

## **Prospectus for the listing of 2,325,582 shares of the company POSLOVNI SISTEM MERCATOR, d.d., Dunajska cesta 107, Ljubljana, for trading on the regulated market**

This prospectus (hereinafter referred to as the "Prospectus") is announced for the purpose of listing the 2,325,582 ordinary registered no par value shares of the company POSLOVNI SISTEM MERCATOR, d.d. (abbreviated company name: MERCATOR, d.d.) (hereinafter also referred to as "Mercator" or the "Issuer"), with the symbol MELR for trading on the regulated market of the LJUBLJANA STOCK EXCHANGE (Ljubljanska borza, d.d.) (hereinafter referred to as "LJSE") in the Prime Market segment of the stock market.

Based on the resolution adopted at the extraordinary general meeting of the company POSLOVNI SISTEM MERCATOR, d.d., dated October 21, 2014, the company POSLOVNI SISTEM MERCATOR, d.d., issued the 2,325,582 shares as a part of the share capital increase with new in-kind and cash contributions. This procedure of share capital increase by new in-kind and cash contributions was carried out in compliance with the "Debt-to-Equity Swap Commitment" adopted by the company AGROKOR koncern za upravljanje društvima, proizvodnju i trgovinu poljoprivrednim proizvodima, dioničko društvo, Trg Dražena Petrovića 3, Zagreb, Republic of Croatia (hereinafter "Agrokor, d.d.") and the company Agrokor Investments B.V., Prins Bernhardplein 200, 1097 JB, Amsterdam, Kingdom of Netherlands (hereinafter "Agrokor Investments B.V.") in relation to the company POSLOVNI SISTEM MERCATOR, d.d., and the company Global Loan Agency Services Limited (as the creditor agent), based on the "Agreement on the Approval of Debt Restructuring at the Corporate Group of the Company POSLOVNI SISTEM MERCATOR, d.d." Pursuant to this Debt-to-Equity Swap Commitment, the companies Agrokor, d.d., and Agrokor Investments B.V. adopted the obligation to swap their receivables payable by the company POSLOVNI SISTEM MERCATOR, d.d., with the principal, amounting to EUR 200,000,000.00, as specified in the "EUR 220,000,000.00 Super Subordinated Loan Agreement" dated June 26, 2014, signed between the company POSLOVNI SISTEM MERCATOR, d.d., as the debtor and the companies Agrokor Investments B.V. and Agrokor, d.d., as the creditors, to equity of the company POSLOVNI SISTEM MERCATOR, d.d., for the emission amount per share which shall be at least equal to the price per share as offered in the takeover bid by the company Agrokor, d.d., for a total of 1,765,083 ordinary registered no par value shares bearing voting right, with the symbol MELR of the (target) company POSLOVNI SISTEM MERCATOR, d.d. (i.e. EUR 86 per share), which the Securities Market Agency found to be successful with the decision Ref. No. 40201-6/2014-15 dated September 2, 2014 (the "Takeover Bid").

Fulfilling the Debt-to-Equity Swap Commitment, the company Agrokor, d.d., requested as the Issuer's shareholder the convocation of the Shareholders Assembly and proposed in the request for Shareholders Assembly convocation to

adopt a resolution to issue for the increase of share capital at least 2,325,582 ordinary registered no par value shares in dematerialized form with the notional value of EUR 41.73, which shall be of the same class as the already issued ordinary registered no par value shares of the Company, and which shall grant their respective shareholders (i) the right to participate in Company management, (ii) the right to participate in the Company profits (dividend), (iii) the right to a proportional share of the remaining property/estate in case of the company bankruptcy or liquidation. In doing so, the company Agrokor, d.d., stated as the criterion for the success of the issue of shares the subscription and payment of no less than 2,325,582 shares. If fewer than 2,325,582 shares had been subscribed and paid up within the deadlines for subscription and payment of shares by cash and in-kind contributions, then the subscription of all shares would have been deemed invalid and any subscription would have been invalidated. Thus, the company Agrokor, d.d., pursued in the very request for Shareholders Assembly convocation its obligation arising from the Debt-to-Equity Swap Commitment to covert its receivable payable by the company POSLOVNI SISTEM MERCATOR, d.d., with the principle amounting to EUR 200,000,000.00 as specified in the "EUR 220,000,000.00 Super Subordinated Loan Agreement", into equity of the company POSLOVNI SISTEM MERCATOR, d.d., with the emission amount per share at least equal to the price per share offered in the Takeover Bid, i.e. EUR 86 per share.

