

Business operations of Mercator Group and company Poslovni sistem Mercator, d.d. in the period I.-III. 2013 Ljubljana, May 15, 2013



Macroeconomic conditions have negative impact on business environment.

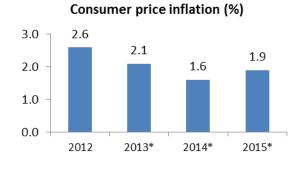
Further deterioratio n in economic situation.

- Expected negative growth of GDP in the Eurozone in comparison to initially expected GDP growth.
- Although private consumption was expected to deteriorate, the drop is even higher than expected.
- Lower consumer confidence -> rationalization of consumption, more shopping for lower-priced products
- Declining or stagnant credit ratings in Slovenia and countries of Southeastern Europe –> higher financing costs

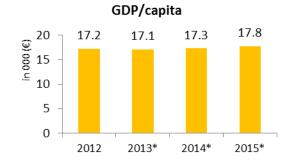
Reduced banking liquidity is affecting businesses operations.



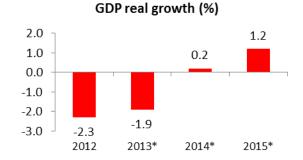
We are facing challenging macroeconomic conditions, that are not expected to improve at least until 2014.



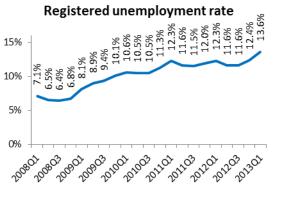
Source: IMAD



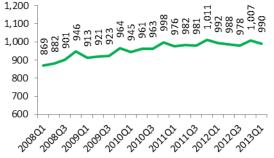
Source: IMAD



Source: IMAD







Mercator

Source: IMAD

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Modern consumer remains distrustful, pessimistic and rational in

purchase decisions.

Percentage of questioned, who agree with statements:

note: where used "six months", in the last three assessment "one year ago" was used

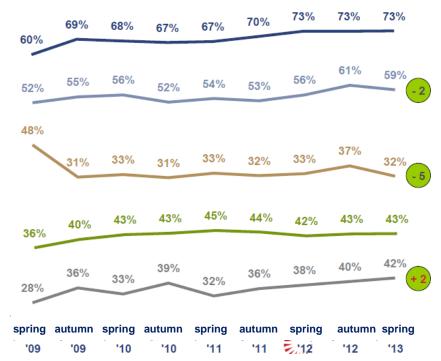
When comparing my shopping today with shopping six months ago, I can say that today my purchases are more planned and thoughtful.

Compared to shopping six months ago, today I purchase more low priced products.

Today I choose more private lable offer.

Rather than one big purchase I choose to purchase lower amounts more frequently.

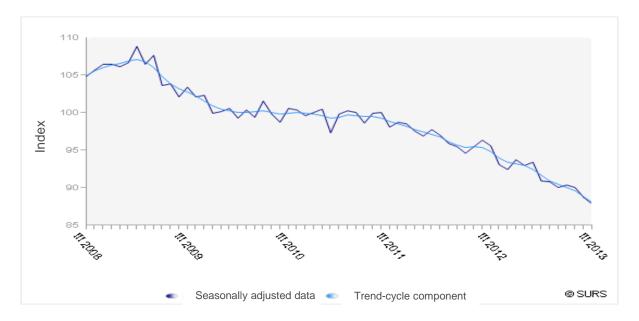
Compared to shopping six months ago, today I do more shopping in discounts stores.





The combination of continued growth in food prices, low wage growth and weak consumer confidence leads to lower demand.

Real turnover index in retail, excluding automotive fuel. Seasonally adjusted data¹⁾ and Trend-cycle component ²⁾, Slovenia, March 2008 – March 2013 ((Ø 2010=100) index



Source: SURS, 2013

The first quarter of 2013 ended with loss but in accordance with Group plan. Loss was higher than anticipated and lower than the loss

