

MERKUR

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

**INTERIM REPORT OF
THE MERKUR GROUP
AND**

MERKUR, D. D.

FOR THE PERIOD FROM JANUARY TO MARCH 2007

Contents

1	PREAMBLE	3
1.1	Reporting Standards	3
1.2	Companies Included in Consolidation	3
2	HIGHLIGHTS ON OPERATIONS FROM JANUARY TO MARCH 2007	4
3	IMPORTANT EVENTS IN THE PERIOD FROM JANUARY TO MARCH 2007	5
4	RISK MANAGEMENT	6
5	ASSESSMENT OF MERKUR OPERATIONS FROM JANUARY TO MARCH 2007	7
6	THE MANAGEMENT BOARD'S NOTES AND ANALYSES	9
6.1	Changes to the Management and Supervisory Boards, and Business Object	9
6.2	Ownership Structure and MER Shares	9
6.3	Notes on Operations in View of Plan	10
6.4	Merkur Group Performance Analysis	11
6.5	Explanation Concerning Seasonal Character of Sales	12
6.6	Net Earnings per Share and Book Value of MER Share	12
6.7	Expectations for the Future, and the Plan for 2007	12
6.8	Important Events after the End of the Accounting Period	13
7	UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MERKUR GROUP	14
8	UNAUDITED UNCONSOLIDATED FINANCIAL STATEMENTS OF MERKUR, D. D.	18

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 unaudited consolidated financial statements of the Merkur Group for the interim period from January to March 2007, and the unaudited unconsolidated financial statements of Merkur, d. d. for the interim period from January to March 2007. These were discussed by the Supervisory Board at their session of 17 May 2007. Any important changes to data in the company's prospectus are promptly released in public announcements on SEOnet of the Ljubljana Stock Exchange.

1.1 Reporting Standards

Merkur, d. d. has drawn the unaudited consolidated financial statements of the Merkur Group and the unaudited unconsolidated financial statements of Merkur, d. d. for the periods from January to March 2007 and January to March 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 March 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 March 2006.

1.2 Companies Included in the Consolidation

Subsidiaries and associates	Country	Ownership share since	Ownership share in % at 31 March 2007	Ownership share in % at 31 March 2006
- Kovinotehna, d. o. o., Celje	Slovenia	1999	100	100
- Bofex, d. o. o., Ljubljana	Slovenia	1999	100	100
- Sava Trade, d. d.	Slovenia	2006	100*	96.87
- Železokrivnica SCT –Merkur, d. o. o., Ljubljana**	Slovenia	2006	45	45
- 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
- Bofex doo Beograd	Serbia	2005	100	100
- Merkur Makedonija, doo, Skopje	Macedonia	1994	90.35	90.35
- Intermerkur, d. o. o., Sarajevo	Bosnia and Herzegovina	1998	100	99.63
- 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

*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. is an affiliated company and is included in the consolidated financial statements under equity method.

2 HIGHLIGHTS ON OPERATIONS FROM JANUARY TO MARCH 2007

MERKUR GROUP

Item	January to March			Index	
	2007	Plan 2007	2006	Plan=100	2006=100
Net sales revenues (in EUR)	243,126,536	205,688,177	190,593,261	118.2	127.6
Net operating profit or loss from regular operations - EBIT (in EUR)	5,121,302	4,644,369	2,150,421	110.3	238.2
EBITDA (earnings before interest, tax, depreciation and amortization in EUR)	8,102,679	7,400,802	4,999,365	109.5	162.1
Profit before tax (in EUR)	3,527,454	3,179,834	1,809,748	110.9	194.9
Net profit (in EUR)	2,763,665	2,589,144	1,379,511	106.7	200.3
Added value (in EUR)	25,643,643	23,730,668	20,702,203	108.1	123.9
Assets (as at 31 March – in EUR)	838,029,080		736,197,186	-	113.8
Equity capital (as at 31 March – in EUR)	227,250,212		181,573,522	-	125.2
Number of employees from hours worked	3,878	3,943	3,806	98.4	101.9
Equity / liabilities (in %)	27.1		24.7	-	109.9
Net sales revenue per employee (in EUR)	62,694	52,165	50,077	120.2	125.2
Added value per employee (in EUR)	6,613	6,018	5,439	109.9	121.6
Net profit per employee (in EUR)	713	657	362	108.5	196.6
Net return on equity - ROE - % p.a.	5.02		2.69	-	186.6
Total revenue net profitability rate – in %	1.12	1.25	0.71	90.1	157.5
Book value of share (as at 31 March – in EUR)	173		149	-	116.4
Market price per share (as at 31 March – in EUR)	245		147	-	167.3
Market price per share in comparison to its book value (as at 31 March – in %)	142		99	-	143.7
Price-earnings ratio (P/E) (in SIT)	2.11	1.97	1.14	106.7	185.4

MERKUR, D. D.

