



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

UNAUDITED DATA ON PERFORMANCE OF MERKUR, D. D., AND THE MERKUR GROUP IN THE PERIOD FROM JANUARY TO MARCH 2006

1 INTRODUCTORY

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 report on performance of Merkur, d. d., and the Merkur Group for the period from January to March 2006. The report was discussed by the Supervisory Board at their meeting of 25 May 2006. Any important changes to data in the company's prospectus shall be promptly released in public announcements in SEOnet of the Ljubljana Stock Exchange. This public release will also be available online at the address www.merkur.si for seven days at least.

1.1 Reporting Standards

Unaudited financial statements of Merkur, d. d. for the period from January to March 2006 and unaudited consolidated financial statements of the Merkur Group for the period from January to March 2006 have been drawn in compliance with International Financial Reporting Standards (IFRS) and Notes adopted by the International Accounting Standards Board (IASB).

This is the first-time adoption of IFRS in financial statements of Merkur, d. d. At their 15th meeting of 22 December 2005, the General Meeting of Shareholders passed a resolution according to which Merkur – trgovina in storitve, d. d. shall be preparing its financial statements and reports determined in the Paragraph 1, Article 56 of the Companies Act in observance of IFRS for the period of the next five years starting with 1 January 2006. The transition to IFSR was carried out in compliance with IFRS – 1, the standard concerning the first-time adoption of IFRS. The date of transition to IFRS, or date of the opening balance sheet of Merkur, d. d. prepared in compliance with IFRS is 1 January 2005. An explanation of how the transition from previous standards to IFRS has affected the reported financial position, financial performance, cash flows, and total equity capital of the company is set out point number 8.

According to the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, the Merkur Group prepares and releases its consolidated financial statements for the periods after 1 January 2005 in compliance with IFRS. Reporting in compliance with IFRS is required for all publicly traded companies on the internal market of the European Union. The starting point for the first-time reporting under IFRS is the opening IFRS balance sheet at the date of transition to IFRS, i.e. 1 January 2004. An explanation of how the transition from previous standards to IFRS has affected the Group's financial position, financial performance, cash flows, and total equity capital of the Group is set out in special point of the Audited Consolidated Financial Report of the Merkur Group for the Business Year 2005.

1.2 Companies Included in the Consolidation

Subsidiary	Country	Owner ship share since	Ownership share in % at 31 March 2006	Ownership share in % at 31 March 2005
- 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	-
- Merkur International Zagreb, d. o. o.	Croatia	1994	100	100
- Merkur Nekretnine Zagreb, d. o. o.	Croatia	2000	100	100
- Bofex Zagreb, d. o. o.	Croatia	2004	49	49
- Merkur International, d. o. o., Beograd	Serbia and Montenegro	1994	100	100
- Bofex Beograd, d. o. o.	Serbia and Montenegro	2005	100	-
- Merkur Makedonija, doo, Skopje	Macedonia	1994	90.35	90.35
- Intermerkur, d. o. o., Sarajevo	Bosnia and Herzegovina	1998	99.63	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
- Big Bang Handels, GmbH	Austria	2004	80	80

In 2006, Bofex Beograd, d. o. o., and Sava Trade, d. d., Ljubljana were included into the Merkur Group. On 24 April 2006, Merkur concluded a sales contract on purchase of the 96.87% holding in Sava Trade, d. d. According to that contract, Merkur became the owner and gained control over Sava Trade already on 1 January 2006. Due to the inclusion of Sava Trade's financial statements into the consolidated financial statements of the Merkur Group, it is not quite possible to compare the opening balance of the Merkur Group as at 1 January 2006 and its consolidated financial statements as at 31 December 2005.

2 HIGHLIGHTS ON OPERATIONS

MERKUR, D. D.

Item	January to March			Index	
	2006	Plan 2006	2005	Plan=100	2005=100
Net sales revenues (in SIT thousand)	35,042,933	34,307,662	31,499,924	102.1	111.2
Net operating profit or loss from regular operations (in SIT thousand)	483,715	237,691	455,937	203.5	106.1
EBITDA (earnings before interest, tax, depreciation and amortization in SIT thousand)	938,851	748,847	963,209	125.4	97.5
Profit before taxation (in SIT thousand)	512,617	79,295	493,261	646.5	103.9
Net profit (in SIT thousand)	430,957	66,666	398,593	646.4	108.1
Added value (in SIT thousand)	3,859,618	3,619,760	3,592,333	106.6	107.4
Assets (as at 31 March - in SIT thousand)	152,675,252		137,200,405		111.3
Equity capital (as at 31 March - in SIT thousand)	45,163,969		42,520,692		106.2
Number of employees from hours worked	2,505	2,556	2,420	98.0	103.5
Capital share (in %)	29.6		31.0		95.5
Net sales revenue pre employee (in SIT thousand)	13,989	13,422	13,016	104.2	107.5
Added value per employee (in SIT thousand)	1,541	1,416	1,484	108.8	103.8
Net profit per employee (in SIT thousand)	172	26	165	659.6	104.5
Net return on equity - ROE - % p.a.	3.85		3.76		102.5
Total revenue net profitability rate - in %	1.21	0.19	1.25	637.8	97.0
Bookkeeping value of share (as at 31 March - in SIT)	37,185		35,008		106.2
Market price per share (as at 31 March - in SIT)	35,116		41,000		85.6
Market price per share in comparison to its bookkeeping value (as at 31 March - in %)	94		117		80.6
Price-earnings ratio (P/E) (in SIT)	355	55	328	646.4	108.1

THE MERKUR GROUP

Item	January to March			Index	
	2005	Plan=100	2005	Plan=100	2005=100
Net sales revenues (in SIT thousand)	45,673,769	44,172,363	36,622,572	103.4	124.7
Net operating profit or loss from regular operations (in SIT thousand)	515,327	273,770	216,527	188.2	238.0
EBITDA (earnings before interest, tax, depreciation and amortization in SIT thousand)	1,198,048	273,770	858,516	437.6	139.5
Profit before taxation (in SIT thousand)	433,688	18,369	416,482	-	104.1
Net profit (in SIT thousand)	330,586	-41,562	267,633	-	123.5
Added value (in SIT thousand)	5,291,054	5,084,490	4,170,602	104.1	126.9
Assets (as at 31 March - in SIT thousand)	175,126,787		149,338,777		117.3
Equity capital (as at 31 March - in SIT thousand)	43,491,463		39,917,806		109.0
Number of employees from hours worked	3,806	3,904	3,304	97.5	115.2
Capital share (in %)	24.8		26.7		92.9
Net sales revenue pre employee (in SIT thousand)	12,000	11,315	11,084	106.1	108.3
Added value per employee (in SIT thousand)	1,390	1,302	1,262	106.7	110.1
Net profit per employee (in SIT thousand)	87	-11	81	-	107.2
Net return on equity - ROE - % p.a.	3.08		2.68		114.8
Total revenue net profitability rate - in %	0.71	-0.09	0.72	-	99.5
Bookkeeping value of share (as at 31 March - in SIT)	35,615		32,845		108.4
Market price per share (as at 31 March - in SIT)	35,116		41,000		85.6
Market price per share in comparison to its bookkeeping value (as at 31 March - in %)	99		125		79.0
Price-earnings ratio (P/E) (in SIT)	272	-34	220	-	123.5

