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Financial Report

**Mercator, d.d.**

from 2002 to 2007

Prepared by:

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## Income Statement

in thousands of EUR	2002	2003	2004	2005	2006	2007
	Actual	Actual	Actual	Actual	Actual	Actual
<b>Net sales</b>	607.768	690.352	943.738	1.207.911	1.610.092	1.702.734
Changes in inventory of finished goods and work in progress	672	0	0	0	751	0
Capitalised internal services	0	0	0	0	0	0
Other operating income	4.261	10.726	5.989	10.438	16.137	15.354
<b>Operating revenue</b>	612.701	701.079	949.727	1.218.349	1.626.980	1.718.087
Cost of merchandise	452.810	504.044	691.930	897.513	1.207.709	1.275.694
Cost of materials	0	0	0	0	0	0
Cost of services	37.354	51.650	73.262	77.636	106.304	111.939
Personnel costs	66.628	83.266	118.267	152.251	201.933	209.718
Depreciation, amortisation and impairment charges	15.840	16.092	20.193	33.625	60.035	51.598
Other operating expenses	1.986	2.022	5.280	4.002	7.799	8.368
<b>Operating profit</b>	38.083	44.006	40.796	53.323	43.200	60.769
Income from equity method investments	0	0	0	0	0	0
Financial income	20.543	22.845	4.558	19.139	13.968	18.546
Financial expense	37.669	29.070	22.211	45.566	27.670	34.471
Other income (expense)	(80)	(169)	12	337	0	0
<b>Profit before tax</b>	20.877	37.612	23.156	27.233	29.499	44.845
Income tax expense	326	308	1.820	4.254	5.409	8.889
<b>Profit after tax from continuing operations</b>	20.551	37.303	21.336	22.979	24.089	35.956
Profit after tax from discontinued operations	0	0	0	0	0	0
<b>Profit after tax</b>	20.551	37.303	21.336	22.979	24.089	35.956
Thereof:						
Minority interests	0	0	0	0	0	0
<b>Net profit</b>	20.551	37.303	21.336	22.979	24.089	35.956

## Balance Sheet

in thousands of EUR	Dec 02	Dec 03	Dec 04	Dec 05	Dec 06	Dec 07
ASSETS	Actual	Actual	Actual	Actual	Actual	Actual
<b>Non-current assets</b>	512.875	627.955	715.124	981.241	1.199.494	1.318.592
Property, plant and equipment	219.719	276.454	366.734	593.971	722.427	750.899
Intangible assets	1.609	1.246	1.476	3.984	9.947	9.374
Investment property	0	0	0	0	0	0
Equity method investments	0	0	0	0	0	0
Other financial assets	291.547	350.255	346.915	383.286	461.583	549.775
Deferred tax assets	0	0	0	0	5.536	8.543
Other non-current assets	0	0	0	0	0	0
<b>Current assets</b>	191.403	156.675	213.949	265.114	321.908	360.291
Inventories	46.777	60.572	84.355	106.320	162.817	167.823
Trade and other receivables	83.007	78.559	107.821	134.454	156.597	186.882
Current income tax receivable	0	0	0	0	0	0
Prepaid expenses	2.630	2.305	669	5.435	0	4.877
Short-term investments	0	0	0	0	0	0
Cash and cash equivalents	58.989	15.239	21.104	18.905	2.493	709
Other current assets	0	0	0	0	0	0
Assets held for sale	0	0	0	0	0	0
<b>TOTAL ASSETS</b>	704.277	784.630	929.074	1.246.355	1.521.402	1.678.882
<b>Total equity</b>	346.561	367.654	391.212	479.087	617.398	683.035
Shareholders' equity	346.561	367.654	391.212	479.087	617.398	683.035
Minority interest	0	0	0	0	0	0
<b>Non-current liabilities</b>	190.737	178.693	248.887	358.317	440.939	471.652
Long-term borrowings	175.096	164.321	230.846	312.466	413.670	443.116
Long-term provisions	15.640	14.372	18.041	45.851	13.779	12.582
Retirement benefit obligations	0	0	0	0	0	0
Deferred tax liabilities	0	0	0	0	13.490	15.953
Other non-current liabilities	0	0	0	0	0	0
<b>Current liabilities</b>	166.980	238.283	288.974	408.951	463.065	524.195
Short-term borrowings	58.044	114.884	116.553	0	205.528	164.781
Trade and other payables	106.730	120.695	168.979	403.823	256.302	337.576
Current income tax payable	0	0	0	0	0	0
Deferred income	2.206	2.704	3.442	5.128	0	21.839
Short-term provisions	0	0	0	0	0	0
Other current liabilities	0	0	0	0	1.235	0
Liabilities held for sale	0	0	0	0	0	0
<b>TOTAL LIABILITIES AND EQUITY</b>	704.277	784.630	929.074	1.246.355	1.521.402	1.678.882

## Cash Flow Statement

in thousands of EUR	2002	2003	2004	2005	2006	2007
	Actual	Actual	Actual	Actual	Actual	Actual
Profit after tax	0	37.303	21.336	22.979	24.089	35.956
Income tax expense	0	308	1.820	4.254	5.409	8.889
Depreciation, amortisation and impairment charges	0	16.092	20.193	33.625	60.035	51.598
(Gain)/loss from disposals of fixed assets	0	0	0	0	0	0
Change in long-term provisions and retirement benefit obligations	0	(1.268)	3.669	27.811	(32.073)	(1.196)
Change in other assets and liabilities	0	0	0	0	0	0
Income from equity method investments	0	(0)	(0)	(0)	(0)	(0)
Dividend income	0	(0)	(0)	(0)	(0)	(0)
Interest income	0	(4.024)	(2.712)	(3.569)	(13.968)	(4.052)
Interest expense	0	16.870	19.193	15.032	27.670	34.423
Other non-cash income and expense	0	0	0	0	0	0
<b>Operating profit before changes in working capital</b>	0	65.281	63.499	100.132	71.163	125.618
Changes in working capital	0	5.441	(2.387)	183.166	(216.665)	61.166
<b>Cash generated from operations</b>	0	70.722	61.112	283.297	(145.502)	186.784
Interest paid	0	(16.870)	(19.193)	(15.032)	(27.670)	(34.423)
Income taxes paid	0	(308)	(1.820)	(4.254)	(5.409)	(8.889)
<b>Cash flow from operating activities</b>	0	53.544	40.098	264.011	(178.582)	143.472
Purchase of property, plant and equipment	(0)	(72.827)	(110.472)	(260.862)	(188.492)	(80.070)
Disposal of property, plant and equipment	0	0	0	0	0	0
Purchase of intangible assets	(0)	0	(230)	(2.508)	(5.963)	0
Disposal of intangible assets	0	363	0	0	0	573
Purchase of financial and other assets	(0)	(58.709)	0	(36.372)	(78.297)	(88.192)
Disposal of financial and other assets	0	0	3.341	0	0	0
Change in short-term investments	0	0	0	0	0	0
Interest received	0	4.024	2.712	3.569	13.968	4.052
Dividends received	0	0	0	0	0	0
<b>Cash flow from investing activities</b>	0	(127.148)	(104.649)	(296.173)	(258.783)	(163.637)
Proceeds from issuance of share capital	0	(10.114)	8.960	69.259	123.041	44.486
Acquisition of treasury stock	0	0	0	0	0	0
Proceeds from long-term borrowings	(0)	0	66.525	81.620	101.204	29.447
Repayments of long-term borrowings	0	(10.776)	0	0	0	0
Change in short-term borrowings	0	56.840	1.670	(116.553)	205.528	(40.747)
Dividends to shareholders and other profit distributions	(0)	(6.096)	(6.738)	(4.363)	(8.820)	(14.805)
Dividends to minority interests	(0)	(0)	(0)	(0)	(0)	(0)
<b>Cash flow from financing activities</b>	0	29.854	70.417	29.963	420.953	18.380
<b>Net change in cash and cash equivalents</b>	0	(43.750)	5.866	(2.199)	(16.412)	(1.784)
Cash and cash equivalents at beginning of period	0	58.989	15.239	21.104	18.905	2.493
Exchange rate movements	0	0	0	0	0	0
<b>Cash and cash equivalents at end of period</b>	0	15.239	21.104	18.905	2.493	709

