



MERCATOR'S PRESENTATION TO POTENTIAL INVESTORS

Ljubljana, January 21st 2010



Agenda

9:00 – 9:45

General Information and Strategy

Mr. Žiga Debeljak, CEO

9:45 – 10:30

Market Position and Strategic Marketing Activities

Ms. Mateja Jesenek, Member of the Management Board

10:30 – 11:00

Financial Performance

Ms. Melita Kolbezen, CFO

11:00 – 12:00

Questions & Answers

12:00 – 13:00

Lunch at Mercator's Canteen

13:00 – 18:00

Guided tour through Mercator's stores

Mr. Srečko Bukovec, Director of projects



Mercator Group: Presentation

General Information and Strategy

Mr. Žiga Debeljak, CEO



Content

- General Information
- Strategy & Business Operations
- Strategic Value Creation Opportunities

All price sensitive information in this presentation is publicly available. Mercator, d.d., the parent company of the Mercator Group is a public joint stock company listed on the Ljubljana Stock Exchange under the "MELR" ticker.



Mercator Group: Presentation

General Information



History of the Company

1949: Establishment of the "Živila Ljubljana" wholesale company, the predecessor of Poslovni sistem Mercator, d.d.

1953: "Živila Ljubljana" is renamed to "Mercator"

1993: Start of privatization with an initial public offering of shares, the largest privatization project in Central Europe

1995: Privatization of company is completed, with the ownership taken over by national funds and some 63,000 minority shareholders

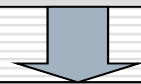
End of 1995: Mercator, d.d., is listed on the Ljubljana Stock Exchange



Corporate Governance

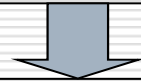
Shareholders Assembly

currently consists of more than
17,000 shareholders



Supervisory Board

4-years term, 1/2 members appointed by shareholders,
1/2 members appointed by employees, up to 12 members,
a new 8-member Supervisory Board
was already appointed for next four-year term,
(October 31st 2009 - October 31st 2013)



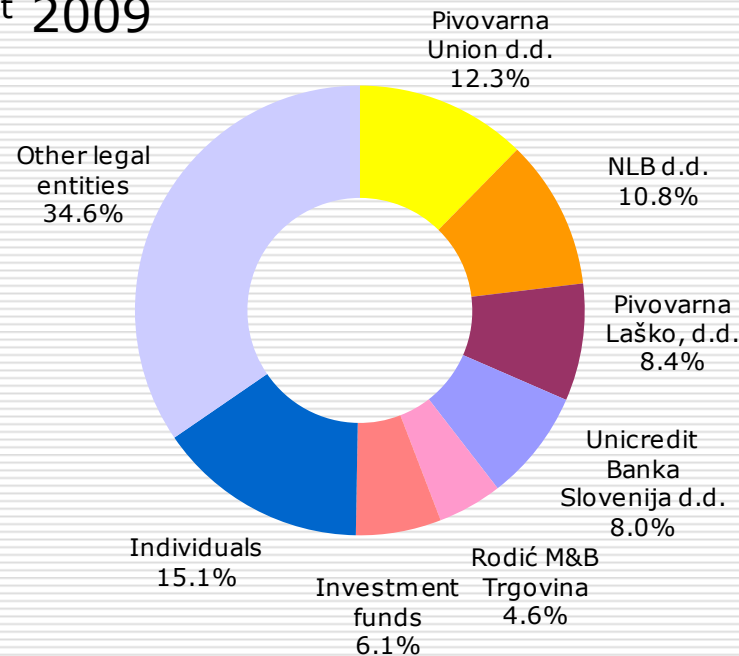
Management Board

appointed for a five-year term
ending December 31st 2010
consists of 4 members



Ownership Structure

- Ownership structure as at December 31st 2009



- In September 2009 Mercator adopted a decision to initiate the preliminary preparation proceedings for the issuance of 20 percent of new company share capital, based on approved share capital, in order to secure in a timely manner the additional financial resources that may be required in case of any further strategic combinations and alliances in the field of trade, real estate, or other activities.

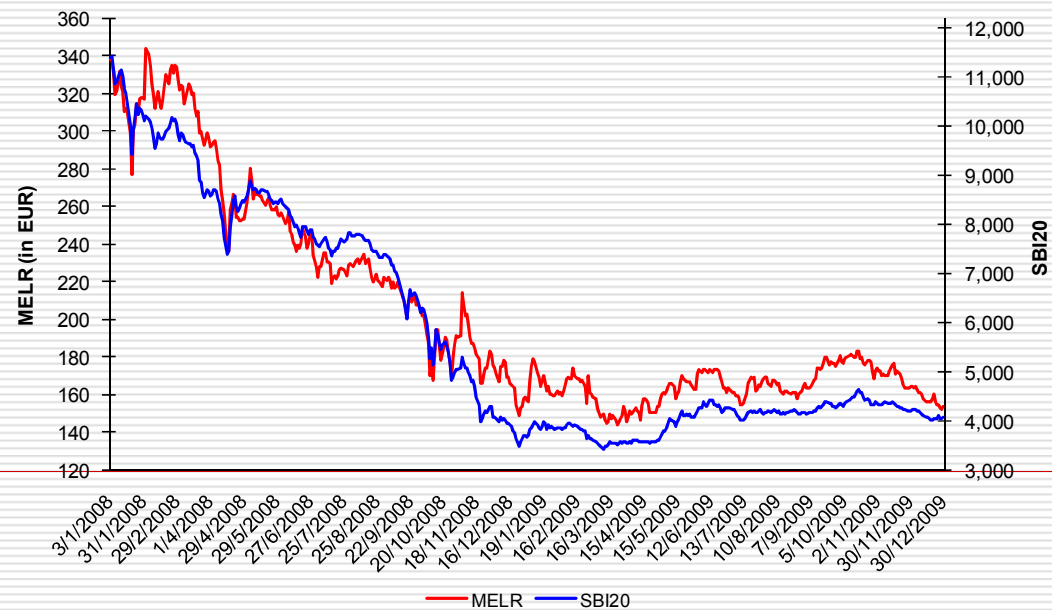


Shares

Key information for the shareholders

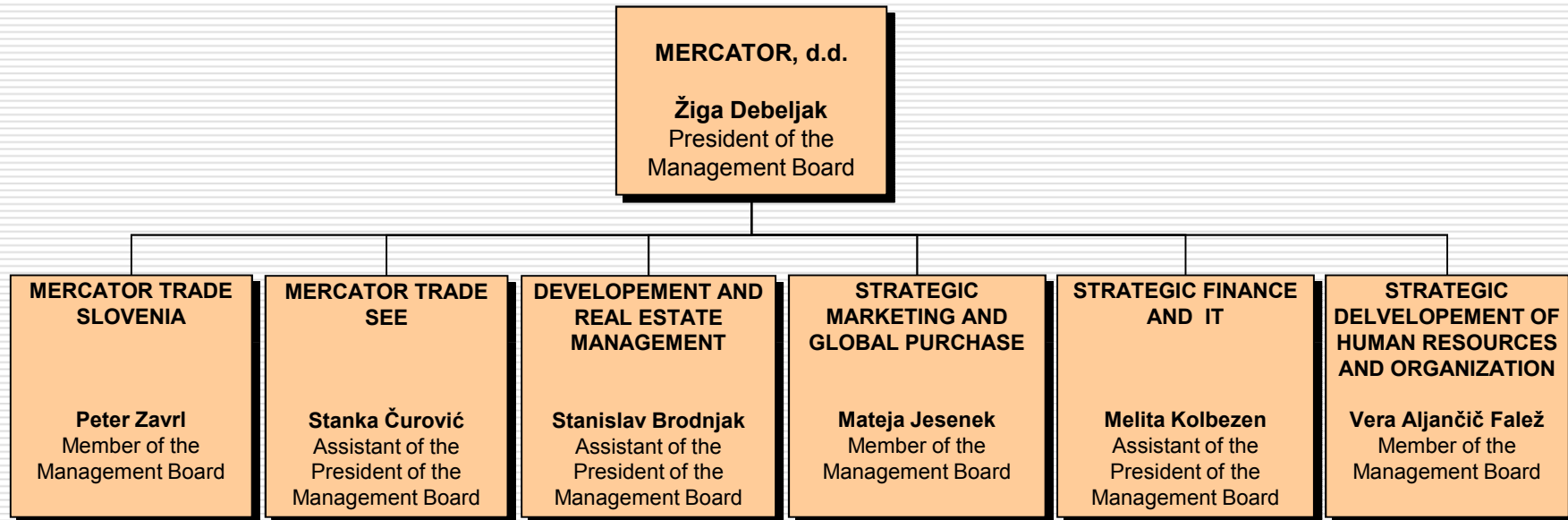
	December 31st 2009
Number of shares registered in Court Register	3,765,361
Market capitalization (in EUR)	576,740,344
Market value of share (in EUR)	153.17
Book value per share (in EUR) - as at September 30 th 2009	209.26
Annual low (in EUR)	144.03
Annual high (in EUR)	183.11
Weighted average market price, excluding block and cross trades (in EUR)	164.83
Earnings per share (in EUR) - as at September 30 th 2009	4.3

Movement of average price per MELR share compared to the movement of the SBI20 index





Group Organization





Legal Organization

TRADE SLOVENIA

Poslovni sistem Mercator, d.d.
Slovenia

Mercator IP, d.o.o. 100.0%
Slovenia

M.COM, d.o.o.* 100.0%
Slovenia

TRADE SOUTH EASTERN EUROPE

Mercator - H, d.o.o. 99.9 %
Croatia

Mercator - S, d.o.o. 100.0%
Serbia

Mercator - Mex, d.o.o. 81.0 %
Montenegro

Mercator - BH, d.o.o. 100.0%
Bosnia and Herzegovina

M - BL, d.o.o. 100.0%
Bosnia and Herzegovina

Mercator Makedonija, d.o.o.e.l. 100.0%
Macedonia

Mercator - B, e.o.o.d, 100.0%
Bulgaria

Mercator - A, sh.p.k., 100.0%
Albania

Mercator - K, d.o.o., 100.0%
Republic of Kosovo

DEVELOPEMENT AND REAL ESTATE MANAGEMENT

M - nepremičnine, d.o.o. 100.0%
Slovenia

Mercator - Optima, d.o.o. 100.0%
Slovenia

Investment International, d.o.o.e.l.* 100.0%
Macedonia

Tomkon, d.o.o. 100.0%
Serbia

Tomveloping, d.o.o. 100.0%
Serbia

OTHER

Intersport ISI, d.o.o. 100.0%
Slovenia

Eta, d.d. 100.0%
Slovenia

Mercator - Emba, d.d. 100.0%
Slovenia

* The company has not yet commenced its operating activities.



Mercator Group: Presentation

Strategy & Business Operations



Strategy

1

Our **vision** is to be the leading retail chain with FMCG program in the Southeastern Europe.

