

**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 JUNE 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 unaudited financial statements of the Merkur Group and Merkur, d. d. for the interim period from January to June 2007. These were discussed by the Supervisory Board at their session of 30 August 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 unaudited financial report for the interim period from January to June 2007 is available at sight between 8:00 a.m. and 12:00 a.m. every working day at the registered office of Merkur, d. d. in Cesta na Okroglo 7, Naklo, in the e-information system of the Ljubljana Stock Exchange - SEOnet, and at [www.merkur.eu](http://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 June 2007 and January to June 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 June 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 June 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

<b>Subsidiaries and associates</b>	<b>Country</b>	<b>Ownership share since</b>	<b>Ownership share in % at 30 June 2007</b>	<b>Ownership share in % at 30 June 2006</b>
- Kovinotehna, d. o. o., Celje	Slovenia	1999	100	100
- Bofex, d. o. o., Ljubljana	Slovenia	1999	100	100
- Sava Trade, d. d.	Slovenia	2006	*	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 d.o.o. Beograd, Merkur Group	Serbia	2005	100	100
- Merkur Makedonija, doo, Skopje	Macedonia	1994	90.35	90.35
	Bosnia and			
- Intermerkur, d. o. o., Sarajevo	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., Ljubljana, is an affiliated company and is included in the consolidated financial statements under equity method.

## 2 HIGHLIGHTS ON OPERATIONS FROM JANUARY TO JUNE 2007

### MERKUR GROUP

in EUR if not stated otherwise

Item	January to June			Index	
	2007	Plan 2007	2006	Plan=100	2006=100
Net sales revenues	544,913,826	475,239,322	440,542,522	114.7	123.7
Net operating profit or loss from regular operations - EBIT	12,399,847	10,300,164	8,970,569	120.4	138.2
EBITDA (earnings before interest, tax, depreciation and amortization)	18,340,081	15,835,520	14,694,843	115.8	124.8
Profit before tax	9,757,365	9,347,969	7,552,374	104.4	129.2
Net profit	7,591,134	7,488,828	5,700,179	101.4	133.2
Added value	55,330,629	49,951,323	48,088,062	110.8	115.1
Assets (as at 30 June)	881,612,162		746,269,593	-	118.1
Equity capital (as at 30 June)	232,685,758		201,657,068	-	115.4
Number of employees from hours worked	3,942	3,965	3,813	99.4	103.4
Equity / liabilities (in %)	26.4		27.0	-	97.7
Net sales revenue per employee	138,233	119,859	115,537	115.3	119.6
Added value per employee	14,036	12,598	12,612	111.4	111.3
Net profit per employee	1,920	1,887	1,491	101.7	128.8
Net return on equity - ROE (% p.a.)	6.81		6.08	-	111.9
Total revenue net profitability rate (in %)	1.37	1.55	1.27	88.1	108.0
Book value of share (as at 30 June)	177.15		153.00	-	115.8
Market price per share (as at 30 June)	371.86		160.48	-	231.7
Market price per share in comparison to its book value (as at 30 June – in %)	210		105	-	200.1
Price-earnings ratio (P/E) (in SIT)	5.77	5.70	4.50	101.1	128.2

### MERKUR, D. D.

in EUR if not stated otherwise

Item	January to June			Index	
	2007	Plan 2007	2006	Plan=100	2006=100
Net sales revenues	452,099,959	392,565,280	347,833,580	115.2	130.0
Net operating profit or loss from regular operations - EBIT	10,504,103	8,910,511	8,240,540	117.9	127.5
EBITDA (earnings before interest, tax, depreciation and amortization)	14,576,019	12,604,842	12,047,329	115.6	121.0
Profit before tax	8,963,431	8,867,602	7,519,267	101.1	119.2
Net profit	7,159,989	7,094,082	5,865,027	100.9	122.1
Added value	43,013,522	39,198,508	36,025,158	109.7	119.4
Assets (as at 30 June)	817,071,666		672,770,523	-	121.4
Equity capital (as at 30 June)	232,209,480		205,743,483	-	112.9
Number of employees from hours worked	2,801	2,829	2,519	99.0	111.2
Equity / liabilities (in %)	28.4		30.6	-	92.9
Net sales revenue per employee	161,407	138,765	138,084	110.6	116.9
Added value per employee	15,356	13,856	14,301	110.8	107.4
Net profit per employee	2,556	2,508	2,328	101.9	109.8
Net return on equity - ROE (% p.a.)	6.44		6.12	-	105.3
Total revenue net profitability rate (in %)	1.56	1.78	1.66	-	94.1
Book value of share (as at 30 June)	176.91		156.75	-	112.9
Market price per share (as at 30 June)	371.86		160.48	-	231.7
Market price per share in comparison to its book value (as at 30 June – in %)	210		102	-	205.3
Price-earnings ratio (P/E)	5.45	5.40	4.64	100.9	117.5

### **3 IMPORTANT EVENTS IN THE PERIOD FROM JANUARY TO JUNE 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 16<sup>th</sup> 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**

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.

#### **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 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. After the aforesaid transactions, Engrotuš, d. o. o. as at 30 June still controlled 84,376 MER shares, or 6.43% of the issuer's share capital and voting rights.

#### **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.

## **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.

From January to June 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 ASSESSMENT OF MERKUR OPERATIONS FROM JANUARY TO JUNE 2007

In the second quarter of the year, favourable trends continued in Merkur Group. Its sales revenue totalled EUR 545 million, or 24% more than in the same period of 2006. The Group recorded the highest increase of over 60% in sales on foreign markets. Wholesale in Slovenia went up by 27%, and retail by 19% respectively. Bofex recorded a 24% increase in sales volume. By programmes, the most substantial increase of over 50% was recorded in sales of ferrous and non-ferrous metal products. As far as quantities are concerned, Merkur Group sold 320,000 tons of ferrous and non-ferrous metal products in the second quarter of 2007, or 44% more than in the same period last year. The programme recorded steep growth mostly thanks to increase in sales of reinforcing steel. In comparison to the year before, other programmes recorded from 10 to 20% growth in sales. Total sales exceeded the half-yearly plan by 15%.

In Merkur Group, the parent Merkur, d. d., recorded the highest sales total. The figure reached a substantial EUR 453 million, or 30% more than the year before. It has to be noted, however, that in 2006 the operations of Sava Trade, d. d. were gradually transferred to Merkur, and the companies merged on 1 January 2007.

The difference in prices went up, but the rise did not match the increase in sales because of a specific sales structure: The sales of reinforcing steel swelled, but the margins remained relatively low. The difference in prices of all other programmes was either maintained at the 2006 level, or increased. Because of disposal of certain property, gross rental income decreased slightly, and gross profit of Merkur Group increased by 17% in the first half of 2007, and totalled EUR 92.9 million.

Not only were sales trends favourable and difference in prices higher, but the cost structure was good as well. The rise in costs lagged by five percentage points behind the gross profit increase. As far as the cost structure is concerned, labour costs represented a little less than half of total costs and went up by 11%. The number of employees increased by 3%, and – due to incentives for good performance – gross emoluments per employee by 8%. Other costs increased by 12%.