Item	January to March			Index	
	2007	Plan 2007	2006	Plan=100	2006=100
Net sales revenues (in EUR)	195,344,380	170,846,022	146,231,569	114.3	133.6
Net operating profit or loss from regular operations - EBIT (in EUR)	4,414,785	3,949,908	2,018,506	111.8	218.7
EBITDA (earnings before interest, tax, depreciation and amortization in EUR)	6,454,947	5,792,423	3,917,755	111.4	164.8
Profit before tax (in EUR)	3,221,195	2,914,432	2,139,113	110.5	150.6
Net profit (in EUR)	2,573,091	2,331,541	1,798,352	110.4	143.1
Added value (in EUR)	19,981,068	18,410,840	15,614,734	108.5	128.0
Assets (as at 31 March – in EUR)	781,473,917		634,279,845	-	123.2
Equity capital (as at 31 March – in EUR)	221,067,533		185,643,211	-	119.1
Number of employees from hours worked	2,759	2,811	2,505	98.2	110.1
Equity / liabilities (in %)	28.3		29.3	-	96.7
Net sales revenue per employee (in EUR)	70,803	60,778	58,376	110.6	121.3
Added value per employee (in EUR)	7,242	6,550	6,233	110.6	116.2
Net profit per employee (in EUR)	933	829	718	112.4	129.9
Net return on equity - ROE - % p.a.	4.77		3.91	-	122.1
Total revenue net profitability rate – in %	1.30	1.35	1.21	-	106.9
Book value of share (as at 31 March – in EUR)	168		153	-	110.2
Market price per share (as at 31 March – in EUR)	245		146	-	167.3
Market price per share in comparison to its book value (as at 31 March – in %)	146		96	-	151.9
Price-earnings ratio (P/E) (in SIT)	1.96	1.78	1.48	110.4	132.4

3 IMPORTANT EVENTS IN THE PERIOD FROM JANUARY TO MARCH 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 54,773,201.74.

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

On 9 March 2007, Merkur, d. d. acquired 5,544 shares of Gorenjska banka, d. d., Kranj, or 1.67% of its share capital and voting rights. After the transaction, Merkur's stake in Gorenjska banka, d. d., Kranj amounted to 51,384 shares, or 15.50% stake and voting rights.

Significant Changes in Ownership Structure

At the end of December 2006, the State put on auction its 24.3% share in Merkur through Kapitalska družba (KAD) and Slovenska odškodninska družba (SOD). The complete stake was sold to Engrotuš, d. o. o. In January 2007, Engrotuš, d. o. o. sold 66,197 MER shares to Banka Koper, d. d. In February 2007, Engrotuš, d. o. o. sold another 70,422 of MER shares to Nova Ljubljanska banka, d. d. and 59,386 MER shares to Abanka, d. d. respectively.

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.

A New Dispatch 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.

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.

4 RISK MANAGEMENT

The risk exposure of Merkur Group has not changed much in comparison to the previous periods. The company has paid special attention to the financial risk control.

Financial Risks

In 2007, Merkur 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 decrease the degree of 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 the prices of 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 certain 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.

From January to March 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 three quarters 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 mid-term expected 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 low.

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.

5 ASSESSMENT OF MERKUR OPERATIONS FROM JANUARY TO MARCH 2007

In the first quarter of the year the favourable trends continued in Merkur Group, the business thrived and sales volume increased. In the period from January to March, Merkur Group's sales revenue amounted to EUR 243 million, or 27.6% more than in the same period of 2006. The company increased its sales in Slovenia by over 20%, but the sales increase abroad was even more substantial, and the sales volume there grew by 80% in comparison to the same period last year. The growth was the fastest in Bosnia and Herzegovina, and almost tripled, mostly thanks to the new warehousing facility for ferrous and non-ferrous metal products. Sales to final customers increased by 16%, and sales to companies by 33% respectively.

As far as the individual departments are concerned, the sales of ferrous and non-ferrous metal products increased the most, and grew by more than 50% in comparison to the year before. In terms of quantities, that programme recorded the sharpest increase as well, and from January to March sold almost 150,000 tons of steel products. In the first quarter of 2007, the prices of steel went up by 17% in comparison to the same period of last year. Merkur, however, mostly increased the sales of concrete reinforcing steel that sells at lower average prices. The increase in that line of products was almost threefold. In general, the rises in quantities and value nearly equalled.

All other departments – except the department for chemical and paper products – increased their sales by approximately 20%. Construction materials recorded the highest increase in sales, which reached 24%. In the first quarter of 2007, the sales volume of chemical and paper products was slightly lower than in the same period of 2006, especially if the sales by Sava Trade in the first three months of 2006 are considered. Merkur acquired Sava Trade in March last year, and successfully merged all its attractive programmes into the corporate system, and dissolved the rest.

As far as the difference in price in the first three months of 2007 is concerned, the company increased it successfully, even though the average percentage in Merkur Group was slightly lower than last year. The majority of sales channels and programmes, both in sales to final customers and to companies, increased their percentage of difference in price. The sales volume was increased most in those parts of the company that generally record lower margin rates, so the average percentage of difference in price was slightly lower than last year. Total amount of difference in price increased by 21.7%. In the first quarter of 2007, however, Merkur sold certain real estates that had been leased out, so rental income dropped, and gross profit increased by 18.3% in comparison to the same period of 2006.

Gross profit of Merkur Group further increased, but in addition to that, the Group also rationalised its costs. Their growth lagged by 8 percentage points behind the gross profit increase, so the company more than doubled its operating profit in comparison to the first three months of the last year. EBITDA totalled EUR 8.1 million, or 60% more than in 2006. Finance costs were much higher this year than in 2006, mostly due to higher interest rate levels, and also because more funds were engaged. Even so, in comparison to the last year profit before tax almost doubled. In the period from January to March 2007, net profit of Merkur Group after tax deduction totalled EUR 2.77 million, or exactly 100% more than in the comparable period of 2006.

