

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

Ljubljana, May 15, 2013



Mercator

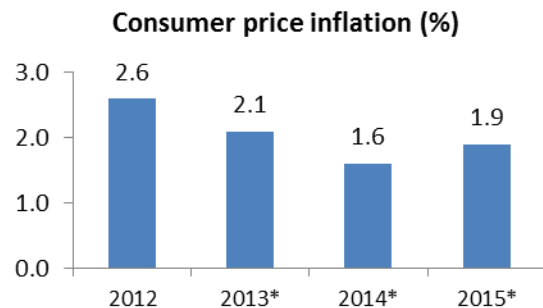
Macroeconomic conditions have negative impact on business environment.

**Further
deterioration
in
economic
situation.**

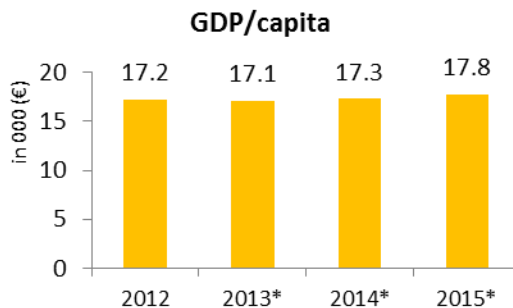
- Expected negative growth of GDP in the Eurozone in comparison to initially expected GDP growth.
- Although private consumption was expected to deteriorate, the drop is even higher than expected.
- Lower consumer confidence -> rationalization of consumption, more shopping for lower-priced products
- 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.



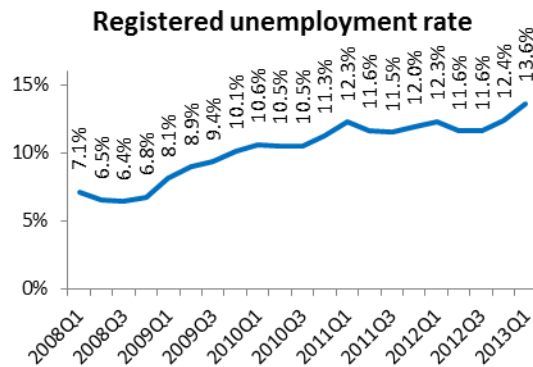
Source: IMAD



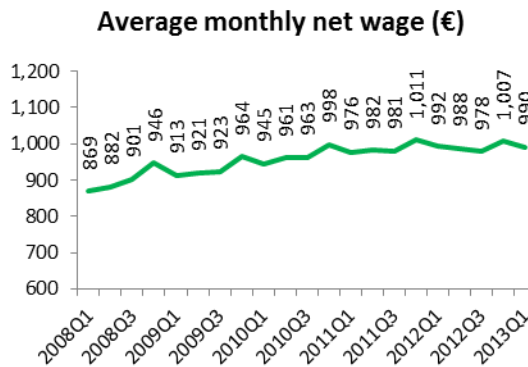
Source: IMAD



Source: IMAD



Source: IMAD



Source: IMAD

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

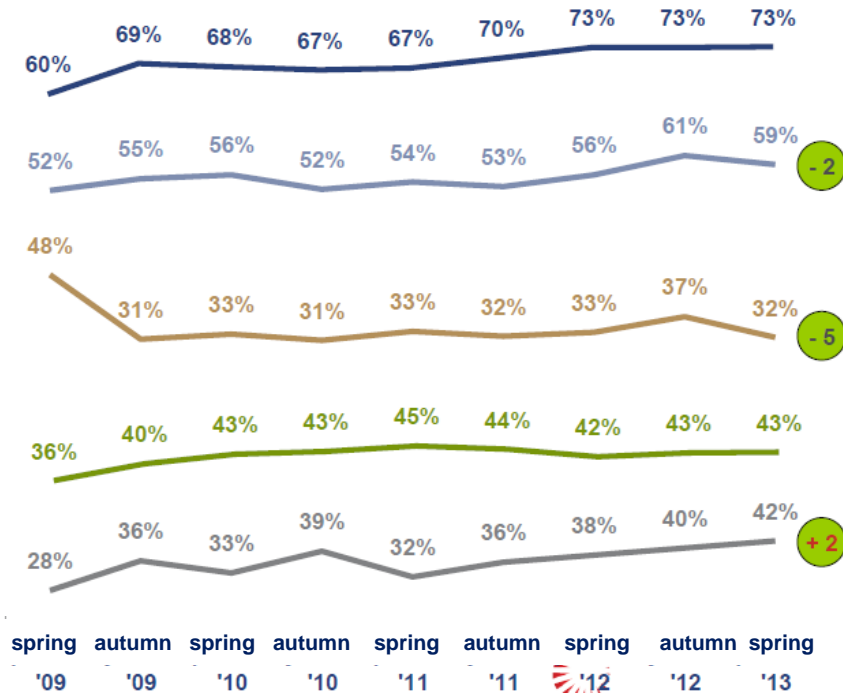
When comparing my shopping today with shopping six months ago, I can say that today my purchases are more planned and thoughtful.

