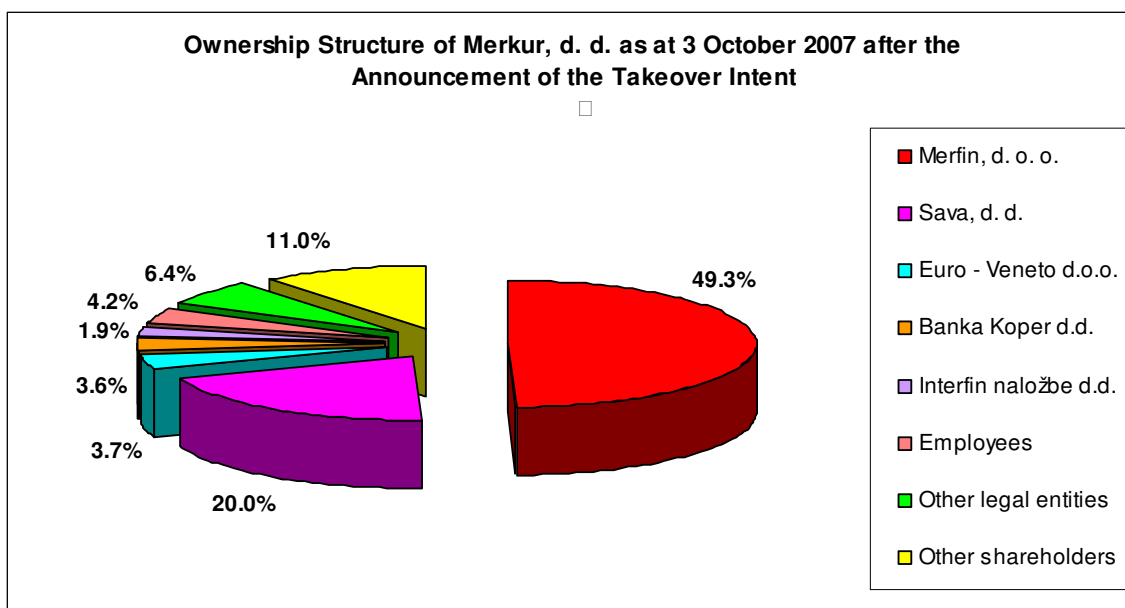
Object of the Company

In the period from January to September 2007, the object of the company was not changed in any way. The principal object of the company remains wholesale and retail trade in ferrous and non-ferrous metal products, construction and installation materials, supplemented by certain construction works, and cutting to measure and processing of ferrous and non-ferrous metal products.

6.2 Ownership Structure and Merkur Shares

Ownership Structure of Merkur, d. d. as at 30 September 2007

Name	30 Sept. 2007			31 Dec. 2006		
	Number of shareholders	Total shares number	%	Number of shareholders	Total shares Number	%
Merfin d.o.o.	1	282,122	21.49		0	0.00
Sava, d.d.	1	262,841	20.02	1	262,841	20.02
NFD 1 investicijski sklad, d.d.	1	137,866	10.50	1	116,286	8.86
Banka Koper d.d.	1	113,600	8.65	1	86,403	6.58
Gorenjska banka, d.d.	1	84,955	6.47	1	84,955	6.47
A banka d.d.	1	59,386	4.52	1	30	0.00
Euro - Veneto d.o.o.	1	48,000	3.66		0	0.00
Zavarovalnica Triglav	1	17,729	1.35	1	17,729	1.35
SOP	1	15,761	1.20	1	15,761	1.20
Abančna DZU delniški aktivni	1	6,910	0.53	1	8,211	0.63
Employees	626	82,232	6.26	678	94,944	7.23
Other legal entities	161	54,058	4.12	164	475,732	36.24
Other shareholders	4,305	147,125	11.21	3,901	149,693	11.40
TOTAL	5,102	1,312,585	100.00	4,751	1,312,585	100.00



Basic Data on Merkur Share

Data	30 September 2007	30 September 2006	Index
Number of shares	1,312,585	1,312,585	100.0
Market capitalisation (in thousand EUR)	535,810	230,628	232.3
Number of shareholders	5,102	4,515	113.0
Share price (in EUR)	408,21	175,71	232.3
Book value (in EUR)	178,49	156,50	114.0
Average weighted annual price excluding lots in the period from January to September (in EUR)	305,46	153,87	198.5
Net earnings per share (in EUR)	8,66	6,97	124.3
Market price per share in comparison to its book value	2,29	1,12	203.7
Lowest daily price (in EUR)	216,00	141,92	152.2
Highest daily price (in EUR)	426,00	179,44	237.4

Own Shares

Merkur, d. d. does not hold any own shares.

**Capital Stakes Held by Members of the Management and Supervisory Boards of Merkur, d. d.
as of 30 September 2007**

Management and Supervisory Boards	Number of shares	Holding in % of total shares
Management Board	6,128	0.467
Kordež Bine	3,316	0.253
Čelesnik Goran	1,041	0.079
Jelovčan Milan	967	0.074
Kajzer Marijanca	804	0.061
Supervisory Board	2,508	0.191
Bertoncelj Marta	1,276	0.097
Piskernik Jakob	509	0.039
Rozman Viktorija	426	0.032
Smrekar Marjan	240	0.018
Bohorič Janez	57	0.004
Kavčič Zlatko	-	-
Resman Miha	-	-
Podplatnik Peter	-	-
Svetelšek Aleksander – from 2 July 2007	-	-

Authorised Capital and Conditional Increase in Share Capital

Merkur, d. d. has not adopted any resolutions on authorised capital.