In the period from January to March, Merkur also improved the turnover of assets. The sales grew by 28%, and the balance sheet total increased by 14% in comparison to March 2006. Because of the sharp increase in sales, the turnover of inventories grew by 19% (comparison between 31 March 2007 and 31 March 2006), and turnover of receivables improved as well. These grew by 23% at 33% increase of sales to legal entities. To develop business further and settle operating liabilities faster, the company engaged additional financial assets.

In the first three months of 2007, Merkur started construction of a new sales centre in Novi Sad, continued the preparations for the construction of 14 new sales centres in Slovenia, Croatia, Serbia, Bosnia and Herzegovina. The construction is expected to start within a year. In addition to the aforesaid preparations, Merkur increased its sales surface already in the first quarter of 2007, and improved its gardening programme that represents a great sales potential. The project for new warehousing facilities in Slovenia to store technical goods for domestic and industrial applications was also launched.

The high growth of sales proves that Merkur perceived the market requirements correctly. In addition to this, the offer was well-targeted, and Merkur managed to meet the customer demand also in the first

quarter of 2007, even though it had traditionally been the weakest season of the business year. Considering positive market trends and further improvements in offer and services, we believe that favourable trends will continue this year as well, and expect to exceed the plan, both in terms of sales, and overall performance. Merkur will thus further strengthen its leading position in sales of non-food items in the region.

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 March 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

Workers' Representatives:

Peter Podplatnik

Vika Rozman

Marjan Smrekar

Mrs Zvonka Novak Habot had been appointed to the new Supervisory Board of Merkur. However, the ownership structure of Merkur changed at the end of 2006. At their first meeting in 2007, the Supervisory Board accepted Novak Habot's withdrawal. Her replacement will be appointed at the General Meeting of Shareholders.

Object of the Company

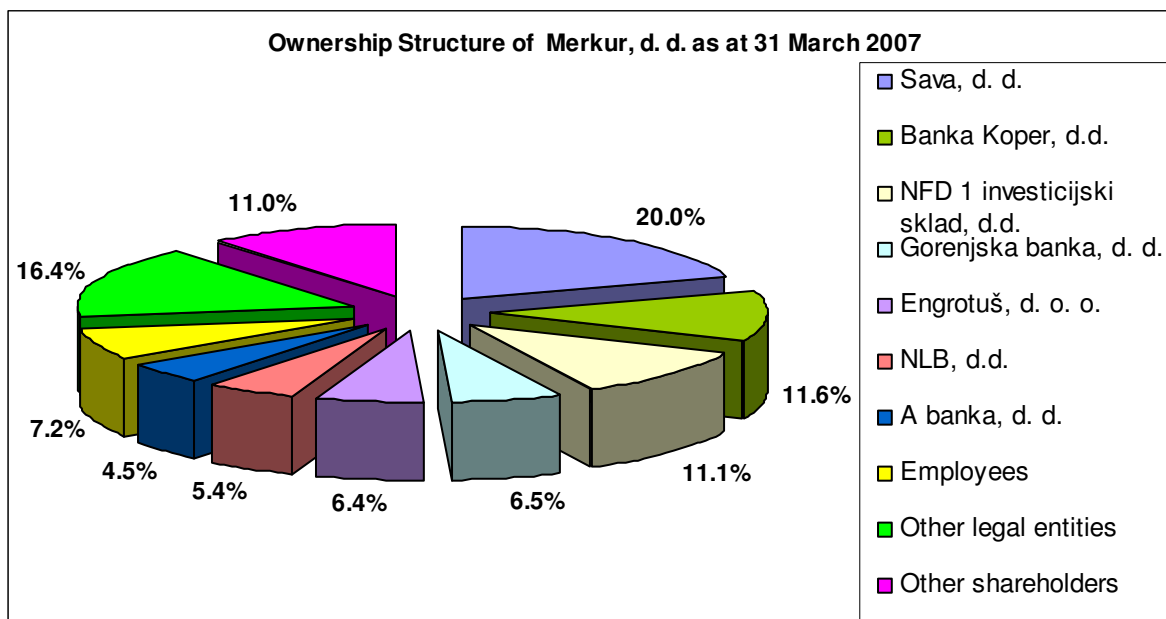
In the period from January to March 2007, the object of the company was not changed in any way. **The principal object of the company remains wholesale and retail trade in ferrous and non-ferrous metal products, construction and installation materials**, supplemented by certain construction works, and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

6.2 Ownership Structure and MER Shares

Ownership Structure of Merkur, d. d. as at 31 March 2007

Name	31 March 2007			31 March 2006*		
	Number of shareholders	Total shares Number	%	Number of shareholders	Total shares Number	%
Sava, d. d.	1	262,841	20.02	1	257,419	19.61
Banka Koper, d. d.	1	152,600	11.63	-	-	-
NFD 1 investicijski sklad, d. d.	1	145,078	11.05	1	169,648	12.93
Gorenjska banka, d. d.	1	84,955	6.47	1	84,955	6.47
Engrotuš, d. o. o.	1	84,376	6.43	-	-	-
NLB, d. d.	1	70,422	5.36	-	-	-
A banka, d. d.	1	59,413	4.53	-	-	-
Euro jamstvenik d. o. o.	1	48,000	3.66	-	-	-
Factor banka, d. d.	1	38,800	2.96	-	-	-
Hypo bank, d. d.	1	21,622	1.65	1	7,914	0.60
Zavarovalnica Triglav	1	17,729	1.35	1	17,729	1.35
Employees	667	93,919	7.15	718	87,430	6.66
Other legal entities	163	88,671	6.76	152	236,620	18.03
Other shareholders	3,920	144,159	10.98	3,811	139,185	10.60
Kapitalska družba, d. d.	-	-	-	1	218,491	16.65
Slovenska odškodninska družba, d. d.	-	-	-	1	93,194	7.10
TOTAL	4,761	1,312,585	100.00	4,688	1,312,585	100.00

*Balance recorded at *Klirinško depotna družba (KDD - Central Securities Clearing Corporation)* and temporary evidence included 98,000 shares issued upon the increase in capital on 15 March 2006.