On October 28, 2014, the company Agrokor Investments B.V., address Prins Bernhardplein 200, 1097 JB, Amsterdam, Kingdom of Netherlands (hereinafter "Agrokor Investments B.V."), paid up all 2,325,582 shares with a cash payment of EUR 52.00 and in-kind contribution by transferring as the subject of the in-kind contribution to the company POSLOVNI SISTEM MERCATOR, d.d., its receivable to this company, with the principle amounting to EUR 200,000,000.00, based on the "EUR 220,000,000.00 Super Subordinated Loan Agreement" dated June 26, 2014. Thus, the company Agrokor, d.d., fulfilled the condition from the Debt-to-Equity Swap Commitment to covert its receivable payable by the company POSLOVNI SISTEM MERCATOR, d.d., with the principle amounting to EUR 200,000,000.00 as specified in the "EUR 220,000,000.00 Super Subordinated Loan Agreement", into equity of the company POSLOVNI SISTEM MERCATOR, d.d., with the emission amount per share at least equal to the price per share offered in the Takeover Bid, i.e. EUR 86 per share. The Issuer anticipates that the 2,325,582 shares will be handed over to the holder of the right to receive the shares through KDD – Central Securities Clearing Corporation (Klirinško depotna družba) (hereinafter "KDD") no later than in November 2014.

The existing shares of the company POSLOVNI SISTEM MERCATOR, d.d., with the symbol MELR, are traded in Prime Market segment of the LJSE. A request will be filed with the LJSE to increase the number of shares in the Prime Market segment of the stock market by 2,325,582 MELR shares. The issuer will not list the 2,325,582 shares of the company POSLOVNI SISTEM MERCATOR, d.d., for trading on any regulated market other than the LJSE. Trading with the 2,325,582 MELR shares is expected to start in November 2014.

**KEY INFORMATION ABOUT THIS PROSPECTUS**

This prospectus, along with its extract (hereinafter: the "Slovenian Prospectus") is drawn up entirely in Slovenian language and it has been confirmed by the Securities Market Agency. In addition to the Prospectus and the Prospectus Summary, the Issuer also provided the English translation of the summary of the Slovenian Prospectus (hereinafter: the "English Prospectus"). The term "Prospectuses" as used here pertains to the Slovenian Prospectus and English Prospectus.

This Prospectus will be announced in electronic form on the Ljubljana Stock Exchange website ([www.ljse.si](http://www.ljse.si)) and the Issuer's website ([www.mercatorgroup.si](http://www.mercatorgroup.si)) in the manner compliant with the relevant regulations.

The Issuer assumes responsibility for information included in this prospectus. The Issuer declares to have made sure with due diligence that the information in this Prospectus reflects the actual state of affairs and that nothing has been omitted which could affect the importance of such information.

In case of delivery of this prospectus or in case of trading with the shares based on this prospectus, this shall in no way be deemed to mean that no changes regarding the Issuer or the Issuer's subsidiaries as a whole ("Mercator Group") have occurred in the period since the date of this Prospectus, nor shall this mean that the information in the Prospectus is accurate as at any date later than the date of preparation of this Prospectus.

In making the investment decision, potential investors should rely on their own knowledge of the Mercator Group and the contents of this Prospectus, including all and any relevant risks. Distribution of this prospectus and sale of new shares may be limited or restricted by law in some jurisdictions. The Issuer demands that all persons who receive this Prospectus obtain information themselves about such restrictions and observe them. This Prospectus does not represent an offer or an invitation to submit an offer or to purchase the Issuer's registered no par value shares in any jurisdiction where such offer or sale would be illegal.

