



Presentation for investors

Ljubljana, May 22, 2015



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Agenda

General overview

- Key markets and programs
- Consumer trends
- Strategic initiatives

The acquisition by Agrokor and strategy

- Pricing
- Customers
- Formats
- Products
- Synergies
- Divestment of non-core programs

Mercator Group Financials

- 2014
- Budget 2015
- Deleveraging

Conditions for commercial paper issue

A smiling woman with long brown hair is holding a brown paper bag filled with fresh vegetables, including carrots and leafy greens. She is standing in a grocery store aisle, with shelves of various products visible in the background. A red rectangular box is overlaid on the bottom right of the image, containing the text "General overview" in white.

General overview

Management Board



Toni Balažič: President of the Management Board

- Experience in retail, FMCG, restructuring and consulting
- Previous Companies: Žito, Fructal, A.T. Kearney consulting, Petrol, Spem



Igor Maroša: Member of Management Board in charge of retail operations in Slovenia and Mercator Group non-core activities

- Experience in retail and consulting
- Previous Companies: A.T. Kearney consulting, Group Pulsar, Krona and Proxy BPD



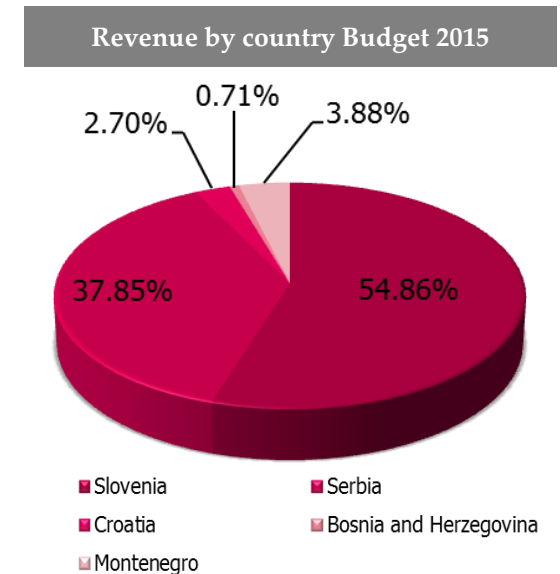
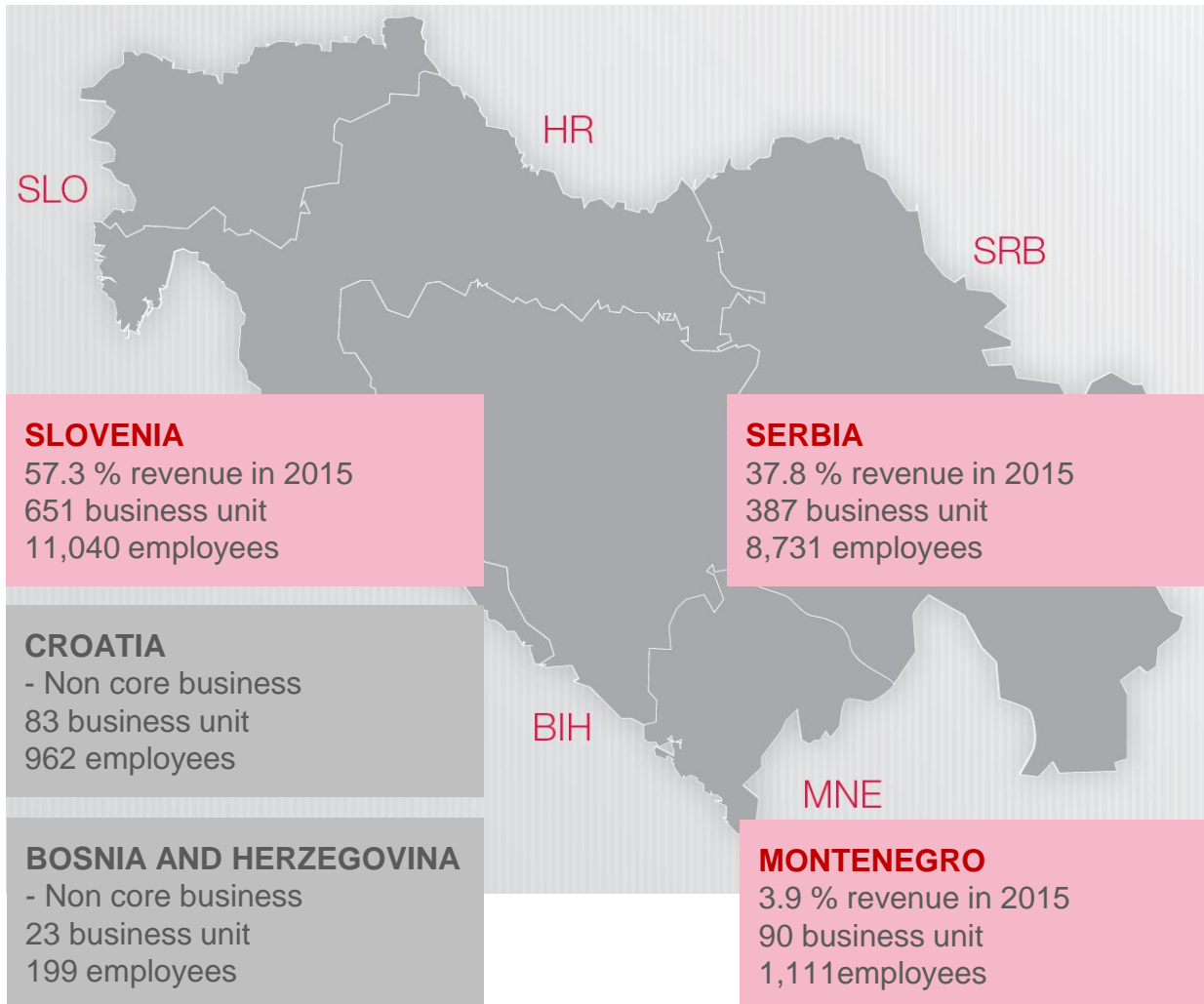
Drago Kavšek: Member of Management Board in charge of finance , IT and markets of Croatia and Bosnia and Herzegovina

- Experience in finance, accounting, restructuring and investment banking
- Previous Companies: Fructal, Publikum, Peugeot Slovenija, Deloitte

Mercator's operations in Slovenia, Serbia and Montenegro:

EUR 2.8 billion revenue, 1,234 business units

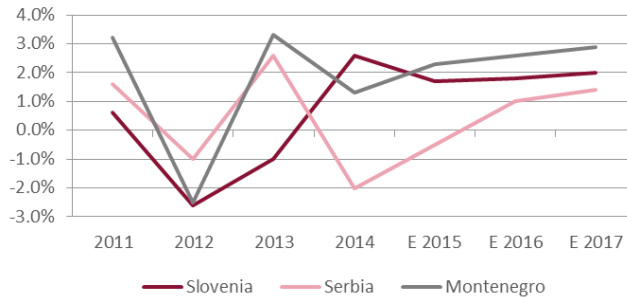
Mercator is the largest retailer in Slovenia, Serbia and Montenegro. Slovenia will presented 54.9% and Serbia 37.8 % of total Company sales in 2015.