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 31 March 2007

Management and Supervisory Boards	Number of shares	Holding in % of total shares
Management Board	7,736	0.589
Kordež Bine	3,316	0.253
Čelesnik Goran	1,822	0.139
Jelovčan Milan	1,509	0.115
Kajzer Marijanca	1,089	0.083
Supervisory Board	3,399	0.259
Bertoncelj Marta	1,676	0.128
Piskernik Jakob	1,000	0.076
Rozman Viktorija	426	0.032
Smrekar Marjan	240	0.018
Bohorič Janez	57	0.004
Podplatnik Peter	-	-
Kavčič Zlatko	-	-
Resman Miha	-	-

Authorised Capital and Conditional Increase in Share Capital

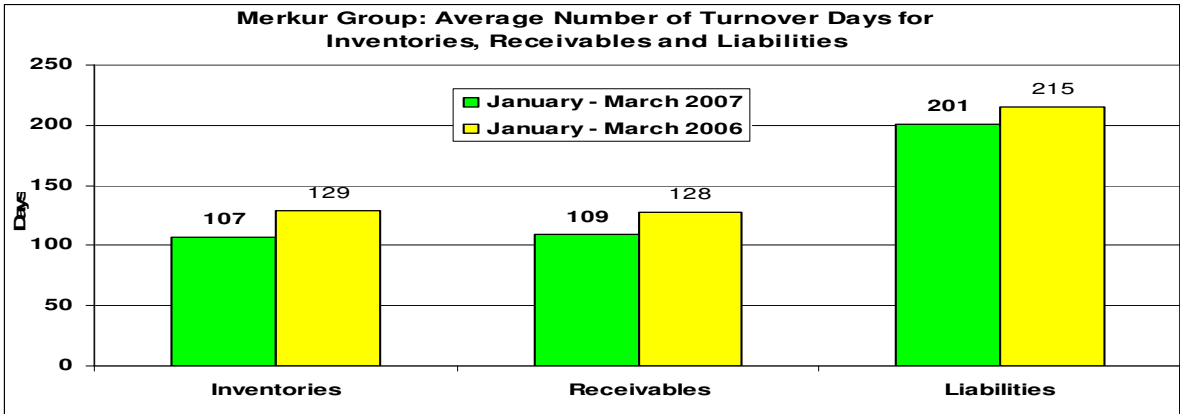
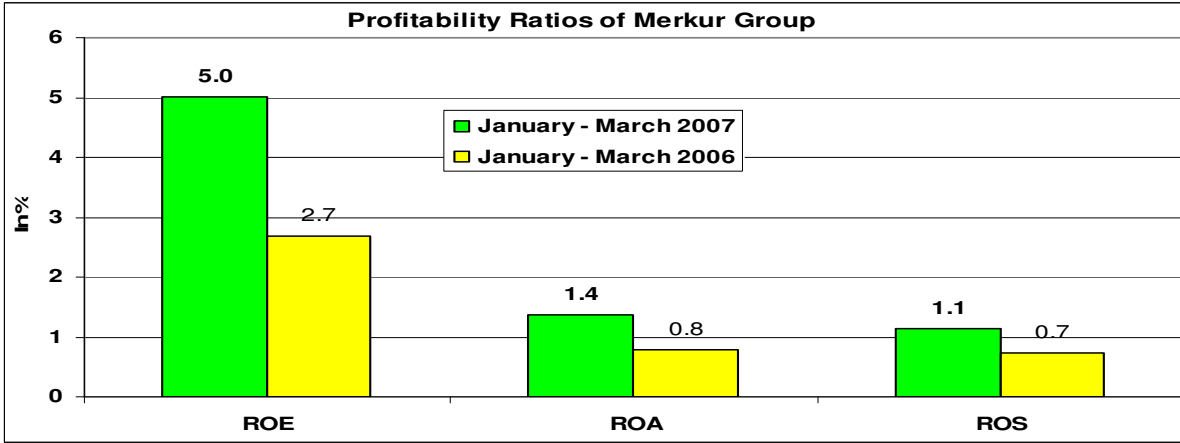
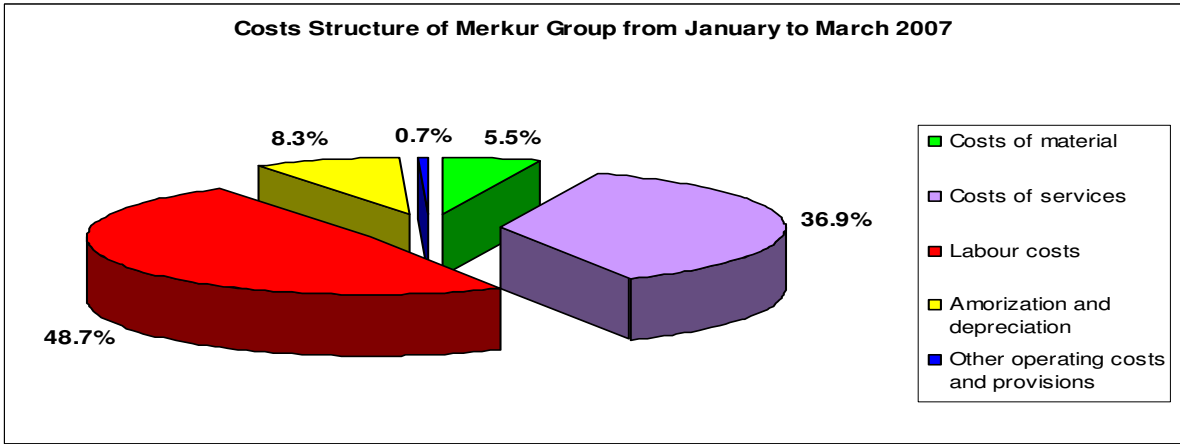
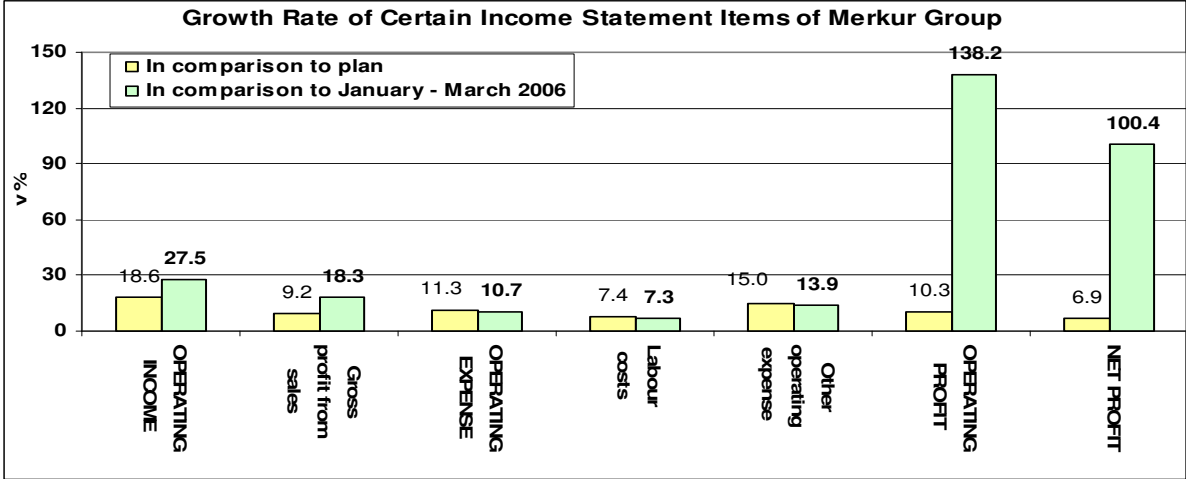
Merkur, d. d. has not adopted any resolutions on authorised capital.