Articles of Association of Merkur, d. d. do not include any stipulations on conditional increase in share capital.

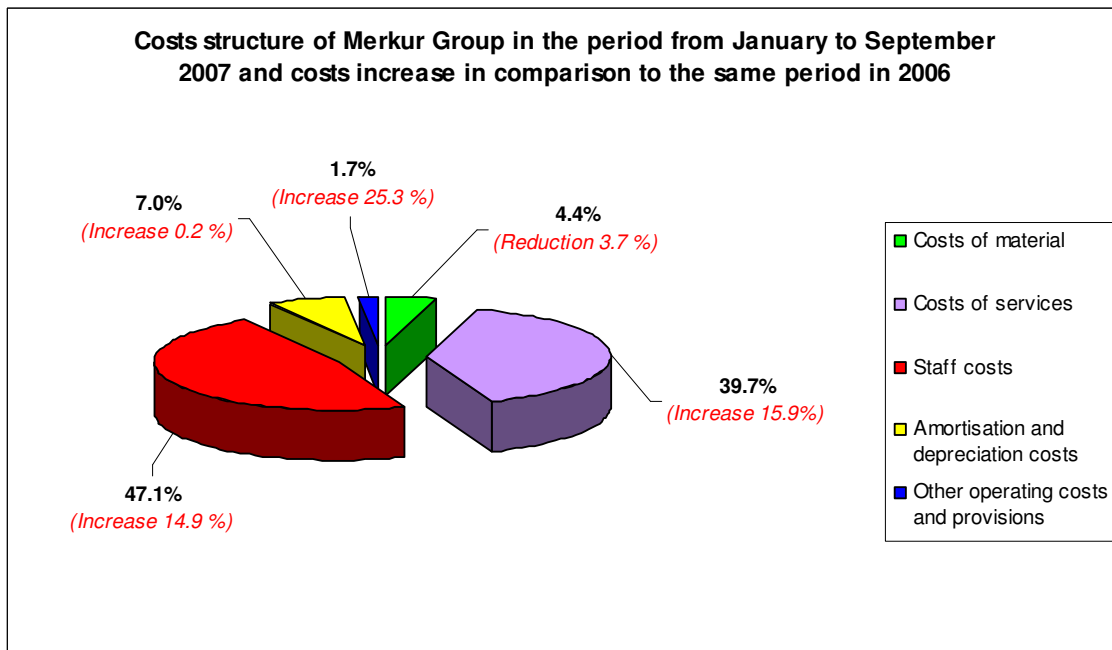
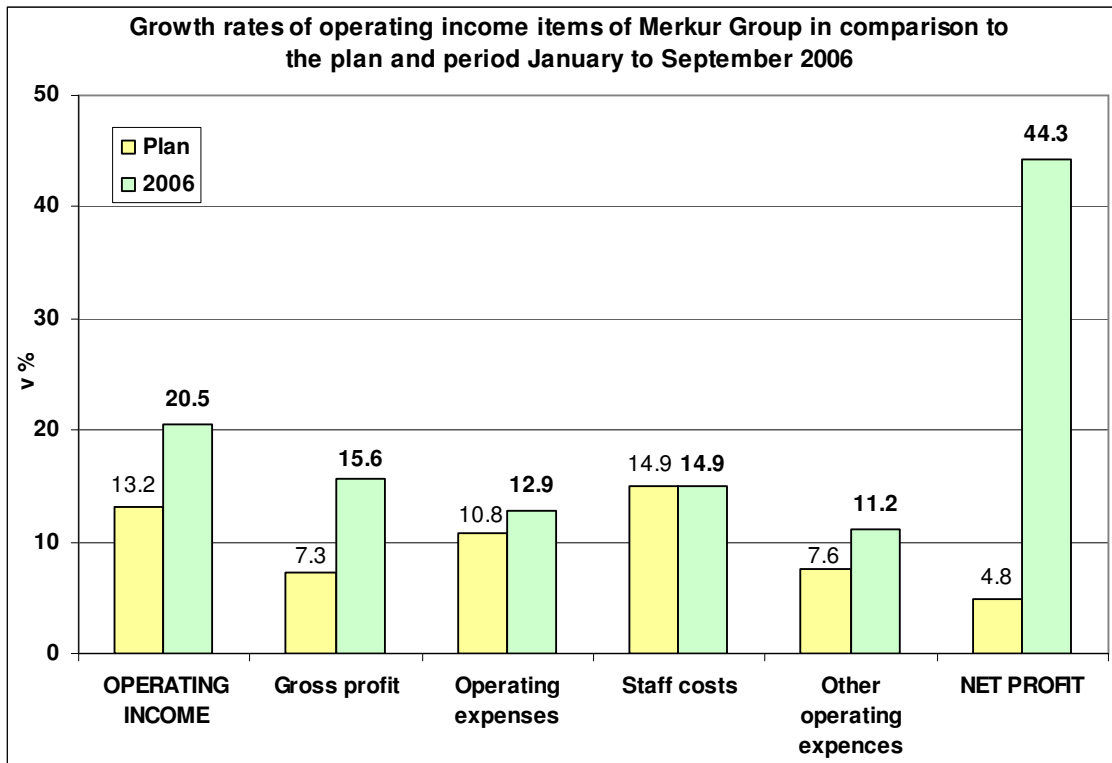
6.3 Notes on Operations in View of Plan

In the period from January to September 2007, the Group exceeded the planned sales revenues by 12.9%, operating profit was by 3.8% short of plan, but net profit for the period was exceeded by 4.6%. As far as the plan of Merkur, d. d. was concerned, the sales revenue exceeded the plan by 11.4%, net operating profit was 8.2% short of plan, and net profit exceeded the plan by 1.3%.