## Selected Financial Data

in thousands of EUR	2002	2003	2004	2005	2006	2007
	Actual	Actual	Actual	Actual	Actual	Actual
<b>Income statement highlights</b>						
Net sales	607.768	690.352	943.738	1.207.911	1.610.092	1.702.734
Operating expenses	574.618	657.073	908.931	1.165.026	1.583.779	1.657.318
EBITDA	53.924	60.097	60.989	86.948	103.236	112.368
<i>EBITDA margin</i>	8,9%	8,7%	6,5%	7,2%	6,4%	6,6%
Operating profit	38.083	44.006	40.796	53.323	43.200	60.769
<i>Operating margin</i>	6,3%	6,4%	4,3%	4,4%	2,7%	3,6%
Net profit	20.551	37.303	21.336	22.979	24.089	35.956
<i>Net profit margin</i>	3,4%	5,4%	2,3%	1,9%	1,5%	2,1%
<b>Balance sheet highlights</b>						
Cash and short-term investments	58.989	15.239	21.104	18.905	2.493	709
Property, plant and equipment	219.719	276.454	366.734	593.971	722.427	750.899
Total assets	704.277	784.630	929.074	1.246.355	1.521.402	1.678.882
Borrowings	233.140	279.204	347.399	312.466	619.198	607.897
Net borrowings	174.151	263.966	326.295	293.560	616.704	607.188
Total equity	346.561	367.654	391.212	479.087	617.398	683.035
Invested capital (average)	303.795	307.385	360.357	431.928	628.200	785.987
<b>Other key financial data</b>						
Return on equity	5,9%	10,4%	5,6%	5,3%	4,4%	5,5%
Return on invested capital (ROIC)	12,3%	14,2%	10,4%	10,4%	5,6%	6,2%
Current ratio	1,15	0,66	0,74	0,65	0,70	0,69
Debt-to-equity ratio	0,67	0,76	0,89	0,65	1,00	0,89
Number of employees (average)	3.482	5.167	7.280	9.216	12.462	12.076
Dividends	5.775	6.096	6.738	4.363	8.820	14.805
<b>Share data</b>						
Number of shares issued (thousands)	3.209	3.209	3.209	3.356	3.765	3.765
Number of shares in treasury (thousands)	0	0	0	0	0	0
Number of shares outstanding (thousands)	3.209	3.209	3.209	3.356	3.765	3.765
Average shares outstanding - basic (thousands)	3.209	3.209	3.209	3.282	3.561	3.765
Average shares outstanding - diluted (thousands)	3.209	3.209	3.209	3.282	3.561	3.765
Nominal value per share (EUR)	41,73	41,73	41,73	41,73	41,73	41,73
Book value per share (EUR)	108,01	114,59	121,93	142,76	163,97	181,40
Market price per share (EUR)	107,00	138,00	167,00	154,00	213,00	335,00
Basic earnings per share (EUR)	6,41	11,63	6,65	7,00	6,77	9,55
Diluted earnings per share (EUR)	6,41	11,63	6,65	7,00	6,77	9,55
Dividend per share (EUR)	1,80	1,90	2,10	1,30	2,50	4,00
P/E ratio	16,70	11,87	25,11	22,00	31,48	35,08
EV/EBITDA ratio	9,60	11,76	14,14	9,32	13,74	16,63
EV/Sales ratio	0,85	1,02	0,91	0,67	0,88	1,10
Price/book value	0,99	1,20	1,37	1,08	1,30	1,85
Dividend payout ratio	28,1%	16,3%	31,6%	18,6%	37,0%	41,9%
Dividend yield	1,7%	1,4%	1,3%	0,8%	1,2%	1,2%
Market capitalisation	343.310	442.774	535.820	516.824	802.008	1.261.396
Enterprise value	517.461	706.739	862.115	810.384	1.418.712	1.868.584

## Financial Ratios

	2002	2003	2004	2005	2006	2007
	Actual	Actual	Actual	Actual	Actual	Actual
<b>Profitability ratios</b>						
EBITDA margin	8,9%	8,7%	6,5%	7,2%	6,4%	6,6%
Operating margin	6,3%	6,4%	4,3%	4,4%	2,7%	3,6%
Net profit margin	3,4%	5,4%	2,3%	1,9%	1,5%	2,1%
Return on equity	5,9%	10,4%	5,6%	5,3%	4,4%	5,5%
Return on assets	8,3%	8,9%	5,1%	6,3%	3,7%	4,4%
Return on invested capital (ROIC)	12,3%	14,2%	10,4%	10,4%	5,6%	6,2%
<b>Activity ratios</b>						
Days sales in inventories	28	28	28	29	31	35
Days sales outstanding	50	43	36	37	33	37
Operating cycle	78	71	64	65	63	72
Creditors payment period	79	75	69	107	92	78
Net cash flow days	(2)	(4)	(5)	(42)	(28)	(6)
Net sales to invested capital	2,00	2,25	2,62	2,80	2,56	2,17
Net sales per employee (EUR)	174.546	133.608	129.639	131.067	129.200	141.000
Personnel costs per employee (EUR)	19.135	16.115	16.246	16.520	16.204	17.366
Number of employees (average)	3.482	5.167	7.280	9.216	12.462	12.076
<b>Financial condition ratios</b>						
Quick ratio	0,85	0,39	0,45	0,38	0,34	0,36
Current ratio	1,15	0,66	0,74	0,65	0,70	0,69
Equity to total assets ratio	0,49	0,47	0,42	0,38	0,41	0,41
Debt-to-equity ratio	0,67	0,76	0,89	0,65	1,00	0,89
Net debt-to-equity ratio	0,50	0,72	0,83	0,61	1,00	0,89
Borrowings/EBITDA	4,32	4,65	5,70	3,59	6,00	5,41
Equity to non-current assets ratio	0,68	0,59	0,55	0,49	0,51	0,52
Long-term funds to non-current assets ratio	1,05	0,87	0,90	0,85	0,88	0,88
Interest coverage	1,69	2,61	2,13	3,55	1,56	1,77