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

Today I choose more private label offer.

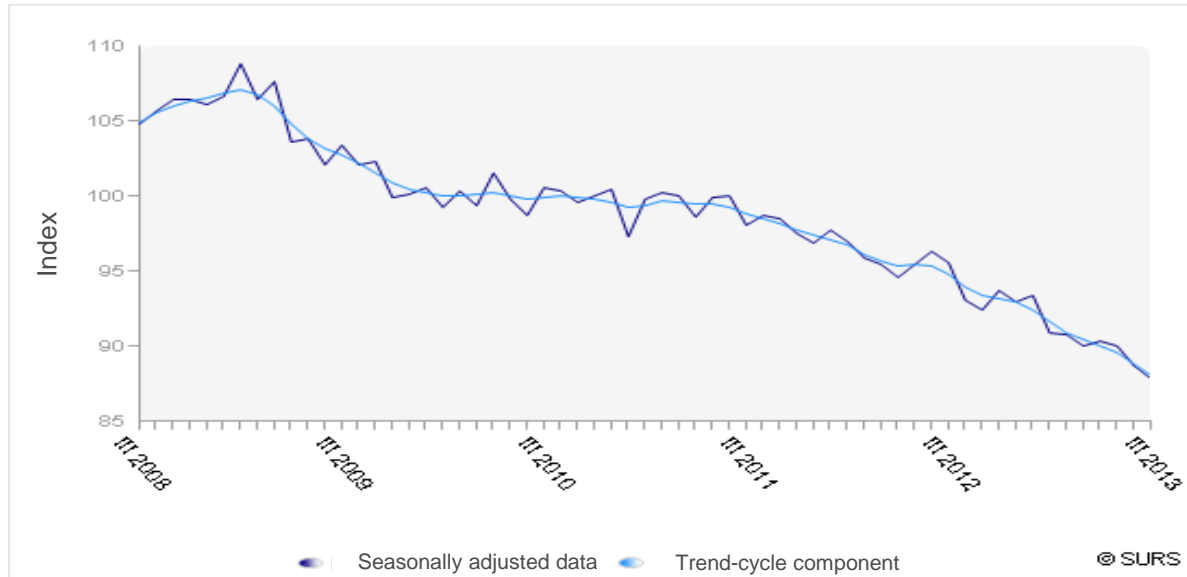
Rather than one big purchase I choose to purchase lower amounts more frequently.

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.