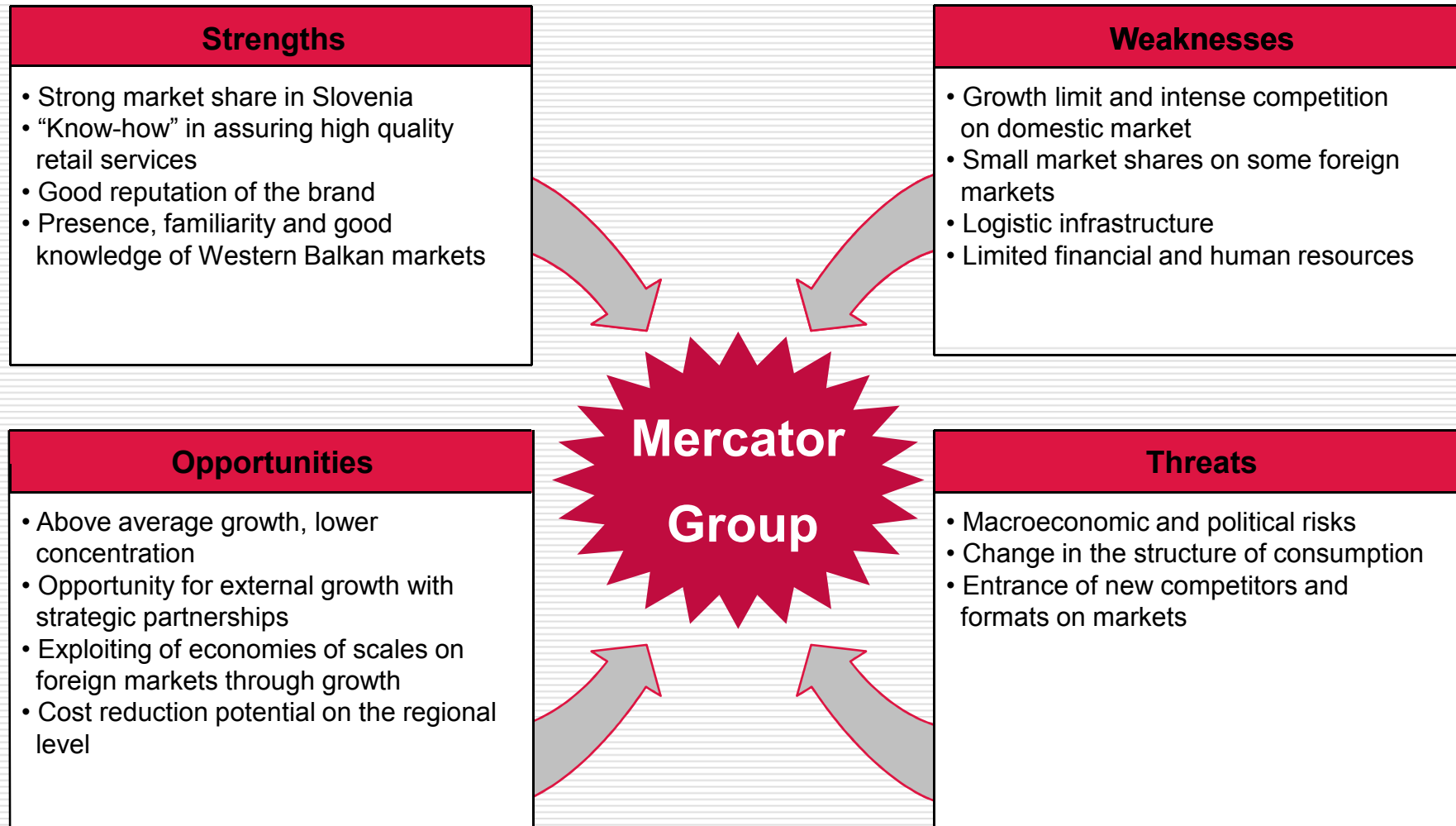
**STRATEGIC
OBJECTIVES**



1. Remain the largest retailer in Slovenia
2. Become the leading retailer on the neighbouring markets in the SEE region
3. Enter other SEE markets
4. Selectively develop non-food programmes
5. Ensure profitable operations



SWOT



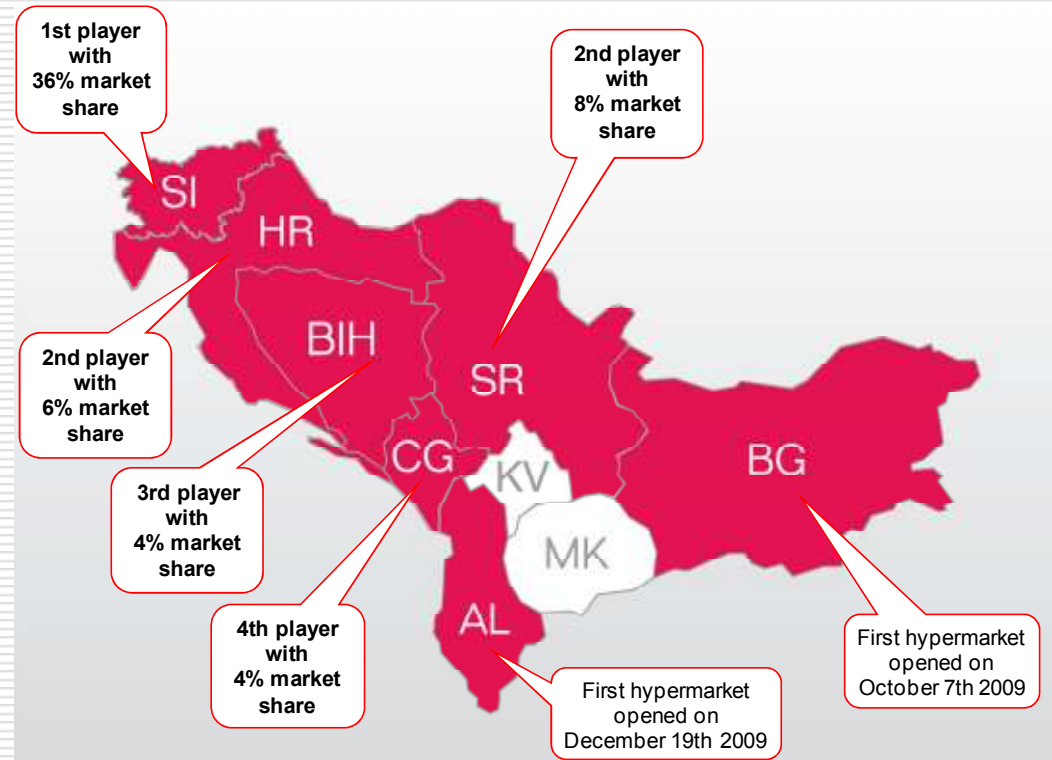


Markets

7

markets at the end of year 2009.

- 1949 ✓ Slovenia
- 2000 ✓ Croatia
✓ Bosnia and Herzegovina
- 2001 ✓ Serbia
- 2007 ✓ Montenegro
- 2009 ✓ Bulgaria
✓ Albania



Source: Valicon, Planet Retail, own estimates



...we entered two new markets in 2009

BULGARIA

first **hypermarket** opened on October 7th in Stara Zagora



plan for 2010 → 6 more hypermarkets



ALBANIA

first **hypermarket and Intersport** opened on December 19th in Tirana

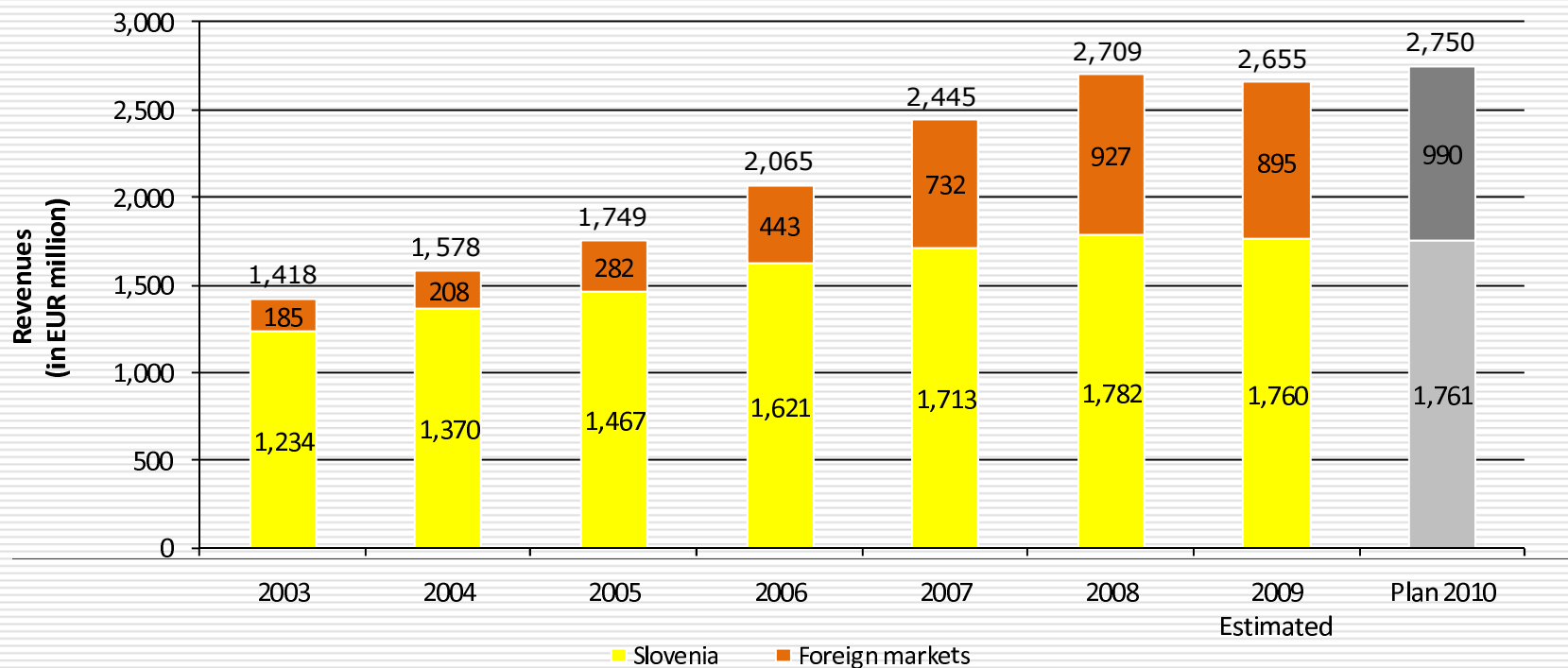




Revenues

EUR 2,655 mn

revenues in the Mercator Group are estimated for the year 2009.





Trade Programmes

4

trade programmes

FMCG programme

hypermarkets, supermarkets, neighborhood stores, comfort stores, Hura! discount stores, and web store

84.5 % of net sales
in 1-12 2009 est.

number of stores
at the end
of year 2009: **798**
+ **302** franchise stores

Textile and beauty programme

Clothing programme, drugstores, perfumeries

3.6 % of net sales
in 1-12 2009 est.

number of stores
at the end
of year 2009: **159**

Technical programme

Hardware and electronics, furniture

9.0 % of net sales
in 1-12 2009 est.

number of stores
at the end
of year 2009: **120**

Intersport

Mercator is the holder of the license for the largest global chain of sport products

2.9 % of net sales
in 1-12 2009 est.