**ANNOUNCEMENT TO THE INVESTORS**

Due to restrictions specified hereinafter, potential investors should consult a legal consultant before making any offers, selling, pledging, or transferring in any other way the shares listed for trading based on this Prospectus. No action has been taken for registration or qualification of new shares or to allow in any other way the listing of new shares to any regulated market other than the LJSE. Distribution of this Prospectus and sale of new shares may be restricted or limited in some jurisdictions. Therefore, the persons who receive or obtain this Prospectus should be informed about such restrictions and observe them, including limitations and restrictions specified hereinafter. Failure to observe these restrictions constitutes a breach of legislation regulating the transactions with securities in such jurisdictions.

Information in this Prospectus are not investment recommendations, nor should it be considered investment, tax or other professional consulting or advice. For

such advice or consulting, each potential investor should contact an attorney or legal expert, tax consultant or other relevant expert. The Issuer does not guarantee to any existing or new buyer that his or her purchase of the new shares is compliant with the relevant legislation.

#### **DISCLAIMER REGARDING THE FORWARD-LOOKING STATEMENTS**

This Prospectus includes forward-looking statements which include all statements except for those related to past facts, including, without prejudice to any other, those statements involving or including before or after them the expressions "plans", "believes", "expects", "targets", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or negations thereof. Such statements about the future include known and unknown risks, uncertainties, and other relevant factors that are beyond the Mercator Group's influence or control, which could result in actual results, operations, or performance being materially or considerably different from any future results, operations, or performance as stated or contained in such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the current and future business strategy and the environment in which the Mercator Group is operating at the moment and in which the Mercator Group will operate in the future. Material factors that may cause the actual results, operations, or performance of the Mercator Group to significantly deviate from those that are put forward by the forward-looking statements include those specified in the sections "Financial Highlights", "Risk Factors", "Information about the Issuer", "Overview of Operations and Performance", "Operations and Financial Overview", "Information on Trends", and in other parts of this Prospectus. These forward-looking statements only apply as at the date of this Prospectus. The Issuer expressly rejects any obligation or liability or commitment to send any updates or amendments of the forward-looking statements contained in this Prospectus, which would reflect the changes in the Issuer's forecasts about such statements, or any changes of events, conditions, or circumstances based on which the forward-looking statements were made, unless required by the relevant legislation or regulations for listing on the Ljubljana Stock Exchange, d.d. ("LJSE").

The investors should be aware that several relevant factors may cause the actual results to differ considerably from the plans, goals, expectations, estimates, and forecasts expressed in such forward-looking statements. These factors include, inter alia:

- effect of competition in the regions of Mercator operations;
- general economic conditions and market factors;
- ability of the Mercator Group to effectively pursue its business strategy;
- ability of the Mercator Group to draw and/or keep qualified and competent human resources;
- ability of the Mercator Group to maintain or expand its market share for its products and services and to control its costs and expenses;
- ability of the Mercator Group to provide financing for its operations and refinancing;
- Mercator Group's effectiveness in the management of risks arising from such factors.

The list of material factors is not exhaustive or definitive. In relying on the forward-looking statements, the investors shall examine and study with due diligence the factors referred to above, as well as other contingencies and events, especially in the light of political, economic, social, and legal environment in which Mercator Group is operating. The Issuer shall provide no guarantees or forecasts that the results anticipated in such forward-looking statements shall in fact be accomplished. These forward-looking statements represent in any case but one of the possible scenarios which shall not be construed to be the most probable, likely, or standard.



**Mercator**

**Summary of the Prospectus for the  
listing of 2,325,582 shares with the  
code MELR of the Issuer POSLOVNI  
SISTEM MERCATOR, d.d., for trading in  
the regulated market**

Ljubljana, November 2014

**Summary of the prospectus for regulated trading with the shares based  
on the permit issued by the Securities Market Agency No. 40200-  
9/2014-5 dated November 5, 2014**

**Section A – Introduction and notes**

**A.1 Note**

Also prepared in addition to this Prospectus summary was the prospectus which includes detailed information that allow insight into the legal status of the Issuer, the Issuer's financial position and business possibilities, and rights pertaining to the shares.

The Prospectus summary should be understood as an introduction to the Prospectus and it should be read in conjunction with the latter. Prospectus summary only includes the basic information and risks related to the Issuer and the shares that are subject to listing for trading on the regulated market; it does not include all information that may be of relevance for potential investors. A decision on the part of any investor to acquire the shares should be based on an examination of the entire Prospectus.