Thanks to excellent results, the Management Board decided to remunerate all the employees of Merkur Group, and the payment was made in September 2007. The employer thus incurred a cost in total of EUR 3.49 million, or EUR 810 per employee. The remuneration was not planned in advance, but it was included completely in the income statement and affected profit or loss from the operations for the first nine months. Thanks to this, it was 3.8% short of plan. If remuneration had not been paid, the profit from operations would be 16% higher than planned, and net profit would be 34% higher than planned.

By the end of 2007, all the indicators are expected to exceed the plan.

6.4 Merkur Group Performance Analysis



Investments in fixed assets

In the period from January to September 2007, the companies of Merkur Group continued the activities to launch construction of the new sales centres on the locations determined in the annual or strategic investment plans. The Group invested considerably in construction of sales centres in Serbia. In addition to the newly opened sales centre in Novi Sad, the Group also started preparing the project documentation for construction of another two sales centres in Beograd: Beograd II and Beograd III. In 2007, thanks to the acquisition of Merkur Čelik, d. o. o., Beograd, the Group obtained land and warehousing facilities for further development of metal products in Serbia.

In Sarajevo, the Group started building its first sales centre in Bosnia and Herzegovina.

In Croatia, the Group has undertaken the activities for construction of sales centres in Slavonski Brod, Zadar and Zagreb, all of them second sales centres in their respective towns.

In Slovenia, the Group has started the procurement of land for new sales centres in several towns, and in addition to that investments in logistic infrastructure, IT, and telecommunication equipment have been planned.

In 2007, the Group disposed of certain property that was deemed unnecessary, i.e. the old sales centre in Velenje, office building in Mariborska cesta Celje, office premises in WTC, and certain other smaller premises.

In 2007, the value of land, plant and equipment, intangible assets, investment property and non-current financial investment increased by a total of EUR 28.9 million.

Merkur Group Ratios

Ratio	30 Sept. 2007	30 Sept. 2006	Index
Profitability ratios			
Net return on equity ratio - ROE: (net profit for the accounting period / average equity (without net profit or loss for the accounting period) – in % p.a.	7.58	6.15	123.3
Net return on assets ratio – ROA: (profit or loss for the accounting period / average assets) - in % p.a.	2.00	1.56	128.1
Gross profit rate: (gross profit / operating revenue) – in %	17.06	17.82	95.7
Total revenue net profitability rate: (net profit for the accounting period / total revenue) – in %	1.46	1.23	119.1
Financing state ratios			
Equity financing rate: (equity / liabilities) – in %	27.56	26.44	104.2
Long-term financing rate: ((equity + long-term liabilities) / liabilities) – in %	41.30	37.10	111.3
Financial strength ratio: (long-term liabilities / average equity)	0.516	0.412	125.3
Investment ratios			
Operating fixed assets rate: (non-current assets without receivables / assets) - in %	37.92	40.76	93.0
Long-term assets rate: (non-current assets / assets) – in %	38.56	41.52	92.9
Investment assets rate: ((Long-term and short-term investments + investment property / assets) - in %	12.84	13.14	97.7
Horizontal financial structure ratios			
Equity to fixed assets ratio: (equity / (property + intangible assets + assets held for sale))	0.983	0.930	105.6
Acid test ratio: (liquid assets / short-term liabilities)	0.013	0.015	89.3
Quick ratio: (current assets without inventories / short-term liabilities)	0.624	0.556	112.2
Current ratio: (current assets / short-term liabilities)	1.047	0.930	112.6
Operating efficiency ratios			
Operating efficiency ratio: (operating revenue / operating expenses)	1.020	1.019	100.1
Total revenue per employee (in EUR)	213,529	187,081	114.1
Net profit per employee (in EUR)	3,119	2,295	135.9
Value added per employee (in EUR)	21,253	19,508	108.9
Turnover ratios and solvency ratios			
Inventory turnover ratio	3.34	3.49	95.8
Receivables turnover ratio	3.34	3.19	105.0
Payables turnover ratio	2.13	2.01	106.2

6.5 Explanation Concerning Seasonal Character of Sales

In the third quarter of 2007, the performance was even better than in the first two. This trend has been observed for years, both in Merkur, d. d., and in Merkur Group. In the third quarter of 2007, Merkur Group exceeded planned revenue by 9.8%, and Merkur, d. d. by 4.7% respectively. In comparison to the same period of 2006, in the third quarter of 2007, Merkur Group exceeded sales revenue by 15.8%, and Merkur by 11.8% respectively.

6.6 Net Earnings per Share and Book Value of MER Share

Net Earnings per Share and the Applicable Calculation Method

Net earnings of Merkur Group per MER share in the period from January to September 2007: EUR 9.63

Net earnings of Merkur Group per MER share in the period from January to September 2006: EUR 6.85

Net earnings of Merkur, d. d. per MER share in the period from January to September 2007: EUR 8.66

Net earnings of Merkur, d. d. per MER share in the period from January to September 2006: EUR 6.97

The calculation of net earnings per share was based on net profit for the period divided by the average number of shares (during all months from January to September 2007: 1,312,585; in the period from January to March 2006: 1,214,585, and from April to September 2006: 1,312,585 respectively) exclusive of own shares. In the period from January to September 2007 and 2006, the company did not hold any own shares.