## Basel II Rating Analysis

	2002	2003	2004	2005	2006	2007
	Actual	Actual	Actual	Actual	Actual	Actual
Return on equity	5,9%	10,4%	5,6%	5,3%	4,4%	5,5%
Rating (1-5)	3,42	2,21	3,50	3,59	3,83	3,53
Weight	16,7%	16,7%	16,7%	16,7%	16,7%	16,7%
Return on assets	8,3%	8,9%	5,1%	6,3%	3,7%	4,4%
Rating (1-5)	1,00	1,00	2,46	1,85	3,13	2,80
Weight	16,7%	16,7%	16,7%	16,7%	16,7%	16,7%
Borrowings/EBITDA	4,32	4,65	5,70	3,59	6,00	5,41
Rating (1-5)	4,43	4,70	5,00	3,83	5,00	5,00
Weight	16,7%	16,7%	16,7%	16,7%	16,7%	16,7%
Interest coverage	1,69	2,61	2,13	3,55	1,56	1,77
Rating (1-5)	4,69	4,29	4,50	3,87	4,75	4,66
Weight	16,7%	16,7%	16,7%	16,7%	16,7%	16,7%
Equity to total assets ratio	0,49	0,47	0,42	0,38	0,41	0,41
Rating (1-5)	1,86	2,05	2,43	2,72	2,55	2,55
Weight	16,7%	16,7%	16,7%	16,7%	16,7%	16,7%
Long-term funds to non-current assets ratio	1,05	0,87	0,90	0,85	0,88	0,88
Rating (1-5)	2,02	3,20	3,03	3,31	3,12	3,16
Weight	16,7%	16,7%	16,7%	16,7%	16,7%	16,7%
<b>Overall rating</b>	<b>2,90</b>	<b>2,91</b>	<b>3,49</b>	<b>3,20</b>	<b>3,73</b>	<b>3,62</b>

## Return on Invested Capital

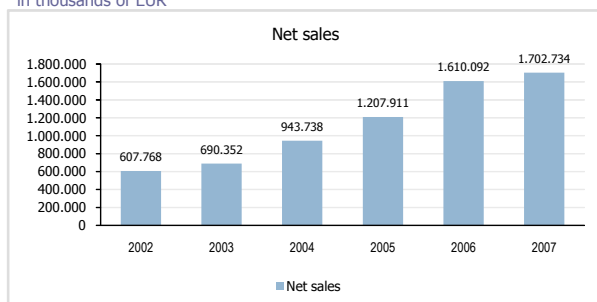
in thousands of EUR	2002	2003	2004	2005	2006	2007
	Actual	Actual	Actual	Actual	Actual	Actual
<b>Invested capital, assets side</b>	303.795	307.385	360.357	431.928	628.200	785.987
Property, plant and equipment	219.719	248.086	321.594	480.352	658.199	736.663
Intangible assets	1.609	1.427	1.361	2.730	6.966	9.661
Investment property	0	0	0	0	0	0
Other non-current assets	0	0	0	0	2.768	7.040
Net operating working capital	82.467	57.871	37.402	(51.154)	(39.733)	32.624
<b>Invested capital, liabilities side</b>	303.795	307.385	360.357	431.928	628.200	785.987
Total equity	346.561	357.108	379.433	435.150	548.243	650.216
Non-current liabilities	190.737	184.715	213.790	303.602	399.628	456.296
Short-term borrowings	58.044	86.464	115.718	58.277	102.764	185.154
Financial assets	(291.547)	(320.901)	(348.585)	(365.100)	(422.435)	(505.679)
Short-term investments	(0)	(0)	(0)	(0)	(0)	(0)
Assets held for sale	0	0	0	0	0	0
<b>Return on invested capital</b>						
Operating profit	38.083	44.006	40.796	53.323	43.200	60.769
<i>Effective income tax rate</i>	1,6%	0,8%	7,9%	15,6%	18,3%	19,8%
Taxes on operating profit	595	361	3.207	8.330	7.922	12.045
NOPLAT	37.488	43.645	37.590	44.993	35.279	48.724
Invested capital	303.795	307.385	360.357	431.928	628.200	785.987
Return on invested capital (ROIC)	12,3%	14,2%	10,4%	10,4%	5,6%	6,2%
WACC	8,0%	7,9%	7,6%	7,6%	7,4%	7,1%
ROIC - WACC	4,4%	6,3%	2,8%	2,8%	(1,8%)	(0,9%)
Capital charge	24.175	24.256	27.545	32.786	46.346	55.868
Economic profit	13.313	19.390	10.045	12.207	(11.067)	(7.144)

## Cost of Capital

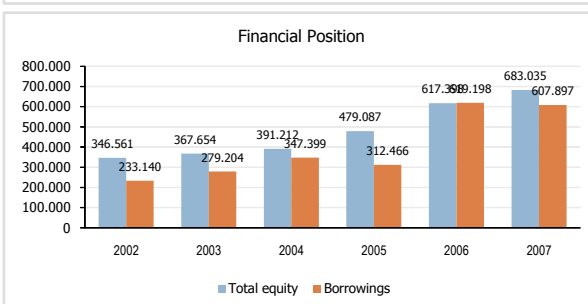
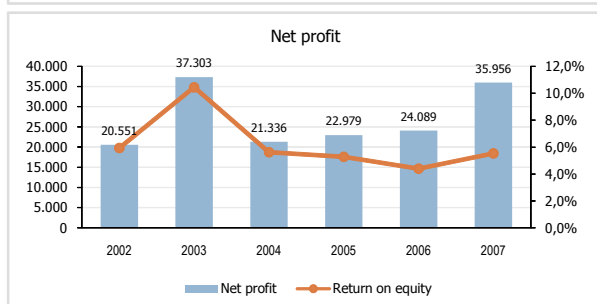
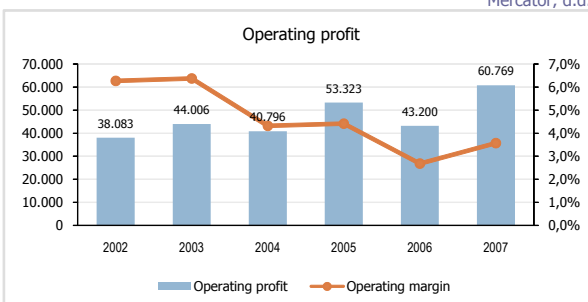
in thousands of EUR	Dec 02	Dec 03	Dec 04	Dec 05	Dec 06	Dec 07
	Actual	Actual	Actual	Actual	Actual	Actual
<b>Sources of finance</b>						
Short-term borrowings	58.044	114.884	116.553	0	205.528	164.781
Long-term borrowings	175.096	164.321	230.846	312.466	413.670	443.116
Minority interest	0	0	0	0	0	0
Preference shares and other capital	0	0	0	0	0	0
Ordinary equity	346.561	367.654	391.212	479.087	617.398	683.035
<b>Cost of capital</b>						
Short-term borrowings	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Long-term borrowings	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Tax shield on interest expense	1,6%	0,8%	7,9%	15,6%	18,3%	19,8%
Minority interest	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Preference shares and other capital	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Ordinary equity	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%
Interest rate on long-term borrowings	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Risk premium	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Weighted Average Cost of Capital	8,0%	7,8%	7,5%	7,7%	7,0%	7,2%