3 IMPORTANT EVENTS IN THE PERIOD FROM JANUARY TO MARCH 2006

Contract of Members on Establishment of a Company

On 31 January 2006, Chairmen of Management Boards of SCT, d. d., and Merkur, d. d. signed a contract of members on establishment of a company for processing and distribution of concrete reinforcing steel and grids Železokrivnica SCT-Merkur, d. o. o., Cesta na Brod 2, Ljubljana. Share capital of the company totals SIT72 million. The company will be managed by a six-member Management Board: three from Merkur, and three from SCT. The Management Board will run the business and pass all business decisions independently. Merkur holds a 45% stake in the company.

The Acquisition of Sava Trade

At their 20th regular meeting of 16 February 2006, the Supervisory Board passed the Management Board's proposal to acquire Sava Trade exclusive of its subsidiary MG Market and Obi franchise outlets. The acquisition will allow Merkur to further improve and supplement its offer of technical products for domestic and industrial applications, especially paints and varnishes, industrial chemicals, plastics, flooring and panelling, facades, and protective coatings. Merkur plans to use the experience, sources, and know-how of the employees in Sava Trade. Merkur intends to develop in Slovenia and abroad, which will allow for fast advance of those programmes as well.

Increase in Share Capital

At their 20th regular meeting of 16 February 2006, the Supervisory Board passed the Management Board's proposal to increase share capital by issuance of 98,000 new shares to finance the acquisition of Sava Trade. The Management Board obtained the authorisation to increase share capital of the company from the General Meeting of Shareholders in 2003, when issuance of 400,000 shares was allowed, of which only 302,000 shares have been issued so far. On 15 March 2006, Sava, d. d. bought the entire lot of 98,000 shares at SIT36,200 per share, and paid Merkur a total of SIT3,547,600,000.00. Merkur invested that money into the acquisition of Sava Trade. In observance of

the Supervisory Board's resolution passed at the correspondence meeting of 24 March 2006, the share capital of the company has been increased and totals SIT13,125,850,000.00.

Change in Ownership Structure

In March 2006, the companies of the KD Group sold a total of 146,807 MER shares to Sava, d. d. and Gorenjska banka, d. d., or their entire stake in Merkur. KD Gallieo sold 60,438 MER shares, Rastko 37,032 MER shares, KD ID 34,337 MER shares, and KD Holding 15,000 MER shares. On 14 March 2006 Sava, d. d. bought 33,085 Merkur shares, and one day later another 126,334 Merkur shares. Sava now owns 257,419 Merkur shares as it had bought 98,000 newly issued shares in addition to the above mentioned purchases. On 17 March 2006, Gorenjska banka, d. d., Kranj acquired 37,500 Merkur shares.

The ownership structure of the company has changed thanks to the increase in share capital, acquisition of MER shares by Sava, d. d., and the sale of MER shares by the KD Group. Sava, d. d. is now the largest owner of Merkur, and the issuance of new shares decreased the holdings of other shareholders accordingly.

Change in Business Plan

At their meeting of 16 February 2006, the Supervisory Board approved the changes to the business plan because of the new issuance of shares and acquisition of the company Sava Trade, d. o. o. In 2006, the initially planned sales revenue of Merkur Group is expected to increase by 5%, or SIT10.5 billion, whilst net profit per share is expected to grow by 10%, or SIT350 million. According to the projections, profit per share is expected to remain approximately the same as before the new issuance of new shares, but the return on capital is expected to increase from 8.0% to 8.3%.

New Sales and Business Premises

9 February 2006: a new **MERKUR** sales centre opened in Ptuj

13 April 2006: a renovated Big Bang Giga sales centre (former Big Bang Mega) opened in Ljubljana

4 ASSESSMENT OF OPERATIONS IN THE PERIOD FROM JANUARY TO MARCH 2006

In the first quarter of 2006, the Merkur Group sold goods and services in total of SIT45.7 billion, or 25% more than in the same period of 2005. The plan was exceeded by more than three per cent. This substantial rise in net sales revenue was possible thanks to the merger with Sava Trade, d. d., which had taken place earlier this year. Merkur bought Sava Trade, d. d. Ljubljana in order to further extend its comprehensive range of chemicals. Sava Trade's wholesale will have become part of the Merkur Group by autumn, whilst its retail is scheduled to be integrated already before summer. The Merkur Group's sales volume is expected to rise by approximately 8% thanks to the merger.

Even without Sava Trade, the Merkur Group substantially increased its sales volume by 17%. In Slovenia, Merkur and Bofex extended their sales by 15%. In comparison to 2005, the wholesale went up by 10%, and total sales abroad went up by 41% respectively. Positive trends were observed in individual core programmes as well, and an 18% rise was noted in all programmes, including ferrous and non-ferrous metal products. Thanks to the merger with Sava Trade, d. d., sale of chemical and paper products nearly doubled.

Net sales revenues and gross profit of the Merkur Group presented very similar trends. In comparison to the same period of 2005, gross profit of Merkur Group went up by more than 22%, and exceeded the plan by 3%. The costs grew at a slow pace, and increased by 20%. Exclusive of Sava Trade, d. d. the costs grew by 11% only. As far as the individual cost items are concerned, rental costs went up the most and rose by almost 40%, because the number of sales centres taken on lease increased. Other cost items presented slower growth than gross profit.

In 2006, the difference in price grew faster than costs. In comparison to the first quarter of 2005, operating profit increased from SIT217 million to SIT515 million. Even though this year the performance was better than planned, the first quarter always tends to be worse than the other three due to the seasonal fluctuations in trade. In the first quarter of the year, net sales and the difference in

price are usually 25% lower than in other three quarters. The costs, however, keep the same level all through the year.

Considering the financial effects and tax on profit, net profit of Merkur Group amounted to SIT331 million, which was 24% more than in 2005, and SIT375 million above the plan. Merkur does not plan profit in the first quarter of the year, because of the seasonal character of sales. In the period from January to March 2006 Merkur, d. d. worked at profit, and its net sales revenue totalled SIT431 million.