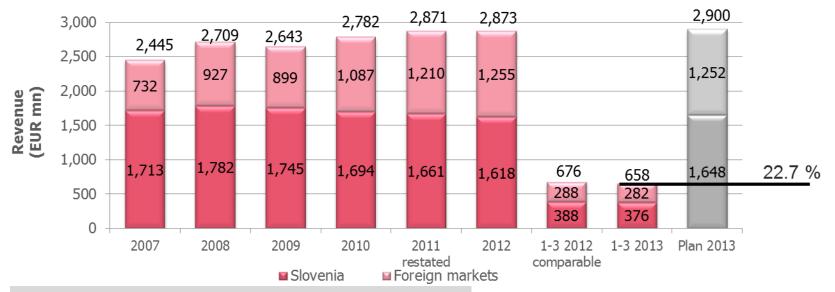
generated in the comparable period last year.							
	1-3 2013	1-3 2012 comparable*	Plan 1-3 2013	1-3 2013/ 1-3 2012 comparable*	/ 1-3 2013 Plan 1-3 2013		
Revenue (EURt)	658,417	676,101	694,212	97.4	94.8		
Results from operating activities (EURt)	983	13,802	7,339	7.1	13.4		
Profit before income tax (EURt)	-8,634	-6,659	-7,644	129.7	113.0		
Profit for the financial period (EURt)	-8,634	-9,098	-7,729	94.9	111.7		
EBITDA (EURt)	21,607	34,217	27,075	63.1	79.8		
EBITDAR (EURt)	36,650	48,194	42,442	76.0	86.4		
Capital expenditure (EUR t)	4,490	13,015	**	34.5	/		
Return on sales	-1.3%	-1.3%	-1.1%	97.5	117.8		
EBITDA / revenue	3.3%	5.1%	3.9%	64.8	84.1		
EBITDAR / revenue	5.6%	7.1%	6.1%	78.1	91.0		
Number of employees based on hours worked	21,385	22,983	24,097	93.0	88.7		

* Note: In the period 1-3 2012 cost were deferred because of their compliance with generated economic benefits (revenue) within the fiscal year in accordance with the seasonal dynamics. Presented statements for 2012, are as actually realised, so that results are comparable with period 1-3 2013

** Capital expenditure are defined in Mercator Group Annual investment plan and amount to EUR 50 mn

In the first quarter of 2013 Mercator Group recorded a drop in revenue.

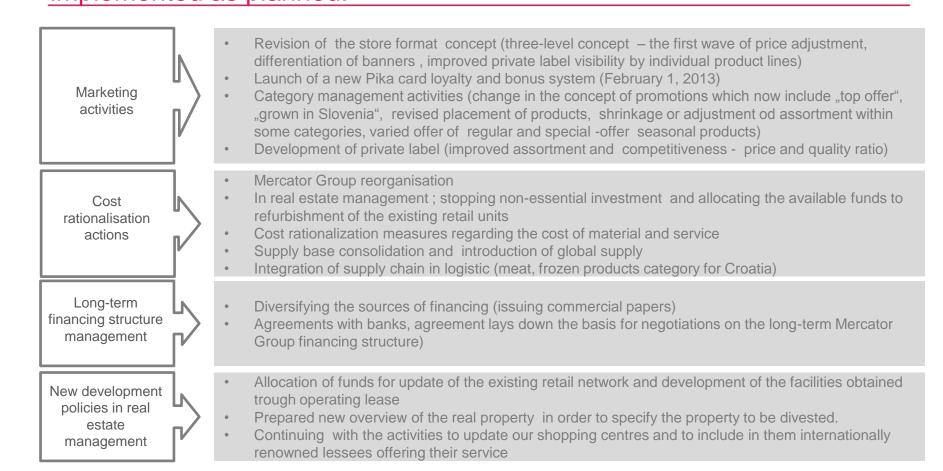
EUR 658,4 mn revenue Mercator Group generated in period 1-3 2013, which is 2.6 % less than in the correspondent period of the last year.



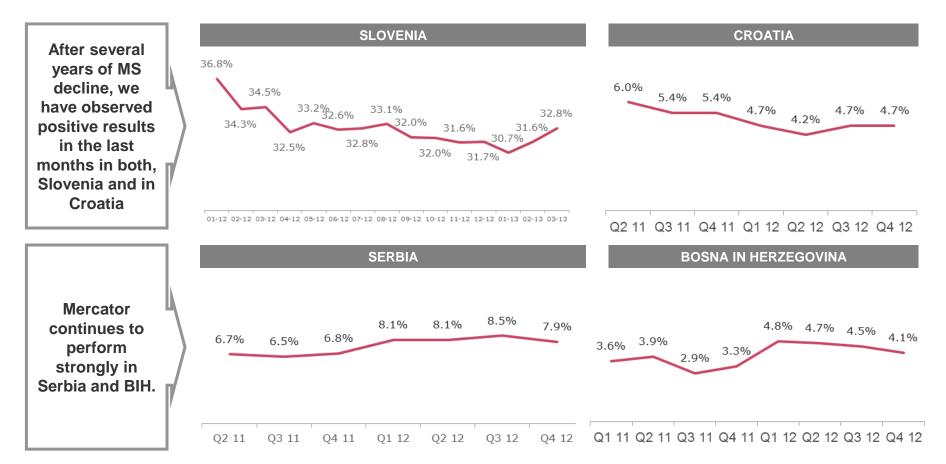
Revenue in Slovenia dropped by 3.0 %. Revenue growth in Serbia (3.2 %) and BiH (4.6 %).



Strategic measures, that have been set up in strategic plan are implemented as planned.