Including other income and expenses, operating profit amounted to EUR 12.4 million, and that was 38% more than in the same period last year. As far as financial income and expenses are concerned, profit before tax amounted to EUR 9,757 thousand, and was by 29% higher than in the same period of 2006. Tax on profit increased slightly less than last year. In the first half of 2007, net profit of Merkur Group reached EUR 7,591,134, which was 33% more than in the comparable period of 2006. Calculated to the annual level, return on equity reached 6.8% and matched the plan. This indicates that the overall performance in 2007 will be good, especially so because the trading industry records better results in the second half of the year than in the first.

The balance sheet trends reflected trends in sales. On 30 June 2007, the receivables and liabilities were by 20% higher than at the beginning of the year. This growth was similar to the growth of receivables and liabilities on 30 June 2006. Inventories of ferrous and non-ferrous metal products went up by 32%, and the increase was slightly sharper than last year. In 2007, no substantial investments have been made, so fixed assets have remained the same as at the beginning of the year. Financial investments were slightly lower than last year, and liabilities increased by 12.6% in the first half of 2007.

Merkur Group performed well in the first half of 2007. Thanks to the favourable situation in Slovenia and beyond and proper business policies, the Group improved its market shares in most of its core programmes and markets, increased sales, and fulfilled the plan. All this has encouraged us to build new sales centres and readily establish a strong and extensive sales network not only in Slovenia, but also abroad, especially on the markets of Croatia, Serbia, and Bosnia and Herzegovina. We have thus undertaken the preparations for construction of another twelve new sales centres most of which will open next year. We have also started acquiring new plots of land for further expansion. In addition to the aforesaid investments, we plan to build new warehousing facilities for retail supplies. Thanks to these, we will be able to enhance our sales in the future and strengthen our position among the non-food trading companies in South-Eastern Europe.

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 June 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

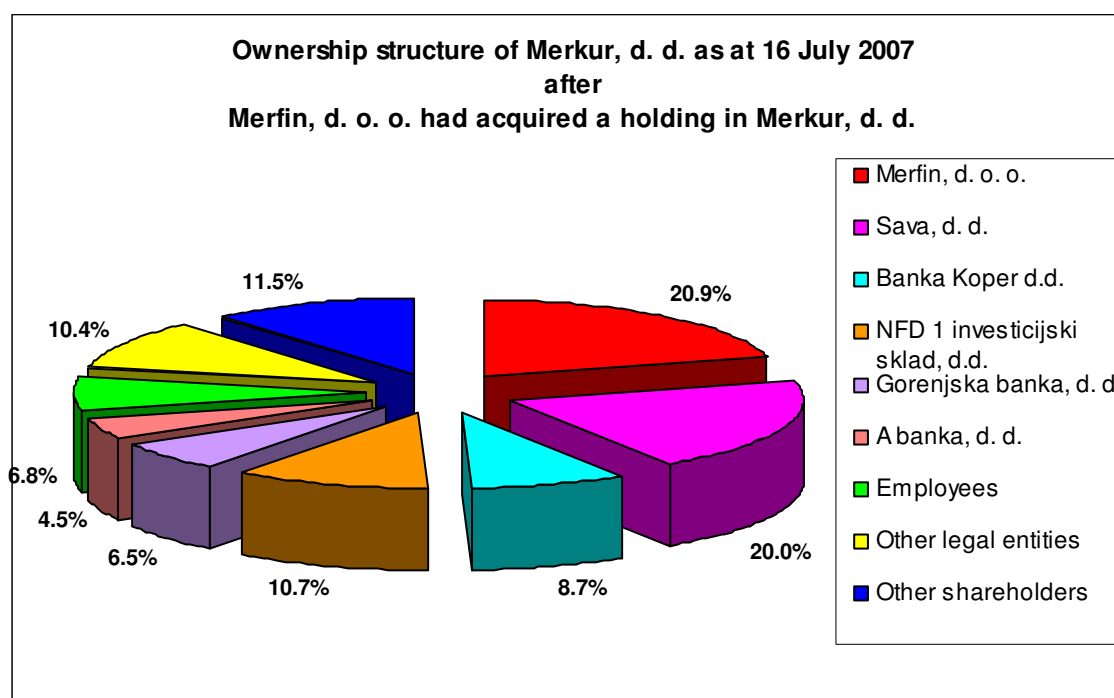
## Object of the Company

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 30 June 2007

Name	30 June 2007			30 June 2006		
	Number of shareholders	Total shares Number	%	Number of shareholders	Total shares Number	%
Sava, d. d.	1	262,841	20.02	1	257,419	18.89
Banka Koper, d. d.	1	152,600	11.63	-	-	-
NFD 1 investicijski sklad, d.d.	1	145,088	11.05	1	178,288	13.09
Gorenjska banka, d. d.	1	84,955	6.47	1	84,955	6.24
Engrotuš, d. o. o.	1	84,376	6.43	-	-	-
NLB, d.d.	1	70,422	5.36	-	-	-
A banka, d. d.	1	59,386	4.52	-	-	-
Euro jamstvenik d. o. o.	1	48,000	3.66	1	48,000	3.52
Factor banka, d. d.	1	38,800	2.96	-	-	-
Hypo bank, d. d.	1	22,029	1.68	1	7,914	0.58
Zavarovalnica Triglav	1	17,729	1.35	1	17,729	1.30
Merfin, d. o. o.	1	12,000	0.91	-	-	-
Employees	640	89,561	6.82	699	98,763	7.25
Other legal entities	156	73,801	5.62	142	526,323	38.63
Other shareholders	4,100	150,997	11.50	3,728	143,046	10.50
<b>TOTAL</b>	<b>4,908</b>	<b>1,312,585</b>	<b>100.00</b>	<b>4,575</b>	<b>1,362,437</b>	<b>100.00</b>



## Basic Data on MER Share

Data	30 June 2007	30 June 2006	Index
Number of shares	1,312,585	1,312,585	100.0
Market capitalisation (in thousand EUR)	488,098	210,641	231.7
Number of shareholders	4,908	4,575	107.3
Share price (in EUR)	371,86	160,48	231.7
Book value (in EUR)	176,91	156,75	112.9
Average weighted annual price excluding lots in the period from January to June (in EUR)	264,71	151,75	174.4
Net earnings per share (in EUR)	5,45	4,64	117.5
Market price per share in comparison to its book value	2,10	1,02	205.3
Lowest daily price (in EUR)	216,00	141,92	152.2
Highest daily price (in EUR)	383,00	162,74	235.3

## 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 June 2007

Management and Supervisory Boards	Number of shares	Holding in % of total shares
<b>Management Board</b>	<b>7,736</b>	<b>0.589</b>
Kordež Bine	3,316	0.253
Čelesnik Goran	1,822	0.139
Jelovčan Milan	1,509	0.115
Kajzer Marijanca	1,089	0.083
<b>Supervisory Board</b>	<b>3,399</b>	<b>0.259</b>
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
Kavčič Zlatko	-	-
Resman Miha	-	-
Podplatnik Peter	-	-
Svetelšek Aleksander – from 2 July 2007	-	-