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 March 2007, Merkur Group exceeded the plan of net sales by 18.2%, operating profit by 10.3%, and net profit by 6.7%. Merkur, d. d. exceeded the plan of net sales by 14.3%, operating profit by 11.8%, and net profit by 10.4%.

6.4 Merkur Group Performance Analysis



6.5 Explanation Concerning Seasonal Character of Sales

The analysis of the past ten years shows that the performance in the first three months of the year tends to be the weakest in the year. The seasonal fluctuation occurs mostly because of the core programme of Merkur, especially because of the construction materials and technical items for domestic and industrial applications, where the demand generally increases only in April. In the period from 1997 to 2006, Merkur Group on average earned 23.2% of its annual sales in the first quarter of the year, and Merkur, d. d. 20.6% respectively. This year, the sales in the first three months were successful, and Merkur Group increased its sales volume by 28% in comparison to the first quarter of 2006. This was partly conditioned by good weather conditions suitable for construction works.

6.6 Net Earnings per Share and Book Value of MER Share

Net Earnings per Share and the Applicable Calculation Method

Net earnings per share of Merkur Group in the period from January to March 2007: EUR 2,11
Net earnings per share of Merkur Group in the period from January to March 2006: EUR 1,14
Net earnings per share of Merkur, d. d. in the period from January to March 2007: EUR 1,96
Net earnings per share of Merkur, d. d. in the period from January to March 2006: EUR 1,48

The calculation of net earnings per share was based on net profit for the period divided by the average number of shares (in the period from January to March 2007: 1,312,585 all months of the period; in the period from January to March 2006: 1.214.585 all months of the period) exclusive of own shares. The company did not hold any own shares in the first quarters of 2007 and 2006.

Book Value of MER Share and the Applicable Calculation Method

Book value of Merkur Group's equity per MER share as at 31 March 2007: EUR 173
Book value of Merkur Group's equity per MER share as at 31 March 2006: EUR 149
Book value of Merkur share as at 31 March 2007: EUR 168
Book value of Merkur share as at 31 March 2006: EUR 153

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 31 March 2007. This was divided by the number of shares, which was 1,312,585 at 31 March 2007, and 1,214,585 at 31 March 2006 respectively.

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 excel especially in 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.

According to the business plan for 2007, net sales revenue of Merkur, d. d. will amount to EUR 837 million, and the Group 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.

6.8 Important Events after the End of the Accounting Period

Downstream Merger with Sava Trade, d. d.

On 27 February 2007, the Supervisory Board passed the proposal for a downstream merger with Sava Trade, d. d. In 2006, the operations were successfully transferred from that company to Merkur, d. d. At the beginning of 2007, Sava Trade ran no business independently anymore, so the downstream merger was the best option. It was also passed by the General Meeting of Shareholders of Sava Trade, d. d. of 2 April 2007, and entered into the register of companies on 20 April.