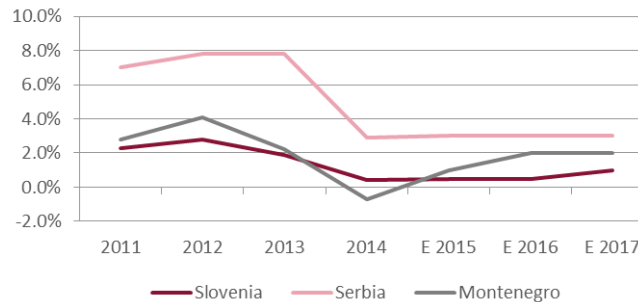
* Number of business units (excl. franchise stores) and employees as at March 31, 2015

Macroeconomic indicators in the region are improving

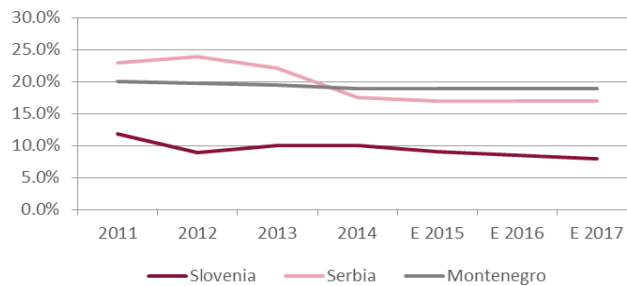
GDP movement



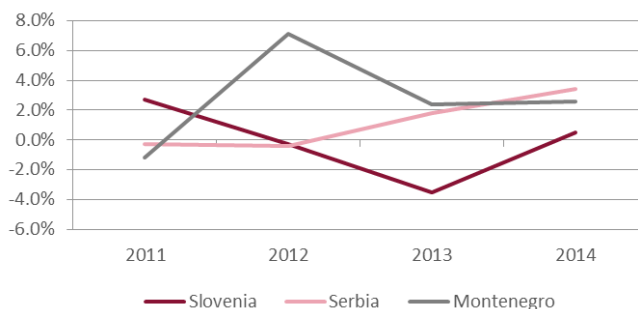
Inflation rate



Unemployment rate



Private consumption



Macro indicators

Gradual improvement:

Slovenia: Estimated improvement of the GDP growth up to 2.0 % in 2017. Estimated inflation rate is at 1.0 % for 2017

Serbia: Estimated improvement of the GDP growth up to 1.4 % in 2017. Estimated inflation rate is at 3.0 % for 2017

Montenegro: Estimated improvement of the GDP growth up to 2.9 % in 2017. Estimated inflation rate is at 2.0 % for 2017

Risks

Political instability can have a negative impact on business and consumer confidence.

Lack and timing of implementation of structural reforms

Unemploy.

Unemployment rate remains high. Consumers in all markets still feel the effects of the recession and they do not expect any considerable improvement this year. The future is viewed with slight optimism and somewhat more positive expectations.

Consumer's careful optimism

Movements in short-term indicators suggest a continuation of the EU area of positive growth in household consumption.

First operational measures delivering results

Stabilization of market shares

SLOVENIA

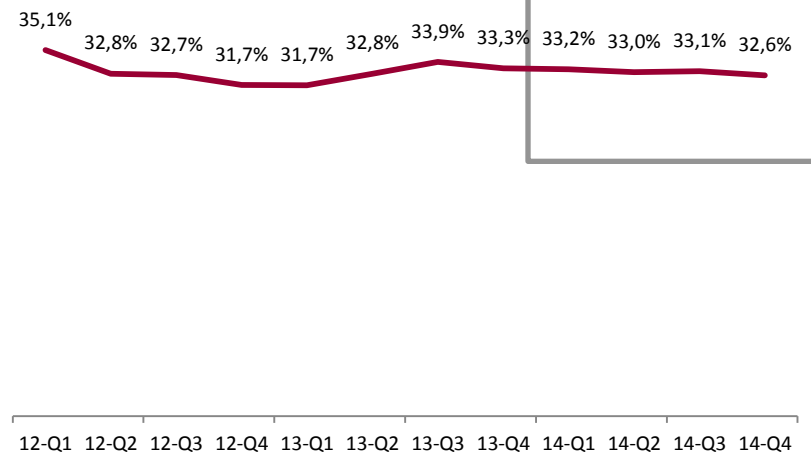
- **Refreshing the value proposition of superettes:** assortment rationalization, cleaning inventory, increasing the penetration of fresh produce...
- Improved **in-store communication**, stress on signalling and in-store visibility.
- New pricing campaign.
- **Increasing promotional activities**, focusing big and small formats separately.
- **Pika card.**
- **Store refurbishment.**

SERBIA

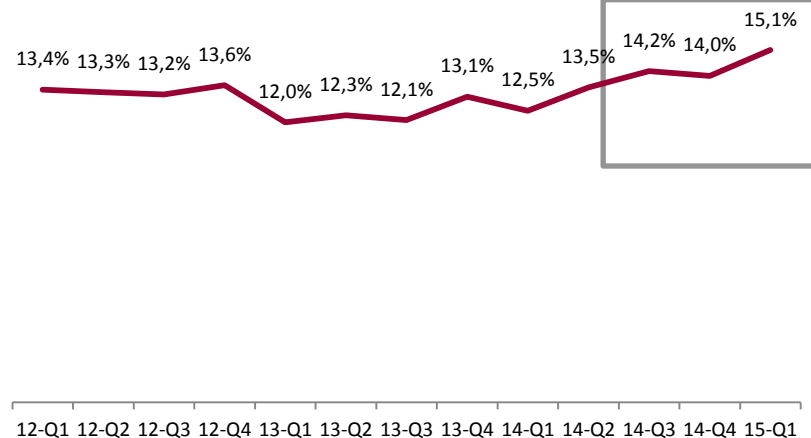
- **Increasing promotional activities**, focusing big and critical formats separately.
- Marketing synergies on the banners Roda and Idea.
- Improved **in-store communication**, stress on signalling and in-store visibility.
- New pricing campaign.