## Selected Financial Data (Charts)

in thousands of EUR

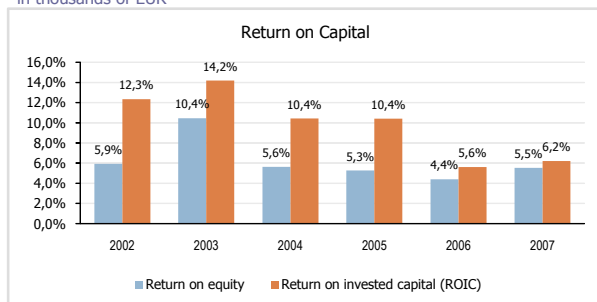


Mercator, d.d.

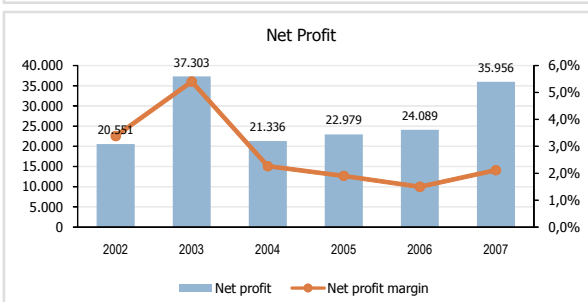
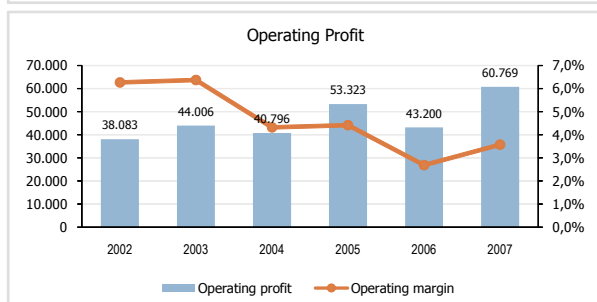
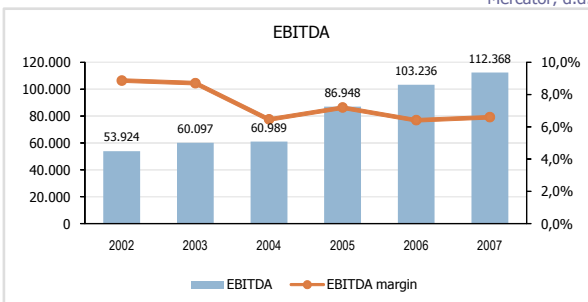


## Profitability Ratios (Charts)

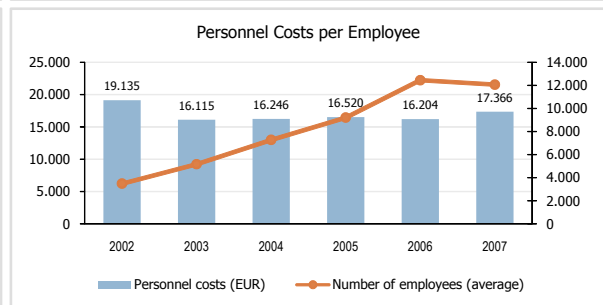
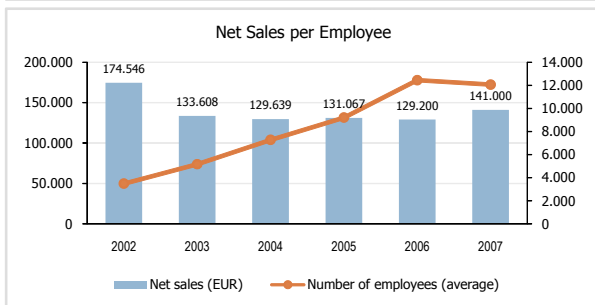
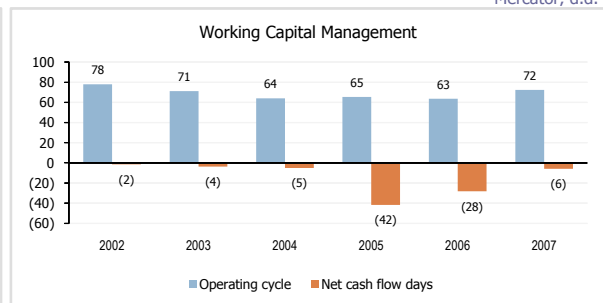
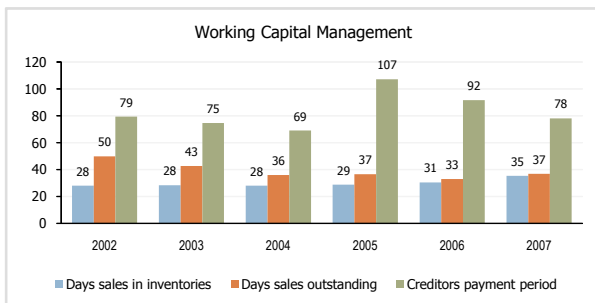
in thousands of EUR



