



PRESENTATION DOCUMENT

**LISTING OF 12-MONTH COMMERCIAL PAPER
OF THE COMPANY POSLOVNI SISTEM MERCATOR, D.D., LJUBLJANA,
WITH THE SYMBOL MEL10
FOR TRADING IN THE REGULATED MARKET**

Ljubljana, June 2016

INTRODUCTION AND IMPORTANT NOTES

This presentation document (hereinafter referred to as the Presentation Document) is drawn up for the purpose of listing the newly issued commercial paper with the symbol MEL10 and ISIN code SI0032501569 (hereinafter: Commercial Paper) by the issuer the company Poslovni sistem Mercator, d.d., Dunajska cesta 107, 1000 Ljubljana, Slovenia (hereinafter: the Issuer or Mercator, d.d., or the Company) for trading in the regulated market, and to provide information about the Issuer and Commercial Paper to the existing and future holders of Commercial Paper.

Commercial Paper was issued in a public offering procedure carried out in the Republic of Slovenia and for which the rules on the publication of a prospectus are not binding. Pursuant to the provisions of the Financial Instruments Market Act (Official Journal of the Republic of Slovenia No. 67/2007, as subsequently changed and amended; hereinafter referred to as: ZTFI), the offering of Commercial Paper shall not be subject to the provisions of the 2nd chapter on the publication of a presentation document (prospectus) for offering of securities to the public, nor for the listing of securities for trading in the regulated market. Pursuant to Article 25 of the Financial Instruments Market Act (ZTFI), money market instruments specified in Article 7, Paragraph 4 of the same act, with maturity of less than 12 months, shall not be classified as securities. Therefore, Chapter 2 (two) of the Financial Instruments Market Act (ZTFI) does not apply to Commercial Paper subject to listing for trading in the regulated market.

The Presentation Document is not a prospectus as defined in the Financial Instruments Market Act (ZTFI) or in the EC Regulation No. 809/2004 (including all and any amendments and implementing rules: "The Prospectus Regulation"), nor a prospectus subject to the law of any other jurisdiction, and it has not been confirmed by any supervisory body.

In making the decision about investing into Commercial Paper, potential investors should rely on their own analysis of the Issuer and the contents of this Presentation Document, including all and any relevant risks. Information in the Presentation Document is not investment recommendations, nor should it be considered investment or personal consulting, legal, tax, or any other professional consulting or advice. For such advice or consulting, each potential investor should contact an attorney, tax consultant or other relevant expert. Before making a decision to invest in the offered Commercial Paper, this Presentation Document should be read in entirety. Furthermore, the investors should be aware and advised that the Presentation Document does not necessarily include all information required to analyse and evaluate the viability or justification of the purchase of the Commercial Paper. Any potential investor shall assume full responsibility for obtaining additional information in order to conduct analyses and estimates of the financial status and level of risk related to the Issuer, in the scope in and in the manner seen as required or fit by such investor. Furthermore, potential investor should be aware that operations, business performance and results, financial position, and outlooks of the Issuer could have changed since the date of preparation of this Presentation Document. Even in the event of such changes, this Presentation Document shall not be changed or amended by the Issuer.

The Presentation Document was prepared by the Issuer's responsible persons. Mercator, d.d., as the Issuer of the Commercial Paper, assumes full responsibility for the accuracy and completeness of information presented in this Presentation Document, as at the day of preparation of the Presentation Document. The Issuer's responsible persons ensure, having committed their full reasonable diligence, that to their best knowledge the information included in the Presentation Document complies with the facts and that no relevant information which could affect the meaning of this information or the Presentation Document was omitted, and that they have committed their full reasonable diligence to attain such compliance and completeness.