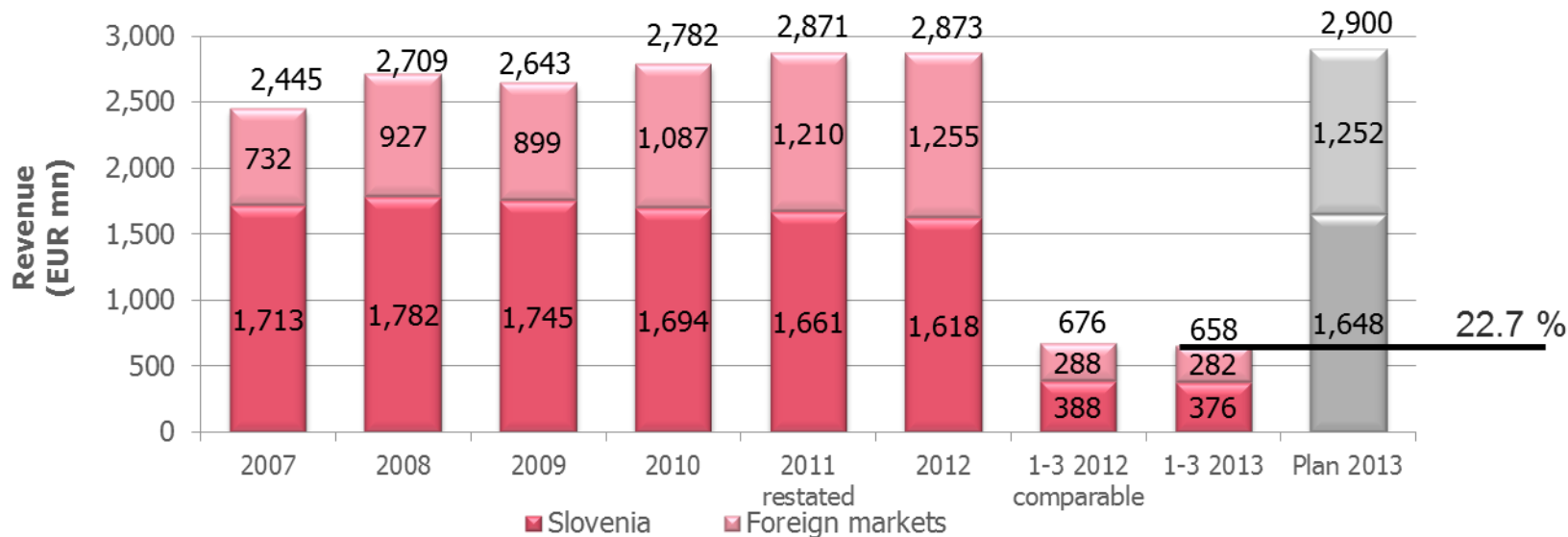
	1-3 2013	1-3 2012 comparable*	Plan 1-3 2013	Index 1-3 2013/ 1-3 2012 comparable*	Index 1-3 2013 / Plan 1-3 2013
Revenue (EURt)	658,417	676,101	694,212	97.4	94.8
Results from operating activities (EURt)	983	13,802	7,339	7.1	13.4
Profit before income tax (EURt)	-8,634	-6,659	-7,644	129.7	113.0
Profit for 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.

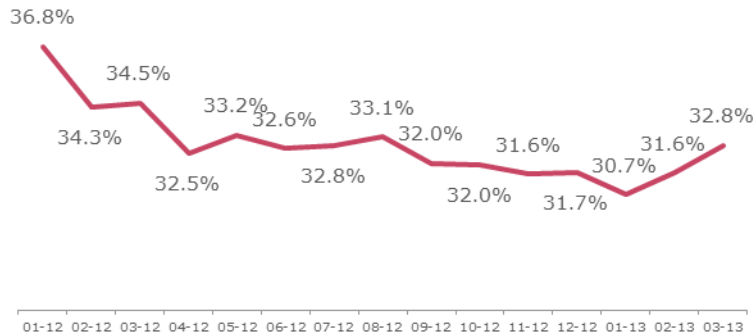


First operational measures delivering results: after several years of decline market share has stabilised / is growing

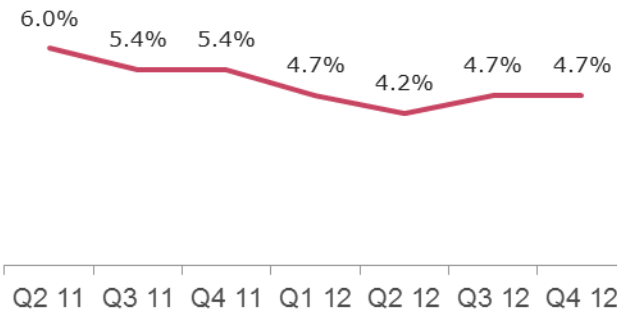
After several years of MS decline, we have observed positive results in the last months in both, Slovenia and in Croatia

Mercator continues to perform strongly in Serbia and BIH.