The company passed a resolution to issue 98,000 shares to acquire Sava Trade, d. d. The entire lot of the newly issued shares was bought by Sava, d. d. who sold Sava Trade to Merkur. A total of SIT3.55 billion was paid for the shares, but they were not registered until 31 March 2006. The shares have neither been presented in equity capital, nor in the cost incurred by the acquisition of Sava Trade. Consequently, the liabilities of operations increased steeply in the first quarter of 2006, even though other changes in the balance sheet did not show any significant changes in relation to the usual trends in the first quarter of the year.

As far as investments are concerned, the company continued the construction of the warehouses for ferrous and non-ferrous metal products in Rijeka and in Sarajevo, due to open in May and June respectively. In March, another sales centre was opened in Ptuj, Slovenia, and the construction started in Lesce and Velenje. The preparations for the construction of new sales centres in Maribor, Koper, Ljubljana and Škofja Loka have been proceeding according to the plan.

Present sales volume and performance in the first three months of the year indicate that Merkur may expect good results in 2006 as well. This is a proof that the strategy of developing new sales centres and wholesale in Slovenia and abroad is correct. Successful fulfilment of strategic plans will further strengthen Merkur's position in the area of trade in technical goods for domestic and industrial applications in Slovenia and beyond.

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

5 THE MANAGEMENT BOARD'S NOTES AND ANALYSES

5.1 Changes to the Management and Supervisory Boards, and the Object of Business

In accordance to the mutually accepted agreement, the term of office of Mr Viktor Vauhnik, a Management Board member, terminated on 31 December 2005.

From 1 January 2006 on, the Management Board consists of:

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

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

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

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

In the first quarter of 2006, there were no changes to the Supervisory Board. The Supervisory Board consists of:

Shareholders' Representatives:

Jakob Piskernik, Chairman of the Supervisory Board

Dr. Tomaž Subotič, Deputy Chairman

Zlatko Kavčič

Igor Kušar

Gregor Tratnik

Matjaž Gantar

Workers' Representatives:

Marta Bertoncej

Igor Hudobivnik

Marjan Smrekar

In 2006, the principal object of the company remains wholesale and retail trade in ferrous and non-ferrous metal products, construction and installation materials.

5.2 The 2006 Plan

In 2006, net sales revenues of the Merkur Group are expected to reach SIT221 billion, or 18% more than in 2005. The growth is expected in all parts of the parent company and all subsidiaries, but MI Beograd and MI Zagreb are expected to grow the most. According to the plan, sales volume will increase in all core programmes. Growth of costs is expected to lag behind the increase in gross operating profit, and consequently Merkur Group's net operating profit for 2006 is planned to exceed SIT5 billion. In 2006, net profit of the Merkur Group is planned at SIT3.63 billion, and return on equity at 8.3%.

Net investments into tangible assets of the Merkur Group for 2006 are planned at EUR56 million. Most of the funds will be invested in acquisition of land and construction of sales centres and warehousing facilities in Slovenia and in countries of former Yugoslavia.

5.3 Ownership Structure as at 31 March 2006

As at 31 March 2006, the 98,000 newly issued shares were not entered into the ledger at Klirinško depotna družba (KDD) (Central Securities Clearing Corporation – CSCC). The ownership structure as at 31 March without and with the newly issued shares was as follows:

No.	Shareholder	CSCC and temporary records total as at 31 March 2006			CSCC records s at 31 March 2006			CSCC records s at 31 December 2005		
		Number of shareholders	Total shares of Number of shares	%	Number of shareholders	Total shares of Number of shares	%	Number of shareholders	Total shares of Number of shares	%
1	Sava, d. d.	1	257,419	19.61	1	159,419	13.13	-	-	-
2	Kapitalska družba, d. d.	1	218,491	16.65	1	218,491	17.99	1	218,491	17.99
3	NFD 1 investicijski sklad, d. d.	1	169,648	12.93	1	169,648	13.97	1	170,432	14.03
4	Slovenska odškodninska družba, d. d.	1	93,194	7.10	1	93,194	7.67	1	93,194	7.67
5	Gorenjska banka, d. d.	1	84,955	6.47	1	84,955	6.99	1	47,455	3.91
6	Salonit Anhovo, d. d.	1	32,810	2.50	1	32,810	2.70	1	32,810	2.70
7	Zlata moneta I d. d.	1	27,608	2.10	1	27,608	2.27	1	27,608	2.27
8	Zavarovalnica Triglav, d. d.	1	17,729	1.35	1	17,729	1.46	1	17,729	1.46
9	SOP Ljubljana	1	15,761	1.20	1	15,761	1.30	1	15,761	1.30
10	Banka Celje, d. d.	1	15,203	1.16	1	15,203	1.25	1	15,203	1.25
11	Other legal entities	149	153,152	11.67	149	153,152	12.61	175	343,531	28.28
12	Employees	718	87,430	6.66	718	87,430	7.20	724	87,524	7.21
13	Other shareholders	3,811	139,185	10.60	3,811	139,185	11.46	3,974	144,847	11.93
	Total	4,688	1,312,585	100.00	4,688	1,214,585	100.00	4,882	1,214,585	100.00

5.4 Explanatory Notes to the Business Plan Fulfilment

In the period from January to March 2006, net sales revenue exceeded the plan, in Merkur, d. d. by 2.1%, and in Merkur Group by 3.4% respectively. In the first three months of 2006, net profit of Merkur, d. d. reached SIT431 million, or 6.5 times the amount expected for that period. Net profit in Merkur Group totalled SIT331 million, or SIT372 million more than planned.

5.5 Explanation Concerning Seasonal Character of Sales

The sale in the Merkur Group is strongly marked by seasonal fluctuations, and this trend has been observed for years. The revenue attained in the first quarter of the year is much lower than in other three quarters thanks to the core programmes of the companies. Construction materials and technical goods for domestic and industrial applications are in higher demand only after April.

5.6 Earnings per Share and the Applicable Calculation Method

Item	Merkur, d. d.		Merkur Group	
	Jan. - Mar. 2006	Jan. - Mar. 2005	Jan. - Mar. 2006	Jan. - Mar. 2005
Net profit for the period (in thousand SIT)	430,957	398,593	330,586	267,633
Average number of issued shares	1,214,585	1,214,585	1,214,585	1,214,585
Average number of own shares	0	0	0	0
Average number of shares, exclusive of own shares	1,214,585	1,214,585	1,214,585	1,214,585
Earnings per share (in SIT)	355	328	272	220

Basic earnings per share and diluted earnings per share of Merkur, d. d. and the Group are equal because Merkur has not issued any preference shares on which dividends would be paid. All shares are ordinary shares. The calculation of earnings per share was based on the total profit less income tax and profit attributable to minority interest and divided by average number of shares calculated on the basis of balances at the month-end in the period (the company and the Group had no own shares in the period from January to March 2006).