After several years of MS drop, we have observed MS stabilisation in Slovenia and MS growth in Serbia

Slovenia - MGD market share evolution – recent performance



Serbia- MGD market share evolution – recent performance





The revised business strategy
within Agrokor Group

Merger with Agrokor created regional leader in FMCG retail across SEE

Slovenia	
Company	Market share % 2014
Mercator consolidated	33%
SPAR / Interspar	23%
TUS Trgovine	13%
Hard discount	18%

Serbia	
Company	Market share % 2014
Mercator consolidated	15%
Delhaize	11%
Agrokor	8%
Mercator	6%
DIS	2%
Univerexport	2%

Montenegro	
Company	Market share % 2014
Mercator consolidated	24%
Lagardère Services	1%

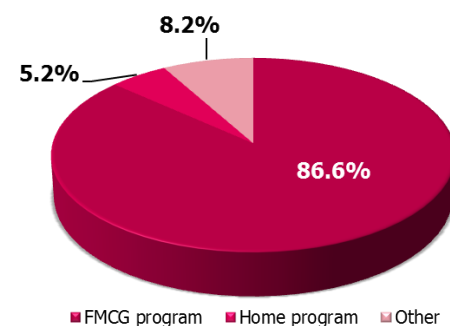


Croatia	
Company	Market share % 2014
Agrokor consolidated	32%
Agrokor	31%
Schwarz Group	19%
Plodine	9%
Rewe Group	5%
Mercator	1%

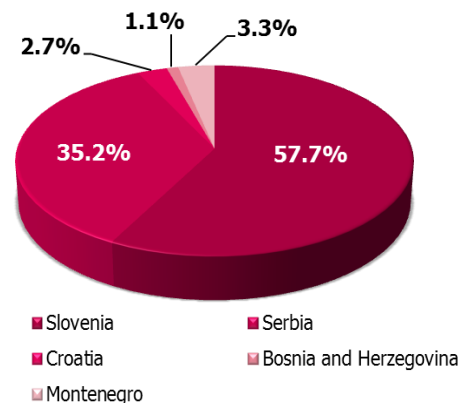
Bosnia & Herzegovina	
Company	Market share % 2014
Agrokor consolidated	14%
Agrokor	11%
ITM (Intermarché)	3%
Mercator	3%
TUS Trgovine	2%

New landscape of Mercator

Revenue by programs actual 1-3 2015



Revenue by country 1-3 2015



Source: Planet Retail, GfK, Valicon

Note: Includes food retail formats market shares and total banner sales for grocery retailers.

Based on estimated banner sales owned or operated by the group including VAT, franchised operations and partly owned stores / chains except for Agrokor and Mercator, where 2014 reported figures are used converted at a 7.5 EUR/HRK FX rate

Synergies have been thoroughly analyzed by Agrokor, Mercator, and third-party consultants

Anticipated synergies are attainable

- Detailed analysis is based on the **specifics of respective countries** (market share, growth rate, supplier sophistication).
- **Effect of harmonization** has been calculated based on the differences between supply terms for the same products.
- **Volume discounts** have been calculated by combining the purchase/procurement volumes in all countries.
- **Efficiency improvement potential** (storage, marketing, logistics, purchasing) has been diligently analyzed.

Anticipated one-off (non-recurring) costs of integration

- **Negative synergies**, such as decrease of Mercator downstream prices in Croatia due to harmonization with Konzum prices
- **Re-branding costs**
- **Opex due** to integration of IT and customer loyalty programs

Implementation risks were known and appropriately managed

- **Preparedness** for potentially lower availability of products in the first three months due to the adjustment of ordering cycle and deliveries
- **Fluctuation** in the transition period was accounted for and effectively managed.

The strategic alliance with Agrokor creates synergies at Group level

Purchasing

- Co-ordination of contracts and conditions
- Enable regional growth

Store

- Stock taking
- In store processes standardization

Logistics

- Storage infrastructure
- Supply network and Stock management
- Transport optimisation

Legal

- Revised corporate culture and corporate governance
- Reconciliation of lease contracts

Marketing

- Customer loyalty system integration
- Advertising integration

HR

- Work organisation
- HR policies
- Payments coordination

IT

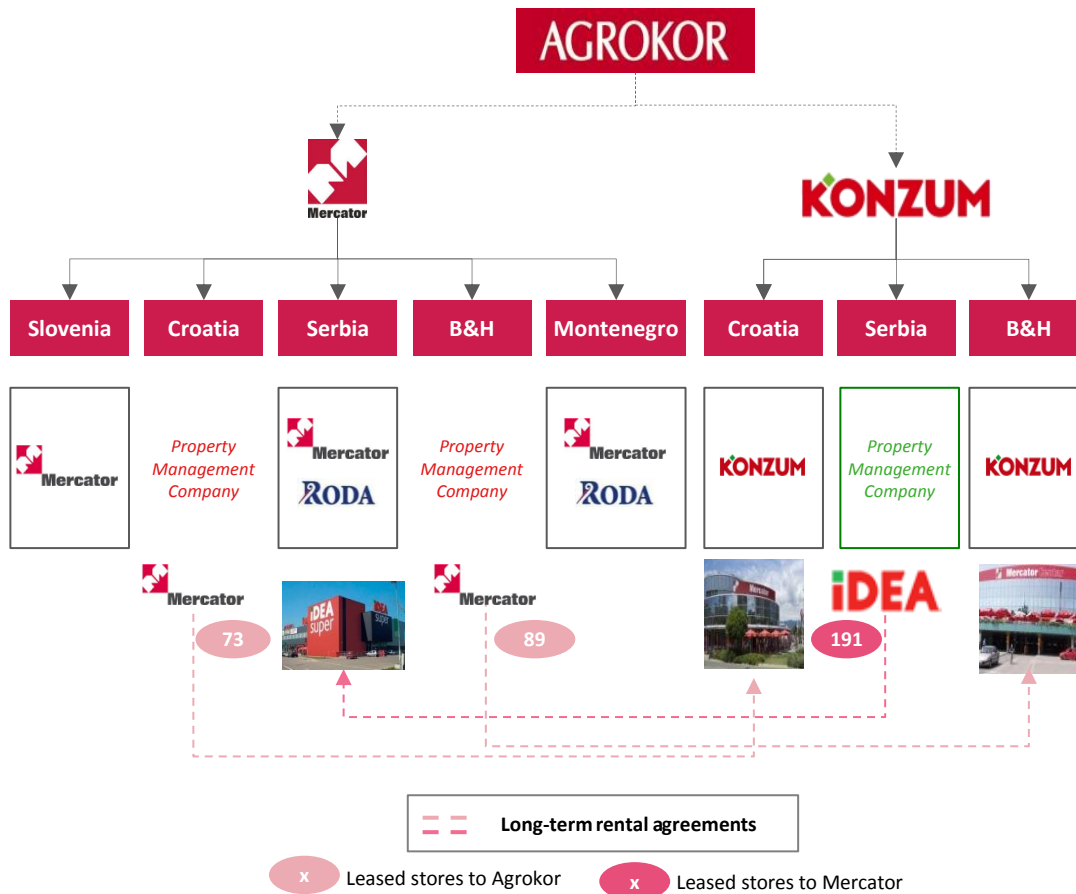
- IT infrastructure integration
- Deploying stores and warehouse systems
- Re-contracting IT suppliers contracts

Other

- Re-contracting per services and equipment
- Investment
- Fixed assets handling

Complementary portfolios across banners and countries

Aim to consolidate and manage 1 banner in each market, except in Serbia where we operate under 2 banners.