## Authorised Capital and Conditional Increase in Share Capital

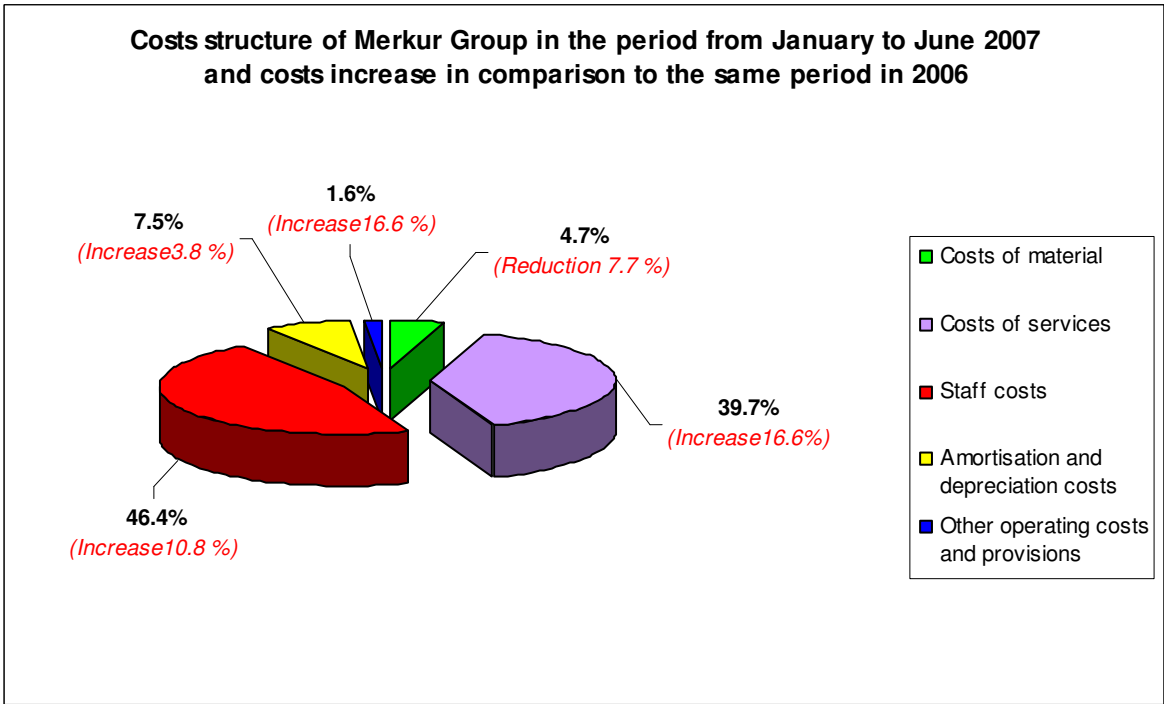
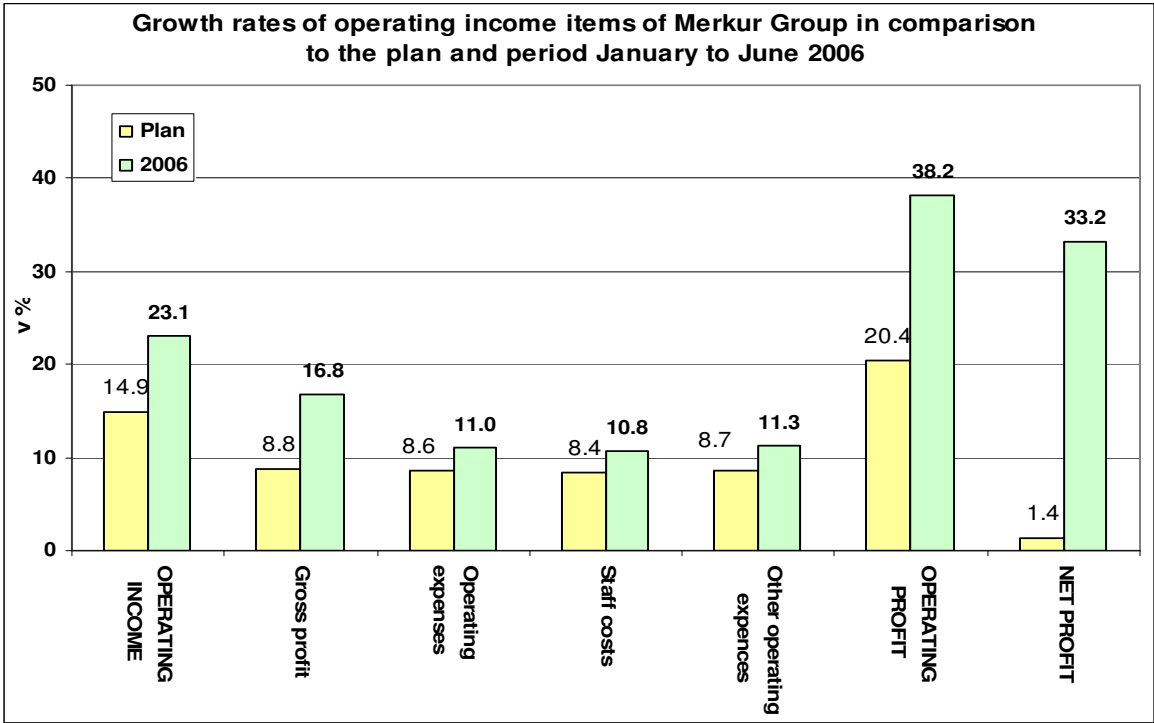
Merkur, d. d. has not adopted any resolutions on authorised capital.

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 June 2007, Merkur Group exceeded the planned net sales by 14.7%, operating profit by 20.4%, and net profit by 1.1%. Merkur, d. d. exceeded the planned net sales by 15.2%, operating profit by 17.9%, and net profit by 0.9%.

**6.4 Merkur Group Performance Analysis**



## Investments in fixed assets

In the period from January to June 2007, Merkur Group pursued its annual investment plan and continued building its new sales centres in Slovenia, Croatia, Serbia, and Bosnia and Herzegovina and acquiring equipment. Some investment property was sold. The value of property, plant and equipment intangible assets, investment property and long-term financial investments increased in 2007 by EUR 18.30 million net.