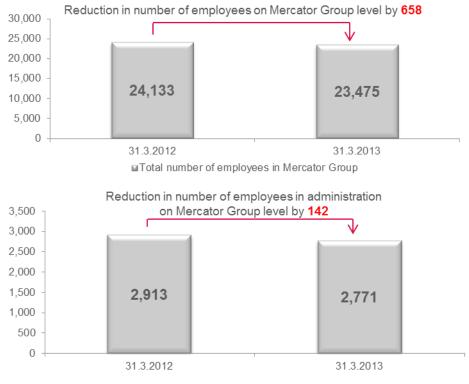
First operational measures delivering results: after several years of decline market share has stabilised / is growing



Realised cost reduction was higher than planned.

Area	Ini	tiative		li	npact			
Material ar services co labour cost	es cost,EUR 19 mn on Group level in 2013cost andcompared to realized in 2012.		d f	 Realised savings in the amount of EUR 5.3 mn in Q1 2013: Costs of material and services EUR 2.21 mn (EUR 1.32 on costs of material; EUR 0.9 mn on costs of services) Labour costs EUR 2.83 mn Other costs EUR 0.23 mn 				
other cos	.5	 EUR 9 mn savi 	ervices	V	Within each cost category the largest amount of savings is see following items: Cost of material • Energy costs EUR 0.69 mn			of savings is seen on
					• Co	0,	materials EUR 0.42 n	nn
			-3.9 %	1	• Co	sts of intellectu	al and personal service	ces: EUR 2.03 mn;
)						surance costs: I osts of transport	EUR 0.35 mn t and telecommunicati	ons: EUR 0.18 mn
)				_	Increa	ased rental cos	ts in the amount EUR	1.07 mn, due to newly
	-4.9 %				opene	ed units during	2012, which did not a	ffect Q1 2012 result
-6.3 %				+1.0				
		+7.9 %			>	-6.4 %		
)								
Cost of material	Cost of servic excl. Rents		Labour costs 1-3 2013	Amortizatio depreciat		Other expenses		Mercator

Employees optimisation in accordance with plan



Number of employees will further decrease due to:

- Closure of company in Bulgaria.
- Closure of company in Albania.
- Process of reorganisation in Mercator, d.d.

Employees in administration in Mercator Group





250,000 new and re-activated card holders within two months of Pika

re-launch



TOGETHER AT EVERY STEP

During re-launch 43k Getro card holders in Croatia were re-directed into Pika loyalty scheme

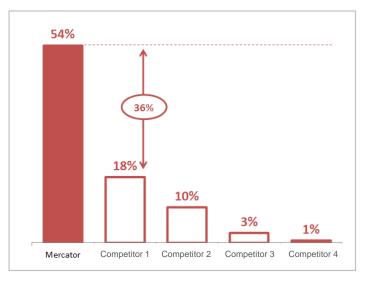
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Mercator

Our competitive advantages, that are identified in Strategy, are already recognised by consumers.

The best provider of local, Slovenian products

Average Oct 12-Apr 2012, percentage of consumers who consider



Key characteristic that Mercator services are known for,

- · Wide offer / choice of Slovenian products
- Friendly staff / help / attitude
- Quality / fresh products
- Wide offer / choice
- Location / proximity

Source: Valicon, May 2013

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Mercator Group will continue its policy of strategic restructuring and cost rationalization in all segments.





Strategic actions, set-up in strategic plan, will be implemented as planned. At the same time new actions, as response to aggravated economic conditions, will be prepared..

Redefining the concept of store formats		 Refurbishment of first stores by the concept "Neighbour" Establishing the right offer intended to meet daily needs of customers Segmented price range within each product category management or product segment The introduction of innovative technology and digital solutions (eg. New web store)
Emphasise on local	5	 The project "Meat grown in Slovenia" (at regular sale we serve 100% in Slovenia grown fresh meet) The project "Localy produced" (in 2013 we will increase a purchase of Slovenian fruit and vegetables by more than a quarter (27%))
Development of private label		 Private label Lumpi: we will add new products Bonus Plus line: renewal of selection of core products at affordable prices The central private label Mercator: products for consumers with special nutritional needs Line Pro Magic: we will strengthen our offer of eco cleaning products and refined existing products in accordance with European guidelines Line Minute: products in line Minute will be supplemented with new ones that will be in line with consumer trends who, despite their lack of time, want a ready meal or snack Products with Bio certificate: expanding the range of products
Further development of Pika card loyalty system		The second wave of innovations in the system Pika

Comprehensive measures to improve business performance.

- Defined strategy is being successfully implemented results are already seen in two of the pillars (focus and optimisation)
- The consumer noticed the change in Mercator
- Activities aiming to set up the right offer, that will be even more consumer orientated (restructuring Neighbourhood stores, improvement and consolidation od assortment, offer of products in projects " Meat grown in Slovenia" and "Locally produced", development of private label, upgrade of Pika system)
- Additional measures are being prepared to achieve better results; results are expected to be seen at the end of the year .



Thank you.