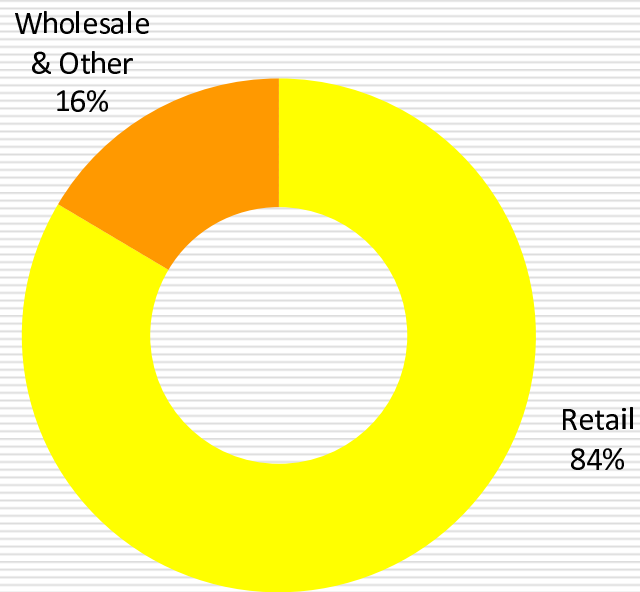
number of stores
at the end
of year 2009: **74**



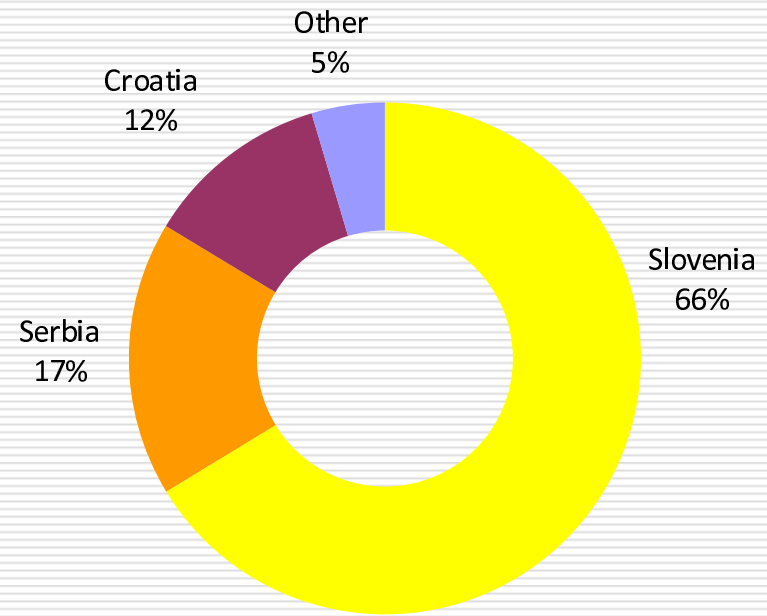


Structure of Revenues by Segments

by business:



by geographical position:





Retail Network

1,453

retail units in all markets as estimated for the end of year 2009.

COUNTRY	SLOVENIA	SERBIA	CROATIA	BOSNIA AND HERZEGOVINA	MONTE-NEGRO	BULGARIA	ALBANIA	MERCATOR GROUP		
ACTIVITY	Number of units	Number of units	Number of units	Number of units	Number of units	Number of units	Number of units	Number of units	Gross sales area	Net sales area
Hypermarkets	20	12	14	6	1	1	1	55	269,140	171,715
Supermarkets	130	25	29	13	4	-	-	201	230,703	147,320
Superettes	281	30	42	1	4	-	-	358	150,117	84,846
Neighbour stores	68	7	15	-	1	-	-	91	15,752	8,560
Cash & Carry	12	2	-	-	-	-	-	14	35,355	22,966
Hard discount stores	16	-	-	-	-	-	-	16	13,134	9,209
TOTAL FM CG programme	527	76	100	20	10	1	1	735	714,201	444,616
Technical programme	98	7	15	-	-	-	-	120	163,456	90,695
Technical programme	66	4	14	-	-	-	-	84	126,627	63,737
Furniture programme	32	3	1	-	-	-	-	36	36,829	26,958
Clothing programme and drugstores	97	20	30	12	-	-	-	159	70,808	57,778
Clothing programme	80	11	30	8	-	-	-	129	67,250	54,894
Drugstores and perfumeries	17	9	-	4	-	-	-	30	3,559	2,884
Intersport	30	10	24	8	1	-	1	74	44,134	34,156
Restaurants	19	6	17	12	-	-	-	54	16,505	10,742
Other	9	-	-	-	-	-	-	9	173	166
TOTAL specialised programmes	253	43	86	32	1	-	1	416	295,076	193,538
TOTAL	780	119	186	52	11	1	2	1,151	1,009,277	638,154
Franchise stores	226	-	76	-	-	-	-	302	54,332	35,103
TOTAL with franchise stores	1,006	119	262	52	11	1	2	1,453	1,063,609	673,257



Real Estate

- Owned and leased areas as estimated for December 31st 2009

Gross effective surface area (square meters)	Employed for own operations	Leased out	Total as at December 31st 2009
- of which own	955,065	143,904	1,098,969
- of which leased	245,623	54,378	300,001
Effective surface area managed	1,200,688	198,282	1,398,970

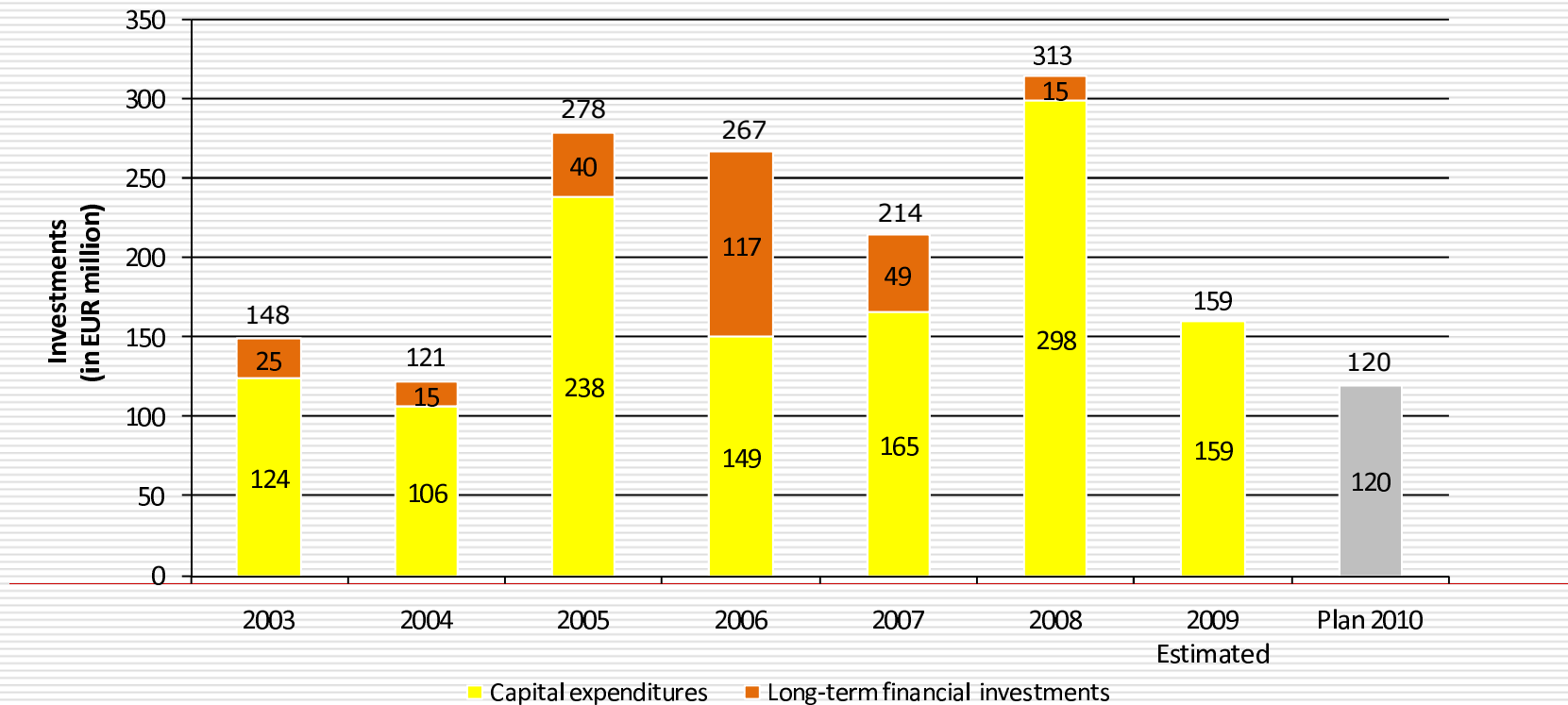
- The fair value of real estate as estimated for December 31st 2009 exceeded 1.6 bn EUR (37 % land, 63 % buildings)
 - Monetisation of commercial real-estate possible in the future when the situation on the real-estate markets recovers.
-



Investments

EUR 159 mn

investments in the Mercator Group are estimated for the year 2009.





M&A

Major acquisitions:

2006

- ✓ Rodić – the second biggest retailer in Serbia
- ✓ Strategic partnership with companies Omega and Gadžo Comerc, Bosnia and Herzegovina



2007

- ✓ Presoflex – the leading Croatian retailer in the Slavonija region
- ✓ Mex – one of the leading retailers in Montenegro



2009

- ✓ Getro – one of the largest retailers on the Croatian market



Strategic purchasing alliance in Croatia:

- Mercator – Plodine (2006)
- Mercator – Plodine – Billa (2008)

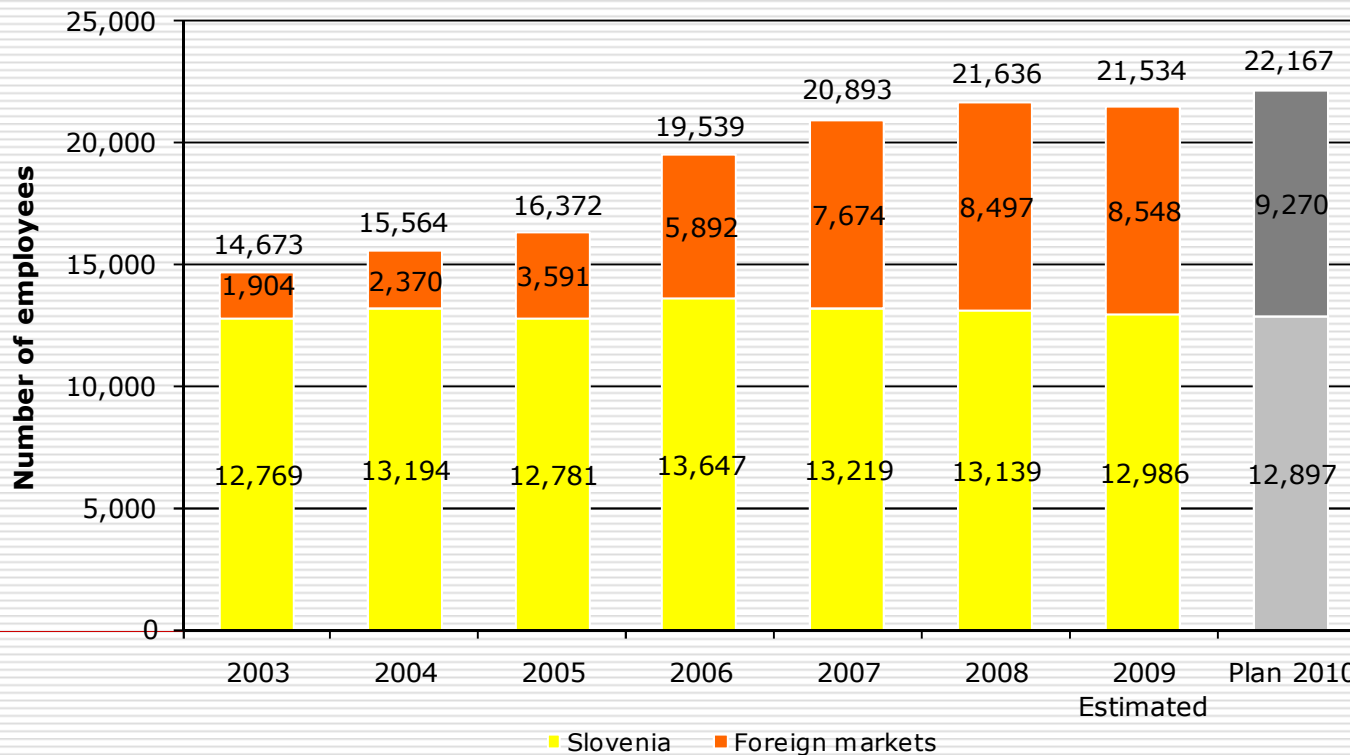




Employees

21,534

employees in the Mercator Group as estimated for the end of the year 2009.