## Ratios of the Merkur Group

Ratio	30 June 2007	30 June 2006	Index
<b>Profitability ratios</b>			
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.	6.81	6.08	111.9
Net return on assets ratio – ROA: (profit or loss for the accounting period / average assets) - in % p.a.	1.81	1.57	115.1
Gross profit rate: (gross profit / operating revenue) – in %	17.05	18.05	94.4
Total revenue net profitability rate: (net profit for the accounting period / total revenue) – in %	1.37	1.27	108.0
<b>Financing state ratios</b>			
Equity financing rate: (equity / liabilities) – in %	26.39	27.02	97.7
Long-term financing rate: ((equity + long-term liabilities) / liabilities) – in %	38.27	41.65	91.9
Financial strength ratio: (long-term liabilities / average equity)	0.463	0.576	80.4
<b>Investment ratios</b>			
Operating fixed assets rate: (non-current assets without receivables / assets) - in %	35.98	41.34	87.0
Long-term assets rate: (non-current assets / assets) – in %	36.76	42.18	87.1
Investment assets rate: ((Long-term and short-term investments + investment property / assets) - in %	15.32	13.34	114.8
<b>Horizontal financial structure ratios</b>			
Equity to fixed assets ratio: (equity / (property + intangible assets + assets held for sale))	1.035	0.942	109.9
Acid test ratio: (liquid assets / short-term liabilities)	0.015	0.014	111.9
Quick ratio: (current assets without inventories / short-term liabilities)	0.618	0.599	103.1
Current ratio: (current assets / short-term liabilities)	1.024	0.991	103.4
<b>Operating efficiency ratios</b>			
Operating efficiency ratio: (operating revenue / operating expenses)	1.023	1.021	100.3
Total revenue per employee (in EUR)	140,210	117,562	119.3
Net profit per employee (in EUR)	1,920	1,491	128.8
Value added per employee (in EUR)	14,036	12,612	111.3
<b>Turnover ratios and solvency ratios</b>			
Inventory turnover ratio	3.17	3.12	101.4
Receivables turnover ratio	3.25	3.06	106.3
Payables turnover ratio	1.96	1.99	98.8

## **6.5 Explanation Concerning Seasonal Character of Sales**

Merkur Group and Merkur, d. d. performed very well in the first quarter of 2007, and the favourable trends continued in April, May and June. In comparison to the first quarter of the year, Merkur Group increased its sales revenue in the second quarter by 24.1%, and Merkur, d. d. by 31.4% respectively. In the second quarter of 2007, Merkur Group increased the sales plan by 12.0%, and Merkur, d. d. by 15.8% 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 June 2007: EUR 5.77  
Net earnings of Merkur Group per MER share in the period from January to June 2006: EUR 4.50  
Net earnings of Merkur, d. d. per MER share in the period from January to June 2007: EUR 5.45  
Net earnings of Merkur, d. d. per MER share in the period from January to June 2006: EUR 4.64

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 June 2007: 1,312,585; in the period from January to March 2006: 1,214,585, and in April, May, and June 1,312,585 respectively) exclusive of own shares. In the period from January to June 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 June 2007: EUR 177.15  
Book value of Merkur Group's equity per MER share as at 30 June 2006: EUR 153.00  
Book value of Merkur share as at 30 June 2007: EUR 176.91  
Book value of Merkur share as at 30 June 2006: EUR 156.75

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 June 2007. This was divided by the number of shares, which totalled 1,312,585, and was the same at the end of June 2007 and at the end of June 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.

## **6.8 Important Events after the End of the Accounting Period**

### **17<sup>th</sup> Annual General Meeting of Shareholders of Merkur, d. d.**

On 2 July 2007, the General Meeting of Shareholders convened at their 17<sup>th</sup> regular meeting. The shareholders passed the proposal concerning the distribution of accumulated profit for 2006, and released 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 16<sup>th</sup> General Meeting of Shareholders of 3 July 2006, Mrs Zvonka Novak Hobot 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.

### **Changes to the ownership structure**

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. Merfin, d. o. o. holds 20.88% of Merkur, d. d. The shareholders of Merfin – if also their personal holdings in Merkur are observed – now hold 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.

## 7 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MERKUR GROUP

### Balance Sheet of the Merkur Group as at 30 June 2007

Item	In EUR				
	30 June 2007	1 January 2007	30 June 2006	Index	
	1	2	3	4=1/2	5=1/3
Property, plant and equipment	217,112,940	213,654,336	211,657,761	101.6	102.6
Intangible assets	7,732,366	7,925,797	2,442,086	97.6	316.6
Investment property	16,427,060	14,043,273	16,265,127	117.0	101.0
Investments under equity method (investments in associates)	350,643	350,643	135,203	100.0	259.3
Non-current financial assets	75,542,640	68,831,121	78,027,116	109.8	96.8
Non-current trade receivables	1,487,730	1,625,538	1,690,427	91.5	88.0
Deferred tax assets	5,408,857	5,462,035	4,576,253	99.0	118.2
<b>Total non-current assets</b>	<b>324,062,236</b>	<b>311,892,743</b>	<b>314,793,973</b>	<b>103.9</b>	<b>102.9</b>
Inventories	221,202,102	167,558,680	170,512,454	132.0	129.7
Current financial assets	59,197,889	69,815,878	21,415,758	84.8	276.4
Income tax receivable	272,971	886,592	368,294	30.8	74.1
Current trade receivables and other assets	268,495,443	223,140,982	233,186,175	120.3	115.1
Cash and cash equivalents	8,381,521	10,812,974	5,992,939	77.5	139.9
<b>Total current assets</b>	<b>557,549,926</b>	<b>472,215,106</b>	<b>431,475,620</b>	<b>118.1</b>	<b>129.2</b>
<b>TOTAL ASSETS</b>	<b>881,612,162</b>	<b>784,107,849</b>	<b>746,269,593</b>	<b>112.4</b>	<b>118.1</b>
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	56,246,823	48,910,140	37,181,414	115.0	151.3
Fair value reserve	28,106,140	21,131,248	17,012,619	133.0	165.2
Translation reserves	1,032,424	1,506,981	-267,430	68.5	-
<b>Total equity attributable to equity holders of the parent</b>	<b>232,525,553</b>	<b>218,533,484</b>	<b>200,825,050</b>	<b>106.4</b>	<b>115.8</b>
<b>Minority interest</b>	<b>160,205</b>	<b>137,636</b>	<b>832,018</b>	<b>116.4</b>	<b>19.3</b>
<b>Total equity</b>	<b>232,685,758</b>	<b>218,671,120</b>	<b>201,657,068</b>	<b>106.4</b>	<b>115.4</b>
Non-current financial liabilities	81,015,149	91,824,149	87,255,483	88.2	92.8
Non-current trade payables	3,451,557	3,422,926	4,024,508	100.8	85.8
Deferred tax liabilities	9,167,201	7,442,580	8,358,842	123.2	109.7
Long-term provisions	11,050,683	11,419,233	9,556,546	96.8	115.6
<b>Total non-current liabilities</b>	<b>104,684,590</b>	<b>114,108,888</b>	<b>109,195,379</b>	<b>91.7</b>	<b>95.9</b>
Current financial liabilities	268,021,649	218,214,588	193,519,696	122.8	138.5
Current trade and other payables	265,843,856	229,209,485	224,826,901	116.0	118.2
Current tax payable	327,542	672,780	78,810	48.7	415.6
Short-term provisions	10,048,767	3,230,988	16,991,739	311.0	59.1
<b>Total current liabilities</b>	<b>544,241,814</b>	<b>451,327,841</b>	<b>435,417,146</b>	<b>120.6</b>	<b>125.0</b>
<b>Total liabilities</b>	<b>648,926,404</b>	<b>565,436,729</b>	<b>544,612,525</b>	<b>114.8</b>	<b>119.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>881,612,162</b>	<b>784,107,849</b>	<b>746,269,593</b>	<b>112.4</b>	<b>118.1</b>