Pre-transaction

Country	Konzum		Mercator	
	Banner	Position	Banner	Position
Croatia	KONZUM	#1	Mercator	#4
B&H	KONZUM	#1	Mercator	#2
Serbia	IDEA	#3	Mercator RODA	#2
Slovenia	—	—	Mercator	#1
Montenegro	—	—	Mercator RODA	#1

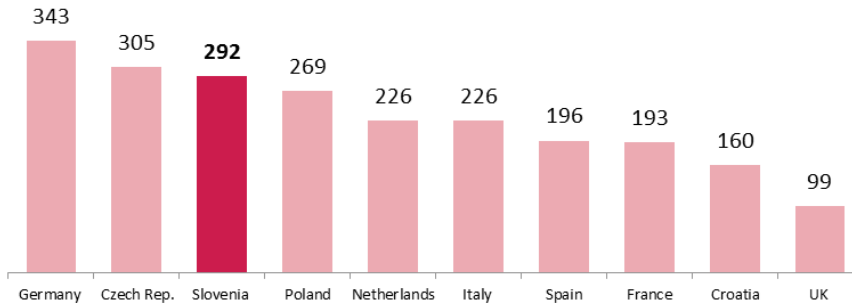
Post-transaction

Country	Konzum		Mercator	
	Banner	Position	Banner	Position
Croatia	KONZUM	#1		
B&H	KONZUM	#1		
Serbia	—	—	IDEA RODA	#1
Slovenia	—	—	Mercator	#1
Montenegro	—	—	Mercator RODA	#1

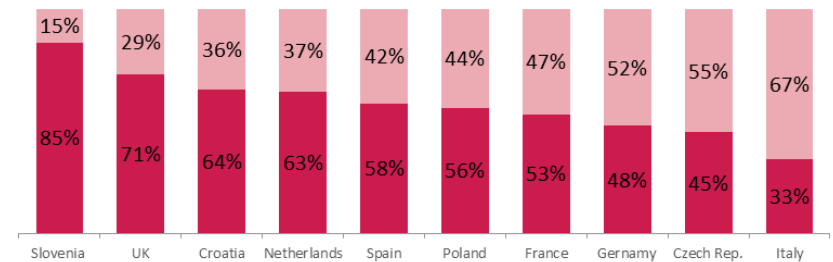
Slovenia: key targets are market share and profitability

The Slovenian food retail market shows one of the **highest densification and concentration levels in Europe**

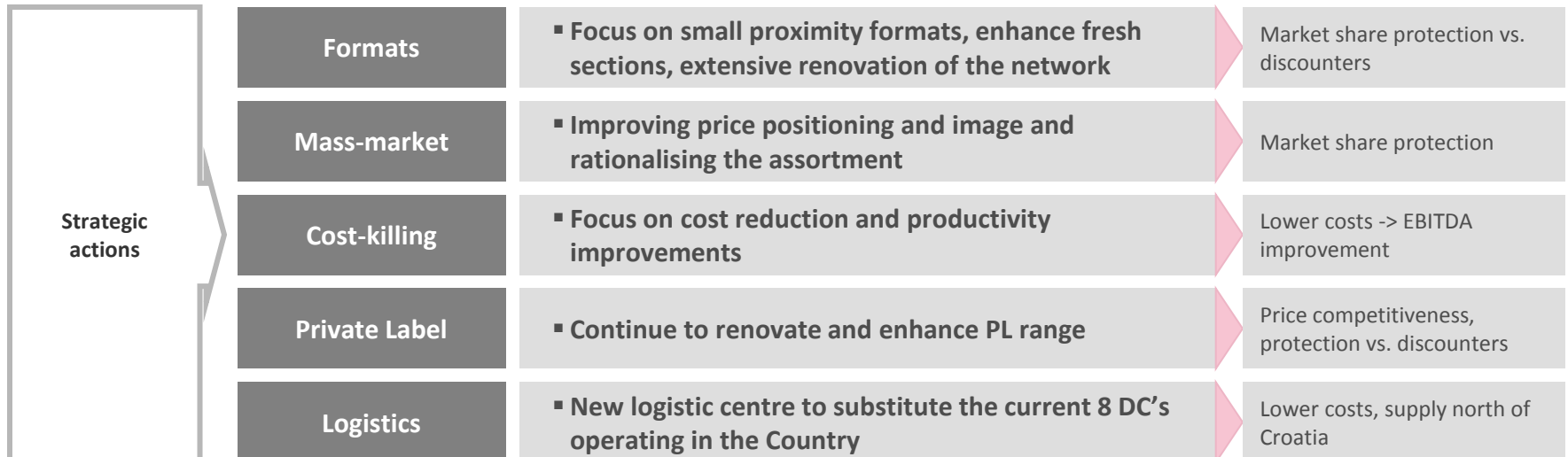
Densification - SQM of MGD per 1mn inhabitants



Top 5 MGD players market share %



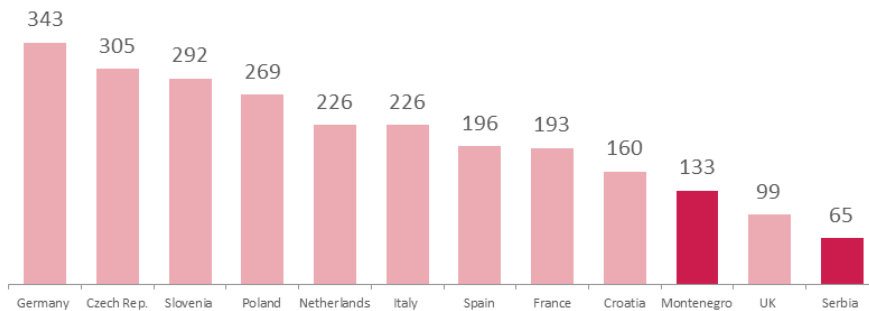
- The high growth of openings, together with a difficult macro economic situation, has brought a substantial pressure on LFL sales of food retailers.
- The rapid entrance of discounters has brought structural changes to the market and the consumer profile.