Book Value of MER Share and the Applicable Calculation Method

Book value of Merkur Group's equity per MER share as at 30 September 2007: EUR 179.72

Book value of Merkur Group's equity per MER share as at 30 September 2006: EUR 152.98

Book value of Merkur share as at 30 September 2007: EUR 178.49

Book value of Merkur share as at 30 September 2006: EUR 156.50

The calculation of book value of the MER share was based on total equity capital of the Merkur Group, or total equity capital of Merkur, as of 30 September 2007. This was divided by the number of shares, which totalled 1,312,585, and was the same at the end of September 2007 and at the end of September 2006.

6.7 Expectations for the Future, and the Plan for 2007

Merkur Group has become a successfully developing international company. The Group aims to further upgrade its renown and distinction, and improve its competitiveness. To achieve this, the Group intends to gradually upgrade its vision of a dealer in various technical non-food items of high quality, and to become known for especially home products, DIY items, and technical items for professional applications, ferrous and non-ferrous metal products, construction materials, and installation materials. In wholesale to companies, Merkur intends to further specialise and introduce quality trademarks. In retail sales the company plans to introduce new products for pleasant living and home, quality leisure time, and modern household appliances and apparatuses.

Thanks to this, Merkur Group will be able to pursue its vision and become the leading dealer on the markets of the South-Eastern Europe, especially the Balkans, and compete successfully with large international corporations.

In observance of the business plan for 2007, net sales revenue of Merkur, d. d. is expected to amount to EUR 837 million, and of the Group to EUR 1,033 million respectively. Return on equity is expected to reach 6.9% in Merkur, and 8.3% in the Group respectively.

In 2007, net investments in assets of Merkur Group are planned at EUR 136 million, of which EUR 117 million will be financed by leasing. The most substantial investments include procurement of construction sites, and construction of sales centres and warehouses in Slovenia and in the countries of former Yugoslavia.

According to our estimations, all indicators will have exceeded the plan by the end of this year.

6.8 Important Events after the End of the Accounting Period

Changes in Ownership Structure

On 1 October 2007, NFD 1 – an investment security fund – disposed of 137,563 MER shares. Before the transaction, NFD 1 held 137,866 ordinary MER shares, or 10.5% of the voting right from shares. After the transaction, NFD1 still held 303 MER shares, or 0.02% of the voting right.

On 2 October, Banka Koper, d. d. disposed of 66,197 MER shares, or 5.04% of the issuer's voting right. After the transaction, Banka Koper still held 47,403 MER shares, or 3.61% of the voting right.

On 2 October, Gorenjska banka, d. d. disposed of 84.955 MER shares, or 6.4723% of the voting right. After the aforesaid transaction, Gorenjska banka does not own any MER shares.

On 26 September, Merfin, d. o. o. acquired 13,500 MER shares, on 1 October a further 137,563 MER shares, and on 2 October another 222,813 MER shares. After all those transactions, Merfin, d. o. o. owned a total of 647,498 MER shares, or 49.330% of voting rights in Merkur.

A Takeover Intent and Public Announcement of a Takeover Bid

On 3 October 2007, a consortium of five major owners of Merkur that hold 78.5% of all MER shares, made a public announcement that they intend to take over Merkur, the largest trading company in non-food items in Slovenia. In their takeover intent, the consortium of five major owners of Merkur obliged themselves to announce within thirty days at the latest a public bid to acquire all Merkur shares. Merfin, who is the largest stakeholder of Merkur in the consortium and thus the principal partner, owns 49.3% of MER shares. The stake is so high that – according to the law – a public bid for takeover of Merkur must be announced. The Management Board of Merkur and the company's top management support the intention.

On 30 October 2007, the acquiring companies:

- MERFIN, holdinška družba, d.o.o. Ljubljana,
- SAVA, družba za upravljanje in financiranje, d.d. Kranj,
- BANKA KOPER d.d. Koper,
- EURO - VENETO, d.o.o. Zagreb, Croatia, and
- INTERFIN, finančna družba, d. d., Koper

were issued a permit by the Securities Market Agency to announce a takeover bid for the acquisition of 282,125 ordinary registered shares of Merkur-trgovina in storitve, d. d., 4202 Naklo. The number represents the total of all 1,312,585 MER shares reduced by the 1,030,433 MER shares already held by the acquiring parties.

On 2 November 2007, the acquiring parties submitted a takeover bid to buy off the remaining 21.5% of MER shares. The acquiring parties, who are all members of a consortium for the takeover of the target company, placed a bid to settle the full price in cash. The bid price for a security (i.e. one MER designated share) totals EUR 405. The takeover bid shall be in force from 2 November 2007 until noon on 1 December 2007. The successful bid threshold has not been determined.

Appraisals and Awards

On 12 October, the employees of Merkur received yet another prize for the Group's excellent performance. The management committee of *Združenje Manager (The Managers' Association of Slovenia)* awarded **mag. Bine Kordež**, the Chairman of the Management Board of Merkur, the title *the Best Manager of the Year 2007* for joint efforts of the corporation. **The Best Manager of the Year** is one of the most prestigious titles in management. *Združenje Manager* brings together the most successful Slovene managers. Since 1991, the Association has been conferring the awards on the best managers. The criteria for selection are:

- Best financial results,
- Most challenging improvements,
- Best care for the future of the company,
- Best managerial competencies.