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

in EUR

Item	Jan. – June 2007	Jan. – June 2006	Index
<b>REVENUE</b>	<b>544,913,826</b>	<b>440,542,522</b>	<b>123.7</b>
Cost of sales	452,021,497	361,024,270	125.2
<b>GROSS PROFIT</b>	<b>92,892,329</b>	<b>79,518,252</b>	<b>116.8</b>
Other operating income	1,462,329	3,255,150	44.9
Distribution expenses	59,620,926	54,476,098	109.4
Administrative expenses	20,027,357	16,978,530	118.0
Other operating expenses	2,306,528	2,348,205	98.2
<b>OPERATING PROFIT</b>	<b>12,399,847</b>	<b>8,970,569</b>	<b>138.2</b>
Financial income	6,332,487	4,467,426	141.7
Financial expenses	8,974,969	5,885,621	152.5
<b>NET FINANCE COSTS</b>	<b>-2,642,482</b>	<b>-1,418,195</b>	<b>186.3</b>
<b>PROFIT BEFORE TAX</b>	<b>9,757,365</b>	<b>7,552,374</b>	<b>129.2</b>
Income tax expense	2,166,231	1,852,195	117.0
<b>PROFIT FOR THE PERIOD</b>	<b>7,591,134</b>	<b>5,700,179</b>	<b>133.2</b>
Equity holders of the parent	7,569,438	5,685,837	133.1
Minority interest	21,696	14,342	151.3

<b>Earnings per share (in EUR)</b>	<b>5.77</b>	<b>4.50</b>	<b>128.2</b>
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<b>Costs by nature</b>	<b>79,648,283</b>	<b>71,454,628</b>	<b>111.5</b>
Costs of materials	3,777,977	4,091,713	92.3
Costs of services	31,641,055	27,131,414	116.6
Staff costs	36,990,548	33,393,219	110.8
Amortisation and depreciation expense	5,940,234	5,724,274	103.8
Long-term provisions	9,077	8,404	108.0
Other costs	1,289,392	1,105,604	116.6

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

Item	In EUR		Index
	Jan. – June 2007	Jan. – June 2006	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit or loss for the period</b>	<b>7,591,134</b>	<b>5,700,179</b>	<b>133.2</b>
<b>Adjustments for:</b>	<b>12,101,006</b>	<b>8,061,886</b>	<b>150.1</b>
Depreciation of property, plant and equipment	5,571,153	5,355,834	104.0
Amortisation of intangible assets	369,081	368,440	100.2
Impairment of assets	2,025,844	2,051,590	98.7
Gain on disposal of property, plant and equipment	-667,043	-2,903,221	23.0
Investment income	-4,908,680	-3,514,672	139.7
Foreign exchange gain	-356,053	-91,324	389.9
Financial expenses	7,907,215	5,024,199	157.4
Increase in long-term provisions	-6,742	-81,155	-
Income taxes paid	2,166,231	1,852,195	117.0
<b>Change in net operating current assets and provisions</b>	<b>-59,204,758</b>	<b>-72,416,677</b>	<b>81.8</b>
Increase in trade and other receivables	-45,533,327	-41,302,178	110.2
Increase in inventories	-53,838,877	-28,258,401	190.5
Increase in trade and other payables	33,711,475	-5,948,073	-
Increase in accruals and deferrals, and provisions	6,455,971	3,091,975	208.8
<b>Net cash from operating activities</b>	<b>-39,512,618</b>	<b>-58,654,612</b>	<b>67.4</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	3,140,129	3,168,400	99.1
Foreign exchange differences received	1,103,964	635,840	173.6
Dividends received	926,781	12,940	-
Proceeds from sale of property, plant and equipment	1,355,142	8,955,333	15.1
Proceeds from sale of investment property	1,679,329	7,970,648	21.1
Proceeds from sale of investments	72,316,326	35,070,911	206.2
Acquisition of property, plant and equipment	-14,173,924	-22,803,818	62.2
Acquisition of intangible assets	-346,389	-194,942	177.7
Acquisition of investments	-59,576,872	-31,390,732	189.8
<b>Net cash used in investing activities</b>	<b>6,424,486</b>	<b>1,424,580</b>	<b>451.0</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital	0	14,803,872	-
Proceeds from / Repayment of borrowings	38,998,061	42,170,877	92.5
Payment of foreign exchange differences	-801,579	-522,883	153.3
Interest paid	-7,539,803	-4,614,056	163.4
<b>Net cash used in financing activities</b>	<b>30,656,679</b>	<b>51,837,810</b>	<b>59.1</b>
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>			
	<b>-2,431,453</b>	<b>-5,392,222</b>	<b>45.1</b>
Cash and cash equivalents at beginning of period	10,812,974	11,385,161	95.0
Cash and cash equivalents at end of period	8,381,521	5,992,939	139.9

Statement of Changes in Equity of the Merkur Group for the Period from 1 January 2007 to 30 June 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
<b>Balance at 1 January 2007</b>	<b>54,773,201</b>	<b>76,701,377</b>	<b>6,080,041</b>	<b>9,430,496</b>	<b>48,910,140</b>	<b>1,705,486</b>	<b>19,425,762</b>	<b>1,506,981</b>	<b>218,533,484</b>	<b>137,636</b>	<b>218,671,120</b>
Net profit for the period taken to equity	-	-	-	-	7,569,438	-	-	-	7,569,438	21,696	7,591,134
Changes in fair value of property and available-for-sale financial assets	-	-	-	-	-	-	8,665,711	-	8,665,711	-	8,665,711
Net profit for the period allocated to legal reserves under the resolution adopted by the Management Board	-	-	155,051	-	-155,051	-	-	-	0	-	0
Fair value of property and available-for-sale financial assets transferred to income	-	-	-	-	-	-	-3,630	-	-3,630	-	-3,630
Increase / Decrease in exchange differences	-	-	-	-	-	-	-	-474,557	-474,557	873	-473,684
Increase / Decrease in deferred taxes	-	-	-	-	-77,704	45,227	-1,732,416	-	-1,764,893	-	-1,764,893
<b>Balance at 30 June 2007</b>	<b>54,773,201</b>	<b>76,701,377</b>	<b>6,235,092</b>	<b>9,430,496</b>	<b>56,246,823</b>	<b>1,750,713</b>	<b>26,355,427</b>	<b>1,032,424</b>	<b>232,525,553</b>	<b>160,205</b>	<b>232,685,758</b>