1.1 Bookkeeping Value of Share and the Applicable Calculation Method

Item	Merkur, d. d.		Merkur Group	
	31 March 2006	31 March 2005	31 March 2006	31 March 2005
Equity capital (in thousand SIT)	45,163,969	42,520,692	43,257,852*	39,893,505*
Average number of issued shares	1,214,585	1,214,585	1,214,585	1,214,585
Bookkeeping value of shares (in SIT)	37,185	35,008	35,615	32,845

*of the majority owner

The calculation of the bookkeeping value of share is based on total equity capital as at 31 March 2006 and 2005, divided by the number of shares as at the end of March in 2006 and 2005, which was the same on both dates (1,214,585).

1.2 Important Events after the End of the Accounting Period

Entry of Capital Increase into the Register of Companies

The increase of capital was entered into the register of companies at the court on 18 April 2006.

Conclusion of a Contract on Purchase of Sava Trade, d. d.

On 24 April 2006, Merkur, d. d. and Save, d. d. concluded a contract. According to the contract, Merkur acquired a 96.87% share, or 210,735 shares, in Sava Trade, d. d. exclusive of the company MG Market, d.o.o.

2 UNAUDITED FINANCIAL STATEMENTS OF MERKUR, D. D. PREPARED IN COMPLIANCE WITH IFRS

Balance Sheet of Merkur, d. d., as at 31 March 2006

Item	in SIT thousand				
	31 March 2006 1	1 January 2006 2	31 March 2005 3	Index 4=1/2 5=1/3	
Property, plant and equipment	35,788,598	34,998,560	38,988,794	102.3	91.8
Intangible assets	140,881	145,375	114,060	96.9	123.5
Investment property	4,681,853	4,681,853	4,563,049	100.0	102.6
Investments in associates accounted for using the equity method (investments in associated companies)	32,400	-	-	-	-
Non-current financial assets	28,099,296	25,885,643	15,290,333	108.6	183.8
Non-current trade and other receivables	290,622	319,598	364,642	90.9	79.7
Deferred tax assets	974,411	974,411	675,182	100.0	144.3
Total non-current assets	70,008,061	67,005,440	59,996,060	104.5	116.7
Inventories	27,407,464	21,692,604	26,889,293	126.3	101.9
Current financial assets	7,242,950	5,132,276	5,743,256	141.1	126.1
Current trade and other receivables	47,843,089	44,783,466	44,474,398	106.8	107.6
Cash and cash equivalents	173,688	640,687	97,398	27.1	178.3
Total current assets	82,667,191	72,249,033	77,204,345	114.4	107.1
TOTAL ASSETS	152,675,252	139,254,473	137,200,405	109.6	111.3
Issued capital	12,145,850	12,145,850	12,145,850	100.0	100.0
Capital reserves	15,813,118	15,813,118	15,813,118	100.0	100.0
Reserves	3,569,428	3,569,428	2,260,428	100.0	157.9
Retained earnings	9,874,664	9,443,707	9,155,494	104.6	107.9
Fair value reserves	3,760,909	3,857,296	3,145,802	97.5	119.6
Total equity	45,163,969	44,829,399	42,520,692	100.7	106.2
Non-current financial liabilities	15,900,786	15,628,983	19,604,798	101.7	81.1
Non-current trade and other payables	774,864	774,877	837,600	100.0	92.5
Deferred tax liabilities	1,780,096	1,812,225	1,574,920	98.2	113.0
Long-term provisions	1,862,163	1,862,166	1,733,077	100.0	107.4
Total non-current liabilities	20,317,909	20,078,251	23,750,395	101.2	85.5
Current financial liabilities	43,192,271	33,558,357	37,198,683	128.7	116.1
Current trade and other payables	43,580,655	40,307,094	33,442,931	108.1	130.3
Income tax payable	312,793	373,717	197,594	83.7	158.3
Short-term provisions	107,655	107,655	90,110	100.0	119.5
Total current liabilities	87,193,374	74,346,823	70,929,318	117.3	122.9
Total liabilities	107,511,283	94,425,074	94,679,713	113.9	113.6
TOTAL EQUITY AND LIABILITIES	152,675,252	139,254,473	137,200,405	109.6	111.3
OFF BALANCE SHEET ITEMS	60,554,983	59,295,751	54,391,947	102.1	111.3

Income statement of Merkur, d. d., for the period from 1 January 2006 to 31 March 2006

Item	In SIT thousand		
	Jan. – Mar. 2006	Jan. – Mar. 2005	Index
REVENUE	35,042,933	31,499,924	111.2
Cost of sales	29,210,386	26,181,066	111.6
GROSS PROFIT FROM SALES	5,832,547	5,318,858	109.7
Other operating income	16,941	33,399	50.7
Distribution expenses	4,012,150	3,599,683	111.5
Administrative expenses	1,235,920	1,178,004	104.9
Other operating expenses	117,703	118,633	99.2
OPERATING PROFIT OR LOSS	483,715	455,937	106.1
Financial income	451,688	342,150	132.0
Financial expenses	422,786	304,826	138.7
NET FINANCING COSTS	28,902	37,324	77.4
PROFIT BEFORE TAX	512,617	493,261	103.9
Income tax expense	81,660	94,668	86.3
PROFIT OR LOSS FOR THE PERIOD	430,957	398,593	108.1

Costs by nature	5,248,070	4,777,687	109.8
Cost of materials	410,395	340,265	120.6
Cost of services	1,483,124	1,334,240	111.2
Staff cost	2,803,064	2,510,491	111.7
Amortisation and depreciation expense	455,136	507,272	89.7
Other cost	96,351	85,419	112.8

Cash flow statement of Merkur, d. d., for the period from 1 January 2006 to 31 March 2006

Item	in SIT Thousand		
	Jan. - Mar. 2006	Jan. - Mar. 2005	Index
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit or loss for the period	430,957	398,593	108.1
Adjustments for:	593,739	784,651	75.7
Depreciation of property, plant and equipment	441,429	457,500	96.5
Amortisation of intangible assets	13,707	49,772	27.5
Impairment of assets	100,490	103,425	97.2
Gain on disposal of property, plant and equipment	-4,611	-931	495.3
Investment income	-10,005	-19,930	50.2
Foreign exchange profit or loss	-24,790	121,373	-
Interest expense	-4,075	-21,158	19.3
Increase in long-term provisions	-66	-68	97.1
Income taxes paid	81,660	94,668	86.3
Change in net operating current assets and provisions	-5,974,765	-4,300,203	138.9
Increase in trade and other receivables	-3,120,227	-3,561,752	87.6
Increase in inventories	-5,723,787	-2,111,867	271.0
Increase in trade and other payables	2,869,183	1,373,348	208.9
Increase in accruals and deferrals, and provisions	66	68	97.1
Net cash from operating activities	-4,950,069	-3,116,959	158.8
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	399,119	316,321	126.2
Proceeds from sale of property, plant and equipment	286,912	191,543	149.8
Proceeds from sale of investment property	-	1,138,324	-
Proceeds from sale of investments	255,298	1,072,719	23.8
Acquisition of property, plant and equipment	-1,242,261	-2,008,254	61.9
Acquisition of intangible assets	-9,213	-23,843	38.6
Acquisition of investment property	-	-107,429	-
Acquisition of investments	-4,742,248	-309,763	-
Net cash used in investing activities	-5,052,393	269,618	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from / Repayment of borrowings	9,930,507	3,054,135	325.1
Interest paid	-395,044	-295,162	133.8
Net cash used in financing activities	9,535,463	2,758,973	345.6
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS			
	-466,999	-88,368	528.5
Cash and cash equivalents at beginning of period	640,687	185,766	344.9
Cash and cash equivalents at end of period	173,688	97,398	178.3