The management committee of *Združenje Manager* ensures objective assessments of the candidates.

On 4 October 2007 in Nova Gorica, an HRM conference was held. For the fifth consecutive time, prizes were awarded for the Slovene HRM project of the year. The project **sMPA** (Business Academy of Merkur Group) won the third place. This is Merkur's fourth project (after "Sistemizacija in kompetence", "Informatizacija in prenova MLR", and "Sistem nagrajevanja") to win a place among the best projects in the country.

7 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MERKUR GROUP

Balance Sheet of the Merkur Group as at 30 September 2007

in EUR					
Item	30 Sept. 2007	1 Jan. 2007	30 Sept. 2006	Index	
	1	2	3	4=1/2	5=1/3
Property, plant and equipment	237,521,056	213,654,336	214,414,160	111.2	110.8
Intangible assets	2,706,630	7,925,797	2,298,374	34.1	117.8
Investment property	12,729,034	14,043,273	14,588,378	90.6	87.3
Investments under equity method (investments in associates)	350,643	350,643	350,643	100.0	100.0
Non-current financial assets	71,512,173	68,831,122	79,080,701	103.9	90.4
Non-current trade receivables	1,012,056	1,625,538	1,452,441	62.3	69.7
Deferred tax assets	4,509,500	5,462,035	4,340,635	82.6	103.9
Total non-current assets	330,341,092	311,892,744	316,525,332	105.9	104.4
Inventories	212,433,468	167,558,680	179,203,361	126.8	118.5
Current financial assets	38,108,197	69,815,878	20,746,454	54.6	183.7
Income tax receivable	652,410	886,592	494,909	73.6	131.8
Current trade receivables and other assets	268,467,772	223,140,982	238,341,657	120.3	112.6
Cash and cash equivalents	6,644,731	10,812,974	7,098,957	61.5	93.6
Total current assets	526,306,578	472,215,106	445,885,338	111.5	118.0
TOTAL ASSETS	856,647,670	784,107,850	762,410,670	109.3	112.4
Issued capital	54,773,201	54,773,201	54,773,201	100.0	100.0
Capital reserves	76,701,377	76,701,377	76,701,377	100.0	100.0
Revenue reserves	15,665,588	15,510,537	15,423,869	101.0	101.6
Retained earnings	56,355,462	48,910,140	35,811,551	115.2	157.4
Fair value reserve	30,865,433	21,131,248	18,084,155	146.1	170.7
Translation reserves	1,538,313	1,506,981	9,039	102.1	-
Total equity attributable to equity holders of the parent	235,899,374	218,533,484	200,803,192	107.9	117.5
Minority interest	170,833	137,636	779,715	124.1	21.9
Total equity	236,070,207	218,671,120	201,582,907	108.0	117.1
Non-current financial liabilities	100,048,212	91,824,149	59,489,993	109.0	168.2
Non-current trade payables	3,372,590	3,422,926	3,804,315	98.5	88.7
Deferred tax liabilities	6,939,369	7,442,580	8,716,133	93.2	79.6
Long-term provisions	7,359,418	11,419,233	9,239,136	64.4	79.7
Total non-current liabilities	117,719,589	114,108,888	81,249,577	103.2	144.9
Current financial liabilities	250,513,286	218,214,589	215,058,020	114.8	116.5
Current trade and other payables	244,642,975	229,209,485	250,993,760	106.7	97.5
Current tax payable	92,933	672,780	692,778	13.8	13.4
Short-term provisions	7,608,680	3,230,988	12,833,628	235.5	59.3
Total current liabilities	502,857,874	451,327,842	479,578,186	111.4	104.9
Total liabilities	620,577,463	565,436,730	560,827,763	109.8	110.7
TOTAL EQUITY AND LIABILITIES	856,647,670	784,107,850	762,410,670	109.3	112.4

Income Statement of the Merkur Group for the Period from 1 January 2007 to 30 September 2007

Item	in EUR		
	Jan. - Sept. 2007	Jan. - Sept. 2006	Index
REVENUE	848,519,362	702,753,672	112.9
Cost of sales	703,794,680	577,538,416	114.1
GROSS PROFIT	144,724,682	125,215,256	107.3
Other operating income	3,423,066	4,201,461	316.6
Distribution expenses	96,541,273	86,863,153	106.8
Administrative expenses	31,248,116	25,919,771	122.4
Other operating expenses	3,462,155	3,509,214	136.9
OPERATING PROFIT	16,896,204	13,124,579	96.2
Financial income	13,063,872	7,320,077	167.9
Financial expenses	13,875,114	8,903,127	134.7
NET FINANCE COSTS	-811,242	-1,583,050	32.2
PROFIT BEFORE TAX	16,084,962	11,541,529	106.9
Income tax expense	3,415,360	2,763,600	115.3
PROFIT FOR THE PERIOD	12,669,602	8,777,929	104.8
Equity holders of the parent	12,635,038	8,761,275	104.6
Minority interest	34,564	16,654	408.8
Earnings per share (in EUR)	9.63	6.85	104.6
Costs by nature	127,789,389	112,782,924	110
Cost of materials	5,682,851	5,901,523	95
Costs of services	50,740,717	43,785,724	107
Employee benefits expense	60,255,449	52,440,206	115
Amortisation and depreciation expense	8,934,330	8,918,486	107
Non-current provisions	13,088	12,185	-
Other costs	2,162,954	1,724,800	145