Mercator Group: Presentation

Strategic Value Creation Opportunities



Anti-Crisis Measures

3 x 3

1

Adjusting the offer
for consumers

1. Price competitiveness
2. Assortment adjustments
3. Upgrade of loyalty system

2

Business
rationalization

1. Productivity and cost rationalization
2. Limiting the investment activity
3. Risk management

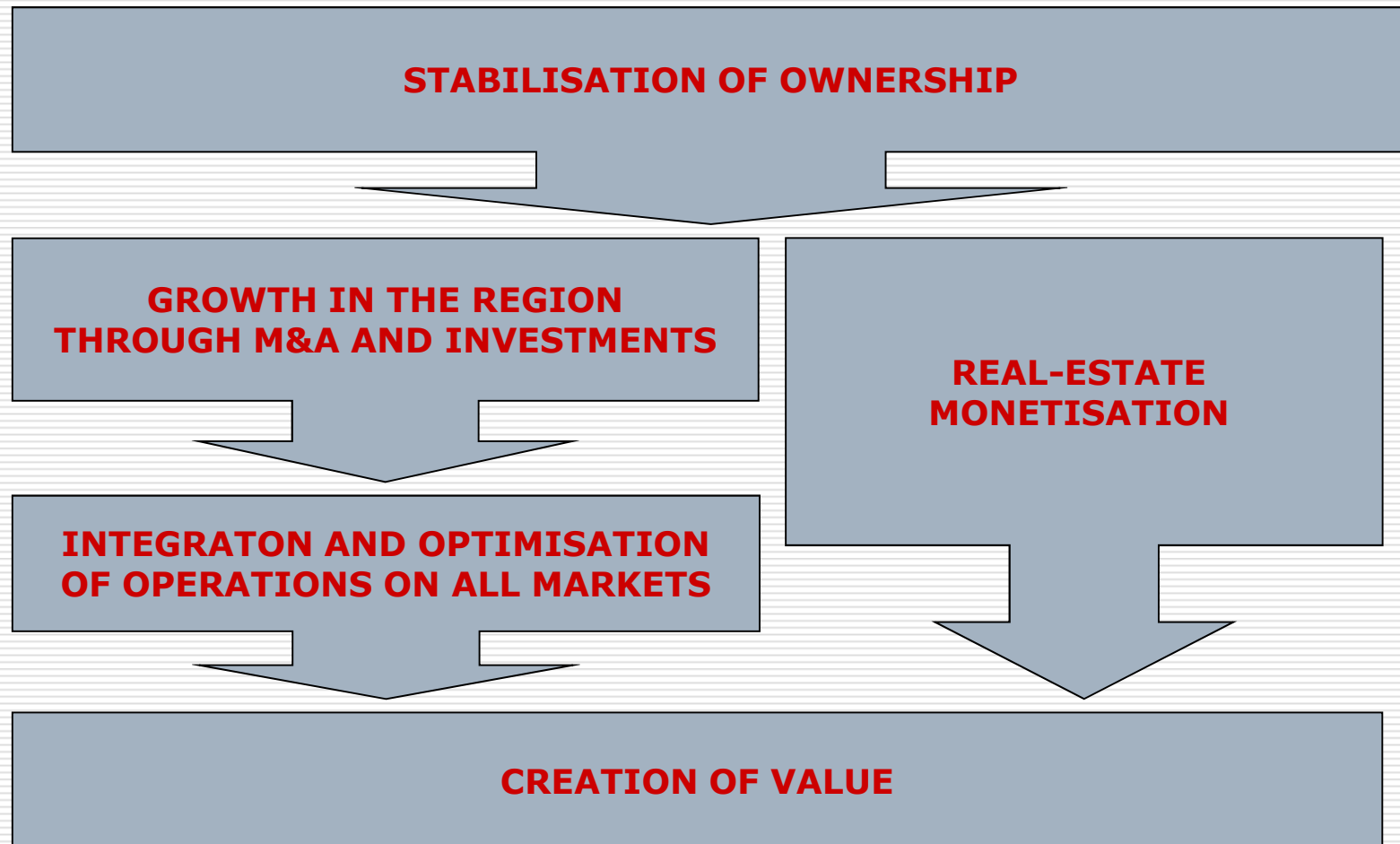
3

Increasing
business
flexibility

1. Group reorganization
2. Exploiting business opportunities in the region
3. Preparation for monetization of real estate portfolio



Strategic Value Creation Opportunities





Mercator Group: Presentation

Market Position and Strategic Marketing Activities

Ms. Mateja Jesenek, Member of the Management Board



Content

- Strategy and Overview
- Market Position and Activities – Slovenia
- Market Position and Activities – Other Markets



Mercator Group: Presentation

Strategy and Overview



Mercator Group – Strategic Drivers



Quality & value driven

Broad and quality product assortment for competitive prices.



Customer driven

Long-term loyalty programs, consumer research & CRM, sustainable development and social responsibility.



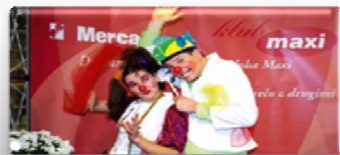
Shopping experience and multi-format driven

Contemporary, innovative and intuitive retail environment developed for unique buying experience and supported by high level of customer service.



Local production & global supply

Enhancing local production on one side and rationalization through global supply sourcing on the other side.

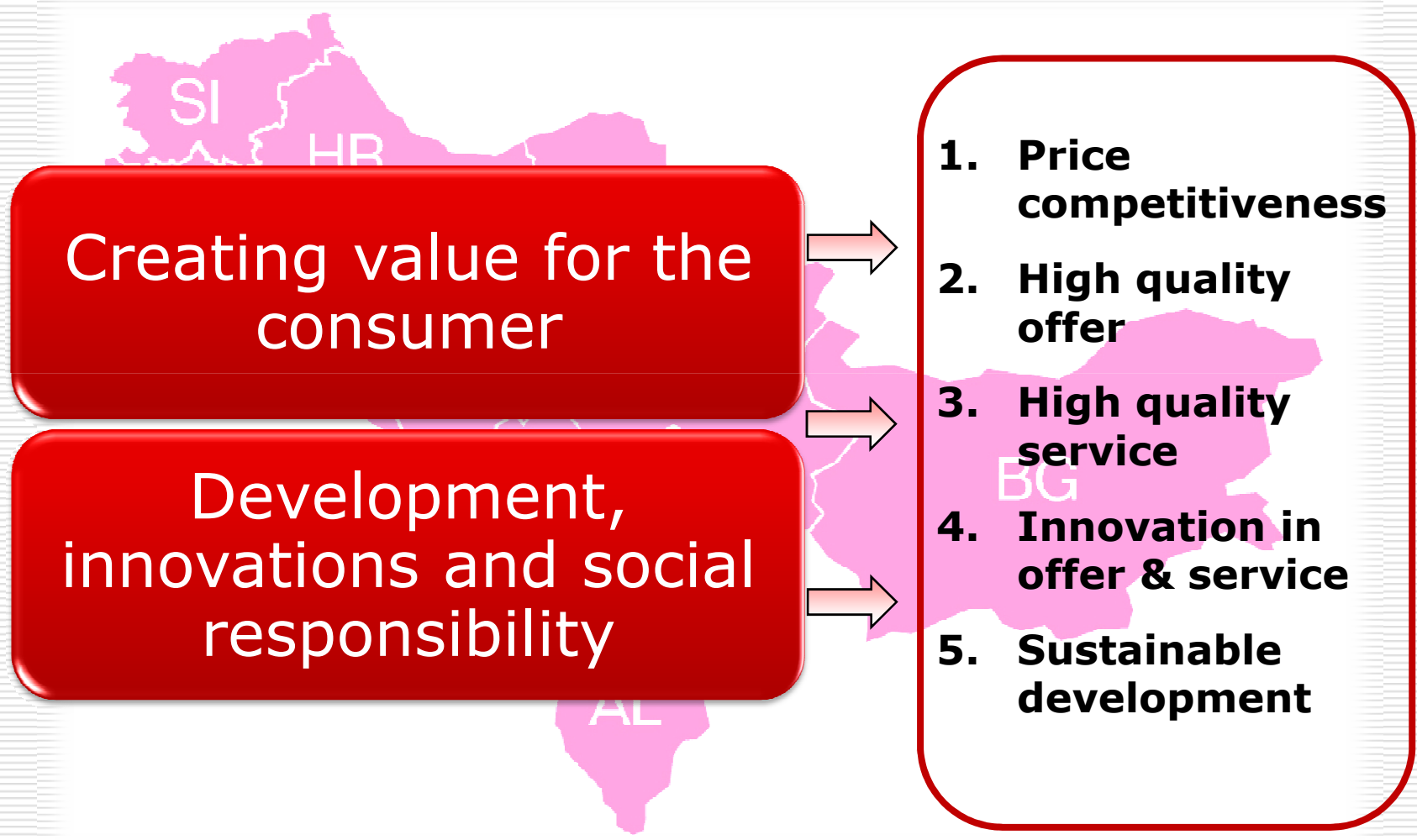


Social and environmental responsibility

Creating benefits for employees, environment and people.

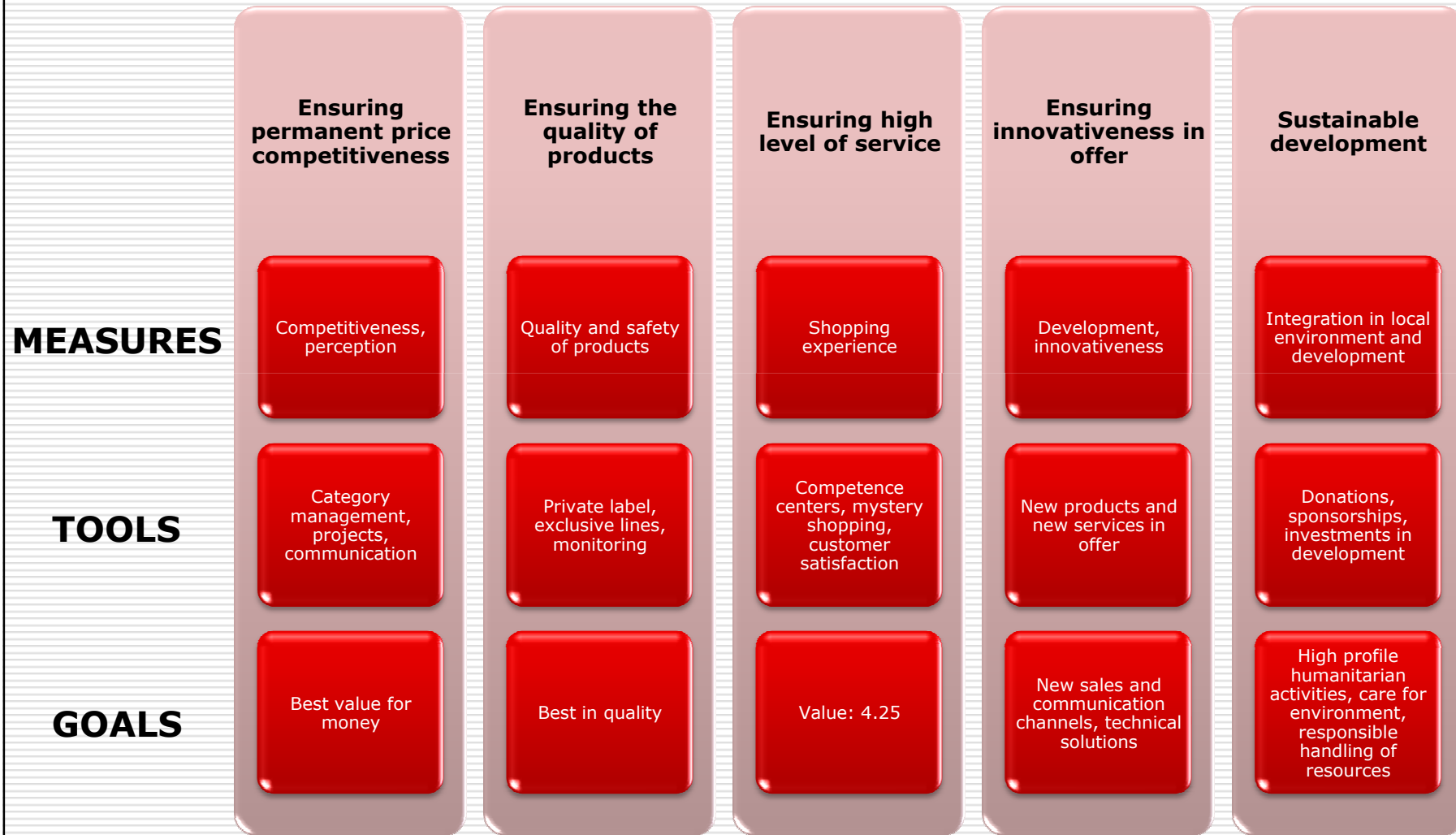


Marketing strategy





Mercators' Marketing Process and Objectives





Consumer Loyalty – Mercator Pika Card

1,433,799

is the number of **Mercator Pika card holders** as at **December 31st 2009** in all markets (the number increased by more than 160,000 in 2009). The share in total retail revenues deriving from payment with the Mercator Pika card in all markets of Mercator's operations in 2009 amounted to **44.1 %**.