For expert consulting on preparation of the Presentation Document and services related to the offering or first offering of Commercial Paper in the Republic of Slovenia, subject to Slovenian law, and with regard to the issue of new Commercial Paper of the company through the central register of securities with the Central Securities Clearing Corporation (CDD) and listing of the Commercial Paper of the company on the regulated market of the Ljubljana Stock Exchange, the Issuer has signed a contract with Nova Ljubljanska banka d.d. (hereinafter NLB d.d.). Expert consulting provided by and documents prepared by NLB d.d., are not binding for the Issuer. The

Issuer may decide at own discretion whether to include the solutions, explanations, or notes proposed by NLB d.d., into the contents of the Issuer's documents, and specify at own discretion the final contents of all documents, including this Presentation Document. Therefore, NLB d.d., shall not be held responsible for the contents of the Presentation Document or the information herein. Moreover, NLB d.d., has not separately or independently reviewed the information presented in this Presentation Document. NLB d.d., does not make any warranties or representations, express or implied, as to the accuracy or completeness of information in this Presentation Document. No part of this Presentation Document shall be deemed or taken as a reference or in any way considered a promise or guarantee made by NLB d.d.

This Presentation Document may only be used for its expressly stated purpose. Use of the entire Presentation Document or parts thereof for any other purpose is not allowed. Unauthorized distribution, copying, and publication of the information or parts of the text from the Presentation Document are not allowed.

Unless expressly stated otherwise in this Presentation Document, no person or entity is authorized to provide any information or make any warranties or representations regarding the offering of Commercial Paper. Should anyone provide such information, the investors shall not rely on it as if such information was confirmed by the Issuer. In case of delivery of this Presentation Document or in case of sale to which this Presentation Document pertains, this shall in no way be deemed or assumed to mean that no changes regarding the Issuer or the Issuer's subsidiaries as a whole have occurred in the period from the date of preparation of this Presentation Document, nor shall this mean that the information in the Presentation Document is accurate as at any date later than the date of preparation of this Presentation Document.

This Presentation Document includes forward-looking forecasts or estimates of profit, i.e. statements regarding the future, rather than the past. These statements can be identified by the words such as "planned or budgeted", "believe", "anticipated", "target", "will", "may", "anticipate", "would", "could", or similar expressions and negations thereof. Such statements about the future include known and unknown risks, uncertainties, and other relevant factors that are beyond the Issuer'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 these 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 Issuer is currently operating and in which the Issuer will operate in the future. Relevant factors that could cause the Issuer's actual results, operations, and performance to differ considerably from those expressed in the forward-looking statements are those described in Chapter 2 ("Factors of risk") and elsewhere in this Presentation Document. These forward-looking statements shall only apply as at the date of the preparation of this Presentation Document. The Issuer expressly rejects any obligation or liability or commitment to send any updates or amendments of the forward-looking statements contained in this Presentation Document, 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. 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.

The Issuer regularly notifies the public about all relevant business events by means of announcements in the SEOnet information dissemination system of the Ljubljana Stock Exchange (Ljubljanska borza, d.d., Ljubljana, <http://seonet.ljse.si/>) and on the Issuer's website (<http://www.mercatorgroup.si/>).

PRESENTATION DOCUMENT SUMMARY (HEREINAFTER REFERRED TO AS: SUMMARY)

A. INTRODUCTORY NOTE

Also prepared in addition to this Presentation Document Summary was the Presentation Document 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 Commercial Paper.

Summary of the Presentation Document shall be understood as an introduction to the Presentation Document; therefore, the Summary should be read in conjunction with the Presentation Document. The Presentation Document includes more detailed information regarding the financial and legal status of the Issuer, as well as a more detailed analysis and specification of the rights and business possibilities based on the Commercial Paper. However, it should be noted that the Presentation Document does not necessarily include all information that could be necessary for assessment of justifiability or rationality of the purchase of the Issuer's Commercial Paper. Any potential investor shall assume full responsibility for obtaining additional information in order to conduct analyses and estimates of the financial status and level of risk related to the Issuer, in the scope in and in the manner seen as required or fit by such investor.