Cash Flow Statement of the Merkur Group for the Period from 1 January 2007 to 30 September 2007

in EUR			
Item	January - September		Index
	2007	2006	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit or loss for the period	12,669,602	8,777,929	144.3
Adjustments for:	14,057,457	12,829,320	109.6
Depreciation of property, plant and equipment	8,415,853	8,357,737	100.7
Amortisation of intangible assets	518,477	560,749	92.5
Impairment of assets	3,019,963	3,001,056	100.6
Gain / Loss on disposal of property, plant and equipment	-2,120,656	-3,434,093	61.8
Investment income / expenditure	-11,662,277	-5,563,162	209.6
Foreign exchange gain / loss	-701,874	-673,046	104.3
Financial expenses	13,175,393	7,819,258	168.5
Decrease in long-term provisions	-2,782	-2,779	100.1
Income taxes paid	3,415,360	2,763,600	123.6
Change in net operating current assets and provisions	-81,970,547	-66,113,203	124.0
Increase in trade and other receivables	-45,634,141	-46,101,736	99.0
Increase / Decrease in inventories	-45,195,733	-37,042,505	122.0
Increase / Decrease in trade and other payables	8,538,668	13,945,464	61.2
Increase in accruals and deferrals, and provisions	320,659	3,085,574	10.4
Net cash from operating activities	-55,243,488	-44,505,954	124.1
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5,323,214	4,633,993	114.9
Foreign exchange differences received	1,379,097	1,368,052	100.8
Dividends received	3,285,593	61,676	-
Proceeds from sale of property, plant and equipment	4,109,754	14,121,804	29.1
Proceeds from sale of investment property	6,328,443	15,451,039	41.0
Proceeds from sale of investments	112,394,067	36,595,297	307.1
Acquisition of property, plant and equipment	-25,237,411	-31,589,359	79.9
Acquisition of intangible assets	-621,572	-186,751	332.8
Acquisition of investment property	0	-7,015,260	-
Acquisition of investments	-78,361,252	-32,373,131	242.1
Net cash used in investing activities	28,599,933	1,067,360	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	0	14,803,872	-
Proceeds from / Repayment of borrowings	40,522,761	36,812,465	110.1
Payment of foreign exchange differences	-774,942	-997,183	77.7
Dividends and profit shares to shareholders	-4,719,650	-4,039,234	116.8
Interest paid	-12,552,856	-7,427,529	169.0
Net cash used in financing activities	22,475,313	39,152,391	57.4
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS			
	-4,168,243	-4,286,203	97.2
Cash and cash equivalents at beginning of period	10,812,974	11,385,161	95.0
Cash and cash equivalents at end of period	6,644,731	7,098,957	93.6

Statement of Changes in Equity of the Merkur Group for the Period from 1 January 2007 to 30 September 2007

in EUR

Items of equity	Share capital	Capital reserves	Legal reserves	Other revenue reserves	Retained earnings	Fair value reserve - land and buildings	Fair value reserve - financial assets	Translation reserves	TOTAL EQUITY HOLDERS OF THE PARENT	MINORITY INTEREST	TOTAL EQUITY
Balance at 1 January 2007	54,773,201	76,701,377	6,080,041	9,430,496	48,910,140	1,705,486	19,425,762	1,506,981	218,533,484	137,636	218,671,120
Net profit for the period taken to equity	-	-	-	-	12,635,038	-	-	-	12,635,038	34,564	12,669,602
Changes in fair value of property and available-for-sale financial assets	-	-	-	-	-	-	10,337,200	-	10,337,200	-	10,337,200
Net profit for the period allocated to legal reserves under the resolution adopted by the Management Board	-	-	155,051	-	-155,051	-	-	-	0	-	0
Dividends and profit shares to shareholders	-	-	-	-	-4,903,562	-	-	-	-4,903,562	-	-4,903,562
Fair value of property and available-for-sale financial assets transferred to income	-	-	-	-	-	-	-1,141,102	-	-1,141,102	-	-1,141,102
Increase / Decrease in exchange differences	-	-	-	-	-	-	-	31,332	31,332	-1,367	29,965
Increase / Decrease in deferred taxes	-	-	-	-	-131,103	42,166	495,921	-	406,984	-	406,984
Balance at 30 September 2007	54,773,201	76,701,377	6,235,092	9,430,496	56,355,462	1,747,652	29,117,781	1,538,313	235,899,374	170,833	236,070,207

Statement of Changes in Equity of the Merkur Group for the Period from 1 January 2006 to 30 September 2006