We offer 4 types of Mercator Pika card:

- blue cash card
- green credit card
- gold credit card
- business card

Goal: CRM establishment and focus on reaching buyers' segments

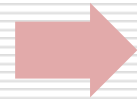


Upgrading Consumer Loyalty – CRM

The purpose of the CRM (consumer relationship management) project is to build analytical infrastructure and develop knowledge about consumers that will be the basis of the implementation of the CRM strategy.

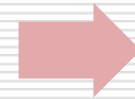
CRM – a strategic project of the Mercator Group (June 2009)

- Setting **the basis** for development – linking transaction data and Mercator Pika card holders data
- Acquiring consent** from Mercator Pika card holders for profiling and purchasing data analysis
- Testing** first personalized activities



Key current activities

- Improving data quality**, developing shopper **segmentation** and other analysis, required for the preparation of personalized offers for our customers
- Building **support for the operative** implementation of personalized offers and communication



Main goals in 2010

- Build **analytical infrastructure and knowledge**
- Develop key analytical **models**
- Develop and test a **renewed Mercator Pika card benefit program**



Private Label and Exclusive Brands

10 Mercator private label lines / exclusive brands



Market	No. of lines	Mercator line	Generic line	Healthy living	The wishing table	Lumpi	Grosuplje Bakery	Total body care	Ambient	Premium	Dvorec Trebnik
Slovenia	10	x	x	x	x	x	x	x	x	x	x
Croatia	8	x	x	x	x	x		x	x		x
Serbia	7	x	x	x	x	x		x	x		
BH	7	x	x	x	x	x		x	x		
Montenegro	4	x	x			x			x		
Bulgaria	2	x							x		



Store Formats – Multi-format Strategy

Grocery formats

Mercator	Roda
Mercator Center	Roda Centar
Mercator Hipermarket	Roda Megamarket
Mercator Supermarket	Roda Supermarket
Mercator Market	
Mercator Cash&Carry	Roda Cash&Carry
Mercator Franšiza	Roda Franšiza
	Mercator Mex
Spletna trgovina	
	Hura!

Other formats

Mercator Center tehnike	Maxi
Mercator gradnja	Maxi Ambient
Mercator pohištvo	
	Intersport
Modiana	
Avenija mode	Mercator restavracija
Modna hiša	
Beautique	Monoshopi (HR)



Mercator



Mercator Spletna trgovina



Mercator Center



Mercator MEX



Mercator Hipermarket



maxi



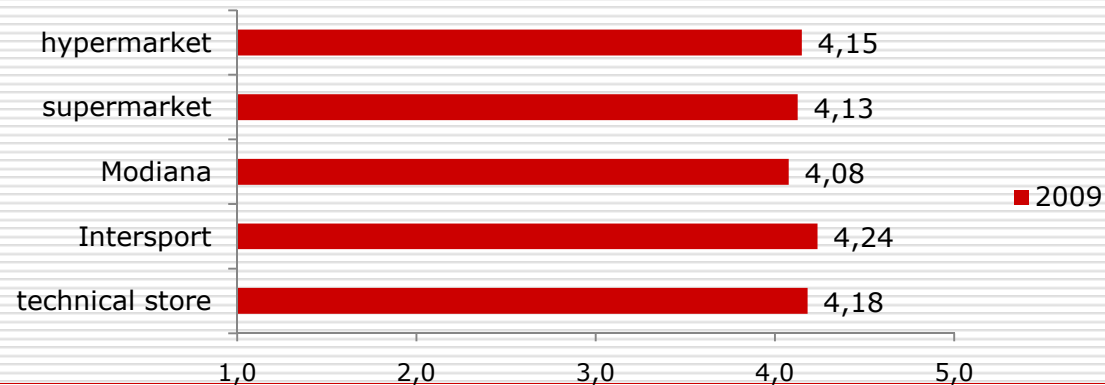
Store Formats – Customer Satisfaction, Development and Innovations



Development of new store formats, technologies and services

- **Type A hypermarket** (HM Ljubljana and HM Rudnik)
- **Comfort store** (Zagreb – Gallerija Importanne)
- **Home and ambient store** (Ljubljana – Maxi Ambient)
- **Fashion Avenue** (MC Ljubljana)
- **Self-check-out cashiers** (first retailer in the region) – in 28 hypermarkets and 2 supermarkets in September 2009 → on average 28 % of purchases
- **Info-stands, new services** (warm meal station, photo stand, recipe of the week, gourmet corner)

Customer Satisfaction – Mercator Group according to store format





Global sourcing priorities

1. **Integration of sourcing potential** for retail merchandize, private label and services.
2. Search for **optimal global procurement.**
3. Development of **consistent distribution chain solutions and global sourcing.**
4. Setting and **managing category management process**
Guidelines and priorities for all markets
 - Price competitiveness
 - Development of sales promotion tool
 - Responding and adapting the offer according to the market conditions and predicted future developments.





Mercator Group: Presentation

Market Position and Activities – Slovenia



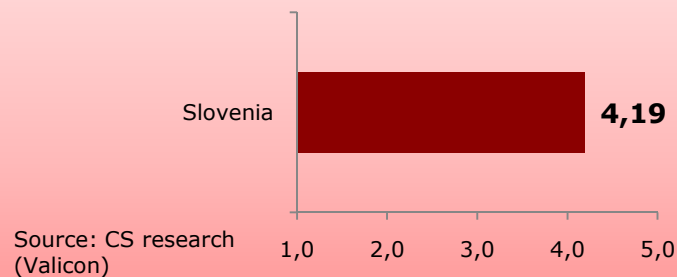
Market Position – Slovenia



Market Position

1. Mercator  Mercator
2. Spar 
3. Tuš 

Customer Satisfaction



Customer Loyalty

917,499 Mercator Pika card holders

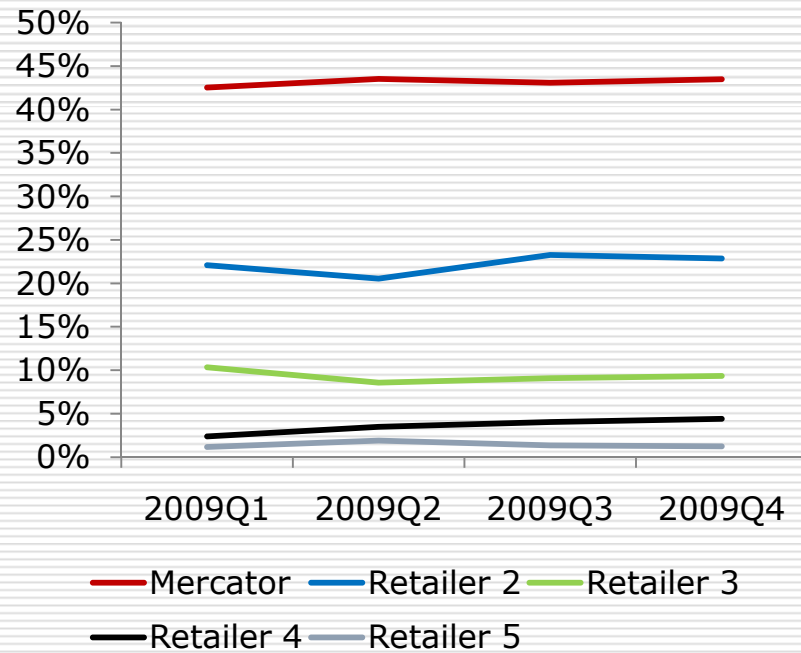
81,000 new holders in 2009



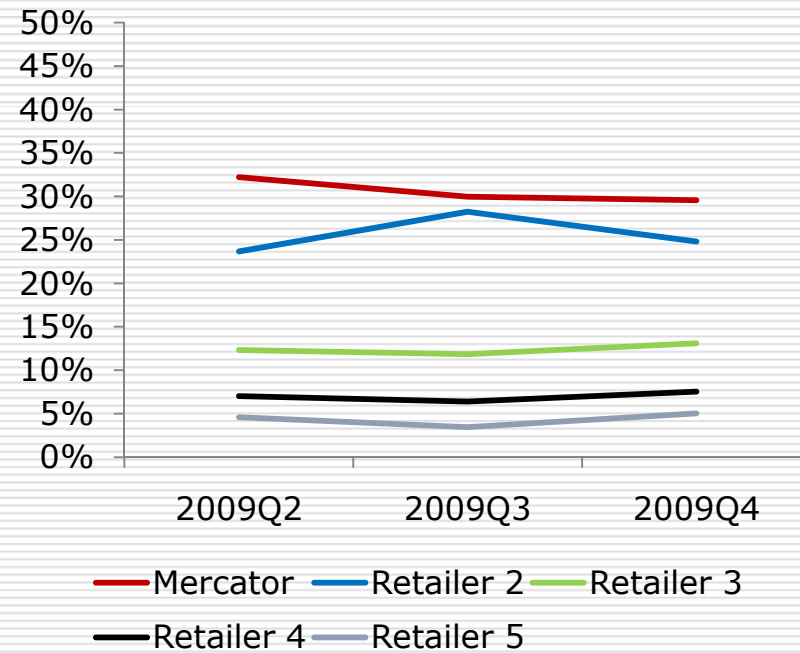
Consumer Perception

Mercator customer prepositions (Slovenia):
- being perceived as having the best quality and the best value for money

Best quality



Best value for money



Source: Valicon research (Slovenia)

Consumer Loyalty – Segmenting the Consumer



4

maxiklub



clubs for Mercator Pika Card holders

“Healthy lifestyle” club

- For people of all ages, bound by the idea of a healthy lifestyle.
- Prizes, special discounts, expert advices (nutritionists, sport trainers, physicians specialized in weight-loss programs, sport psychologists).

Lumpi club

- Providing parents with interesting ideas and activities for kids, advice on raising and education, nutrition, care, learning, play for their “Lumpi” children; content prepared in cooperation with renowned experts.
- Regular information on club activities, events and workshops for children, and of numerous easy-on-the-pocket offers of products and services.

Maxi club

- Providing links among people who like shopping in the special and tranquil environment of the Maxi department store and who value the high quality offer and expert service.
- Attaining highly adjusted and customized approach to loyal customers at the Maxi department store.

M mobil club

- Offering competitive pre-paid service and additional benefits to the members of the M mobil club.