B. INFORMATION ABOUT THE ISSUER OF THE COMMERCIAL PAPER

| Mercator, d.d. | |
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| Telephone | +3861 560 10 00 |
| E-mail | info@mercator.si |
| Website | www.mercatorgroup.si |
| Company head office | Dunajska cesta 107, 1113 Ljubljana |
| Activity | Retail in non-specialized food retail outlets (G 47.110) |
| Registration number | 5300231 |
| VAT tax code | 45884595 |
| Company share capital as at March 31, 2016 | EUR 254,175,051.39 |
| Number of shares issued and paid-up as at March 31, 2016 | 6,090,943 |
| Share listing | Ljubljanska borza, d.d., official market, prime market, symbol MELR |

C. INFORMATION ABOUT THE FINANCIAL INSTRUMENT

Financial instrument type: Money market instrument – commercial paper, symbol MEL10. Commercial Paper is registered to the holder's name; it shall be issued in dematerialized form by entry into the central register of dematerialized securities kept by the Central Securities Clearing Corporation (CDD).

Size of issue and denomination structure: Total face value of the issue of Commercial Paper amounts to EUR 20,000,000.00.

Commercial Paper shall be issued in denominations of EUR 1,000.00. Total issue of Commercial Paper includes 20,000

denominations of EUR 1,000.00 each.

ISIN: SI0032501569

Interest rate: The interest rate shall be 1.75 % p.a. The Commercial Paper is a discount security. Interest shall be accrued in advance. Upon purchase of the Commercial Paper, interest shall be discounted from the face value of the Commercial Paper.

Interest shall be calculated by linear/simple method, accrued and payable at the end of period, based on the actual number of days to maturity (interest accrual period) and 360 days for one year. Interest is rounded to two decimal places and it shall accrue for the interest bearing period starting on June 6, 2016, and ending on the day of Commercial Paper maturity on June 5, 2017.

Restrictions to Commercial Paper transferability: Commercial Paper is freely transferable without limitations.

Method and period of payment of liabilities: Liabilities pertaining to the Commercial Paper shall be paid out in EUR.

No interest shall be paid. Interest shall be accrued in advance. Upon purchase of the Commercial Paper, interest shall be discounted from the face value of the Commercial Paper.

Liabilities pertaining to the Commercial Paper shall be paid out upon maturity on June 5, 2017, in the amount of the Commercial Paper face value. Payment shall be made in entirety in a single amount/instalment.

The Issuer shall pay out the liabilities pertaining to the Commercial Paper based on the records of security holders in the central register of securities kept by the CDD; the amounts due shall be paid out to accounts of the beneficiaries to payment pertaining to the Commercial Paper, as at the day of Commercial Paper maturity.

Each holder or beneficiary shall specify his or her euro account by providing the information on such account to the Issuer. If the beneficiary to any amount pertaining to the Commercial Paper fails to specify or provide information about his or her euro account in the way specified in this Presentation Document or in any other way specified by the Issuer in compliance with the relevant regulations until the fourth CDD business day before the date of maturity of the principal, then the Issuer shall be liable to pay out such amount to the beneficiary no sooner than on the fifth business day after the day when the beneficiary's account is specified or information on the account is provided in the correct manner, and the beneficiary shall not be entitled to any interest or any other payment as a result of such delay.

If the day on which the liabilities pertaining to the Commercial Paper are due is not a business day in the Republic of Slovenia, the payment shall be made on the first business day after the date of maturity. In such case, the beneficiary to the payment of

liabilities pertaining to the Commercial Paper shall not be entitled to any interest for the time from the maturity of the security until the first ensuing business day. Business day shall be deemed any day on which payments can be made in the Republic of Slovenia in domestic currency during regular working hours on a day that is not Saturday, Sunday, state holiday or other holiday.

Beneficiaries to payment of the principal: Beneficiary to payment of the principal is a person who is a legal holder of the Commercial Paper (or the right related to the Commercial Paper which gives the beneficiary the right to payment of the principal) as at the end of the fourth CDD business day before the day of maturity of the Commercial Paper.

Commercial paper status: Commercial Paper has no underlying insurance or guarantee. Settlement of liabilities and obligations pertaining to the Commercial Paper is guaranteed by the Issuer, against his entire assets.