7 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MERKUR GROUP

Balance Sheet of the Merkur Group as at 31 March 2007

Item	in EUR				
	31 March 2007	1 Jan. 2007	31 March 2006	Index	
	1	2	3	4=1/2	5=1/3
Property, plant and equipment	209,850,579	213,654,336	211,271,209	98.2	99.3
Intangible assets	7,784,143	7,925,797	2,585,541	98.2	301.1
Investment property	16,421,765	14,043,273	20,683,963	116.9	79.4
Investments under equity method (investments in associates)	350,643	350,643	135,203	100.0	259.3
Non-current financial assets	84,750,023	68,831,121	80,884,053	123.1	104.8
Non-current trade receivables	1,525,752	1,625,538	1,578,277	93.9	96.7
Deferred tax assets	5,421,409	5,462,035	4,657,832	99.3	116.4
Total non-current assets	326,104,314	311,892,743	321,796,078	104.6	101.3
Inventories	199,022,432	167,558,680	168,647,274	118.8	118.0
Current financial assets	58,858,773	69,815,878	38,568,168	84.3	152.6
Income tax receivable	442,098	886,592	328,447	49.9	134.6
Current trade receivables and other assets	247,271,243	223,140,982	200,606,336	110.8	123.3
Assets classified as held for sale	0	0	247,382	-	-
Cash and cash equivalents	6,330,220	10,812,974	6,003,501	58.5	105.4
Total current assets	511,924,766	472,215,106	414,401,108	108.4	123.5
TOTAL ASSETS	838,029,080	784,107,849	736,197,186	106.9	113.8
Issued capital	54,773,201	54,773,201	50,683,734	100.0	108.1
Capital reserves	76,701,377	76,701,377	65,986,972	100.0	116.2
Revenue reserves	15,510,537	15,510,537	15,341,157	100.0	101.1
Retained earnings	51,596,101	48,910,140	33,042,009	105.5	156.2
Fair value reserve	27,045,366	21,131,248	15,701,318	128.0	172.2
Translation reserves	1,478,790	1,506,981	-243,377	98.1	-
Total equity attributable to equity holders of the parent	227,105,372	218,533,484	180,511,813	103.9	125.8
Minority interest	144,840	137,636	1,061,709	105.2	13.6
Total equity	227,250,212	218,671,120	181,573,522	103.9	125.2
Non-current financial liabilities	83,762,258	91,824,149	79,844,238	91.2	104.9
Non-current trade payables	3,413,578	3,422,926	3,973,200	99.7	85.9
Deferred tax liabilities	8,902,325	7,442,580	7,921,747	119.6	112.4
Long-term provisions	11,415,869	11,419,233	9,639,327	100.0	118.4
Total non-current liabilities	107,494,030	114,108,888	101,378,512	94.2	106.0
Current financial liabilities	247,606,731	218,214,588	196,865,224	113.5	125.8
Current trade and other payables	250,371,519	229,209,485	239,162,824	109.2	104.7
Current tax payable	519,473	672,780	1,890,914	77.2	27.5
Short-term provisions	4,787,115	3,230,988	15,326,190	148.2	31.2
Total current liabilities	503,284,838	451,327,841	453,245,152	111.5	111.0
Total liabilities	610,778,868	565,436,729	554,623,664	108.0	110.1
TOTAL EQUITY AND LIABILITIES	838,029,080	784,107,849	736,197,186	106.9	113.8

Income Statement of the Merkur Group for the Period from 1 January 2007 to 31 March 2007

in EUR

Item	January to March 2007	January to March 2006	Index
REVENUE	243,126,536	190,593,261	127.6
Cost of sales	201,853,693	155,719,340	129.6
GROSS PROFIT	41,272,843	34,873,921	118.3
Other operating income	942,273	794,629	118.6
Distribution expenses	27,585,303	25,088,913	110.0
Administrative expenses	8,462,882	7,700,705	109.9
Other operating expenses	1,045,629	728,511	143.5
OPERATING PROFIT	5,121,302	2,150,421	238.2
Financial income	2,042,567	2,070,064	98.7
Financial expenses	3,636,415	2,410,737	150.8
NET FINANCE COSTS	-1,593,848	-340,673	467.9
PROFIT BEFORE TAX	3,527,454	1,809,748	194.9
Income tax expense	756,546	426,765	177.3
PROFIT FOR THE PERIOD	2,770,908	1,382,983	200.4
Equity holders of the parent	2,763,665	1,379,511	200.3
Minority interest	7,243	3,472	208.6
Earnings per share (in EUR)	2.11	1.14	185.4