If a claim is made in a court of law with regard to the information from the Prospectus, the prosecuting party shall, pursuant to the national legislation of the member states, bear the costs of a translation of the Prospectus prior to the start of the court proceedings.

Any responsibility under civil law shall be restricted exclusively to the persons who submitted the summary including a translation thereof, but only if the summary is misleading, inaccurate, or non-compliant or contradictory when read or examined in conjunction with other parts of the Prospectus, or if it fails to provide the key information that could aid the investors in making a decision about an investment into such securities, when read or examined in conjunction with other parts of the Prospectus.

**Section B – Issuer of the shares**

**B.1 Legal and business name of the Issuer**

**Company name:** POSLOVNI SISTEM MERCATOR, d.d.  
**Abbreviated name:** MERCATOR, d.d.

**B.2 Head office and legal form of the issuer, legislation regulating the Issuer's business, and country of founding**

<b>Registered office:</b>	Ljubljana
<b>Address:</b>	Dunajska cesta 107, Ljubljana
<b>Organizational form:</b>	Public limited company
<b>Country of founding:</b>	Slovenia
<b>Legislation:</b>	The Issuer is founded and operates pursuant to the legislation of the Republic of Slovenia.

### **B.3 Issuer's operations, main activities, and main markets of operation**

Mercator Group is one of the largest corporate groups in Slovenia and in the entire Southeastern European region. POSLOVNI SISTEM MERCATOR, d.d., headquartered in Slovenia, is the parent company of the Mercator Group.

The primary and key activity of the Mercator Group is retail of fast-moving consumer goods. This core activity is extended with offer or supplementary services. Thus, we are looking to present to our customers a comprehensive offer that will fit their needs and desires.

#### **Fast-moving consumer goods**

In the dense and extensive retail network in Slovenia and abroad, we offer a wide and quality offer of fast-moving consumer goods to satisfy all wishes, tastes, and needs of our customers.

#### **Home products**

In the M Tehnika (technical consumer goods) and M Gradnja (construction), we offer everything for the home, including construction materials, equipment, home appliances, white goods, and consumer electronics.

#### **Cosmetics, textile, and sports equipment program**

We provide our customers a comprehensive offer in the market, ranging from cosmetics in the Beautique stores, to textile at Modiana stores, and sports equipment at the Intersport stores.

#### **Service activities and manufacturing**

We also offer catering services at our restaurants. Our tourist or travel services are offered at our M Holidays offices. We operate a network of Maxen petrol stations to supply fuel to our customers. Mercator Group also includes the manufacturing company Mercator - Emba, d.d., whose key activities include coffee processing, production of instant beverages and hot chocolate, dessert icings, grain products, and packed dried fruit and nuts. Mercator IP, d.o.o., is a manufacturing and service company operating according to a modern concept of employment of persons with disabilities, to whom the company pays particular attention.

#### **Mercator Real Estate**

Due to the extensive amount of real property owned by our Group, real estate is treated as a special business segment with the fundamental goal of optimum real estate management.

Mercator Group operations and performance in the period 2011–2013

EUR million	Slovenia			Other countries			Group		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Revenue	1,661	1,618	1,563	1,210	1,255	1,203	2,871	2,873	2,766
Assets	1,422	1,298	1,256	1,192	1,082	1,048	2,614	2,379	2,304

The Issuer's operations and performance are presented in more detail in the Slovenian Prospectus in Section 11.



## **B.4 Key most recent trends**

### **Store formats, customer segments, and category management**

Mercator Group's retail units are present in five markets of different economic maturity. Moreover, consumer behaviour has changed dramatically in recent years as a result of a number of trends from the environment, which has increased the complexity of operations. Like most of the world's leading retailers, Mercator is seeking to adapt to these changes as much as possible by diversifying its store formats.

After years of expansion of large stores, small box stores are again coming to the forefront. Moreover, redesign of the existing retail networks, i.e. new concepts at existing locations, is increasingly important, along with intensive development of e-commerce in which conventional brick-and-mortar stores take the role of pick-up points for orders placed over the internet.