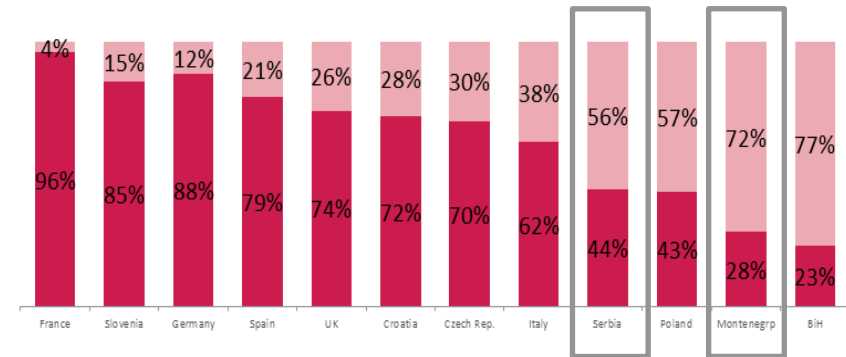
Serbia and Montenegro: Tackle growth opportunities

Level of densification and penetration of modern retailers in these three countries is low.

Densification - SQM of MGD per 1mn inhabitants



Organized and non-organized market - %



- We estimate a **full grocery market potential** in these two countries. If MGD may reach a penetration of 50-60% by 2016, **growth opportunities** are massive. Entrance of Hard discounters postponed.

Superb position as a market leader to capture biggest part of this growth

- Solid positioning: **strong and growing market share**.
- **Both countries are currently profitable** (although with room to improve).
- **Good portfolio of formats to operate in the upscale/value market** (Mercator) and in **the economy segment** (with the reputed and well-tuned Roda banner).

Massive opportunity to build-up a sizeable and profitable business in the region

Disposal of non-core activities

Successful disposal of Pekarna Grosuplje

The subject of sale

- Brands
- Property and equipment in Grosuplje
- Transport vehicles
- Transfer of employees of Grosuplje Bakery

Sale process

- We received 4 non-binding bids
- In January 2015 we opened Virtual Data Room, and in February 2015 Management presentations were held
- Based on the given binding bids, Don Don, d.o.o., was selected as the best bidder
- **Closing expected in the second half of 2015**

Takeover of wholesale and HORECA business from the company Era Good d.o.o.

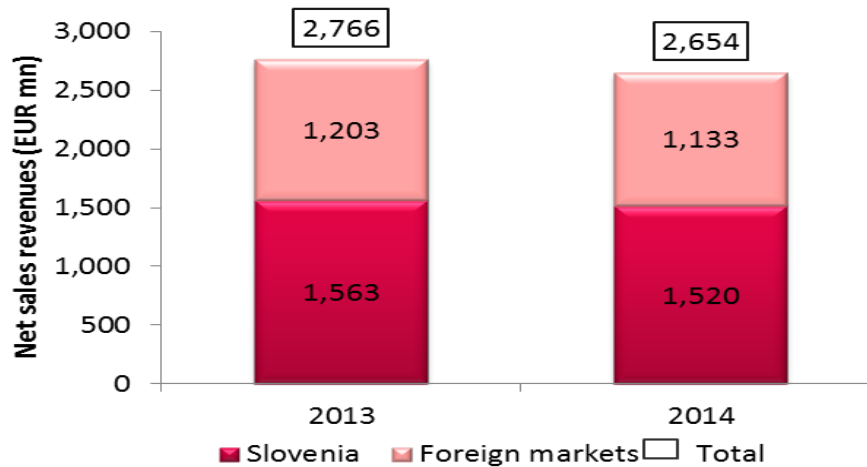
- Negotiation took place from October 2014 to February 2015
- Obtained consent by the Competition Protection Office
- Takeover of business in April 2015
- Takeover of the 10m€ business (HORECA and public procurement)



Mercator Group Financials

2014 marked by financial restructuring and integration activities

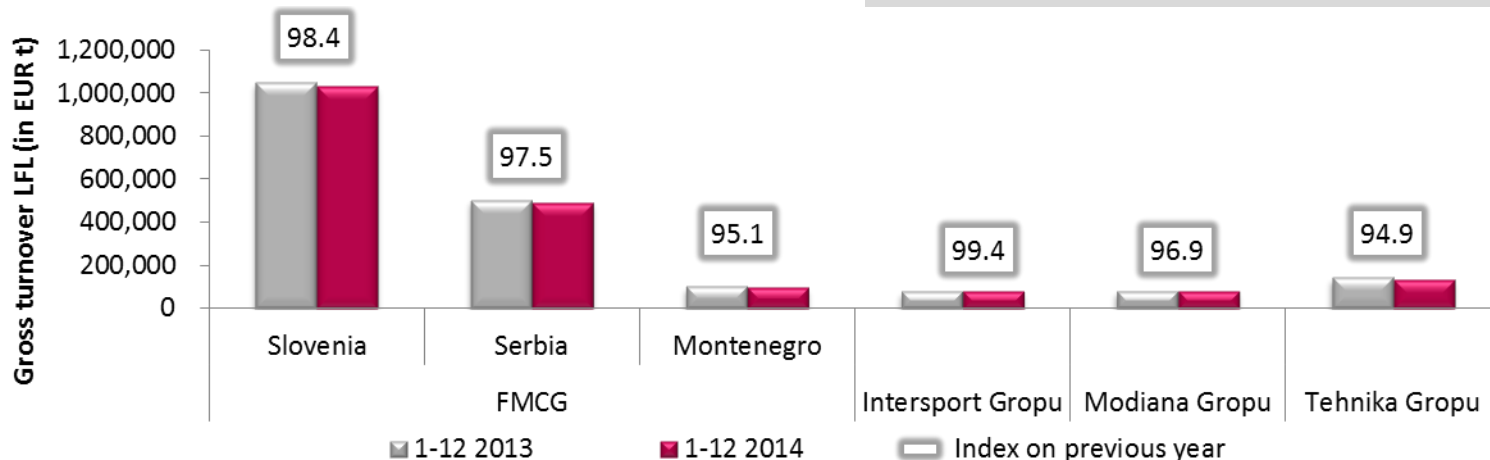
Restructuring and integration effects in 2014



Mercator Group revenue dropped by 4.1% in 2014 reaching a total of EUR 2,65 bn EUR.

The drop is a result of:

- Different timing of integration in Croatia, BIH (to Konzum) and Serbia (to Mercator).
- Drop in non core programs: DIY and textile /fashion programs due to the close down of several non-profitable units.
- Changes in consumer behaviour.
- Harsh competition.