in EUR

Items of equity	Share capital	Capital reserves	Legal reserves	Other revenue reserves	Retained earnings	Fair value reserve - land and buildings	Fair value reserve - financial assets	Translation reserves	TOTAL EQUITY HOLDERS OF THE PARENT	MINORITY INTEREST	TOTAL EQUITY
Balance at 1 January 2006	50,683,734	65,986,972	5,997,329	9,343,828	31,662,498	1,599,349	14,504,181	-230,938	179,546,953	1,057,586	180,604,539
Additional paid-in capital taken to equity	4,089,467	10,714,405	-	-	-	-	-	-	14,803,872	-	14,803,872
Net profit for the period taken to equity	-	-	-	-	8,761,275	-	-	-	8,761,275	16,654	8,777,929
Changes in fair value of property and available-for-sale financial assets	-	-	-	-	-	-	2,839,359	-	2,839,359	-	2,839,359
Net profit for the period allocated to legal reserves under the resolution adopted by the Management Board	-	-	82,712	-	-82,712	-	-	-	0	-	0
Dividends and profit shares to shareholders	-	-	-	-	-4,208,867	-	-	-	-4,208,867	-	-4,208,867
Fair value of property and available-for-sale financial assets transferred to income	-	-	-	-	-	-	-198,531	-	-198,531	-	-198,531
Other decreases – changes in ownership structure in favour of majority holders	-	-	-	-	-	-	-	-	0	-311,475	-311,475
Increase / Decrease in exchange differences	-	-	-	-	-	-	-	239,977	239,977	16,950	256,927
Increase / Decrease in deferred taxes	-	-	-	-	-320,643	-	-660,203	-	-980,846	-	-980,846
Balance at 30 September 2006	54,773,201	76,701,377	6,080,041	9,343,828	35,811,551	1,599,349	16,484,806	9,039	200,803,192	779,715	201,582,907

8 UNAUDITED FINANCIAL STATEMENTS OF MERKUR, D. D.

Balance sheet of Merkur, d. d. as at 30 September 2007

in EUR					
Item	30 Sept. 2007	1 Jan. 2007	30 Sept. 2006	Index	
	1	2	3	4=1/2	5=1/3
Property, plant and equipment	166,622,052	166,488,930	147,087,882	100.1	113.3
Intangible assets	1,018,682	697,223	495,652	146.1	205.5
Investment property	12,465,853	13,779,755	13,784,894	90.5	90.4
Investments in associates	135,203	135,203	350,643	100.0	38.6
Non-current financial assets	141,415,890	114,743,128	151,006,610	123.2	93.6
Non-current trade receivables	766,307	1,125,692	1,067,147	68.1	71.8
Deferred tax assets	3,877,897	4,777,930	3,745,502	81.2	103.5
Total non-current assets	326,301,884	301,747,861	317,538,328	108.1	102.8
Inventories	138,652,382	112,136,675	128,978,714	123.6	107.5
Current financial assets	37,583,271	68,348,431	13,736,964	55.0	273.6
Income tax receivable	596,111	0	131,343	-	-
Current trade receivables and other assets	287,495,172	241,998,726	230,766,174	118.8	124.6
Cash and cash equivalents	2,244,766	2,228,430	1,363,896	100.7	164.6
Total current assets	466,571,702	424,712,262	374,977,091	109.9	124.4
TOTAL ASSETS	792,873,586	726,460,123	692,515,419	109.1	114.5
Issued capital	54,773,201	54,773,201	54,773,201	100.0	100.0
Capital reserves	76,701,377	76,701,377	76,701,377	100.0	100.0
Revenue reserves	14,894,958	14,894,958	14,894,959	100.0	100.0
Retained earnings	57,049,280	50,658,843	40,974,758	112.6	139.2
Fair value reserve	30,858,109	21,123,924	18,076,832	146.1	170.7
Total equity	234,276,925	218,152,303	205,421,128	107.4	114.0
Non-current financial liabilities	94,811,431	86,538,982	46,709,510	109.6	203.0
Non-current trade payables	3,007,860	3,020,141	3,232,403	99.6	93.1
Deferred tax liabilities	6,926,400	7,429,568	8,222,488	93.2	84.2
Long-term provisions	6,487,736	10,319,168	7,597,901	62.9	85.4
Total non-current liabilities	111,233,427	107,307,859	65,762,302	103.7	169.1
Current financial liabilities	240,066,785	206,531,717	202,445,973	116.2	118.6
Current trade and other payables	201,615,400	191,824,178	218,436,780	105.1	92.3
Current tax payable	0	191,582	0	-	-
Short-term provisions	5,681,049	2,452,484	449,236	231.6	1,264.6
Total current liabilities	447,363,234	400,999,961	421,331,990	111.6	106.2
Total liabilities	558,596,661	508,307,820	487,094,291	109.9	114.7
TOTAL EQUITY AND LIABILITIES	792,873,586	726,460,123	692,515,419	109.1	114.5

Income Statement of Merkur, d. d. for the period from 1 January 2007 to 30 September 2007

Item	in EUR		
	Jan. - Sept.	Jan. - Sept.	Index
	2007	2006	
REVENUE	687,298,361	558,115,874	111.4
Cost of sales	581,583,173	468,678,977	112.5
GROSS PROFIT	105,715,188	89,436,897	105.2
Other operating income	2,578,328	2,710,240	-
Distribution expenses	68,422,843	59,229,190	106.0
Administrative expenses	23,606,997	18,200,447	119.0
Other operating expenses	2,388,724	2,437,502	161.2
OPERATING PROFIT	13,874,952	12,279,999	91.8
Financial income	13,157,139	6,443,010	156.1
Financial expenses	12,796,108	7,288,303	134.5
NET FINANCE REVENUE/EXPENSE	361,031	-845,293	-
PROFIT BEFORE TAX	14,235,983	11,434,706	101.4
Income tax expense	2,864,280	2,515,636	102.1
PROFIT FOR THE PERIOD	11,371,703	8,919,070	101.3