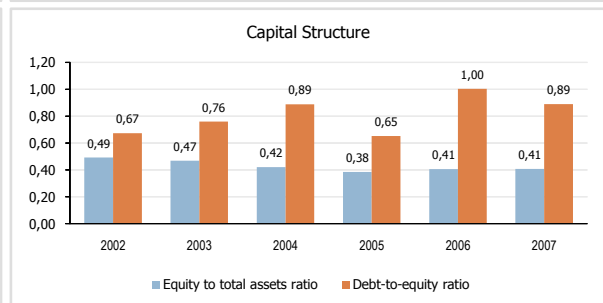
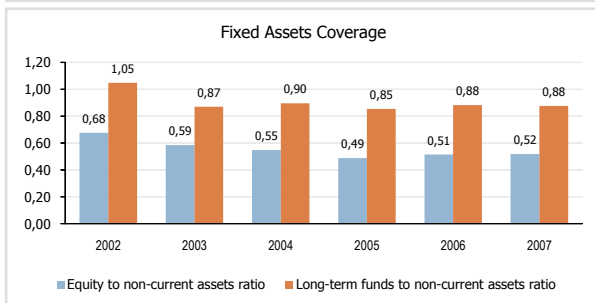
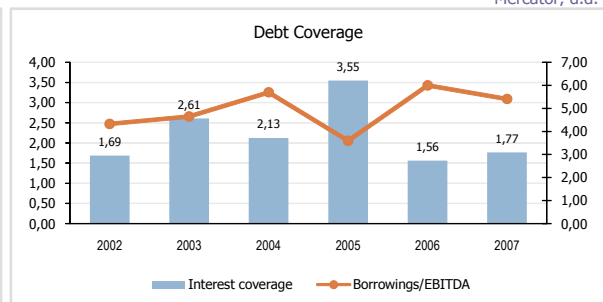
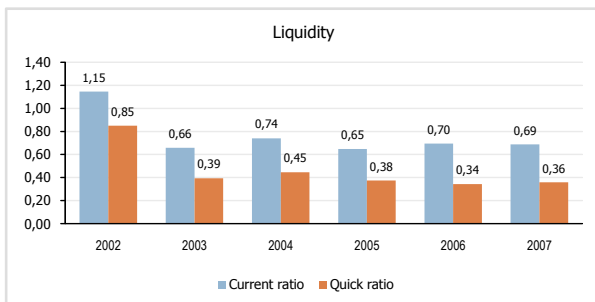
Mercator, d.d.



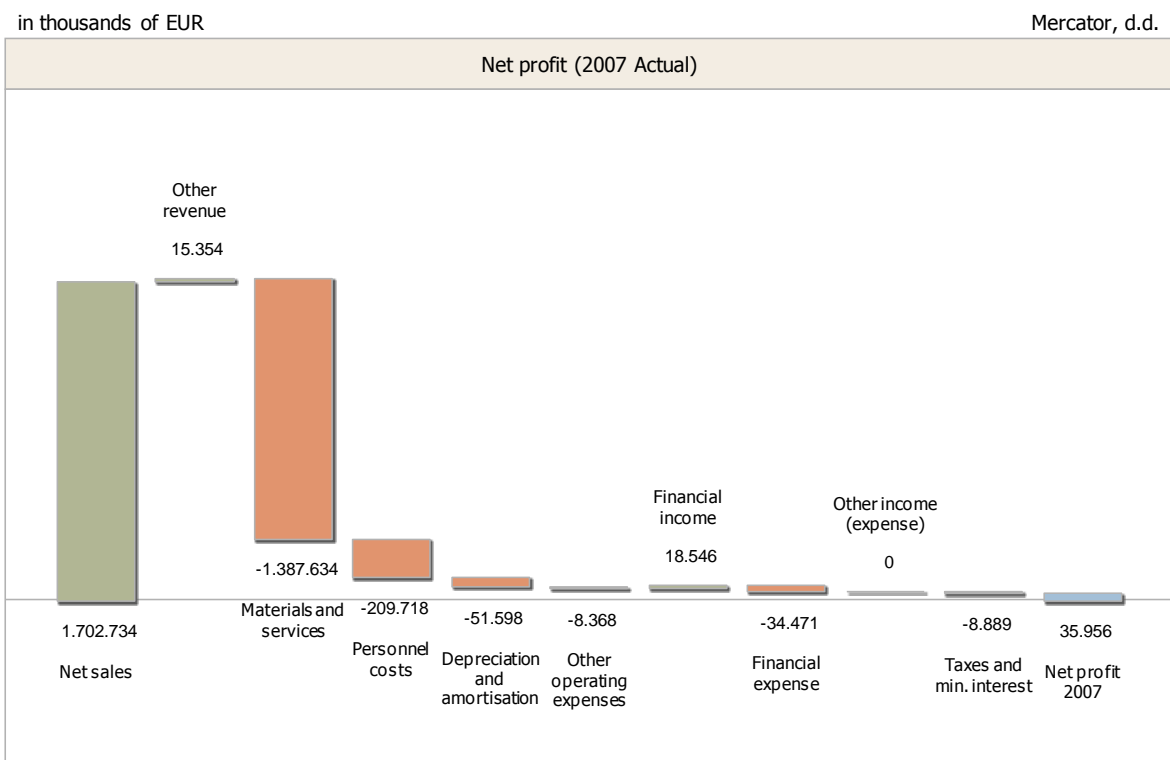
## Activity Ratios (Charts)



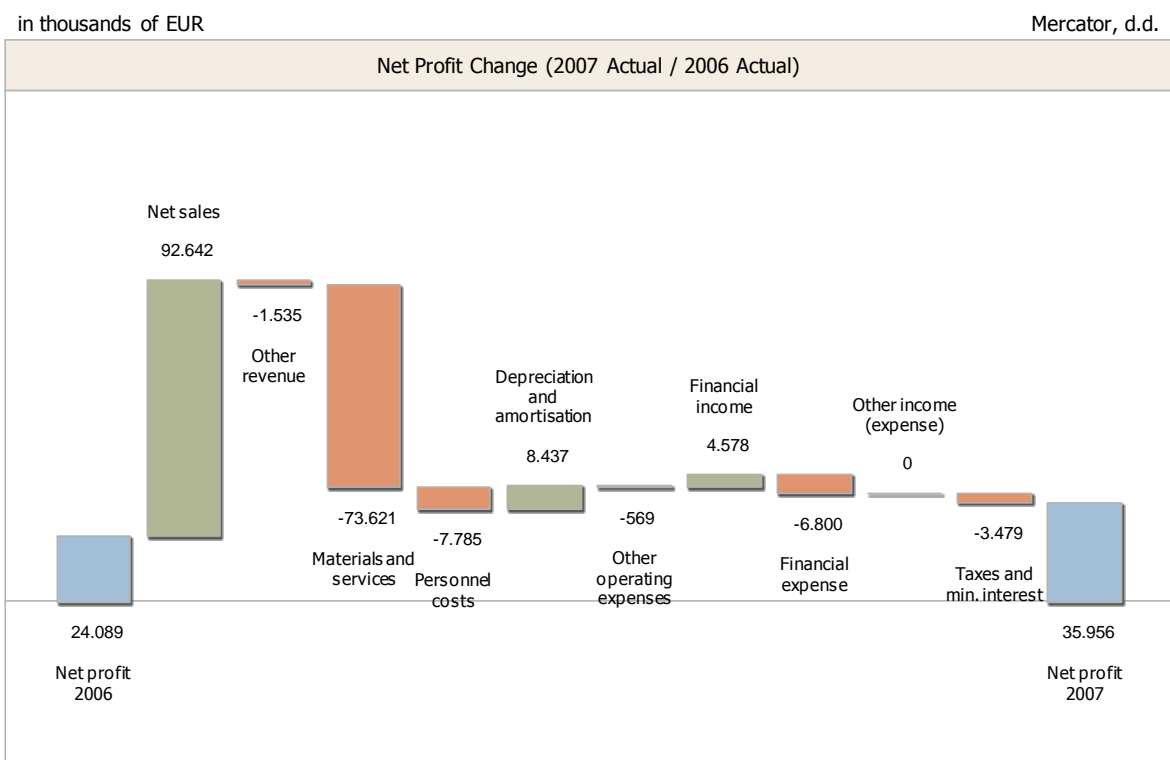
## Financial Condition Ratios (Charts)