Sales Promotion Activities & Category Management



Creating additional value for our customer in recession

- Lowering prices of more than 3,000 essential products in 2009

Key sales promotions projects

- **Every Day Low Price** (1,200 products)
- **Slovenian basket**
- **YES! Coupon** (10 percent Tuesday discounts)
- Special discounts for special groups
- Loyalty programs
- Double and Triple Mercator Pika card bonus points
- Regular and special offer leaflets
- Category discounts

Category Management

- Project implemented



SALES PROMOTION PROJECTS



Mercator
Trajno nizka cena

Mercator
Slovenska košarica

UGODNO
SUPER CENA

Mercator Additional Retail Services and Other Brands



- Contact center
- Internet store – groceries, technical goods
- M holidays tourist offer
- Pre-paid mobile phone service
- Photo services

The collage features several logos and promotional banners:

- HOLIDAYS**: A row of colorful icons representing different holiday activities like sun, watermelon, tent, and cocktail.
- 5 na dan mesec**: A banner with the text "Obarvajmo življenje" and "mesec" in a large, stylized font.
- Mercator Spletna trgovina**: A banner for online shopping.
- to!**: A banner with a "-10%" discount and the word "to!" in a large font.
- fotofiniš**: A banner with the text "IZDELAJTE VEČ KOT FOTOGRAFIJE" and a colorful logo.
- IZ DOBRIH BESED RASTEJO DOBRA DEJANJA**: A banner with a tree logo and the text "IZ DOBRIH BESED RASTEJO DOBRA DEJANJA".
- mobil**: A red square logo with the word "mobil" in white.
- Tik Tak**: A banner with the text "Tik Tak" and a shopping basket icon.
- samopostrežna blagajna**: A banner with the text "samopostrežna blagajna" in white on a red background.



Mercator Group: Presentation

Market Position and Activities – Other Markets



Market Position in 2009 – Croatia



Market Position

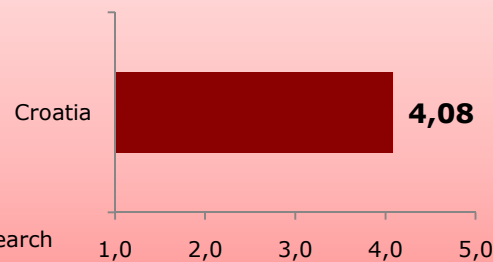
1. Konzum
2. Mercator
3. Schwarz Group



Mercator



Customer Satisfaction



Source: CS research (Valicon)

Customer Loyalty

243,329 Mercator Pika card holders

30,000 new holders in 2009

Sales Promotion Activities & Category Management – Croatia



Key sales promotions projects

- **Every Day Low Price**
- **Croatian basket**
- **YES! Coupon** (10 percent Tuesday discounts)
- Loyalty programs
- Double Mercator Pika card bonus points
- Regular and special offer leaflets

Category management

- Implementation phase



Market Position in 2009 – Serbia



Market Position

DELTA HOLDING

1. Delta

2. **Mercator**



3. Metro Group

Mercator

METRO



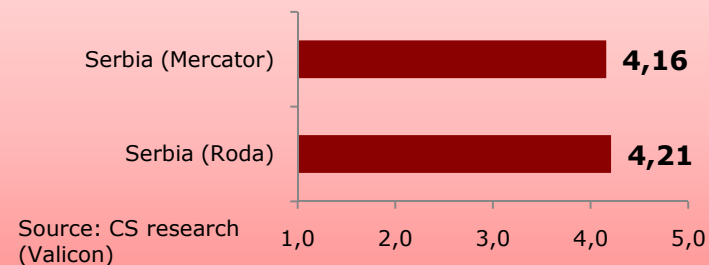
Mercator

urban
positioning

RODA

price
performance

Customer Satisfaction



Customer Loyalty

154,915 Mercator Pika card holders

26,000 new holders in 2009

Sales Promotion Activities & Category Management – Serbia



Key sales promotions projects

- **Every Day Low Price**
- **Serbian basket**
- **10 percent Sunday discounts**
- Loyalty programs
- Double Mercator Pika card bonus points
- Regular and special offer leaflets
- Category discounts
- Exclamation point!

Category management

- Starting process of fact-based negotiations

Market Position in 2009 – Bosnia and Herzegovina



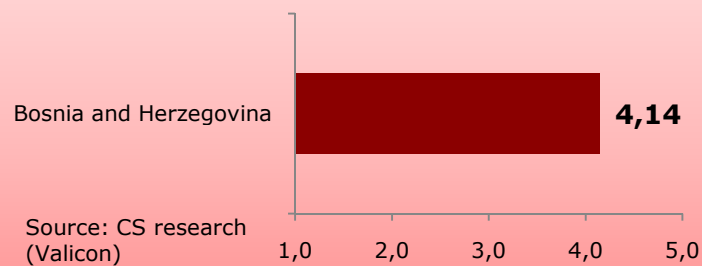
Market Position

1. Konzum
2. Interex
3. Mercator



Mercator

Customer Satisfaction



Customer Loyalty

118,056 Mercator Pika card holders

25,500 new holders in 2009

Sales Promotion Activities – Bosnia and Herzegovina



Key sales promotions projects

- **Every Day Low Price**
- **Domestic basket**
- **YES! Coupon** (10 percent Tuesday discounts)
- Special discounts for special groups
- Loyalty programs
- Double Mercator Pika card bonus points
- Regular and special offer leaflets



Market Position in 2009 – Montenegro



Market Position

PANTOMARKET

1. Plus komerc + Panto
2. Voli
3. Delta
4. Mercator



DELTA HOLDING



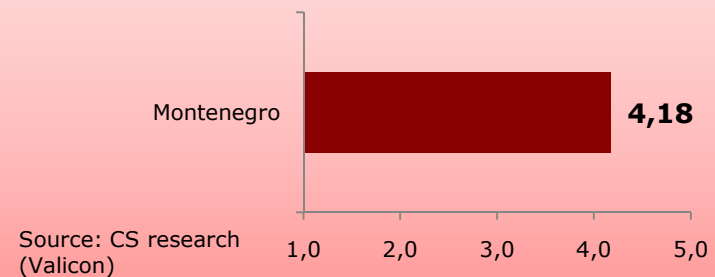
Mercator



Key sales promotions projects

- **YES! Coupon** (10 percent Tuesday discounts)
- Special discounts for special groups
- Regular and special offer leaflets

Customer Satisfaction





Market Position in 2009 – Bulgaria



Bulgaria

1. Metro Group 
2. Schwarz Group  
3. Rewe Group 

Key sales promotions projects

- **Bulgarian basket**
- Loyalty programs
- Regular and special offer leaflets



Market Position in 2009 – Albania



Albania

1. Conad
2. Delta



DELTA HOLDING

Market entry

- December 2009



Mercator Group: Presentation

Financial Performance

Ms. Melita Kolbezen, CFO



Content

- Business performance
- Financial policy

All price sensitive information in this presentation is publicly available. Mercator, d.d., the parent company of the Mercator Group is a public joint stock company listed on the Ljubljana Stock Exchange under the "MELR" ticker.



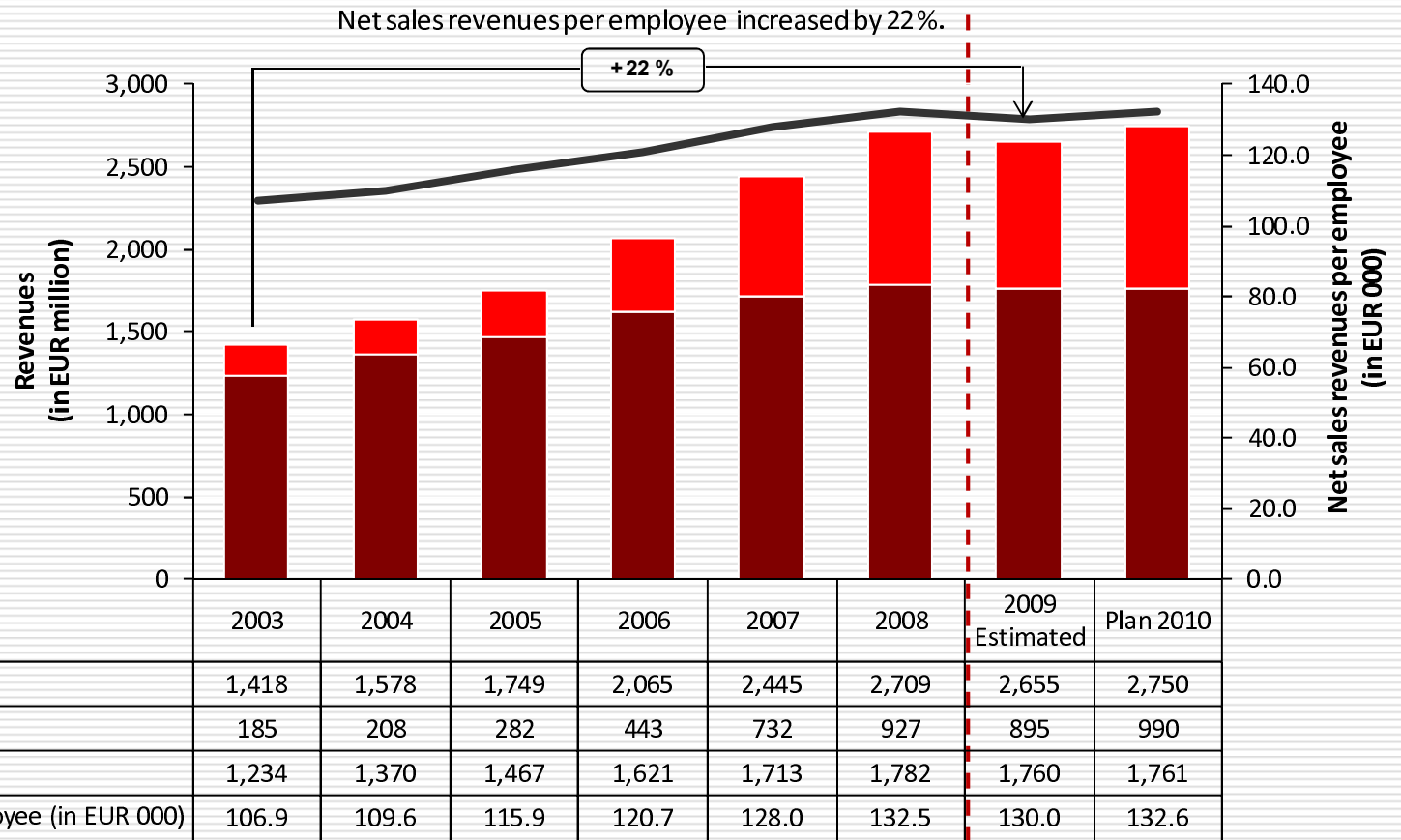
Mercator Group: Presentation

Business performance



Revenues & Productivity

Average net sales revenues growth of the Mercator Group
2003 - 2009 estimated: **11.0 %**