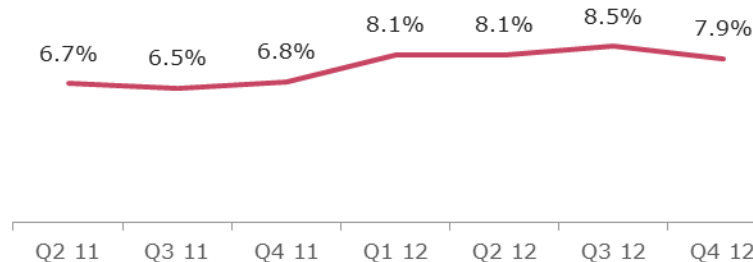
SLOVENIA



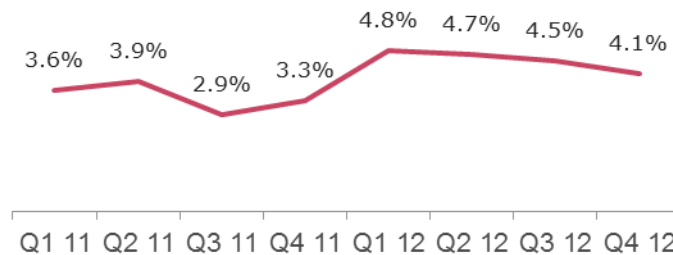
CROATIA



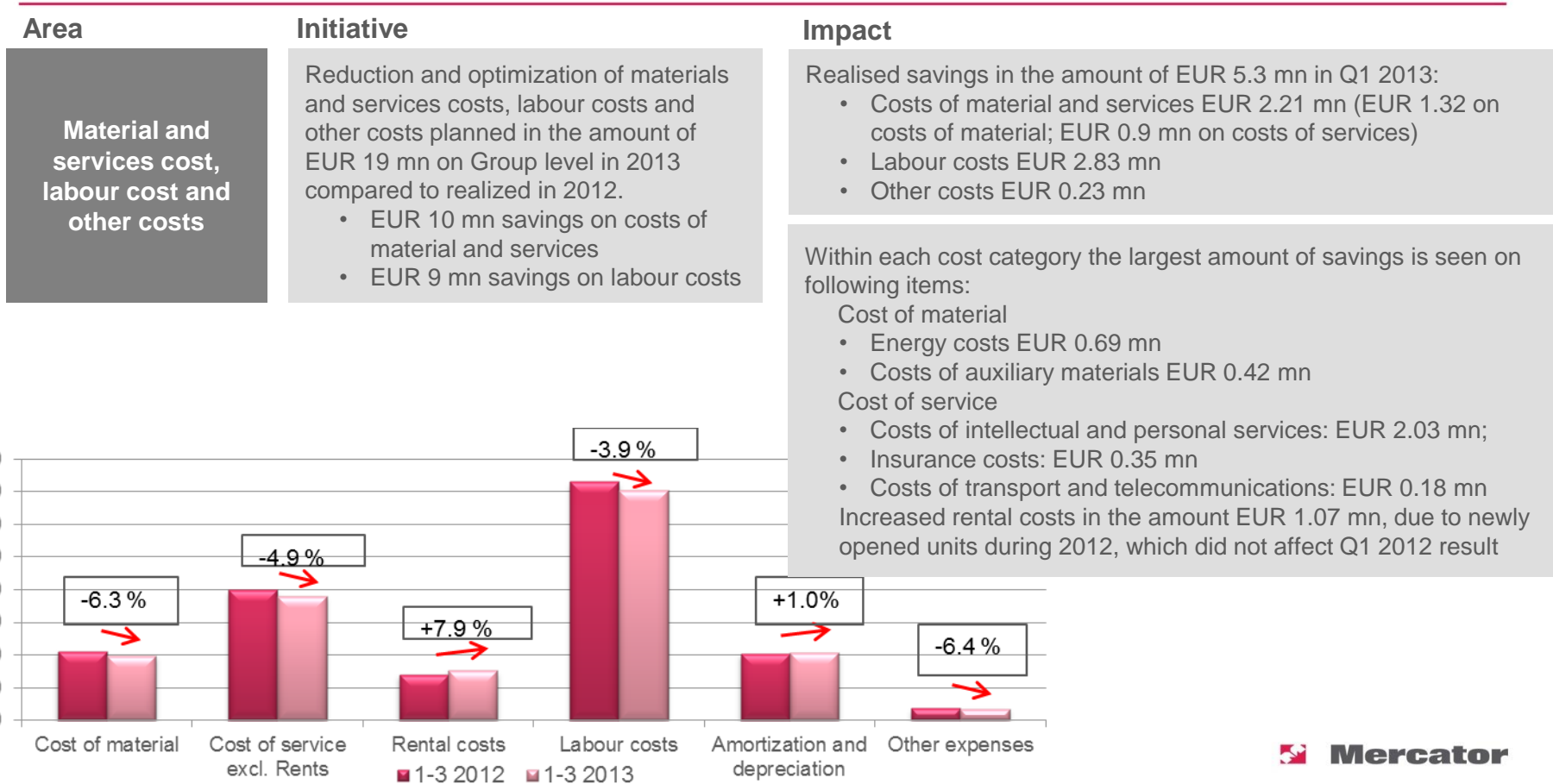
SERBIA