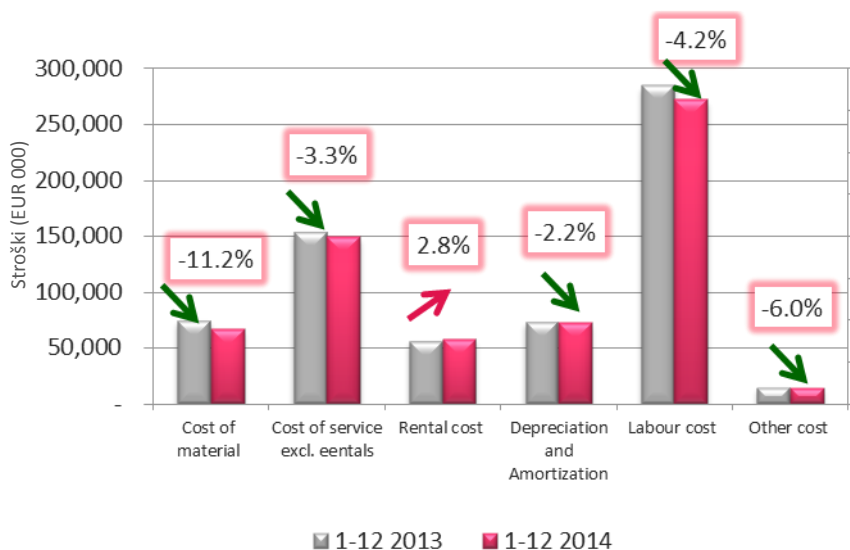


|Focus on cost optimisation

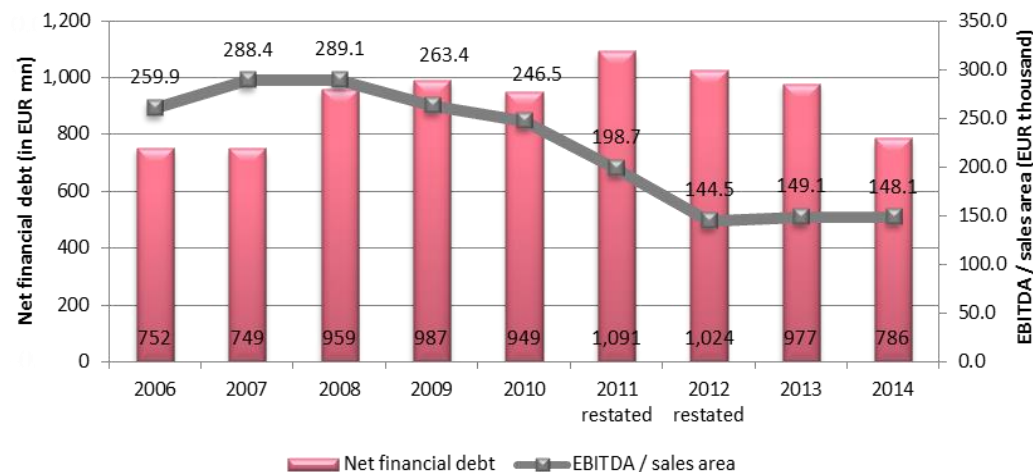
The cost optimization project beyond planned framework

- In 2012 several measures were implemented to improve cost efficiency. By the end of the year, these measures brought savings of EUR 10 million.
- Further cost rationalisation in 2013 led to savings of almost EUR 35 million (amortisation and depreciation excluded).
- In 2014 operational costs were reduced by EUR 23.0 million (amortisation and depreciation excluded).

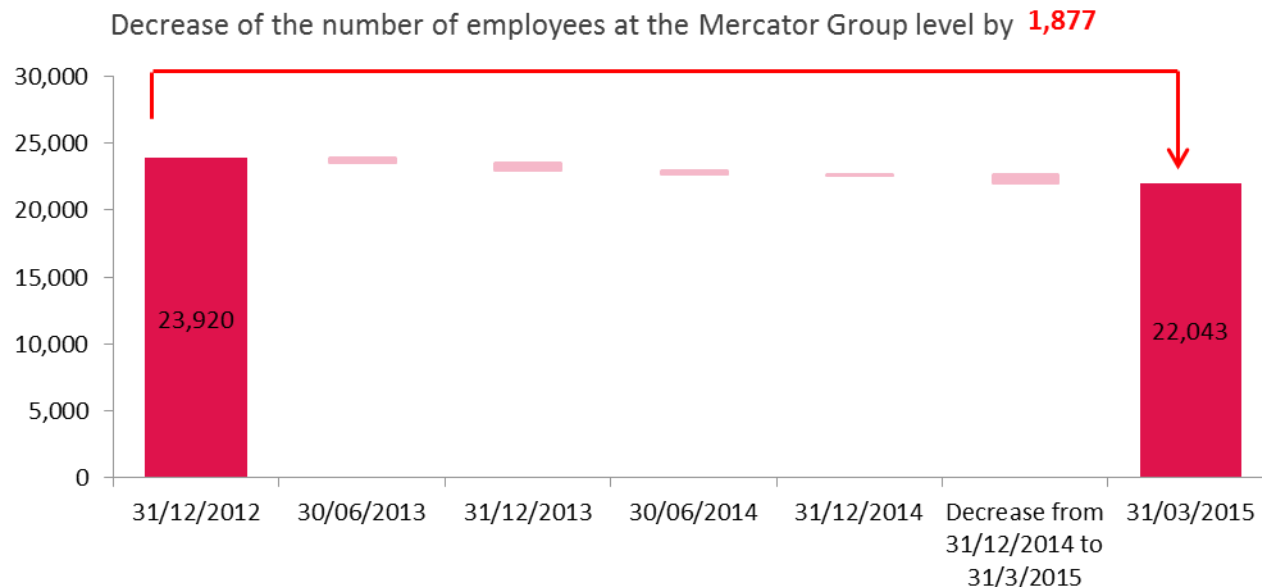
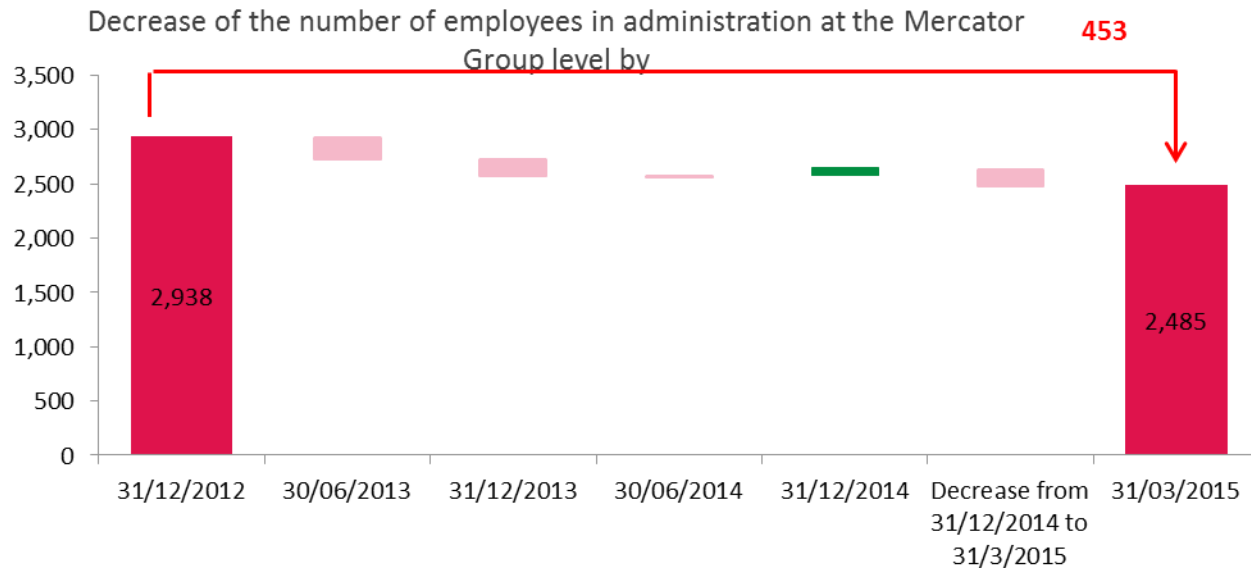
COST OPTIMIZATION