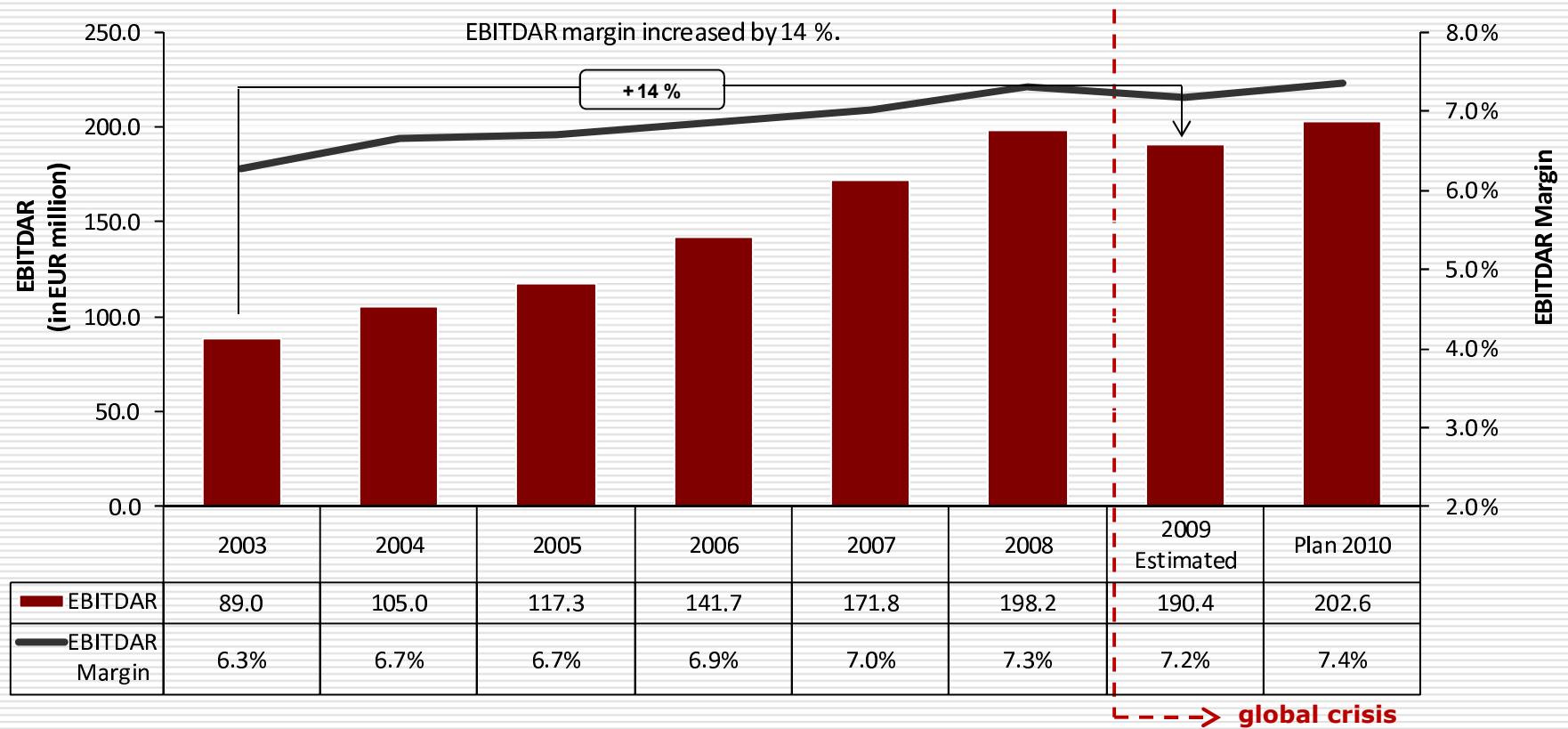
---> global crisis

Financial information is comparable from year 2003 on, when Mercator ensured full compliance with IFRS.



EBITDAR & EBITDAR Margin

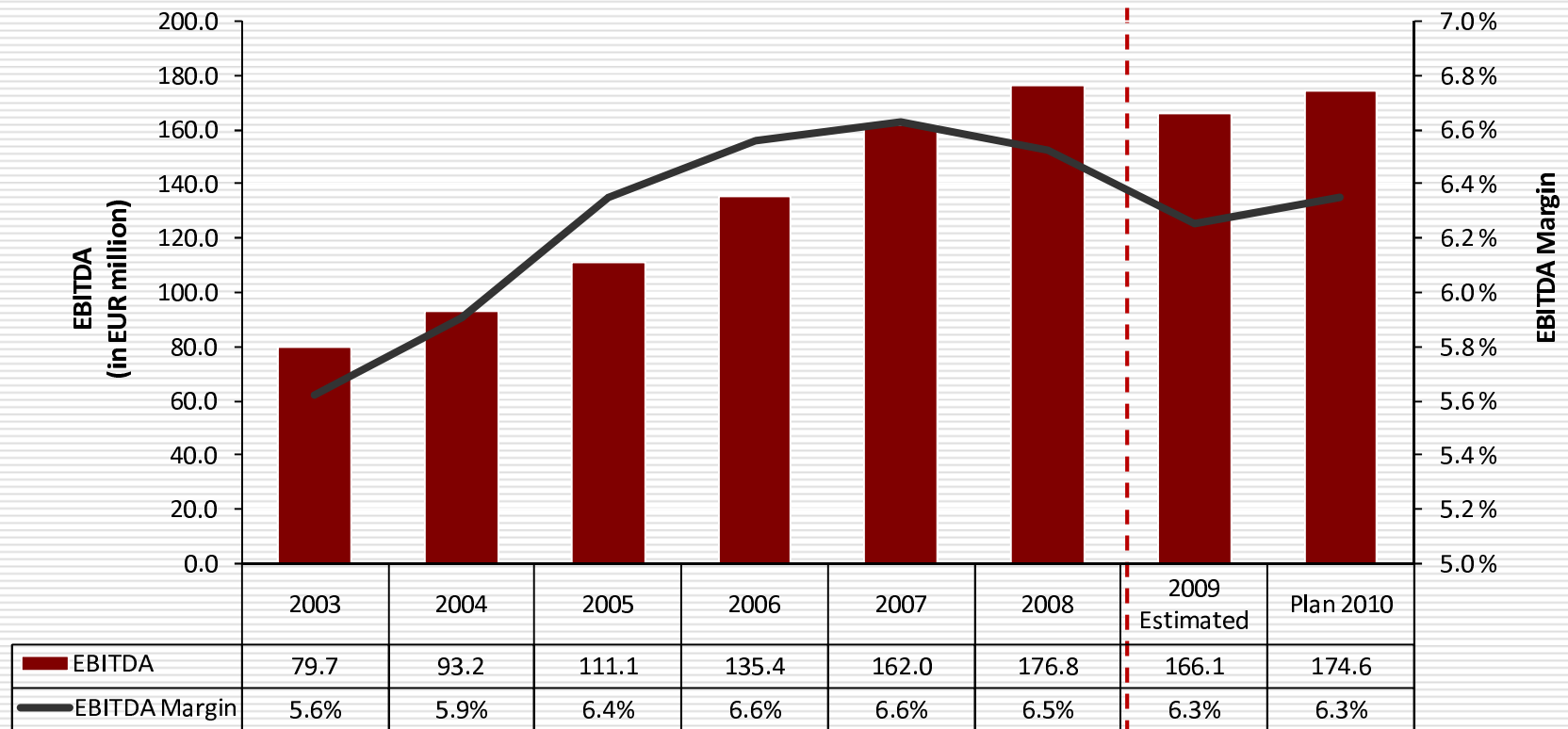
Average EBITDAR growth of the Mercator Group
2003 - 2009 estimated: **13.5 %**