### **Changes in consumer behaviour and effect of the market situation on consumption**

The stagnation of household consumption has continued in most markets, and unemployment rate remains high. The future is viewed with slight optimism and somewhat more positive expectations.

The consumers still exhibit the same changed shopping behaviour which they adopted upon the onset of the economic crisis: their shopping is more rational and planned, they prefer more inexpensive products, they are more responsive to special offers and promotions, and they tend to buy more private label products. Their shopping is dispersed over several retailers. Instead of one major shopping session, they break it down into several smaller shopping trips, and they visit the discount retailers more often.

Improvement in consumption is not expected yet. The consumers are more rational and price-sensitive. They tend to plan their shopping and they do not opt for major shopping sessions. Their rational shopping behaviour also means preference of cheaper brands and turning more often to products included in special offers. They shop less and more frequently, with lower value of each shopping cart.

## **B.5 Description of the Mercator Group and the Issuer's position within the Group**

Mercator Group is one of the largest corporate groups in Slovenia and in the entire Southeastern European region. Five of the companies comprising the Group are located in Slovenia, while the following subsidiaries operate in the other markets of Southeastern Europe: Mercator-S, d.o.o., Mercator-H, d.o.o., Mercator BH, d.o.o., M-BL, d.o.o., Mercator-CG, d.o.o.; the companies Mercator Macedonia and Investment Internacional do not conduct any activity; and the company Mercator-B is in liquidation proceedings. Poslovni sistem Mercator, d.d., headquartered in the Republic of Slovenia, is the parent company of the Mercator Group.

As at June 30, 2014 Mercator Group consisted of the following companies:

MERCATOR GROUP	
MERCATOR OPERATIONS SLOVENIA AND CROATIA	OTHER OPERATING ACTIVITIES
<b>Poslovni sistem Mercator, d.d., Slovenia</b> Mercator-H, d.o.o., Croatia (99.9%) Mercator IP, d.o.o., Slovenia (100.0%) M-Energija, d.o.o., Slovenia (100.0%)	Intersport ISI, d.o.o., Slovenia (100.0%) Modiana, d.o.o., Slovenia (100.0%)* Mercator-Emba, d.d., Slovenia (100.0%)
MERCATOR OPERATIONS SOUTHEASTERN EUROPE	MERCATOR REAL ESTATE
Mercator-S, d.o.o., Serbia (100.0%) Mercator-BH, d.o.o., Bosnia and Herzegovina (100.0%) M-BL, d.o.o., Bosnia and Herzegovina (100.0%) Mercator-CG, d.o.o., Montenegro (100.0%) Mercator-B, e.o.o.d., Bulgaria (100.0%)* Mercator Makedonija, d.o.o.e.l., Macedonia (100.0%)*	M-nepremičnine, d.o.o., Slovenia (100.0%)* Investment Internacional, d.o.o.e.l., Macedonia (100.0%)*

\* The company does not conduct business operations.

\*\* The company is in the liquidation proceedings.

\*\*\* On July 1, 2014, the company was merged with Mercator, d.d.

## Branch Offices

As at June 30, 2014, Mercator Group companies did not have any branch offices.

## Other Organizations

The company Poslovni sistem Mercator, d.d., is the founder of the Mercator Humanitarian Foundation whose purpose is provision of humanitarian aid to Mercator employees.

The company Mercator-S, d.o.o., is the founder of the Mercator Solidarity Foundation (Fondacija solidarnosti Mercator) in Serbia; the company Mercator-CG, d.o.o., is the founder of the Mercator Solidarity Foundation (Fondacija solidarnosti Mercator) in Montenegro, and the company Mercator BH, d.o.o., is the founder of the Mercator Solidarity Fund (Fond solidarnosti Mercator) in Bosnia and Herzegovina. The purpose of these three organizations is to provide solidarity aid to employees in social or economic distress.