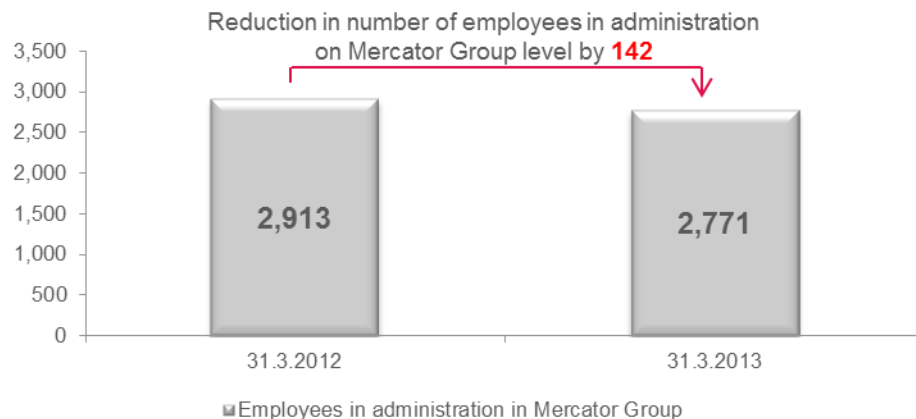
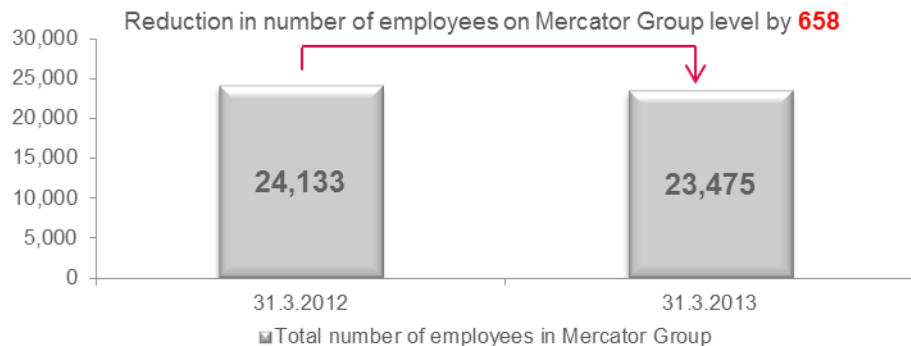
BOSNA IN HERZEGOVINA



Realised cost reduction was higher than planned.