EBITDA & EBITDA Margin

Average EBITDA growth of the Mercator Group
2003 - 2009 estimated: **13.0 %**

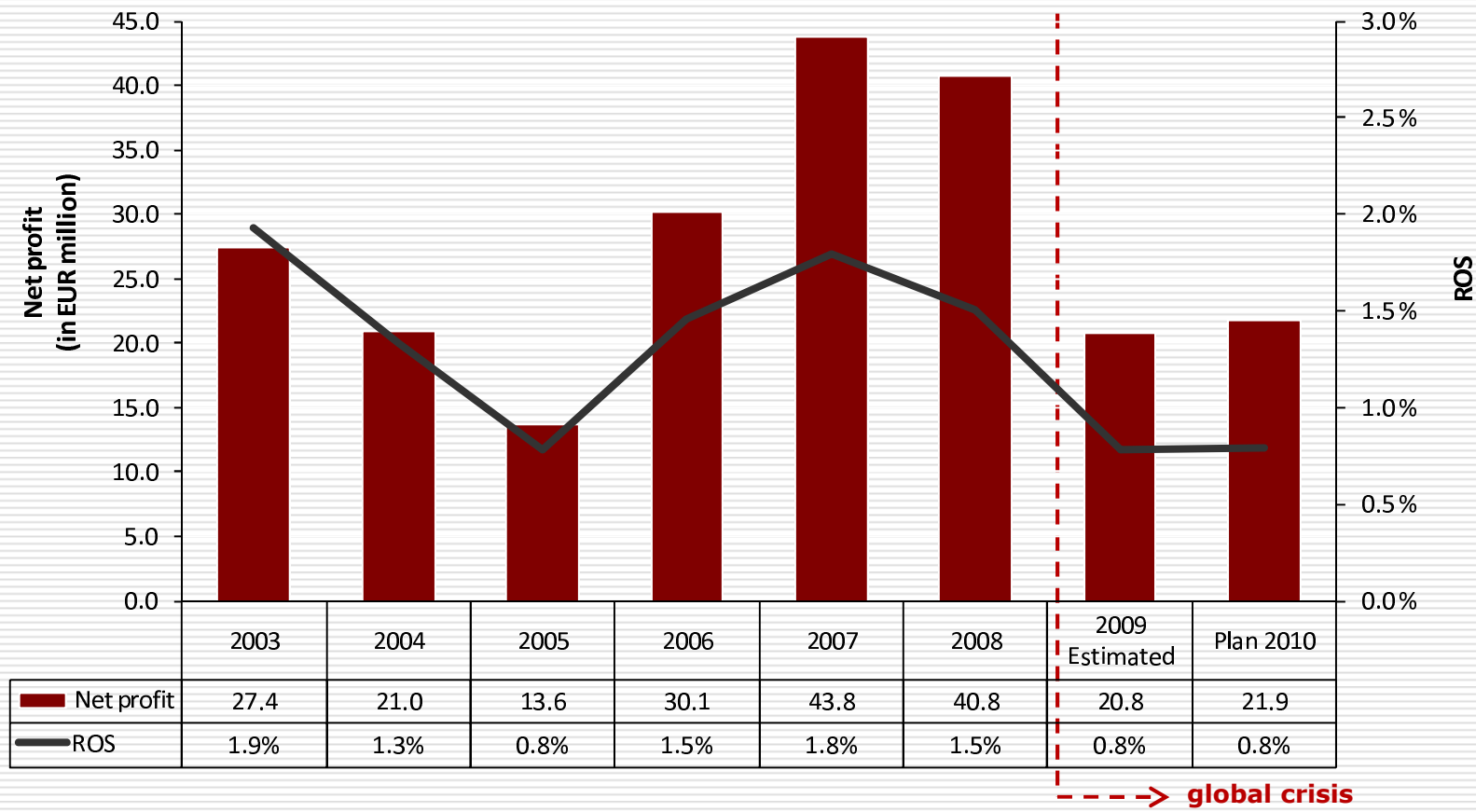


---> global crisis



Net Profit & ROS

Net Profit & Return on Sales



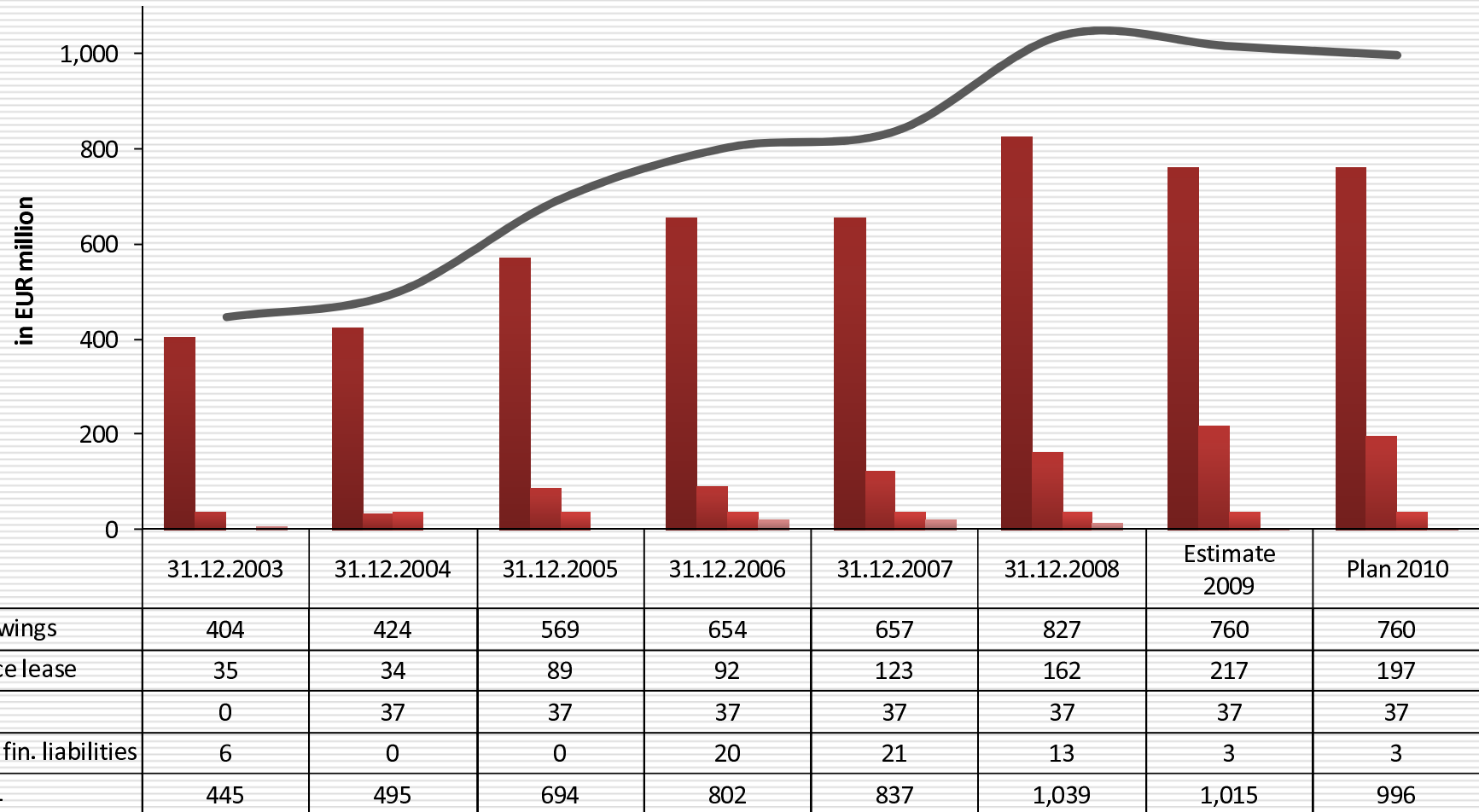


Mercator Group: Presentation

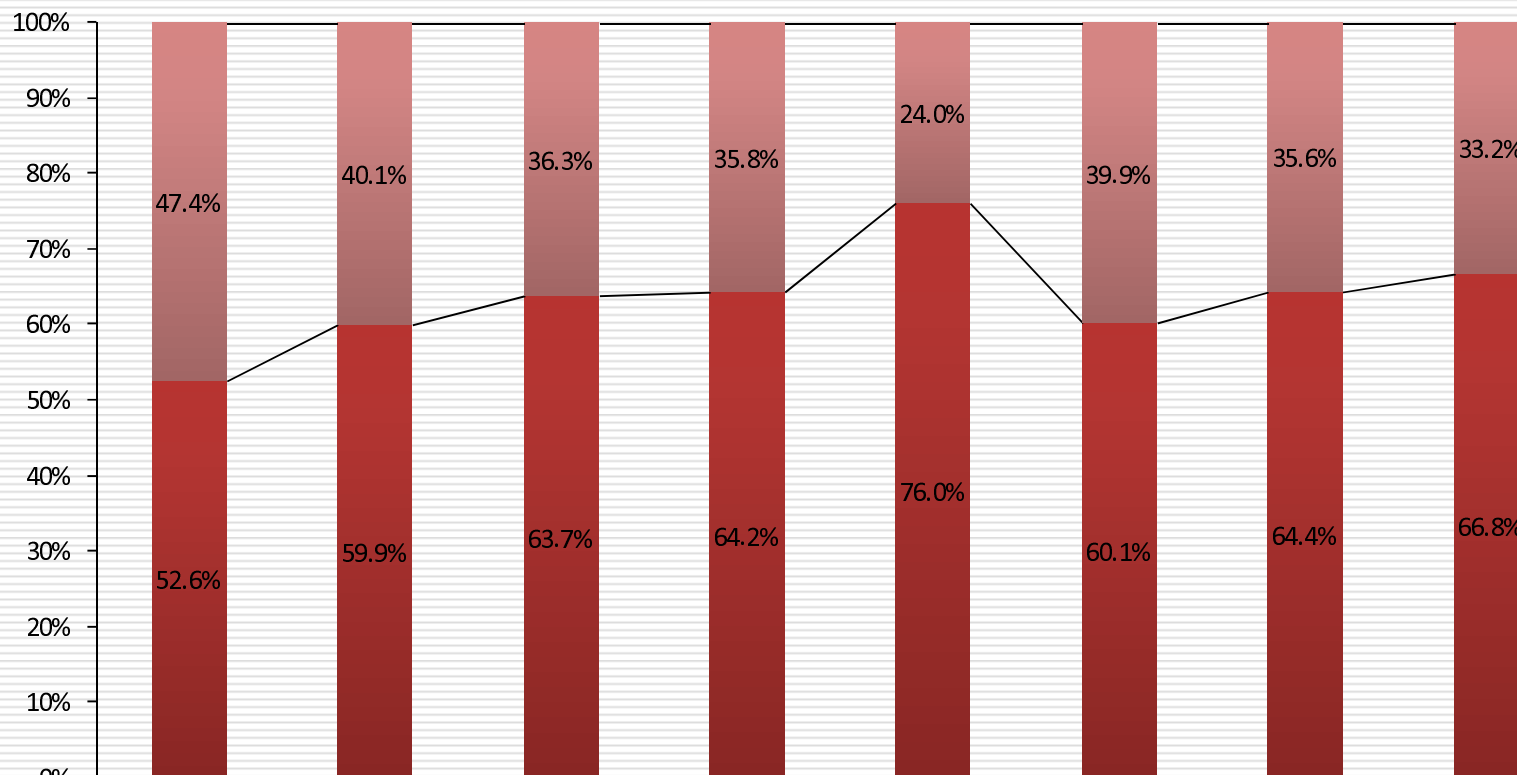
Financial policy



Structure of Mercator's financial liabilities

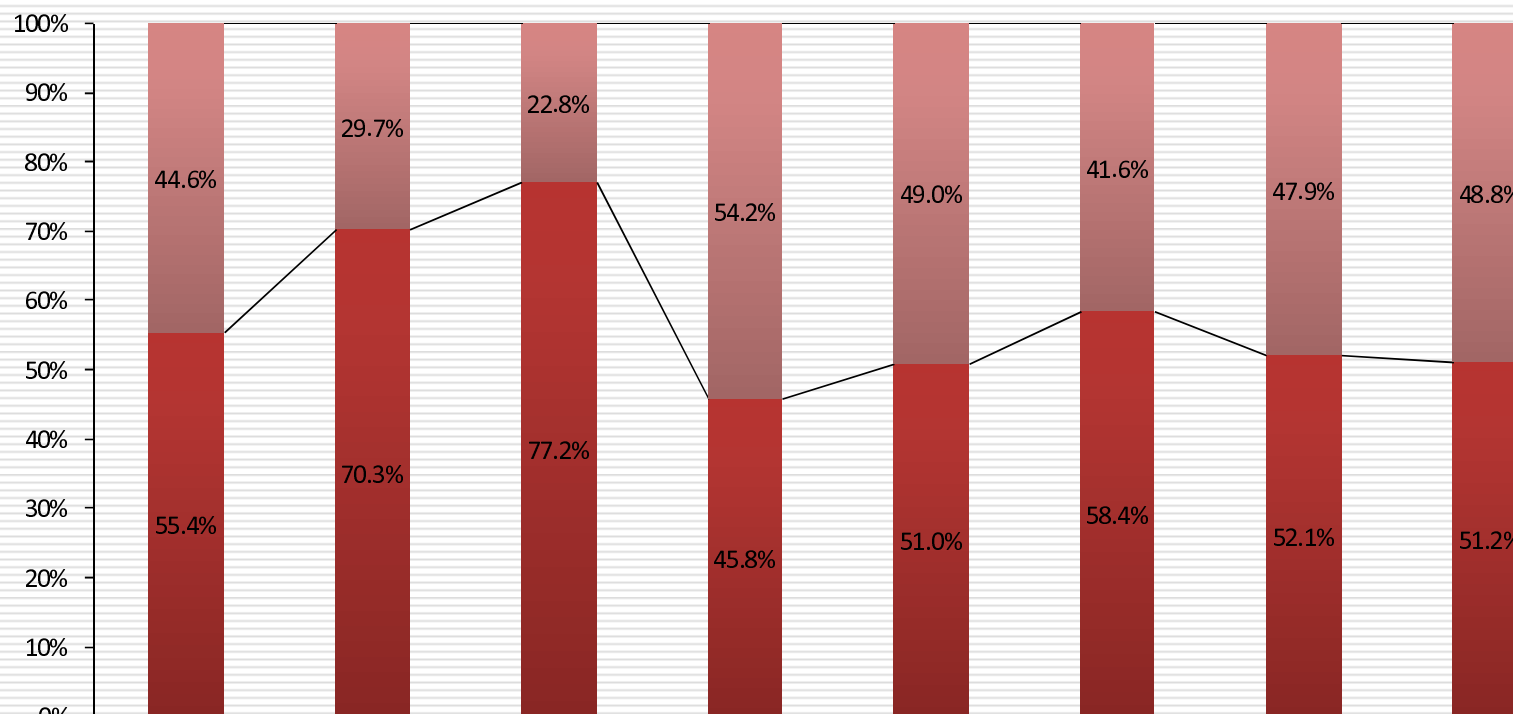


Maturity structure of Mercator's financial liabilities



	31.12.2003	31.12.2004	31.12.2005	31.12.2006	31.12.2007	31.12.2008	Estimate 2009	Plan 2010
Current financial liabilities	47.4%	40.1%	36.3%	35.8%	24.0%	39.9%	35.6%	33.2%
Non-current financial liabilities	52.6%	59.9%	63.7%	64.2%	76.0%	60.1%	64.4%	66.8%

Interest rates structure of Mercator's financial liabilities



	31.12.2003	31.12.2004	31.12.2005	31.12.2006	31.12.2007	31.12.2008	Estimate 2009	Plan 2010
■ Fixed / hedged variable int. rate	44.6%	29.7%	22.8%	54.2%	49.0%	41.6%	47.9%	48.8%
■ Variable interest rate	55.4%	70.3%	77.2%	45.8%	51.0%	58.4%	52.1%	51.2%



Risk management activities

Main focus:

- setting the policy and strategy for risk management;
- identification of key risks;
- evaluation of risk exposure (sensitivity analysis with impact on EBITDAR);
- introducing proper measures in compliance with the adopted policy in practice;
- building risk awareness within the Group;
- preparing reports for the board and the stakeholders (IFRS).

Positive effects of monitoring various types of risks:

- reduced exposure towards various unforeseen events and shocks,
- improved competitive position,
- better cost control,
- better and more predictable projection of cash flows and profit,
- better support of management decision making,
- improved overall trust of shareholders, suppliers, customers and other stakeholders of Mercator.





Managing refinancing (liquidity) risks

- in 2009 all short-term financial liabilities refinanced
- more than EUR 200 mn new long-term financial liabilities obtained in 2009
- estimated amount of short term liabilities as of December 31st 2009 equals EUR 361 mn
- in 2010 we do not expect any problems with refinancing short-term financial liabilities



Managing foreign exchange rate risks

- Mercator is exposed to RSD and HRK foreign exchange rate risks
- only natural hedge used within company's possibilities, no derivatives used for hedging



Managing credit risks

Mercator **limits its credit exposure** towards wholesale buyers and Pika cardholders by a number of activities, including:

- limiting its exposure towards individual business partners,
- constant monitoring of wholesale buyers, with assurance of appropriate collateral,
- improved system for efficient collection of payments from Pika card users, etc.

Plans for 2010:

- Introducing new credit scoring for Pika cards system,
- Active monitoring Mercator's exposure towards individual business partners



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Q & A