The Issuer's liabilities pertaining to Commercial Paper shall be direct, unconditional, non-insured, and non-subordinated and shall be at least equivalent in terms of the order of repayment (*pari passu*) to all other Issuer's existing and future non-insured and non-subordinated liabilities.

Other rights based on the Commercial Paper: Except for the claims to the Issuer for the payment of principal of the Commercial Paper, the Commercial Paper shall not be deemed to bear any other right to the holder or other beneficiary; this also applies to the right to exchange the Commercial Paper for another type of financial instrument.

Holder of the Commercial Paper or other beneficiary registered in the central register shall not have the right to claim from the Issuer any premature payment of the principal pertaining to the Commercial Paper before the maturity date. The financial instrument does not include a clause or provision that would allow the Issuer the right to settle the Commercial Paper prematurely, before the maturity date.

Commitments/covenants and restrictions thereof regarding the issue of financial instruments: By issuing the Commercial Paper, the Issuer does not make any commitments or restrictions with regard to its operating policies.

D. SUMMARY OF RISKS ASSUMED BY THE HOLDER OF COMMERCIAL PAPER

Before adopting a decision to invest in Commercial Paper of the company Mercator, d.d., prospective investors should carefully examine the information provided in the Presentation Document, and consider the fact that the Presentation Document does not necessarily include all information required by the investor to make an informed decision on the purchase of the Commercial Paper.

Risks related to the Issuer

Before making a decision to invest in the offered Commercial Paper, this Presentation Document should be read in entirety. Furthermore, the investors should be aware and advised that the Presentation Document does not necessarily include all information required to analyse and evaluate the viability or justification of the purchase of the Commercial Paper.

The key risk assumed or faced by holders of the Commercial Paper or beneficiaries to payment based thereon is the risk that the Issuer is unable to pay the liabilities based on the Commercial Paper (hereinafter: risk of default). As a result, the Presentation Document includes in the chapter on risk factors those aspects that could affect the Issuer's ability to settle the liabilities based on the Commercial Paper. In addition, the presented risk factors do not include all possible risk factors. Therefore, prospective investors, making a decision regarding the purchase of the Commercial Paper of the company Mercator, d.d., should consider and factor in other risks that could affect such decision.

Based on the analysis of all fields of risks at Mercator Group, it has been found that the key risks at the entire Group level are divided into strategic, financial, operational, support, and compliance risks. Among those fields, Mercator Group's exposure in 2015 was the highest for financial risks, followed by risks of development of goods and service offer, corporate governance risk, risk of loss events, and risk of category and purchasing management performance. In all groups of risks, Mercator Group believes that among all companies of the Mercator Group, the company Mercator, d.d., has the highest exposure. The key reason in this respect is that the company generates the majority of EBITDA for the entire Mercator Group.

Risks pertaining to Commercial Paper

Risk of default

Holders of the Commercial Paper or beneficiaries to payment based thereon assume or face the risk that the Issuer is unable to pay the liabilities based on the Commercial Paper (risk of default). The Issuer's liabilities towards the holders or beneficiaries, based on the Commercial Paper, are backed by entire Issuer's property. The Commercial Paper is not backed by any underlying collateral or guarantee of the Issuer and the holders of Commercial Paper shall not have any preferential treatment relative to other creditors or claims regarding repayment.

Financial restructuring, agreed upon by the Mercator Group with its creditors on June 9, 2014, has an important effect on the Issuer's short-term liquidity. Pursuant to the agreement on the approval of debt restructuring of the broad Mercator Group, which includes Mercator Group debt restructuring in Slovenia, Bosnia and Herzegovina, Montenegro, and Croatia, the Issuer will start the repayment of his debt, consisting of several tranches and amounting to a total of EUR 607,414,748.07, after a two-year moratorium. The first partial tranche repayment is due on December 31, 2016 (EUR 10 million), followed by additional EUR 10 million due on June 30, 2017; all tranches are to be fully repaid by June 27, 2021.