Net financial debt and EBITDA per sqm



The project of optimizing the number of employees predominantly in administration



Number of employees has reduced by 1,877 from December 2012 to March 2015.

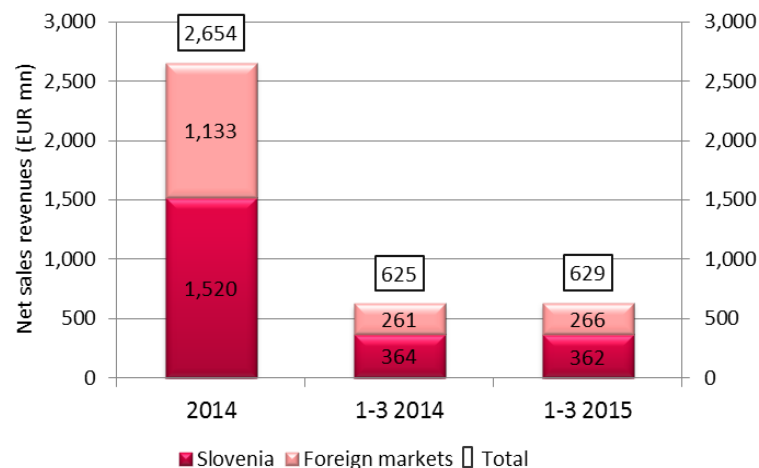
Number of employees increased in the period from Sept 2014 to Feb 2015 due to acquisition of Idea employees in Serbia.

Further activities to optimize administration and work processes are on-going

- Exchange of best practices with Agrokor
- Consolidation of certain functions
- Focus on core programs

Improved business performance from Q4 2014 continued also in Q1 2015

Restructuring and integration effects in Q1 2015



In Q1 2015 revenue increased by 0.6 % relative to Q1 2014 which is mainly a result of improved performance in Slovenia and takeover of Idea business units in Serbia.

Improved business performance in Q1 2015 is a result of:

- higher net revenues
- continuous cost optimization
- positive synergy effects arising from the consolidation of trade activities in the region

EUR 000	1-3 2014	1-3 2015	Index 1-3 2015 1-3 2014	Budget 2015	Index 1-3 2015 Budget 2015
Revenue (EUR 000)	624,840	628,721	100.6	2,854,401	22.0
Results from operating activities (EUR 000)	4,193	12,177	290.4	108,307	11.2
EBITDA (EUR 000)	21,891	30,955	141.4	182,312	17.0
EBTDA margin	3.5%	4.9%	140.5	6.4%	76.6
Profit / loss for the financial period (EUR 000)	(8,538)	4,066	-	59,652	6.8

Mercator Group balance sheet as at March 31, 2015

v 000 EUR	31.12.2014	31.3.2015	Index 31.3.2015 31.12.2014
ASSETS			
Non-current assets			
Property, plant and equipment and intangible assets	1,639,097	1,623,596	99.1
Loans and deposit, other receivables	48,494	49,530	102.1
	1,687,591	1,673,126	99.1
Current assets			
Inventory	257,323	258,598	100.5
Trade and other receivables	254,988	298,419	117.0
Cash and cash equivalents, loans and deposit, derivative financial instruments	37,470	18,769	50.1
	549,782	575,786	104.7
Total assets	2,237,373	2,248,912	100.5
EQUITY	621,677	626,126	100.7
LIABILITIES			
Non-current liabilities			
Trade and other payables, deferred tax liabilities	37,158	61,330	165.1
Financial liabilities	806,640	836,297	103.7
provisions	20,706	20,581	99.4
	864,503	918,208	106.2
Current liabilities			
Trade and other payables, current tax liabilities	708,195	659,462	93.1
Financial liabilities	42,998	45,117	104.9
	751,193	704,579	93.8
Total liabilities	1,615,696	1,622,787	100.4
Total equity and liabilities	2,237,373	2,248,912	100.5

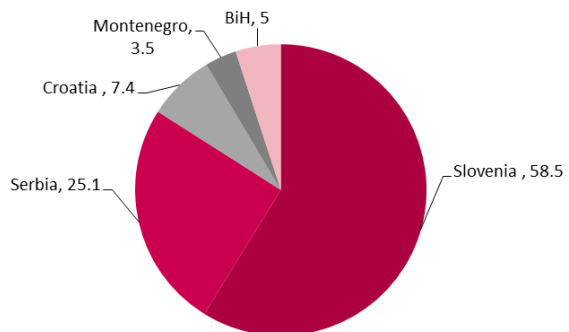
Investicije so bile izvedene v skladu s sprejeto strategijo in tržnimi razmerami

In 2014, Mercator Group CAPEX amounted to EUR 85.7 million

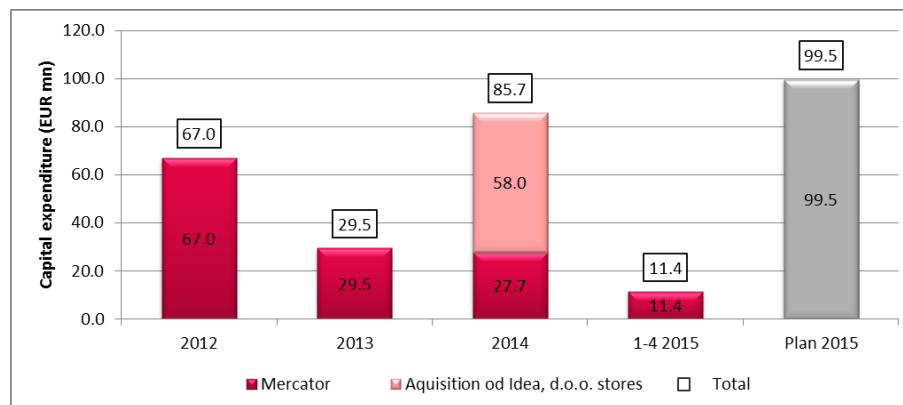
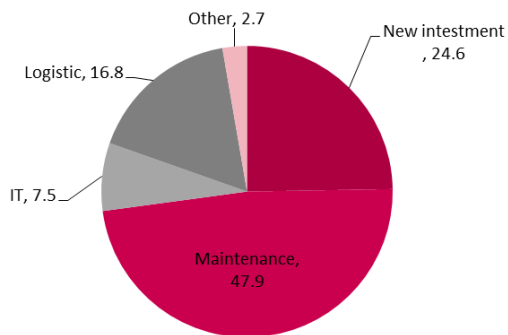
In 2015 Mercator Group CAPEX will amount to EUR 99.5 mn EUR, and will gain 54,234 sqm of new gross area.