Earnings per share (in EUR)	8.66	6.97	101.3
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Costs by nature	92,029,840	77,429,636	109.1
Cost of materials	4,140,121	4,379,607	91.4
Costs of services	34,572,967	27,810,946	107.1
Employee benefits expense	45,803,120	38,069,066	111.8
Amortisation and depreciation expense	6,137,241	6,012,172	110.3
Other costs	1,376,391	1,157,845	129.6

Cash Flow Statement of Merkur, d. d. for the Period from 1 January 2007 to 30 September 2007

in EUR

Item	January - September		Index
	2007	2006	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit or loss for the period	11,371,703	8,919,070	127.5
Adjustments for:	8,907,948	9,156,510	97.3
Depreciation of property, plant and equipment	5,963,063	5,837,752	102.1
Amortisation of intangible assets	174,178	174,420	99.9
Impairment of assets	2,092,130	2,183,338	95.8
Gain / Loss on disposal of property, plant and equipment	-1,824,435	-2,399,900	76.0
Investment income / expenditure	-12,494,620	-5,812,181	215.0
Foreign exchange gain / loss	-392,732	-273,356	143.7
Financial expenses	12,526,321	6,930,830	180.7
Decrease in long-term provisions	-237	-29	817.2
Income taxes paid	2,864,280	2,515,636	113.9
Change in net operating current assets and provisions	-66,532,712	-38,322,363	173.6
Increase in trade and other receivables	-45,624,503	-45,135,057	101.1
Increase / Decrease in inventories	-26,752,628	-38,647,400	69.2
Increase / Decrease in trade and other payables	6,447,049	45,632,845	14.1
Decrease in accruals and deferrals, and provisions	-602,630	-172,751	348.8
Net cash from operating activities	-46,253,061	-20,246,783	228.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5,749,594	4,921,415	116.8
Foreign exchange differences received	542,275	602,187	90.1
Dividends received	3,285,593	60,979	-
Proceeds from sale of property, plant and equipment	3,229,784	10,852,717	29.8
Proceeds from sale of investment property	6,328,443	15,032,753	42.1
Proceeds from sale of investments	111,039,602	35,817,397	310.0
Acquisition of property, plant and equipment	-12,516,075	-17,597,530	71.1
Acquisition of intangible assets	-495,637	-63,428	781.4
Acquisition of investment property	0	-7,015,260	-
Acquisition of investments	-95,289,003	-71,118,198	134.0
Net cash used in investing activities	21,874,576	-28,506,968	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	0	14,803,872	-
Proceeds from / Repayment of borrowings	41,807,517	43,900,346	95.2
Payment of foreign exchange differences	-166,725	-290,048	57.5
Dividends and profit shares to shareholders	-4,719,650	-4,039,234	116.8
Interest paid	-12,526,321	-6,930,830	180.7
Net cash used in financing activities	24,394,821	47,444,106	51.4
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS			
	16,336	-1,309,645	-
Cash and cash equivalents at beginning of period	2,228,430	2,673,539	83.4
Cash and cash equivalents at end of period	2,244,766	1,363,896	164.6

Statement of Changes in Equity of Merkur, d. d. for the Period from 1 January 2007 to 30 September 2007

in EUR

Items of equity	Share capital	Capital reserves	Legal reserves	Other revenue reserves	Retained earnings	Fair value reserve - land and buildings	Fair value reserve - financial assets	Own shares	TOTAL EQUITY
Balance at 1 January 2007	54,773,201	76,701,377	5,551,133	9,343,825	50,658,843	1,698,163	19,425,761	0	218,152,303
Net profit for the period taken to equity	-	-	-	-	11,371,703	-	-	-	11,371,703
Changes in fair value of property and available-for-sale financial assets	-	-	-	-	-	-	10,337,200	-	10,337,200
Dividends and profit shares to shareholders	-	-	-	-	-4,903,562	-	-	-	-4,903,562
Fair value of property and available-for-sale financial assets transferred to income	-	-	-	-	-	-	-1,141,102	-	-1,141,102
Increase / Decrease in deferred taxes	-	-	-	-	-77,704	42,166	495,921	-	460,383
Balance at 30 September 2007	54,773,201	76,701,377	5,551,133	9,343,825	57,049,280	1,740,329	29,117,780	0	234,276,925

Statement of Changes in Equity of Merkur, d. d. for the Period from 1 January 2006 to 30 September 2006

in EUR

Items of equity	Share capital	Capital reserves	Legal reserves	Other revenue reserves	Retained earnings	Fair value reserve - land and buildings	Fair value reserve - financial assets	Own shares	TOTAL EQUITY
Balance at 1 January 2006	50,683,734	65,986,972	5,551,134	9,343,824	36,585,198	1,592,029	14,504,184	0	184,247,075
Additional paid-in capital taken to equity	4,089,467	10,714,405	-	-	-	-	-	-	14,803,872
Net profit for the period taken to equity	-	-	-	-	8,919,070	-	-	-	8,919,070
Changes in fair value of property and available-for-sale financial assets	-	-	-	-	-	-	2,839,359	-	2,839,359
Dividends and profit shares to shareholders	-	-	-	-	-4,208,867	-	-	-	-4,208,867
Fair value of property and available-for-sale financial assets transferred to income	-	-	-	-	-	-	-198,531	-	-198,531
Increase / Decrease in deferred taxes	-	-	-	-	-320,643	-	-660,207	-	-980,850
Balance at 30 September 2006	54,773,201	76,701,377	5,551,134	9,343,824	40,974,758	1,592,029	16,484,805	0	205,421,128

Management Board of Merkur, d. d.