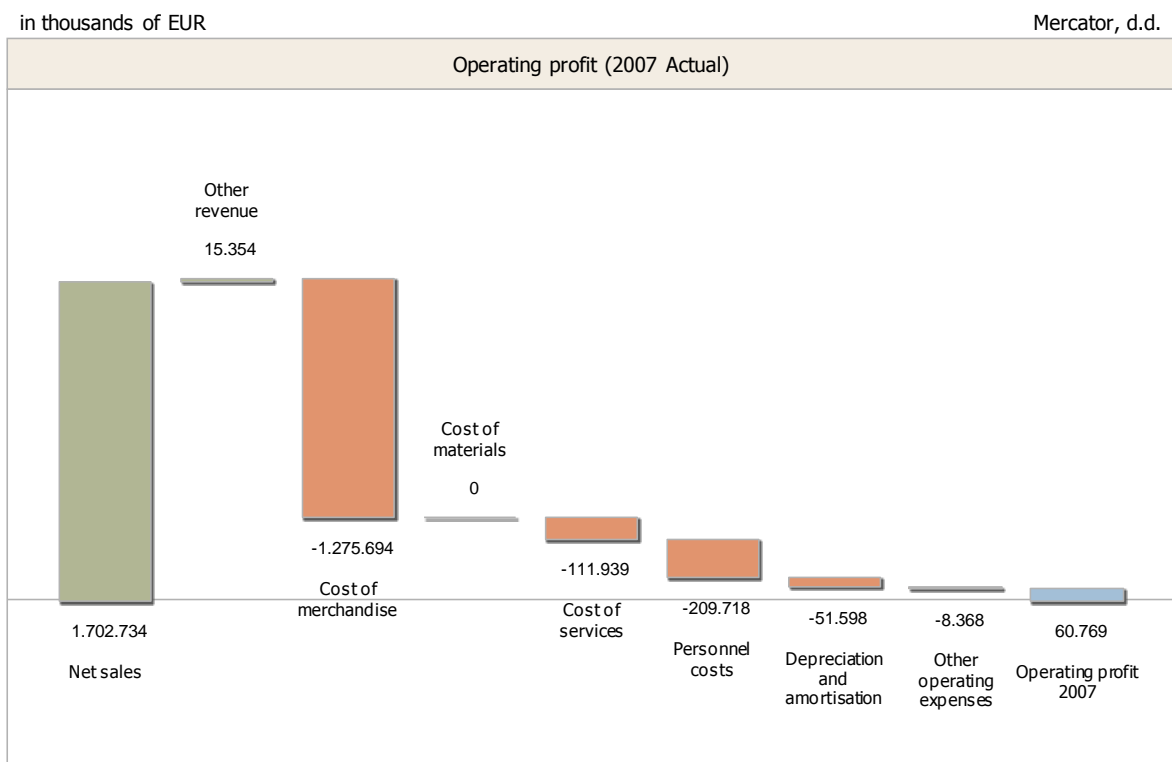
## Net profit (Chart)



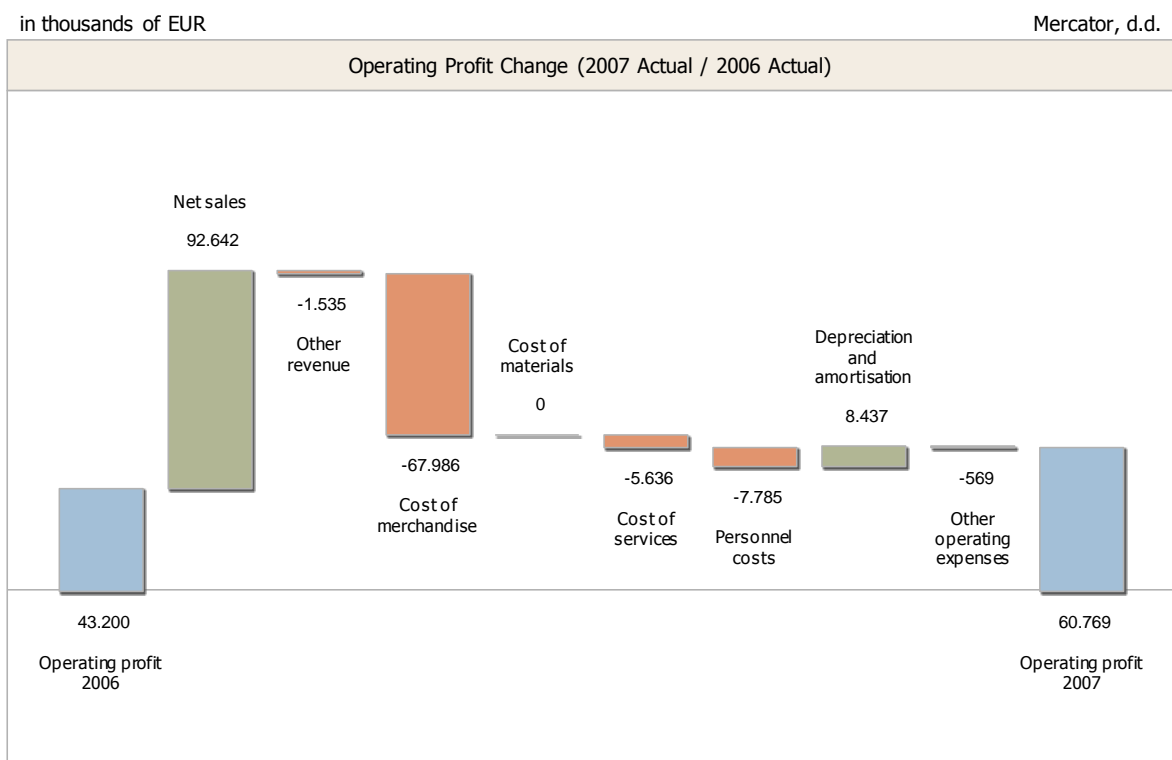
## Net Profit Change (Chart)