Financial restructuring of the Mercator Group is described in more detail in chapter 9.2.3 of the Presentation Document.

Liquidity risk

Despite the fact that the Issuer intends to list the Commercial Paper for trading at the Ljubljana Stock Exchange, there is no guarantee that there will be considerable trading volume on the Ljubljana Stock Exchange. As a result, it is possible that a holder of Commercial Paper will not be able to dispose of it (sell it) before maturity. Low liquidity can also affect the market price of the Commercial Paper.

Interest rate risk

Commercial Paper shall be paid up upon issuance at discount based on the fixed interest rate. Hence, it is not interest-bearing security and the amount of liability upon maturity of the Commercial Paper is fixed and therefore not exposed to interest rate risk.

Risk of change of prices in the regulated market

Changes in market price of Commercial Paper in the regulated market depends on supply and demand for Commercial Paper and changes in interest rates in the market. Excess demand for Commercial Paper could lead to a higher price, and excess supply could lead to a decrease in the price of Commercial Paper. In case of higher interest rates in the market, Commercial Paper holders could request higher return for Commercial Paper, which in turn could lead to a lower price of Commercial Paper in the regulated market. In case of lower interest

rates in the market, Commercial Paper holders could expect lower return for Commercial Paper, which in turn could lead to a higher price of Commercial Paper in the regulated market.

Risk of reinvesting the principal and coupons of the Commercial Paper

Since the Commercial Paper does not pay out coupons, the investors are not exposed to reinvestment risk.

E. COMPANIES TAKING PART IN THE OFFERING OF COMMERCIAL PAPER

For expert consulting and services within the scope of Financial Instruments Market Act (ZTFI) regarding the first offering of Commercial Paper of the company Mercator, d.d., and issue thereof through the central register of securities with the Central Securities Clearing Corporation (CDD), and for services regarding the listing of the Commercial Paper on the regulated market of the Ljubljana Stock Exchange, the Issuer has signed a contract with NLB d.d.

F. OFFERING, SUBSCRIPTION, AND PAYMENT OF COMMERCIAL PAPER

Commercial Paper was issued in a public offering procedure carried out in the Republic of Slovenia and for which the rules on the publication of a prospectus are not binding. Pursuant to the provisions of the Financial Instruments Market Act (Official Journal of the Republic of Slovenia No. 67/2007, as subsequently changed and amended; hereinafter referred to as: ZTFI), the offering of Commercial Paper shall not be subject to the provisions of the 2nd chapter on the publication of a presentation document (prospectus) for offering of securities to the public, nor for the listing of securities for trading in the regulated market. Pursuant to Article 25 of the ZTFI, money market instruments specified in Article 7, Paragraph 4 of the same act, with maturity of less than 12 months, shall not be classified as securities. Therefore, Chapter 2 (two) of the ZTFI does not apply to Commercial Paper subject to listing for trading in the regulated market.

The Issuer did not sign any agreement with NLB d.d., on underwriting of the issue (first offering of Commercial Paper was carried out without underwriting obligation).

In the first offering, the Commercial Paper was subscribed and paid for at discount relative to the face value. Theoretical value of Commercial Paper as at each day before its maturity can be calculated using the formula presented in chapter 5 of the Presentation Document.

Sales price of Commercial Paper in the first offering in the form of a market rate was rounded to three decimal places and amounted as at June 6, 2016 (364 days to maturity) to 98.261%.

G. LISTING OF COMMERCIAL PAPER ON THE REGULATED MARKET

Commercial Paper shall be listed for trading in the bond market of the Ljubljana Stock Exchange (Ljubljanska borza, d.d.) – Money market instruments – Commercial Paper.

Except for the regulated securities market at the Ljubljana Stock Exchange, there is no other regulated securities market in Slovenia where securities or commercial paper are traded.

The Issuer has not made any agreement with any entity regarding any operations in the secondary market (or aftermarket) or regarding the provision of liquidity of the Commercial Paper.