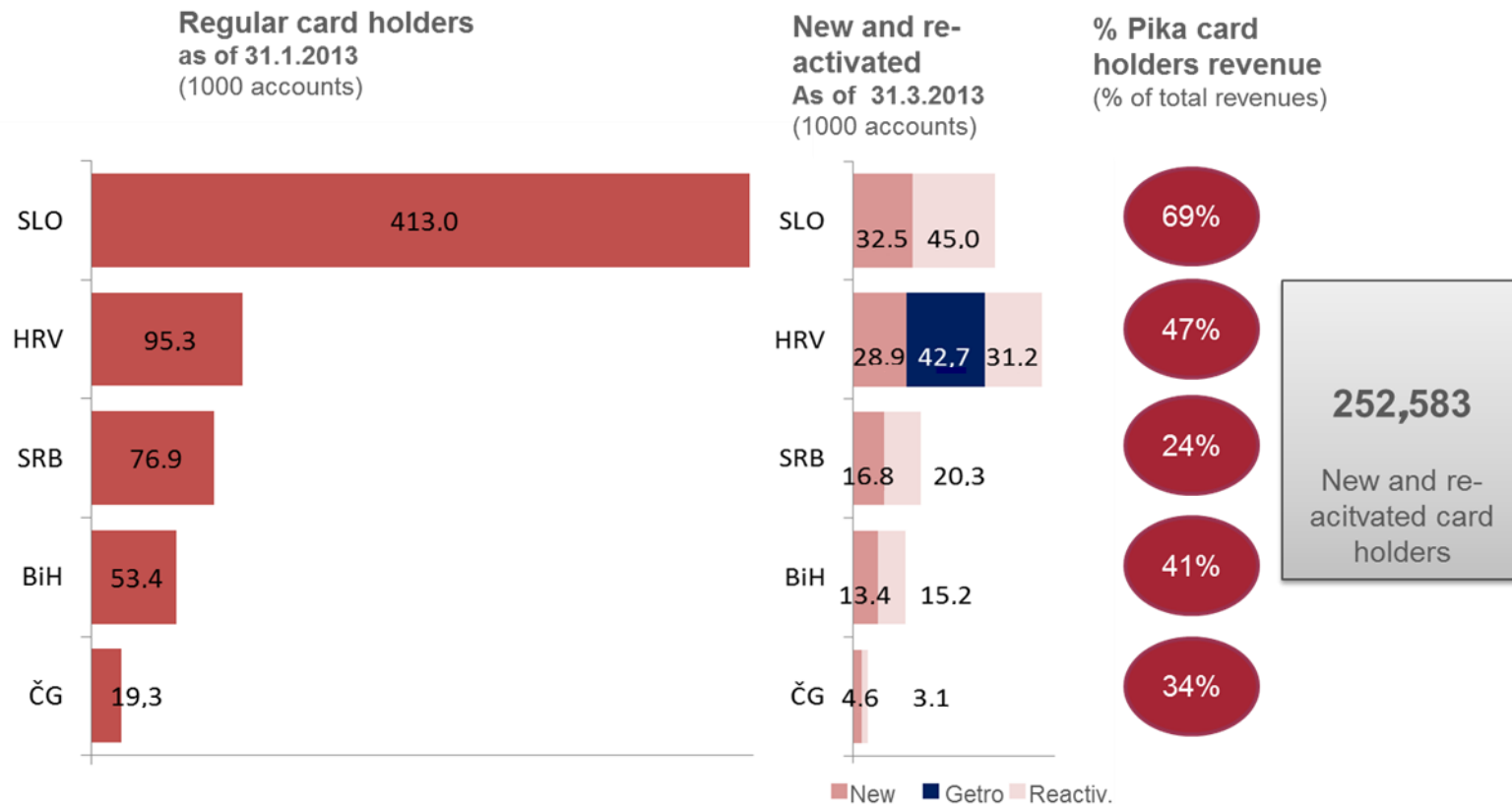
Employees optimisation in accordance with plan



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.

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

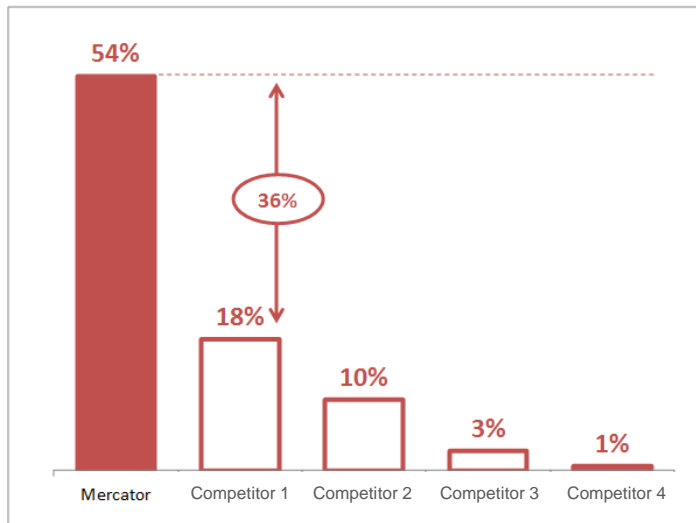


During re-launch 43k Getro card holders in Croatia were re-directed into Pika loyalty scheme

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



Source: Valicon, May 2013

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

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..



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 of 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.