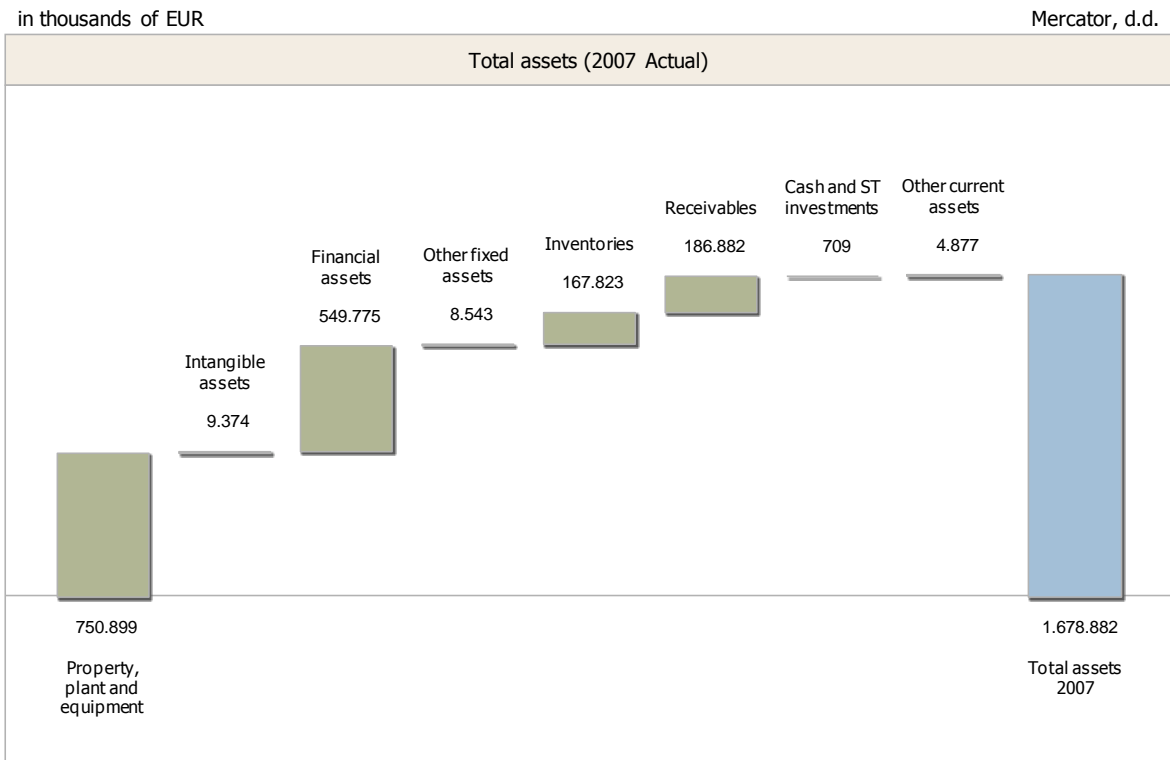
## Operating profit (Chart)



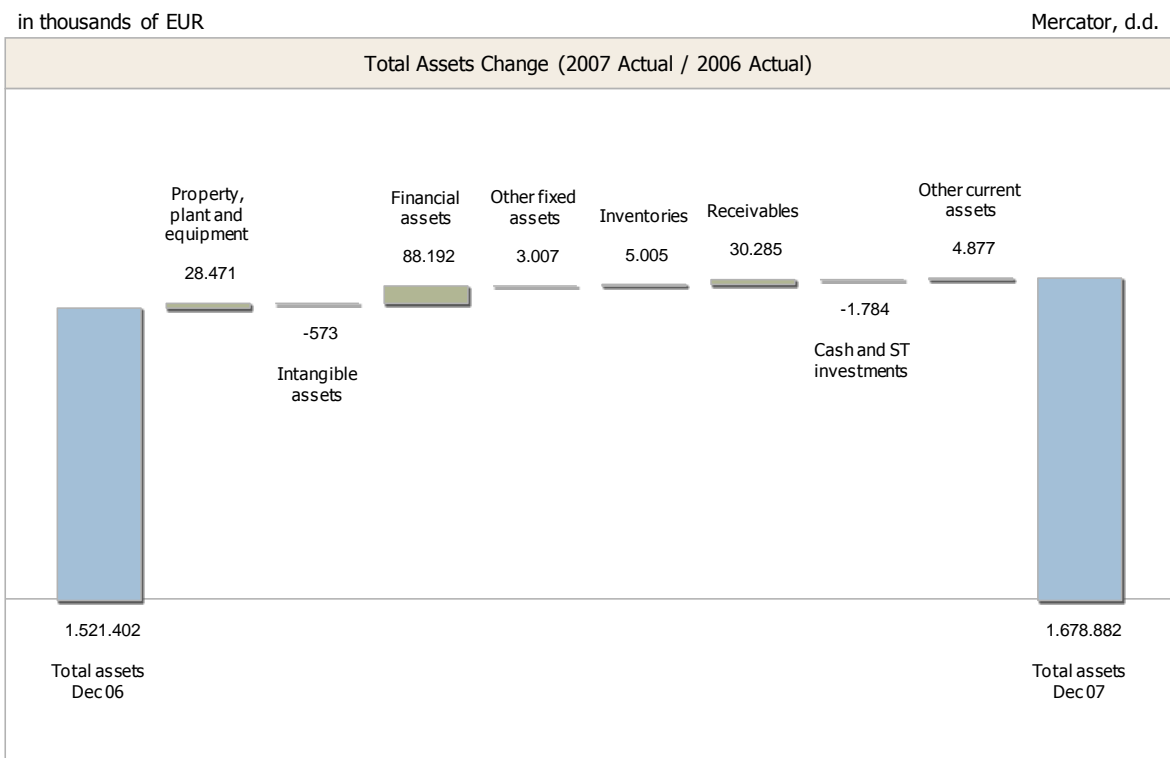
## Operating Profit Change (Chart)



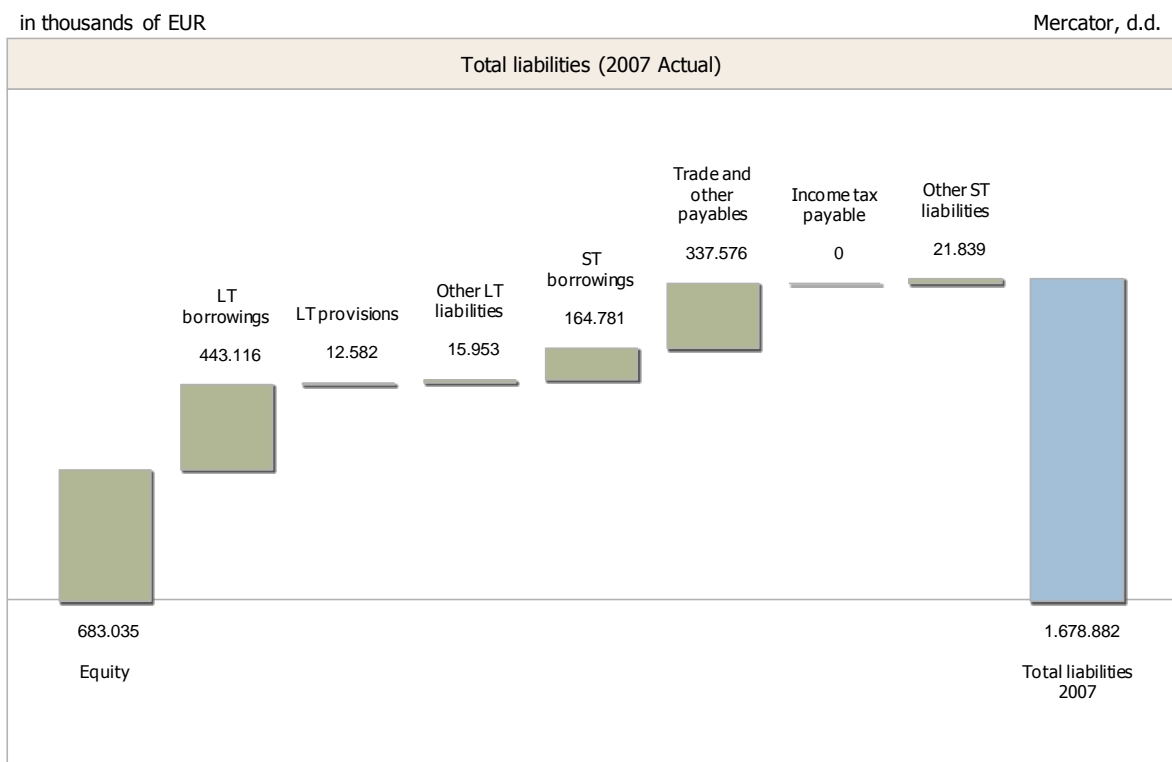
## Total assets (Chart)