Cash Flow Statement of the Merkur Group for the Period from 1 January 2007 to 31 March 2007

in EUR

Item	January to March 2007	January to March 2006	Index
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit or loss for the period	2,770,908	1,382,983	200.4
Adjustments for:	5,599,190	3,573,006	156.7
Depreciation of property, plant and equipment	2,794,774	2,648,135	105.5
Amortisation of intangible assets	186,604	200,810	92.9
Impairment of assets	893,446	625,029	142.9
Gain / Loss on disposal of property, plant and equipment	-630,441	-20,389	-
Income from reversal of negative goodwill	0	-648,464	-
Investment income / expenditure	-1,718,851	-1,781,585	96.5
Foreign exchange gain / loss	-141,109	219,800	-
Financial expenses	3,453,808	1,900,472	181.7
Increase in long-term provisions	4,413	2,433	181.4
Income taxes paid	756,546	426,765	177.3
Change in net operating current assets and provisions	-34,053,992	-22,045,632	154.5
Increase in trade and other receivables	-24,197,751	-9,636,100	251.1
Increase / Decrease in inventories	-31,573,549	-26,151,704	120.7
Increase / Decrease in trade and other payables	21,125,987	11,624,946	181.7
Increase in accruals and deferrals, and provisions	591,321	2,117,226	27.9
Net cash from operating activities	-25,683,894	-17,089,643	150.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,594,267	1,492,723	106.8
Foreign exchange differences received	317,047	259,631	122.1
Proceeds from sale of property, plant and equipment	1,268,794	3,475,814	36.5
Proceeds from sale of investment property	1,685,123	0	-
Proceeds from sale of investments	44,303,252	1,065,340	-
Acquisition of property, plant and equipment	-3,971,522	-13,276,072	29.9
Acquisition of intangible assets	-98,534	-123,231	80.0
Acquisition of investments	-41,659,942	-21,983,634	189.5
Net cash used in investing activities	3,438,485	-29,089,429	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital			-
Proceeds from / Repayment of borrowings	21,330,252	42,697,884	50.0
Payment of foreign exchange differences	-113,789	-482,865	23.6
Interest paid	-3,453,808	-1,417,607	243.6
Net cash used in financing activities	17,762,655	40,797,412	43.5
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS			
	-4,482,754	-5,381,660	83.3
Cash and cash equivalents at beginning of period	10,812,974	11,385,161	95.0
Cash and cash equivalents at end of period	6,330,220	6,003,501	105.4

Statement of Changes in Equity of the Merkur Group for the Period from 1 January 2007 to 31 March 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	-	-	-	-	2,763,665	-	-	-	2,763,665	7,243	2,770,908
Changes in fair value of property and available-for-sale financial assets	-	-	-	-	-	-	7,336,114	-	7,336,114	-	7,336,114
Increase / Decrease in exchange differences	-	-	-	-	-	-	-	-28,191	-28,191	-39	-28,230
Increase / Decrease in deferred taxes	-	-	-	-	-77,704	45,227	-1,467,223	-	-1,499,700	-	-1,499,700
Balance at 31 March 2007	54,773,201	76,701,377	6,080,041	9,430,496	51,596,101	1,750,713	25,294,653	1,478,790	227,105,372	144,840	227,250,212

Statement of Changes in Equity of the Merkur Group for the Period from 1 January 2006 to 31 March 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
Net profit for the period taken to equity	-	-	-	-	1,379,511	-	-	-	1,379,511	3,472	1,382,983
Changes in fair value of property and available-for-sale financial assets	-	-	-	-	-	-	-536,284	-	-536,284	-	-536,284
Increase / Decrease in exchange differences	-	-	-	-	-	-	-	-12,439	-12,439	651	-11,788
Increase in deferred taxes	-	-	-	-	-	-	134,072	-	134,072	-	134,072
Balance at 31 March 2006	50,683,734	65,986,972	5,997,329	9,343,828	33,042,009	1,599,349	14,101,969	-243,377	180,511,813	1,061,709	181,573,522

8 UNAUDITED UNCONSOLIDATED FINANCIAL STATEMENTS OF MERKUR, D. D.

Balance sheet of Merkur, d. d. as at 31 March 2007

Item	in EUR				
	31 March 2007	1 Jan. 2007	31 March 2006	Index	
	1	2	3	4=1/2	5=1/3
Property, plant and equipment	161,381,577	166,488,930	149,343,174	96.9	108.1
Intangible assets	709,623	697,223	587,886	101.8	120.7
Investment property	16,163,382	13,779,755	19,537,026	117.3	82.7
Investments under equity method (investments in associates)	135,203	135,203	0	100.0	-
Non-current financial assets	129,062,764	114,743,128	114,568,795	112.5	112.7
Non-current trade receivables	1,026,747	1,125,692	1,212,744	91.2	84.7
Deferred tax assets	4,738,206	4,777,930	4,066,145	99.2	116.5
Total non-current assets	313,217,502	301,747,861	289,315,770	103.8	108.3
Inventories	141,795,042	112,136,675	114,369,321	126.4	124.0
Current financial assets	58,724,159	68,348,431	30,224,295	85.9	194.3
Income tax receivable	343,314	0	0	-	-
Current trade receivables and other assets	266,299,475	241,998,726	199,645,672	110.0	133.4
Cash and cash equivalents	1,094,425	2,228,430	724,787	49.1	151.0
Total current assets	468,256,415	424,712,262	344,964,075	110.3	135.7
TOTAL ASSETS	781,473,917	726,460,123	634,279,845	107.6	123.2
Issued capital	54,773,201	54,773,201	50,683,734	100.0	108.1
Capital reserves	76,701,377	76,701,377	65,986,972	100.0	116.2
Revenue reserves	14,894,958	14,894,958	14,894,958	100.0	100.0
Retained earnings	47,659,955	45,164,568	38,383,550	105.5	124.2
Fair value reserve	27,038,042	21,123,924	15,693,997	128.0	172.3
Total equity	221,067,533	212,658,028	185,643,211	104.0	119.1
Non-current financial liabilities	78,368,612	86,538,982	66,352,804	90.6	118.1
Non-current trade payables	3,011,091	3,020,141	3,233,450	99.7	93.1
Deferred tax liabilities	8,889,544	7,429,568	7,428,209	119.7	119.7
Long-term provisions	10,319,100	10,319,168	7,770,669	100.0	132.8
Total non-current liabilities	100,588,347	107,307,859	84,785,132	93.7	118.6
Current financial liabilities	237,794,609	206,531,717	180,238,153	115.1	131.9
Current trade and other payables	214,076,669	191,824,178	181,858,851	111.6	117.7
Current tax payable	0	191,582	1,305,262	-	-
Short-term provisions	7,946,759	7,946,759	449,236	100.0	1.768.9
Total current liabilities	459,818,037	406,494,236	363,851,502	113.1	126.4
Total liabilities	560,406,384	513,802,095	448,636,634	109.1	124.9
TOTAL EQUITY AND LIABILITIES	781,473,917	726,460,123	634,279,845	107.6	123.2