Statement of Changes in Equity of the Merkur Group for the Period from 1 January 2006 to 30 June 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
<b>Balance at 1 January 2006</b>	<b>50,683,734</b>	<b>65,986,972</b>	<b>5,997,329</b>	<b>9,343,828</b>	<b>31,662,498</b>	<b>1,599,349</b>	<b>14,504,181</b>	<b>-230,938</b>	<b>179,546,953</b>	<b>1,057,586</b>	<b>180,604,539</b>
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	-	-	-	-	5,685,837	-	-	-	5,685,837	14,342	5,700,179
Changes in fair value of property and available-for-sale financial assets	-	-	-	-	-	-	1,410,641	-	1,410,641	-	1,410,641
Net profit for the period allocated to legal reserves under the resolution adopted by the Management Board	-	-	82,712	-	-82,712	-	-	-	0	-	0
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	-239,322	-239,322
Increase / Decrease in exchange differences	-	-	-	-	-	-	-	-36,492	-36,492	-588	-37,080
Increase / Decrease in deferred taxes	-	-	-	-	-84,209	-	-303,021	-	-387,230	-	-387,230
<b>Balance at 30 June 2006</b>	<b>54,773,201</b>	<b>76,701,377</b>	<b>6,080,041</b>	<b>9,343,828</b>	<b>37,181,414</b>	<b>1,599,349</b>	<b>15,413,270</b>	<b>-267,430</b>	<b>200,825,050</b>	<b>832,018</b>	<b>201,657,068</b>

Primary Segment Reporting Format of Merkur Group - by Geographical Segments for the Period from 1 January 2007 to 30 June 2007

In EUR

Item	Slovenia – domestic market		Foreign market		Eliminations		Merkur Group	
	January – June 2007	2006	January – June 2007	2006	January – June 2007	2006	January – June 2007	2006
<b>REVENUE</b>	<b>465,442,088</b>	<b>394,202,784</b>	<b>218,285,540</b>	<b>131,261,145</b>	<b>-138,813,802</b>	<b>-84,921,407</b>	<b>544,913,826</b>	<b>440,542,522</b>
Revenue from sale of goods	459,450,920	387,653,660	217,244,866	129,826,527	-136,535,067	-83,053,309	540,160,719	434,426,878
Revenue from sale of services	5,991,168	6,549,124	1,040,674	1,434,618	-2,278,735	-1,868,098	4,753,107	6,115,644
Cost of goods sold	-388,581,320	-326,535,090	-199,601,944	-117,498,640	136,161,767	83,009,460	-452,021,497	-361,024,270
<b>GROSS PROFIT OR LOSS ON SALES</b>	<b>76,860,768</b>	<b>67,667,694</b>	<b>18,683,596</b>	<b>13,762,505</b>	<b>-2,652,035</b>	<b>-1,911,947</b>	<b>92,892,329</b>	<b>79,518,252</b>
Other operating income	1,310,908	3,110,950	151,421	144,200	0	0	1,462,329	3,255,150
Distribution and administration expenses	-66,141,152	-61,081,018	-14,851,568	-11,649,870	1,344,437	1,276,260	-79,648,283	-71,454,628
Other operating expenses	-1,711,720	-2,348,205	-594,808	0	0	0	-2,306,528	-2,348,205
<b>OPERATING PROFIT OR LOSS</b>	<b>10,318,804</b>	<b>7,349,421</b>	<b>3,388,641</b>	<b>2,256,835</b>	<b>-1,307,598</b>	<b>-635,687</b>	<b>12,399,847</b>	<b>8,970,569</b>
<b>Net finance costs</b>	<b>-1,524,846</b>	<b>-1,433,642</b>	<b>-1,117,636</b>	<b>15,447</b>	<b>0</b>	<b>0</b>	<b>-2,642,482</b>	<b>-1,418,195</b>
<b>PROFIT BEFORE TAX</b>	<b>8,793,958</b>	<b>5,915,779</b>	<b>2,271,005</b>	<b>2,272,282</b>	<b>-1,307,598</b>	<b>-635,687</b>	<b>9,757,365</b>	<b>7,552,374</b>
Income tax expense	-1,758,211	-1,521,770	-408,020	-330,425	0	0	-2,166,231	-1,852,195
<b>NET PROFIT OR LOSS FOR THE PERIOD</b>	<b>7,035,747</b>	<b>4,394,009</b>	<b>1,862,985</b>	<b>1,941,857</b>	<b>-1,307,598</b>	<b>-635,687</b>	<b>7,591,134</b>	<b>5,700,179</b>
Attributable to equity holders of the parent	7,020,252	4,386,655	1,856,784	1,934,869	-1,307,598	-635,687	7,569,438	5,685,837
Attributable to minority interest	15,495	7,354	6,201	6,988	0	0	21,696	14,342
Segment assets	551,953,750	486,395,454	270,658,662	184,858,588	-182,623,259	-155,484,635	639,989,153	515,769,407
Property, plant and equipment, intangible assets	174,552,837	169,469,422	51,321,751	45,572,313	-1,029,282	-941,888	224,845,306	214,099,847
Investment property	12,912,754	16,229,866	3,514,306	35,257	0	0	16,427,060	16,265,123
Investments in associates	135,203	135,203	0	0	215,440	0	350,643	135,203
<b>Total assets of Merkur Group</b>	<b>739,554,544</b>	<b>672,229,945</b>	<b>325,494,719</b>	<b>230,466,158</b>	<b>-183,437,101</b>	<b>-156,426,523</b>	<b>881,612,162</b>	<b>746,269,580</b>
<b>Total liabilities of Merkur Group</b>	<b>608,987,333</b>	<b>486,343,534</b>	<b>168,842,655</b>	<b>134,994,132</b>	<b>-128,903,584</b>	<b>-76,725,146</b>	<b>648,926,404</b>	<b>544,612,520</b>
Acquisition of intangible assets	312,414	122,238	33,975	28,121	0	0	346,389	150,359
Acquisition of property, plant and equipment in the period	8,495,932	9,121,808	5,677,992	12,101,519	0	0	14,173,924	21,223,327
Impairment loss on property, plant and equipment recognised in the income statement	37,983	51,419	20	0	0	0	38,003	51,419

Secondary Segment Reporting Format of Merkur Group – by Business Segments for the Period from 1 January 2007 to 30 June 2007

In EUR

Period	Wholesale	Retail sales	Other	Merkur Group
January to June 2007	312,630,707	230,134,553	2,148,566	544,913,826
January to June 2006	241,971,870	195,897,569	2,673,080	440,542,519