Statement of changes in equity of Merkur, d. d. for the period from 1 January 2006 to 31 March 2006

In SIT thousand

Items of capital	Share capital	Capital reserves	Legal reserves	Retained earnings	Fair value reserve – land and buildings	Fair value reserve – financial assets	Translation reserve	Reserve for own shares	TOTAL EQUITY HOLDERS OF THE PARENT
Balance at 1 January 2006	12,145,850	15,813,118	1,330,273	11,682,862	381,513	3,475,783	0	0	44,829,399
Net profit for the period from January to March	-	-	-	430,957	-	-	-	-	430,957
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-128,516	-	-	-128,516
Increase/Decrease in deferred taxes	-	-	-	-	-	32,129	-	-	32,129
Balance at 31 March 2006	12,145,850	15,813,118	1,330,273	12,113,819	381,513	3,379,396	0	0	45,163,969

Statement of changes in equity of Merkur, d. d. for the period from 1 January 2005 to 31 March 2005

In SIT thousand

Items of capital	Share capital	Capital reserves	Legal reserves	Retained earnings	Fair value reserve – land and buildings	Fair value reserve – financial assets	Translation reserve	Reserve for own shares	TOTAL EQUITY HOLDERS OF THE PARENT
Balance at 1 January 2005	12,145,850	15,813,118	1,330,273	9,687,056	54,268	3,728,373	0	0	42,758,938
Net profit for the period from January to March	-	-	-	398,593	-	-	-	-	398,593
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-849,118	-	-	-849,118
Increase/Decrease in deferred taxes	-	-	-	-	-	212,279	-	-	212,279
Balance at 31 March 2005	12,145,850	15,813,118	1,330,273	10,085,649	54,268	3,091,534	0	0	42,520,692

3 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE MERKUR GROUP PREPARED IN COMPLIANCE WITH IFRS

Balance Sheet of Merkur Group as at 31 March 2006

Item	In SIT thousand				
	31 March 2006	1 January 2006	31 March 2005	Index	
	1	2	3	4=1/2	5=1/3
Property, plant and equipment	50,127,944	48,435,026	44,688,239	103.5	112.2
Intangible assets	554,985	575,793	592,790	96.4	93.6
Investment property	4,955,180	4,956,055	4,516,511	100.0	109.7
Investments in associates accounted for using the equity method (investments in associated companies)	32,400	-	-	-	-
Non-current financial assets	18,917,437	17,178,337	12,022,361	110.1	157.4
Non-current trade and other receivables	382,309	415,567	487,122	92.0	78.5
Deferred tax assets	1,086,132	1,086,131	1,116,791	100.0	97.3
Total non-current assets	76,056,387	72,646,909	63,423,814	104.7	119.9
Inventories	40,287,187	34,038,947	36,872,743	118.4	109.3
Current financial assets	9,242,476	6,608,605	6,069,212	139.9	152.3
Income tax receivable	78,709	52,109	61,716	-	127.5
Current trade and other receivables	47,964,067	46,282,130	41,907,135	103.6	114.5
Assets classified as held for sale	59,282	59,283	64,972	100.0	91.2
Cash and cash equivalents	1,438,679	2,728,340	939,185	52.7	153.2
Total current assets	99,070,400	89,769,414	85,914,963	110.4	115.3
TOTAL ASSETS	175,126,787	162,416,323	149,338,777	107.8	117.3
Issued capital	12,145,850	12,145,850	12,145,850	100.0	100.0
Capital reserves	15,813,118	15,813,118	15,813,118	100.0	100.0
Reserves	3,676,355	3,676,355	2,280,752	100.0	161.2
Retained earnings	7,918,188	7,587,601	6,434,280	104.4	123.1
Fair value reserves	3,762,664	3,859,050	3,147,557	97.5	119.5
Translation reserves	-58,323	-55,342	71,948	105.4	-81.1
Total equity attributable to equity holders of the parent	43,257,852	43,026,632	39,893,505	100.5	108.4
Minority interest	233,612	232,624	24,301	100.4	961.3
Total equity	43,491,464	43,259,256	39,917,806	100.5	109.0
Non-current financial liabilities	19,133,873	18,984,800	21,873,583	100.8	87.5
Non-current trade and other payables	952,138	950,031	1,010,192	100.2	94.3
Deferred tax liabilities	1,781,119	1,813,293	1,574,920	98.2	113.1
Long-term provisions	2,953,183	3,107,809	1,999,565	95.0	147.7
Total non-current liabilities	24,820,313	24,855,933	26,458,260	99.9	93.8
Current financial liabilities	47,176,782	37,986,147	43,527,076	124.2	108.4
Current trade and other payables	58,412,977	55,533,334	38,640,237	105.2	151.2
Income tax payable	453,139	516,913	214,806	-	211.0
Short-term provisions	772,112	264,740	580,592	291.6	133.0
Total current liabilities	106,815,010	94,301,134	82,962,711	113.3	128.8
Total liabilities	131,635,323	119,157,067	109,420,971	110.5	120.3
TOTAL EQUITY AND LIABILITIES	175,126,787	162,416,323	149,338,777	107.8	117.3
OFF BALANCE SHEET ITEMS	57,564,699	57,519,597	44,683,794	100.1	128.8

Income statement of Merkur Group for the period from 1 January 2006 to 31 March 2006

Item	In SIT thousand		
	Jan. – Mar. 2006	Jan. – Mar. 2005	Index
REVENUE	45,673,769	36,622,572	124.7
Cost of sales	37,316,583	29,786,344	125.3
GROSS PROFIT FROM SALES	8,357,186	6,836,228	122.2
Other operating income	190,425	71,781	265.3
Distribution expenses	6,012,307	4,998,257	120.3
Administrative expenses	1,845,397	1,537,262	120.0
Other operating expenses	174,580	155,963	111.9
OPERATING PROFIT OR LOSS	515,327	216,527	238.0
Financial income	496,070	649,535	76.4
Financial expenses	577,709	449,580	128.5
NET FINANCING COSTS	-81,639	199,955	-
PROFIT BEFORE TAX	433,688	416,482	104.1
Income tax expense	102,270	148,381	68.9
PROFIT OR LOSS FOR THE PERIOD	331,418	268,101	123.6
Attributable to equity holders of the parent	330,586	267,633	123.5
Attributable to minority interest	832	468	177.8