## **B.6 Holders of the issuer's shares with ownership share or voting rights requiring announcement or registration**

Following are the ten major shareholders of Mercator, d.d., shares as at September 30, 2014:

<b>Title</b>	<b>Number of shares</b>	<b>%</b>
AGROKOR, D.D.	3,040,597	80.75%
SOCIETE GENERALE – SPLITSKA BANKA, D.D. –	396,483	10.53%
HYPO ALPE-ADRIA – BANK, D.D., ZAGREB – F	173,464	4.61%
MERCATOR, d.d.	42,192	1.12%
GALIĆ JOSIP	21,525	0.57%
ERSTE GROUP BANK AG – CLIENT ACCOUNT – F	17,550	0.47%
GUSTAVIA BALKAN	10,000	0.27%
BANQUE PICTET AND CIE SA - FIDUCIARY ACC.	1,107	0.03%
CLEARSTREAM BANKING SA - FIDUCIARY ACCOUNT	969	0.03%
ZAGREBAČKA BANKA, D.D. – FIDUCIARY ACCOUNT	703	0.02%
<b>Total</b>	<b>3,704,590</b>	<b>98.39%</b>

### **Treasury shares**

	<b>Dec 31, 2011</b>	<b>Dec 31, 2012</b>	<b>Dec 31, 2013</b>
Number of MELR treasury shares	42,192	42,192	42,192

The number of treasury shares remained unchanged throughout 2014. The company holds 42,192 treasury shares, representing a 1.12-percent ownership share.

Shareholders have the right to participate in the management of the Company, the right to a share of the profits (dividend) and the right to a proportionate part of the remaining assets or estate following liquidation or bankruptcy of the Company, as specified by the law.

The Issuer's Articles of Association do not specify any other rights or benefits for the shareholders, nor do they specify any special liabilities, obligations, or restrictions. The Issuer's Articles of Association do not include any provisions limiting or restricting the transferability of shares by individual classes. All Issuer's shares are issued in dematerialized form, and they are entered in the central securities register with the Central Securities Clearing Corporation (KDD) with the symbol MELR.

## B.7 Financial highlights from previous years

Mercator Group performance in the years 2013, 2012, and 2011 – for more financial information, please refer to Slovenian Prospectus, Section 23.

	2011, adjusted	2012, adjusted	2013
<b>PROFIT FOR THE PERIOD</b>			
Revenue (EUR thousand)	2,870,971	2,873,186	2,765,868
Operating profit (EUR thousand)	76,841	-36,059	35,973
Profit before income tax (EUR thousand)	19,940	-102,165	-16,945
Net income/profit for the fiscal year (EUR thousand)	12,489	-96,506	-16,929
Gross cash flow from operating activities (EBITDA) (EUR thousand)	158,146	111,091	109,709
Gross cash flow from operating activities before rental expenses (EBITDAR) (EUR thousand)	202,330	167,328	166,107
<b>BALANCE SHEET</b>			
Balance sheet total (EUR thousand)	2,613,659	2,379,475	2,303,841
Equity (EUR thousand)	756,457	538,926	514,294
Net financial debt (EUR thousand)	1,091,145	1,023,509	977,326
<b>INVESTMENT ACTIVITIES</b>			
Capital expenditure (EUR thousand)	119,715	67,330	29,499
Long-term financial investments (EUR thousand)	2,248	9	0
<b>EMPLOYEES</b>			
Number of employees as at December 31	24,266	23,920	22,922
Number of employees based on hours worked	22,602	22,769	22,239
<b>INDICATORS</b>			
Productivity (EUR thousand)	127.0	126.2	124.4
Value added per employee (EUR thousand)	22.5	20.4	20.3
Net return on sales	0.4%	-3.4%	-0.6%
Net return on equity	2.4%	-13.9%	-3.2%
Net financial debt/equity	1.44	1.90	1.90
Net financial debt/EBITDA	6.90	9.21	8.91
Gross cash flows from operating activities (EBITDA)/revenue	5.5%	3.9%	4.0%
Gross cash flows from operating activities before rental expenses (EBITDAR)/revenue	7.0%	5.8%	6.0%
<b>SHARE</b>			
Market price per share as at December 31 (in EUR)	147.0	114.0	82.0
Dividend per share (in EUR)	8.00	6.00	0.00
Net earnings per share (in EUR)	3.3	-25.6	-4.5
<b>NUMBER OF COMPANIES AT THE GROUP</b>			
Number of companies at the Group as at December 31	25	35	17