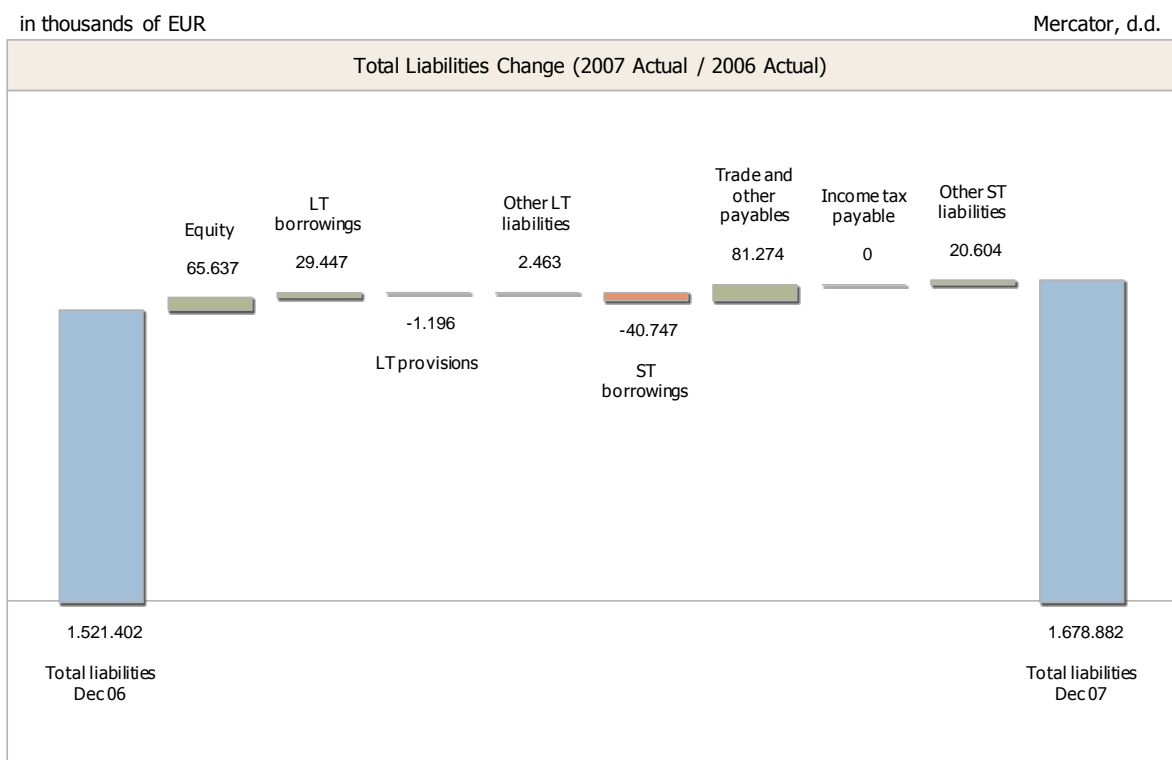
## Total Assets Change (Chart)



## Total liabilities (Chart)

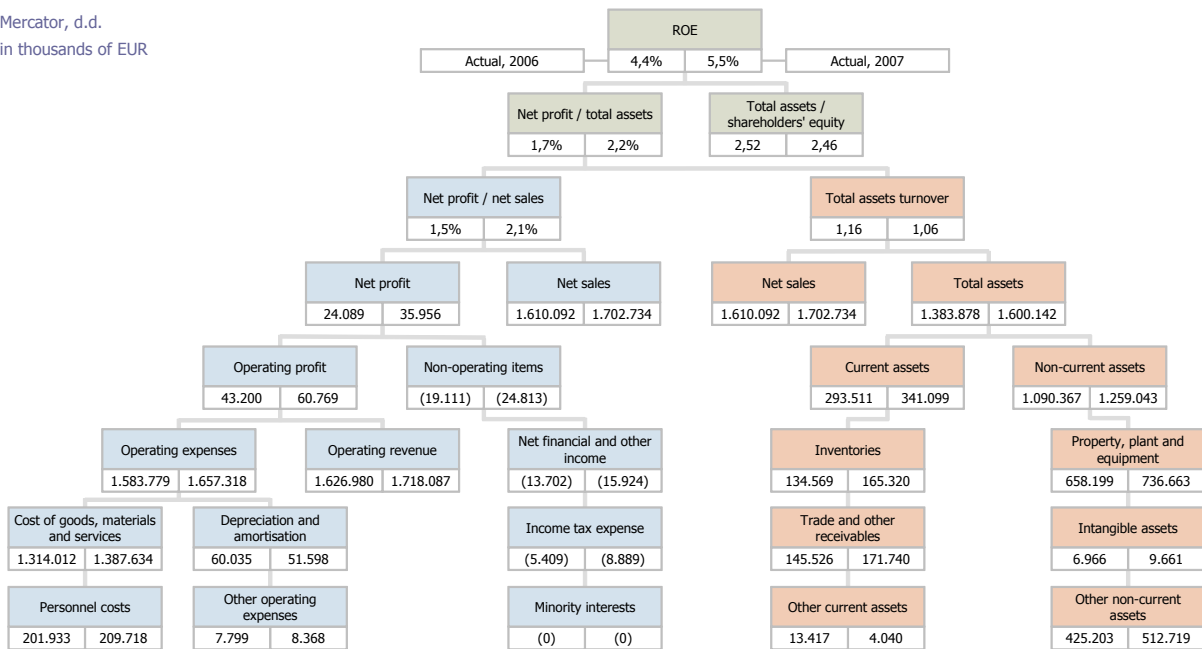


## Total Liabilities Change (Chart)



## Du Pont Diagram

Mercator, d.d.  
in thousands of EUR



## Basel II Rating Diagram

Mercator, d.d.