Costs by nature	7,857,704	6,535,519	120.2
Cost of materials	538,343	416,644	129.2
Cost of services	2,593,691	2,216,365	117.0
Staff cost	3,918,426	3,156,123	124.2
Amortisation and depreciation expense	682,721	641,989	106.3
Long-term provisions	745	585	127.4
Other cost	123,778	103,813	119.2

Cash flow statement of Merkur Group for the period from 1 January 2006 to 31 March 2006

Item	In SIT thousand		
	Jan. – Mar. 2006	Jan. – Mar. 2005	Index
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit or loss for the period	331,418	268,101	123.6
Adjustments for:	856,235	715,048	119.7
Depreciation of property, plant and equipment	634,599	521,925	121.6
Amortisation of intangible assets	48,122	120,064	40.1
Impairment of assets	149,782	136,613	109.6
Gain on disposal of property, plant and equipment	-4,886	-2,953	165.5
Revenue from derecognition of goodwill	-155,398	-	-
Investment income	-426,939	-558,426	76.5
Foreign exchange profit or loss	52,673	-59,246	-
Interest expense	455,429	408,105	111.6
Increase in long-term provisions	583	585	99.7
Income taxes paid	102,270	148,381	68.9
Change in net operating current assets and provisions	-5,283,015	-3,721,193	142.0
Increase in trade and other receivables	-2,309,195	-1,427,841	161.7
Increase in inventories	-6,266,994	-2,954,100	212.1
Increase in trade and other payables	2,785,802	332,036	839.0
Increase in accruals and deferrals, and provisions	507,372	328,712	154.4
Net cash from operating activities	-4,095,362	-2,738,044	149.6
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	419,934	486,777	86.3
Proceeds from sale of property, plant and equipment	832,944	191,543	434.9
Proceeds from sale of investment property	-	1,138,324	-
Proceeds from sale of investments	255,298	1,030,016	24.8
Acquisition of property, plant and equipment	-3,181,478	-2,383,218	133.5
Acquisition of intangible assets	-29,531	-47,091	62.7
Acquisition of investment property	-	-107,162	-
Acquisition of investments	-5,268,158	-881,113	597.9
Net cash used in investing activities	-6,970,991	-571,924	1218.9
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from / Repayment of borrowings	10,232,121	3,182,445	321.5
Interest paid	-455,429	-385,676	118.1
Net cash used in financing activities	9,776,692	2,796,769	349.6
TRANSLATION DIFFERENCES			
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-1,289,661	-513,199	251.3
Cash and cash equivalents at beginning of period	2,728,340	1,452,384	187.9
Cash and cash equivalents at end of period	1,438,679	939,185	153.2

Statement of changes in equity of the Merkur Group for the period from 1 January 2006 to 31 March 2006

											In SIT thousand	
Items of capital	Share capital	Capital reserves	Legal reserves	Retained earnings	Fair value reserve – land and buildings	Fair value reserve – financial assets	Translation reserve	Reserve for own shares	TOTAL EQUITY HOLDERS OF THE PARENT	MINORITY INTEREST	TOTAL EQUITY	
Balance at 1 January 2006	12,145,850	15,813,118	1,437,200	9,826,756	383,268	3,475,782	-55,342	0	43,026,632	232,624	43,259,256	
Net profit for the period from January to March	-	-	-	330,586	-	-	-	-	330,586	832	331,418	
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-128,515	-	-	-128,515	-	-128,515	
Increase/Decrease in exchange differences on translation	-	-	-	-	-	-	-2,981	-	-2,981	156	-2,825	
Increase/Decrease in deferred taxes	-	-	-	-	-	32,129	-	-	32,129	-	32,129	
Balance at 31 March 2006	12,145,850	15,813,118	1,437,200	10,157,342	383,268	3,379,396	-58,323	0	43,257,851	233,612	43,491,463	

Statement of changes in equity of the Merkur Group for the period from 1 January 2005 to 31 March 2005

											In SIT thousand	
Items of capital	Share capital	Capital reserves	Legal reserves	Retained earnings	Fair value reserve – land and buildings	Fair value reserve – financial assets	Translation reserve	Reserve for own shares	TOTAL EQUITY HOLDERS OF THE PARENT	MINORITY INTEREST	TOTAL EQUITY	
Balance at 1 January 2005	12,145,850	15,813,118	1,350,595	7,096,804	56,023	3,728,373	40,931	0	40,231,694	22,746	40,254,440	
Net profit for the period from January to March	-	-	-	267,633	-	-	-	-	267,633	468	268,101	
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	-849,118	-	-	-849,118	-	-849,118	
Increase/Decrease in exchange differences on translation	-	-	-	-	-	-	31,017	-	31,017	1,087	32,104	
Increase/Decrease in deferred taxes	-	-	-	-	-	212,279	-	-	212,279	-	212,279	
Balance at 31 March 2005	12,145,850	15,813,118	1,350,595	7,364,437	56,023	3,091,534	71,948	-	39,893,505	24,301	39,917,806	

8 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS OF MERKUR, D. D.

The starting point for the first-time reporting under IFRS is the opening IFRS balance sheet at the date of transition to IFRS. The date of transition to IFRS at which the consolidated financial statements are prepared is 1 January 2004. The date of transition to IFRS at which the separate financial statements of Merkur, d. d. are prepared is 1 January 2005. Because the opening IFRS balance sheet is the basis for all future reporting, all transactions in respect of economic categories recognised in the opening balance sheet shall be treated under IFRS. Consequently, economic categories were recognised, derecognised, reclassified and remeasured. The differences arising from the adjustment of items in the opening balance sheet were recognised in retained earnings or another category of equity.

The transition to IFRS has been implemented in accordance with IFRS 1 – First-time Adoption of International Financial Reporting Standards. The standard requires that the entity shall use the same accounting policies in its opening IFRS balance sheet and throughout all periods presented in its first IFRS financial statements. Those accounting policies shall comply with each IFRS effective at the reporting date for its first IFRS financial statements. The accounting policies that the entity uses in its opening IFRS balance sheet may differ from those that it used for the same date using its previous accounting standards. The adjustments are recognised directly in retained earnings or another category of equity.

Under IFRS 1, certain aspects of IFRS in respect of accounting estimates shall be exempted from retrospective application. The estimates in the opening IFRS balance sheet are consistent with estimates made under previous accounting standards for the last date prior to transition to IFRS, except estimates in respect of useful life of property.