## B.8 Interim financial highlights

Key interim information on Mercator Group performance in the first half of 2014

	1-6 2014	1-6 2013	Index 1-6 2014/1-6 2013
Revenue (EUR thousand)	1,299,927	1,356,426	95.8
Operating profit (EUR thousand)	11,832	11,346	104.3
Profit before income tax (EUR thousand)	(13,707)	(15,067)	91.0
Profit for the financial period (EUR thousand)	(13,707)	(15,149)	90.5
Gross cash flow from operating activities (EBITDA) (EUR thousand)	47,266	52,709	89.7
Gross cash flow from operating activities before rents (EBITDAR) (EUR thousand)	74,229	82,651	89.8
Equity as at June 30, 2014 (EUR thousand)**	500,651	653,739	76.6
Assets as at June 30, 2014 (EUR thousand)**	2,266,730	2,510,933	90.3
Capital expenditure (EUR thousand)	9,856	10,174	96.9
Net return on equity*	(4.7%)	(5.1%)	91.6
Net return on sales	(1.1%)	(1.1%)	94.4
Gross cash flows from operating activities / revenue	3.6%	3.9%	93.6
Gross cash flows from operating activities before rental expenses / revenue	5.7%	6.1%	93.7
Number of employees based on hours worked	21,098	22,031	92.9
Number of employees as at Jun 30, 2014	22,663	23,531	96.3

\* The indicator is adjusted to the annual level.

\*\* As at June 30, 2014, the buildings are valued based on revised accounting policies (purchase value); therefore, the figures are not comparable to the information as at June 30, 2013 (fair value).

### Interim financial information is unaudited

In the period 1-6 2014, Mercator Group generated revenue of EUR 1.3 billion, which is 4.2% less than in the same period of last year. Revenue dropped in all markets of Mercator operations, except for Montenegro where it rose by as much as 6.8%. Lower revenue is mostly a result of major changes in shopping behaviour of consumers, stringent competition in the market, withdrawal from the Bulgarian market, and closing down of some underperforming stores of the FMCG program, Modiana, and technical consumer goods program.

Our investments in the first half of 2014 amounted to EUR 9.9 million. A major part of this sum, as much as 44.8%, was used to refurbish existing stores. In the period at hand, a total of EUR 2.3 million of non-operating and underperforming assets were divested by the Mercator Group.

On June 09, 2014, the financial debt of the Issuer and the Issuer's subsidiaries was financially restructured (hereinafter: "Autonomous Restructuring"). Simultaneously with this process, Mercator Group financial leases were also restructured. The terms and conditions of the Autonomous Restructuring will be amended in the future to reflect the acquisition of the majority of Mercator shares by the company Agrokor, d.d. (hereinafter referred to as: "Combined Restructuring") pursuant to the terms and conditions of the "Agreement on the

Approval of Debt Restructuring at the entire Corporate Group" and "Agreement on the Approval of Debt Restructuring of the Serbian part of the Mercator Group", signed between the Mercator Group and its creditors on June 24, 2014 (such restructured borrowing arrangements and additional changes hereinafter jointly referred to as: "Mercator's Restructured Debt" or "Mercator's Restructured Borrowing Arrangements").

At the end of June, the company Agrokor, d.d., acquired just over 2 million shares of the company Mercator d.d., becoming a 53.12-percent shareholder of the company. In early July, Agrokor also announced their takeover intent, followed by a takeover bid on July 31, 2014 to acquire the remaining Issuer's shares. The Securities Market Agency found with the decision Ref. No. 40201-6/2014-15 dated September 2, 2014, that the takeover bid had been successful.

### **B.9 Profit forecast/estimate**

The issuer did not include a forecast or estimate of profit in the Prospectus because no financial data, comments, or estimates or forecasts pertaining to future periods (forward-looking statements) had been publicly announced.

### **B.10 Description of any reservations in the Audit Report regarding the past financial information**

The auditor's opinions on reported financial information and statements were unqualified.

### **B.11 Statement regarding working capital**

As at December 31, 2013 Mercator Group held EUR 528,827 thousand of current assets and EUR 1,374,612 thousand of current liabilities. As at December 31, 2013, the Issuer Mercator, d.d., held EUR 284,601 thousand of current assets and EUR 861,692 thousand of current liabilities.