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

### Balance Sheet of Merkur, d. d. as at 30 June 2007

Item	In EUR				
	30 June 2007 1	1 January 2007 2	30 June 2006 3	Index 4=1/2 5=1/3	
Property, plant and equipment	165,854,023	166,488,930	144,873,038	99.6	114.5
Intangible assets	846,747	697,223	553,368	121.4	153.0
Investment property	16,163,280	13,779,755	15,456,310	117.3	104.6
Investments in associates	135,203	135,203	135,203	100.0	-
Non-current financial assets	124,811,917	114,743,128	149,841,271	108.8	83.3
Non-current trade receivables	1,004,841	1,125,692	1,286,864	89.3	78.1
Deferred tax assets	4,724,279	4,777,930	3,984,569	98.9	118.6
<b>Total non-current assets</b>	<b>313,540,290</b>	<b>301,747,861</b>	<b>316,130,623</b>	<b>103.9</b>	<b>99.2</b>
Inventories	145,487,177	112,136,675	118,663,036	129.7	122.6
Current financial assets	59,068,203	68,348,431	13,743,424	86.4	429.8
Income tax receivable	216,891	0	0	-	-
Current trade receivables and other assets	297,038,607	241,998,726	223,416,844	122.7	133.0
Cash and cash equivalents	1,720,498	2,228,430	816,596	77.2	210.7
<b>Total current assets</b>	<b>503,531,376</b>	<b>424,712,262</b>	<b>356,639,900</b>	<b>118.6</b>	<b>141.2</b>
<b>TOTAL ASSETS</b>	<b>817,071,666</b>	<b>726,460,123</b>	<b>672,770,523</b>	<b>112.5</b>	<b>121.4</b>
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	14,894,958	100.0	100.0
Retained earnings	57,741,128	50,658,843	42,368,649	114.0	136.3
Fair value reserve	28,098,816	21,123,924	17,005,298	133.0	165.2
<b>Total equity</b>	<b>232,209,480</b>	<b>218,152,303</b>	<b>205,743,483</b>	<b>106.4</b>	<b>112.9</b>
Non-current financial liabilities	75,849,030	86,538,982	73,888,971	87.6	102.7
Non-current trade payables	3,013,107	3,020,141	3,233,338	99.8	93.2
Deferred tax liabilities	9,154,737	7,429,568	7,865,310	123.2	116.4
Long-term provisions	10,176,351	10,319,168	7,736,559	98.6	131.5
<b>Total non-current liabilities</b>	<b>98,193,225</b>	<b>107,307,859</b>	<b>92,724,178</b>	<b>91.5</b>	<b>105.9</b>
Current financial liabilities	258,177,184	206,531,717	180,027,337	125.0	143.4
Current trade and other payables	220,354,774	191,824,178	193,819,095	114.9	113.7
Current tax payable	182,605	191,582	7,194	95.3	2,538.3
Short-term provisions	7,954,398	2,452,484	449,236	324.3	1,770.7
<b>Total current liabilities</b>	<b>486,668,961</b>	<b>400,999,961</b>	<b>374,302,862</b>	<b>121.4</b>	<b>130.0</b>
<b>Total liabilities</b>	<b>584,862,186</b>	<b>508,307,820</b>	<b>467,027,040</b>	<b>115.1</b>	<b>125.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>817,071,666</b>	<b>726,460,123</b>	<b>672,770,523</b>	<b>112.5</b>	<b>121.4</b>

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

In EUR

Item	Jan. – June 2007	Jan. – June 2006	Index
<b>REVENUE</b>	<b>452,099,959</b>	<b>347,833,580</b>	<b>130.0</b>
Cost of sales	384,057,633	291,822,859	131.6
<b>GROSS PROFIT</b>	<b>68,042,326</b>	<b>56,010,721</b>	<b>121.5</b>
Other operating income	1,206,872	2,254,961	53.5
Distribution expenses	41,892,958	36,931,017	113.4
Administrative expenses	15,282,341	11,348,156	134.7
Other operating expenses	1,569,796	1,745,969	89.9
<b>OPERATING PROFIT</b>	<b>10,504,103</b>	<b>8,240,540</b>	<b>127.5</b>
Financial income	6,059,987	3,896,992	155.5
Financial expenses	7,600,659	4,618,265	164.6
<b>NET FINANCE COSTS</b>	<b>-1,540,672</b>	<b>-721,273</b>	<b>213.6</b>
<b>PROFIT BEFORE TAX</b>	<b>8,963,431</b>	<b>7,519,267</b>	<b>119.2</b>
Income tax expense	1,803,442	1,654,240	109.0
<b>PROFIT FOR THE PERIOD</b>	<b>7,159,989</b>	<b>5,865,027</b>	<b>122.1</b>

<b>Earnings per share (in EUR)</b>	<b>5.45</b>	<b>4.64</b>	<b>117.5</b>
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<b>Costs by nature</b>	<b>57,175,299</b>	<b>48,279,173</b>	<b>118.4</b>
Costs of materials	2,813,645	3,053,322	92.2
Costs of services	21,103,474	16,648,085	126.8
Staff costs	28,437,503	23,977,829	118.6
Amortisation and depreciation expense	4,071,916	3,806,789	107.0
Other costs	748,761	793,148	94.4

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

Item	In EUR		Index
	Jan. – June 2007	Jan. – June 2006	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit or loss for the period</b>	<b>7,159,989</b>	<b>5,865,027</b>	<b>122.1</b>
<b>Adjustments for:</b>	<b>8,124,310</b>	<b>5,694,646</b>	<b>142.7</b>
Depreciation of property, plant and equipment	3,954,703	3,692,768	107.1
Amortisation of intangible assets	117,213	114,021	102.8
Impairment of assets	1,388,630	1,581,380	87.8
Gain on disposal of property, plant and equipment	-680,164	-2,072,554	32.8
Investment income	-5,585,407	-3,529,340	158.3
Foreign exchange gain	-312,164	-45,168	691.1
Financial expenses	7,438,243	4,333,400	171.6
Decrease in long-term provisions	-186	-34,101	-
Income taxes paid	1,803,442	1,654,240	109.0
<b>Change in net operating current assets and provisions</b>	<b>-56,976,157</b>	<b>-43,811,935</b>	<b>130.0</b>
Increase in trade and other receivables	-55,469,444	-37,882,078	146.4
Increase in inventories	-33,505,042	-28,251,089	118.6
Increase in trade and other payables	26,639,046	22,287,131	119.5
Increase in accruals and deferrals, and provisions	5,359,283	34,101	-
<b>Net cash from operating activities</b>	<b>-41,691,858</b>	<b>-32,252,262</b>	<b>129.3</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	3,816,755	3,247,989	117.5
Foreign exchange differences received	459,983	101,001	455.4
Dividends received	926,781	12,369	-
Proceeds from sale of property, plant and equipment	1,321,769	6,217,564	21.3
Proceeds from sale of investment property	1,679,329	6,014,246	27.9
Proceeds from sale of investments	70,960,577	34,728,664	204.3
Acquisition of property, plant and equipment	-8,024,255	-8,599,278	93.3
Acquisition of intangible assets	-266,737	-60,749	439.1
Acquisition of investments	-63,086,636	-70,342,301	89.7
<b>Net cash used in investing activities</b>	<b>7,787,566</b>	<b>-28,680,495</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital	0	14,803,872	-
Proceeds from / Repayment of borrowings	40,955,515	48,661,175	84.2
Payment of foreign exchange differences	-120,912	-55,834	216.6
Interest paid	-7,438,243	-4,333,400	171.6
<b>Net cash used in financing activities</b>	<b>33,396,360</b>	<b>59,075,813</b>	<b>56.5</b>
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>			
	<b>-507,932</b>	<b>-1,856,944</b>	<b>27.4</b>
Cash and cash equivalents at beginning of period	2,228,430	2,673,540	83.4
Cash and cash equivalents at end of period	1,720,498	816,596	210.7