Changes in accounting estimates

When reviewing the useful life of the items of property, plant and equipment it was found that the estimated useful lives of property should be reduced as follows: buildings – from 50 to 40 years, containers, warehouse tents and greenhouses – from 20 to 10 years. The useful life of external landscaping should be extended from 20 to 25 years. In respect of other assets, no material deviations were found between the initial estimates and the expected useful lives.

Material differences between the financial statements prepared under previous SAS (SAS 2001) and the financial statements prepared under IFRS:

Measurement of property, plant and equipment, and investment property:

In accordance with SAS, an item of property, plant and equipment, and an item of investment property were valued at cost and, as the case may have required, impaired when the carrying amount exceeded their recoverable value. To measure the items of property in more real terms on transition to IFRS, it was decided in Merkur d. d. that revaluation of land, buildings and investment property to fair value would be carried out under the application of the fair value model. Fair values of the items of property and investment property were determined by a certified valuer in compliance with the prescribed methodology. The adjustments had an impact on a change in equity and depreciation expense.

Recognition of intangible assets:

In accordance with IFRS, the opening IFRS balance sheet excludes certain intangible assets that did not meet the criteria for recognition at the date of transition to IFRS. A portion of intangible assets (investments and leasehold improvements) was reclassified to property, plant and equipment.

Presentation of non-current investments in subsidiaries in separate financial statements:

In accordance with SAS and IFRS, non-current and current investments are initially measured at cost. After initial recognition, an investment in subsidiaries is accounted for using the equity method. In the

separate financial statements prepared under IFRS, investments in subsidiaries are measured at their fair values determined on the basis of discounted future cash flows.

Classification and measurement of financial assets:

Upon transition to IFRS, most of investments recorded by Merkur, d. d. were classified as available-for-sale financial assets that are measured at fair values. Upon transition to fair value, an increase in financial assets was recorded and recognised as a separate item of equity (fair value reserves). Upon sale, they will be transferred to profit or loss.

Provisions for anniversary bonuses and termination pays on retirement

In accordance with IFRS, provisions for liabilities to employees in respect of anniversary bonuses and termination pays on retirement shall be recognised. Provisions for liabilities from previous periods are charged against retained earnings, and provisions for liabilities in the current period are recorded as an increase in operating expenses. Provisions are formed on the basis of the actuarial calculation.

Deferred tax calculation:

In the financial statements prepared under IFRS, deferred tax was calculated for the first time. Deferred tax was provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities. Deferred tax assets are recognised in respect of provisions not set up under SAS and revaluation of assets. Deferred tax liabilities are recognised in respect of revaluation of financial assets. Deferred tax assets are recorded as a separate item of non-current assets, and deferred tax liabilities as a separate item of non-current liabilities.

Equity:

On the first-time adoption of IFRS, the effects of changes in valuation of assets and liabilities were reflected in equity in the opening IFRS balance sheet at 1 January 2004. Equity reported under IFRS changed compared to equity reported under SAS. The total value of equity increased. The separate components of equity changed as follows: equity revaluation adjustments recognised as fair value reserves on financial assets increased, and retained earnings decreased. Accumulated general equity revaluation adjustments (revaluation of equity until 2001) were only reclassified to capital reserves.

Balance sheet of Merkur, d. d. as at 1 January 2005 and 31 March 2005 – Transition from SAS to IFRS

in thousand
SIT

Item	Note	1 Jan 2005 - SAS	Adjustment to IFRS	1 Jan 2005 - IFRS	31 Mar 2005 - SAS	Adjustment to IFRS	31 Mar 2005 - IFRS
Property, plant and equipment	a	38,432,759	-784,433	37,648,326	39,815,635	-826,841	38,988,794
Intangible assets	b,a	2,728,583	-2,593,797	134,786	2,665,449	-2,551,389	114,060
Investment property	c,a	1,616,366	3,977,578	5,593,944	585,471	3,977,578	4,563,049
Investment in subsidiaries	d	3,133,752	300,328	3,434,080	3,070,799	363,280	3,434,079
Non-current financial assets	e	8,732,368	4,545,552	13,277,920	8,231,748	3,624,506	11,856,254
Non-current trade and other receivables		0	330,525	330,525	0	364,642	364,642
Deferred tax assets	j	0	675,182	675,182	0	675,182	675,182
Total non-current assets		54,643,828	6,450,935	61,094,763	54,369,102	5,626,958	59,996,060
Inventories	f	25,742,510	-949,959	24,792,551	28,819,330	-1,930,037	26,889,293
Non-current trade and other receivables	g	330,525	-330,525	0	364,642	-364,642	0
Current financial assets	e	6,036,384	-122,967	5,913,417	5,794,295	-51,039	5,743,256
Current trade and other receivables	g	39,938,215	1,087,211	41,025,426	42,079,047	2,395,351	44,474,398
Cash and cash equivalents		185,766	0	185,766	97,398	0	97,398
Total current assets		72,233,400	-316,240	71,917,160	77,154,712	49,633	77,204,345
Deferred costs (expenses) and accrued revenue	g	137,252	-137,252	0	465,314	-465,314	0
TOTAL ASSETS		127,014,480	5,997,443	133,011,923	131,989,128	5,211,277	137,200,405
Issued capital	h	12,145,850	0	12,145,850	12,145,850	0	12,145,850
Capital reserves	h	4,809,029	11,004,089	15,813,118	4,809,029	11,004,089	15,813,118
Reserves	h	2,260,428	0	2,260,428	2,260,428	0	2,260,428
Retained earnings	h	10,152,005	-1,395,104	8,756,901	10,487,646	-1,332,152	9,155,494
-retained earnings brought forward	h	10,152,005	-1,395,104	8,756,901	10,152,005	-1,395,104	8,756,901
-net profit or loss for the period	h	0	0	0	335,641	62,952	398,593
Equity revaluation adjustment	h	11,004,513	-7,221,872	3,782,641	11,004,513	-7,858,711	3,145,802
-general	h	11,004,089	-11,004,089	0	11,004,089	-11,004,089	0
- specific	h	424	3,782,217	3,782,641	424	3,145,378	3,145,802
Total equity	h	40,371,825	2,387,113	42,758,938	40,707,466	1,813,226	42,520,692
Non-current financial liabilities		17,499,308	0	17,499,308	19,604,798	0	19,604,798
Non-current trade and other payables		837,651	0	837,651	837,600	0	837,600
Deferred tax liabilities	j		1,787,199	1,787,199		1,574,920	1,574,920
Long-term provisions	i	124	1,733,021	1,733,145	56	1,733,021	1,733,077
Total non-current liabilities		18,337,083	3,520,220	21,857,303	20,442,454	3,307,941	23,750,395
Current financial liabilities		36,133,114	0	36,133,114	37,198,683	0	37,198,683
Current trade and other payables	k	30,382,486	1,679,513	32,061,999	32,108,792	1,334,139	33,442,931
Income tax payable		110,459	0	110,459	197,594	0	197,594
Short-term provisions	k	0	90,110	90,110	0	90,110	90,110
Total current liabilities		66,626,059	1,769,623	68,395,682	69,505,069	1,424,249	70,929,318
Total liabilities		84,963,142	5,289,843	90,252,985	89,947,523	4,732,190	94,679,713
Accrued costs (expenses) and deferred revenue	k	1,679,513	-1,679,513	0	1,334,139	-1,334,139	0
TOTAL EQUITY AND LIABILITIES		127,014,480	5,997,443	133,011,923	131,989,128	5,211,277	137,200,405