Income Statement of Merkur, d. d. for the period from 1 January 2007 to 31 March 2007

in EUR

Item	January to March 2007	January to March 2006	Index
REVENUE	195,344,380	146,231,569	133.6
Cost of sales	165,412,508	121,892,781	135.7
GROSS PROFIT	29,931,872	24,338,788	123.0
Other operating income	832,134	70,693	-
Distribution expenses	19,222,615	16,742,405	114.8
Administrative expenses	6,423,679	5,157,403	124.6
Other operating expenses	702,927	491,167	143.1
OPERATING PROFIT	4,414,785	2,018,506	218.7
Financial income	2,167,860	1,884,862	115.0
Financial expenses	3,361,450	1,764,255	190.5
NET FINANCE COSTS	-1,193,590	120,607	-
PROFIT BEFORE TAX	3,221,195	2,139,113	150.6
Income tax expense	648,104	340,761	190.2
PROFIT FOR THE PERIOD	2,573,091	1,798,352	143.1
Earnings per share (in EUR)	1.96	1.48	132.4

Cash Flow Statement of Merkur, d. d. for the Period from 1 January 2007 to 31 March 2007
in EUR

Item	January to March 2007	January to March 2006	Index
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit or loss for the period	2,573,091	1,798,352	143.1
Adjustments for:	3,850,703	2,477,629	155.4
Depreciation of property, plant and equipment	1,981,162	1,842,051	107.6
Amortisation of intangible assets	59,000	57,198	103.2
Impairment of assets	617,212	419,337	147.2
Gain / Loss on disposal of property, plant and equipment	-648,296	-19,241	-
Investment income / expenditure	-1,933,570	-1,707,249	113.3
Foreign exchange gain / loss	-176,472	-103,447	170.6
Financial expenses	3,303,632	1,648,494	200.4
Increase / Decrease in long-term provisions	-69	-275	25.1
Income taxes paid	648,104	340,761	190.2
Change in net operating current assets and provisions	-33,285,696	-24,932,253	133.5
Increase in trade and other receivables	-24,962,846	-13,020,476	191.7
Increase / Decrease in inventories	-29,686,882	-23,884,940	124.3
Increase in trade and other payables	21,364,032	11,972,888	178.4
Increase in accruals and deferrals, and provisions	0	275	-
Net cash from operating activities	-26,861,902	-20,656,272	130.0
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,808,986	1,487,881	121.6
Foreign exchange differences received	227,621	177,613	128.2
Proceeds from sale of property, plant and equipment	1,243,471	1,197,262	103.9
Proceeds from sale of intangible assets	1,685,123	0	-
Proceeds from sale of investments	42,987,581	1,065,340	-
Acquisition of property, plant and equipment	-1,537,726	-5,183,863	29.7
Acquisition of intangible assets	-71,400	-38,445	185.7
Acquisition of investments	-40,353,500	-19,789,050	203.9
Net cash used in investing activities	5,990,156	-21,083,262	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from / Repayment of borrowings	23,092,522	41,439,271	55.7
Payment of foreign exchange differences	-51,149	-72,146	70.9
Interest paid	-3,303,632	-1,576,343	209.6
Net cash used in financing activities	19,737,741	39,790,782	49.6
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period	2,228,430	2,673,539	83.4
Cash and cash equivalents at end of period	1,094,425	724,787	151.0

Statement of Changes in Equity of Merkur, d. d. for the Period from 1 January 2007 to 31 March 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	45,164,568	1,698,163	19,425,761	0	212,658,028
Net profit for the period taken to equity	-	-	-	-	2,573,091	-	-	-	2,573,091
Changes in fair value of property and available-for-sale financial assets	-	-	-	-	-	-	7,336,114	-	7,336,114
Increase / Decrease in deferred taxes	-	-	-	-	-77,704	45,227	-1,467,223	-	-1,499,700
Balance at 31 March 2007	54,773,201	76,701,377	5,551,133	9,343,825	47,659,955	1,743,390	25,294,652	0	221,067,533

Statement of Changes in Equity of Merkur, d. d. for the Period from 1 January 2006 to 31 March 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
Net profit for the period taken to equity	-	-	-	-	1,798,352	-	-	-	1,798,352
Changes in fair value of property and available-for-sale financial assets	-	-	-	-	-	-	-536,288	-	-536,288
Increase in deferred taxes	-	-	-	-	-	-	134,072	-	134,072
Balance at 31 March 2006	50,683,734	65,986,972	5,551,134	9,343,824	38,383,550	1,592,029	14,101,968	0	185,643,211

Management Board of Merkur, d. d.