Therefore, the issuer believes that such working capital is sufficient for the current requirements and that it allows a well-balanced balance sheet, and ensuring liquidity in a quality and reliable way.

## **Section C – Information on the shares**

### **C.1 Type and class of the shares admitted for trading**

The Prospectus pertains to 2,325,582 new dematerialized ordinary registered no par value shares with the notional value of EUR 41.73, which shall be of the same class as the already issued regular ordinary registered no-par value company shares.

Ordinary registered shares are issued with the symbol MELR and ISIN code SI0031100082. The shares shall be issued in dematerialized form by entry into the central register of dematerialized securities kept by the Central Securities Clearing Corporation (KDD).

In addition to the 3,765,361 ordinary MELR shares, the 2,325,582 new ordinary Issuer's shares will be admitted to trading in the regulated market of the LJUBLJANA STOCK EXCHANGE (LJUBLJANSKA BORZA, D.D.), Ljubljana (hereinafter "LJSE"), in the Prime Market segment of the stock market. Following the change in the number of shares in the stock market (expansion of listing), a total of 6,090,943 shares with the code MELR will be listed for trading.

## **C.2 Currency in which the shares are issued/denominated**

The shares are issued as no-par value shares and therefore are not denominated in any currency.

## **C.3 Number of shares issued and their nominal value**

As at October 29, 2014, share capital entered in the court register amounts to EUR 254,175,051.39. It is divided into 6,090,943 ordinary freely transferable registered no-par value shares with the symbol MELR.

The shares are issued as no-par value shares and therefore, no nominal value is specified.

## **C.4 Description of rights related to the shares**

All shares representing the Issuer's equity are of the same class. The shares entitle (give the right to) the shareholders to participate in the management of the Company, the right to a share of the profits (dividend), and the right to a proportionate part of the remaining assets or estate following liquidation or bankruptcy of the Company, as specified in the Issuer's Articles of Association.

The Issuer's Articles of Association do not specify any other rights or benefits for the shareholders, nor do they specify any special liabilities, obligations, or restrictions. The Issuer's Articles of Association do not include any provisions limiting or restricting the transferability of shares.

## **C.5 Transferability of shares**

The MELR shares are freely transferable pursuant to the effective regulations, Issuer's Articles of Association, and Rules and Regulations of the Central Securities Clearing Corporation (KDD).

## **C.6 Trading in the regulated market**

The shares to which this Prospectus pertains shall be listed for trading in the regulated market, i.e. LJSE, in the Prime Market segment where the existing shares of the issuer with the code MELR are already listed.

## **C.7 Dividend policy**

Pursuant to Mercator's restructured borrowing arrangements, restriction regarding the dividend and acquisition (and withdrawal) of shares will allow dividend and other distribution (i) with regard to restructured borrowing arrangements of the broad Corporate Group in cases when certain net leverage is attained; no breach event is in progress; and (ii) with regard to restructured Serbian borrowing arrangements, when a certain debt service cover ratio is attained and when the net leverage tests are attained; no breach event is in progress. New dividend policy following the change in the ownership structure has not yet been specified; it will, however, also depend on the terms and conditions of Mercator's financial arrangements.

## **Section D – Risks**

### **D.1 Risks related to the issuer and the industry**

Types of risks related to the Issuer can be classified into the following three groups:

- business risks
- financial risks

- operational risks

In addition, there are risks related to shares, which include the risk of share liquidity and the market risk.

All Issuer's risks listed above are detailed in Slovenian Prospectus "Risk Factors", in Item 2.

## **D.2 Risks related to the shares**

**Share liquidity:** The Issuer's shares are continuously traded on the LJSE. Changes in price per share will be subject to the market laws of supply and demand. Lack of active trading with the Issuer's shares may have a negative effect on the price per share and the share liquidity.

**Market risk:** Market risk: risk factors also include the so-called systematic or market risk, which involves the threat of a certain and persisting general drop in prices in the equity markets as a result of general market and economic conditions and circumstances. In addition, there is also the non-systematic risk, or risk of the Issuer, related directly to the Issuer.

## **Section E – Offering**

This Prospectus pertains exclusively to the admission of shares to trading in the regulated market.