a) Property, plant and equipment

On transition to IFRS at 1 January 2005, owned property was reclassified to investment property in the carrying amount of 4,783 million SIT, which is in line with the corporate plan in respect of the further use of the property.

Investments in third-party assets that were recognised as intangible assets under previous standards were reclassified to property, plant and equipment in the carrying amount of 2,195 million SIT at 1 January 2005.

Due to revaluation of property to fair value, the value of the item of property increased by 1,941 million SIT; due to an increase in depreciation expense, the value of the item of property decreased by 138 million SIT.

b) Intangible assets

Intangible assets decreased by 398 million SIT due to reclassification of investments in third-party assets and exclusion of certain items of intangible assets that did not meet the criteria for recognitions in the IFRS opening balance sheet.

c) Investment property

Upon reclassification of a portion of property under property, plant and equipment to investment property, revaluation to fair value was carried out. The effect of revaluation to fair value amounted to 805 million SIT.

d) Investments in subsidiaries

Under IFRS, investments in subsidiaries are not measured using the equity method, and foreign exchange differences arising from translation of net investments in subsidiaries operating abroad are not recorded. Due to a change in measurement, investments in subsidiaries increased by 300 million SIT.

e) Non-current and current financial assets

At 1 January 2005, the fair value of available-for-sale financial assets was higher than their carrying amount under previous standards by 4,423 million SIT. On the liabilities side, fair value reserves in equity increased by 3,728 million SIT and deferred tax liabilities by 1,243 million SIT, while retained earnings decreased by 548 million SIT (the change of the method of valuation of shares from the FIFO method to the average cost method).

f) Inventories

At 1 January 2005, inventories decreased by 950 million SIT due to reclassification of advances to suppliers as trade and other receivables.

g) Trade and other receivables and other assets (transfer from deferred costs/expenses and accrued revenue)

On transition to IFRS, trade and other receivables increased due to transfer of advances to suppliers from inventories by 950 million SIT and due to reclassification of items of deferred costs (expenses) and accrued revenue by 137 million SIT.

h) Equity

Changes in equity of Merkur, d. d. at 1 January 2005

	in thousand SIT
Equity at 1 January 2005 under SAS	40,371,825
Increase in fair value reserves arising from available-for-sale financial assets	3,727,948
Increase in fair value reserves arising from property, plant and equipment	54,269
Increase in retained earnings by the effect of revaluation of property, plant and equipment to fair value	1,360,348
Increase in retained earnings by the effect of elimination of profits and losses when using the equity method and foreign exchange differences arising from translation of investments in subsidiaries	300,329
Decrease in retained earnings by the effect of revaluation of investment property to fair value	-603,971
Decrease in retained earnings due to derecognition of intangible assets that are considered a cost item in terms of substance	-398,350
Decrease in retained earnings by the amount of provisions for termination pays on retirement, anniversary bonuses, and share options for employees	-1,299,765
Decrease in retained earnings due to a change in the valuation of financial assets from the FIFO method to the average cost method	-548,015
Decrease in retained earnings due to an increase in depreciation expense	-138,098
Decrease in retained earnings by the amount of current provisions for non-consumed vacations	-67,582
Difference representing an increase in equity	2,387,113
Equity at 1 January 2005 under IFRS	42,758,938

The equity of Merkur, d. d. as at 1 January 2005 increased by 2,387 million SIT. The separate components of equity changed as follows: equity revaluation adjustments recognised as fair value reserves on financial assets and property, plant and equipment increased by 3,782 million SIT, and retained earnings decreased by 1,395 million SIT.

i) Non-current provisions

The increase in non-current provisions by 1,733 million SIT is due to setting-up of provisions for termination pays on retirement, anniversary bonuses and share options to employees.

j) Deferred taxes

Deferred tax assets and liabilities that arise from temporary differences between the carrying amount and the tax base of an asset or liability were measured using the balance sheet liability method. The applied tax rate was 25 %. As at 1 January 2005, deferred tax assets amounted to 675 million SIT and deferred tax liabilities to 1,787 million SIT.

k) Trade and other payables (transfer from accrued costs and deferred revenue) and current provisions

In accordance with the presentation of balance sheet items under IFRS, the items of accrued costs and deferred revenue were reclassified to current other payables and current provisions. The reclassification had no effect. Additional provisions were set up for non-consumed vacations in the amount of 90 million SIT.

Income statement of Merkur, d. d. for the period January - March 2005 – Transition from SAS to IFRS

in thousand
SIT

Item	Note	Jan - Mar 2005 SAS	Adjustments to IFRS	Jan - Mar 2005 IFRS
REVENUE		31,499,924	0	31,499,924
Cost of sales		26,181,066	0	26,181,066
GROSS PROFIT FROM SALES		5,318,858	0	5,318,858
Other operating income	l	23,722	9,677	33,399
Distribution expenses		3,599,683	0	3,599,683
Administrative expenses		1,178,004	0	1,178,004
Other operating expenses	l	103,425	15,208	118,633
OPERATING PROFIT		461,468	-5,531	455,937
Financial income	m	457,905	-115,755	342,150
Financial expenses	m	483,533	-178,707	304,826
NET FINANCING COSTS		-25,628	62,952	37,324
Extraordinary income	l	9,675	-9,675	0
Extraordinary expenses	l	15,206	-15,206	0
PROFIT BEFORE TAX		430,309	62,952	493,261
Income tax expense		94,668	0	94,668
PROFIT FOR THE PERIOD		335,641	62,952	398,593

l) Other operating income and other operating expenses

Under IFRS, an entity shall not present any items of income and expense as extraordinary items, therefore extraordinary income and expenses reported under SAS were reclassified to other operating income and other operating expenses.

m) Financial income and financial expenses

Under IFRS, net financial income and financial expenses in the period January – March 2005 increased by 63 million SIT due to elimination of profits and losses when using the equity method and foreign exchange gains and losses from translation of investments in foreign subsidiaries.

Management Board of Merkur, d. d., Naklo