Statement of Changes in Equity of Merkur, d. d. for the Period from 1 January 2007 to 30 June 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
<b>Balance at 1 January 2007</b>	<b>54,773,201</b>	<b>76,701,377</b>	<b>5,551,133</b>	<b>9,343,825</b>	<b>50,658,843</b>	<b>1,698,163</b>	<b>19,425,761</b>	<b>0</b>	<b>218,152,303</b>
Net profit for the period taken to equity	-	-	-	-	7,159,989	-	-	-	7,159,989
Changes in fair value of property and available-for-sale financial assets	-	-	-	-	-	-	8,665,711	-	8,665,711
Fair value of property and available-for-sale financial assets transferred to income	-	-	-	-	-	-	-3,630	-	-3,630
Increase / Decrease in deferred taxes	-	-	-	-	-77,704	45,227	-1,732,416	-	-1,764,893
<b>Balance at 30 June 2007</b>	<b>54,773,201</b>	<b>76,701,377</b>	<b>5,551,133</b>	<b>9,343,825</b>	<b>57,741,128</b>	<b>1,743,390</b>	<b>26,355,426</b>	<b>0</b>	<b>232,209,480</b>

Statement of Changes in Equity of Merkur, d. d. for the Period from 1 January 2006 to 30 June 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
<b>Balance at 1 January 2006</b>	<b>50,683,734</b>	<b>65,986,972</b>	<b>5,551,134</b>	<b>9,343,824</b>	<b>36,585,198</b>	<b>1,592,029</b>	<b>14,504,184</b>	<b>0</b>	<b>184,247,075</b>
Additional paid-in capital taken to equity	4,089,467	10,714,405	-	-	-	-	-	-	14,803,872
Net profit for the period taken to equity	-	-	-	-	5,865,027	-	-	-	5,865,027
Changes in fair value of property and available-for-sale financial assets	-	-	-	-	-	-	1,410,649	-	1,410,649
Fair value of property and available-for-sale financial assets transferred to income	-	-	-	-	-	-	-198,535	-	-198,535
Increase / Decrease in deferred taxes	-	-	-	-	-81,576	-	-303,029	-	-384,605
<b>Balance at 30 June 2006</b>	<b>54,773,201</b>	<b>76,701,377</b>	<b>5,551,134</b>	<b>9,343,824</b>	<b>42,368,649</b>	<b>1,592,029</b>	<b>15,413,269</b>	<b>0</b>	<b>205,743,483</b>

Primary Segment Reporting Format of Merkur, d. d. - by Geographical Segments for the Period from 1 January 2007 to 30 June 2007

In EUR

Item	Slovenia		Foreign market		Merkur, d. d.	
	January - June		January - June		January - June	
	2007	2006	2007	2006	2007	2006
<b>REVENUE</b>	<b>365,143,174</b>	<b>296,547,304</b>	<b>86,956,785</b>	<b>51,286,276</b>	<b>452,099,959</b>	<b>347,833,580</b>
Revenue from sale of goods	361,228,760	291,853,439	86,251,569	50,558,346	447,480,329	342,411,785
Revenue from sale of services	3,914,414	4,693,865	705,216	727,930	4,619,630	5,421,795
Cost of goods sold	-300,997,453	-243,160,565	-83,060,180	-48,662,294	-384,057,633	-291,822,859
<b>GROSS PROFIT OR LOSS ON SALES</b>	<b>64,145,721</b>	<b>53,386,739</b>	<b>3,896,605</b>	<b>2,623,982</b>	<b>68,042,326</b>	<b>56,010,721</b>
Other operating income	1,206,214	2,246,127	658	8,834	1,206,872	2,254,961
Distribution and administration expenses	-54,050,990	-46,520,351	-3,124,309	-1,758,822	-57,175,299	-48,279,173
Other operating expenses	-1,549,531	-1,745,968	-20,265	0	-1,569,796	-1,745,968
<b>OPERATING PROFIT OR LOSS</b>	<b>9,751,414</b>	<b>7,366,547</b>	<b>752,689</b>	<b>873,994</b>	<b>10,504,103</b>	<b>8,240,541</b>
<b>Net finance costs</b>	<b>-1,559,643</b>	<b>-811,964</b>	<b>18,971</b>	<b>90,690</b>	<b>-1,540,672</b>	<b>-721,274</b>
<b>PROFIT BEFORE TAX</b>	<b>8,191,771</b>	<b>6,554,583</b>	<b>771,660</b>	<b>964,684</b>	<b>8,963,431</b>	<b>7,519,267</b>
Income tax expense	-1,648,184	-1,442,013	-155,258	-212,227	-1,803,442	-1,654,240
<b>NET PROFIT OR LOSS FOR THE PERIOD</b>	<b>6,543,587</b>	<b>5,112,570</b>	<b>616,402</b>	<b>752,457</b>	<b>7,159,989</b>	<b>5,865,027</b>
Segment assets	495,940,597	420,188,358	138,131,816	93,505,997	634,072,413	513,694,355
Property, plant and equipment, intangible assets	166,677,764	143,438,370	23,006	46,285	166,700,770	143,484,655
Investment property	12,693,002	13,514,559	3,470,278	1,941,751	16,163,280	15,456,310
Investments in associates	135,203	135,203			135,203	135,203
<b>Total assets of Merkur, d. d.</b>	<b>675,446,566</b>	<b>577,276,490</b>	<b>141,625,100</b>	<b>95,494,033</b>	<b>817,071,666</b>	<b>672,770,523</b>
<b>Total liabilities of Merkur, d. d.</b>	<b>492,059,781</b>	<b>391,123,255</b>	<b>92,802,405</b>	<b>75,903,785</b>	<b>584,862,186</b>	<b>467,027,040</b>
Acquisition of intangible assets	266,737	60,749	0	0	266,737	60,749
Acquisition of property, plant and equipment in the period	8,024,255	8,334,852	0	264,426	8,024,255	8,599,278
Impairment loss on property, plant and equipment recognised in the income statement	14,442	8,271	0	0	14,442	8,271

Secondary Segment Reporting Format of Merkur, d. d. – by Business Segments for the Period from 1 January 2007 to 30 June 2007

In EUR

Period	Wholesale	Retail Sales	Other	Merkur, d. d.
January – June 2007	295,328,026	155,212,171	1,559,762	452,099,959
January – June 2006	214,893,571	130,277,049	2,662,961	347,833,581

Management Board of Merkur, d. d.