Planned investment 2015

Share of invesment by markets



Type of investment by market



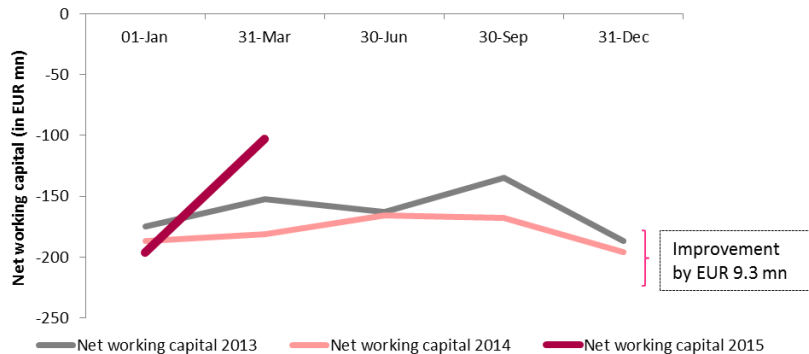
* 58 million of 2014 CAPEX pertains to the acquisition of 191 stores from Agrokor's subsidiary Idea, d.o.o., in Serbia.

Strategy

- Leasing real property will be preferred to acquisition or construction of our own.
- Obtain 54,234 of new sqm with 60 new locations and 4 extensions to existing sold.
- Continued activity of updating Mercator shopping centres primarily in terms of the program mix.
- In 2015 approach to implementation of a new logistics distribution center.
- Sale and leaseback of existing properties in amount up to 300 m€

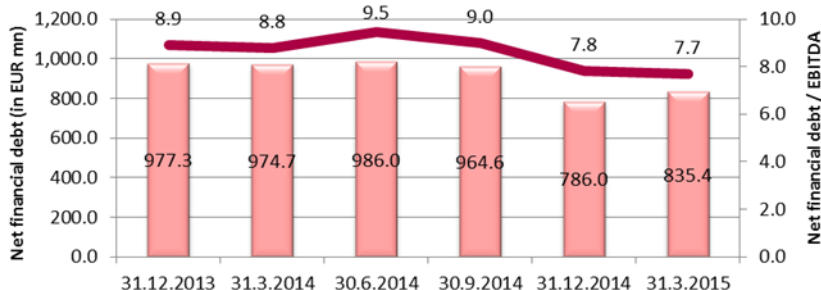
Mercator Group WC and Net debt

WORKING CAPITAL

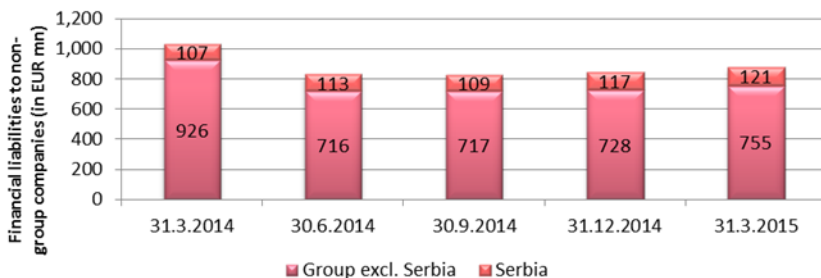


- In 2014 the value of working capital decreased by EUR 9.3 mn.
- In 2015 net working capital increased as a consequence of business reorganization and consolidation process in the markets outside Slovenia.
- After closing the financial restructuring Mercator has successfully partially wind down payables to suppliers

NET DEBT and FINANCIAL LIABILITIES



- Decrease of net debt in 2014 due to completed financial restructuring and capital increase by Agrokor Investments B.V.
- Increase in the net debt as at March 31, 2015 is mostly related to drawing on available credit lines.



**Stand-alone restructuring has improved the maturity structure,
which has been upgraded with the recapitalization by the
Agrokor**

Pre-restructuring

Equity= € 504m

Long term financial
liabilities = € 328m

Short term financial
liabilities= € 705m

**Standalone
restructuring**

Equity= € 501m

Long term financial
liabilities = € 992m

Short term financial
liabilities = € 55m

**Post M&A
(pro forma)**

Equity= € 701m

Long term financial
liabilities = € 792m

Short term financial
liabilities = € 55m

Key characteristic of restructured debt

Financial liabilities restructuring excl. Serbia; comprises different tranches of loans (long term loan, short term loan, interest and ancillary facilities):

- Final maturity of senior debt: June 2021
- Weighted average interest rate: 3.2%*
- Repayment schedule of senior debt:

2016	2017	2018	2019	2020	2021
€10m	€20m	€20m	€30m	€45m	remaining balance

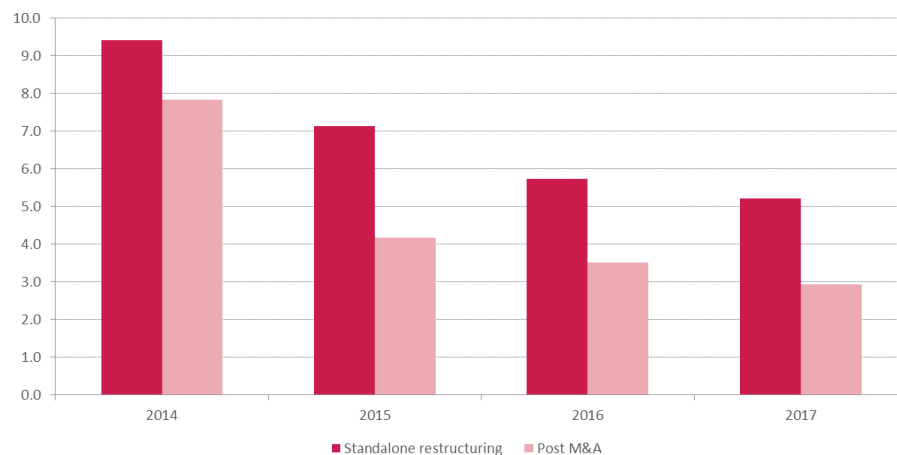
Financial liabilities restructuring in Serbia;

- Final maturity of senior debt: March 2020

Financial lease: bullet repayments prolonged

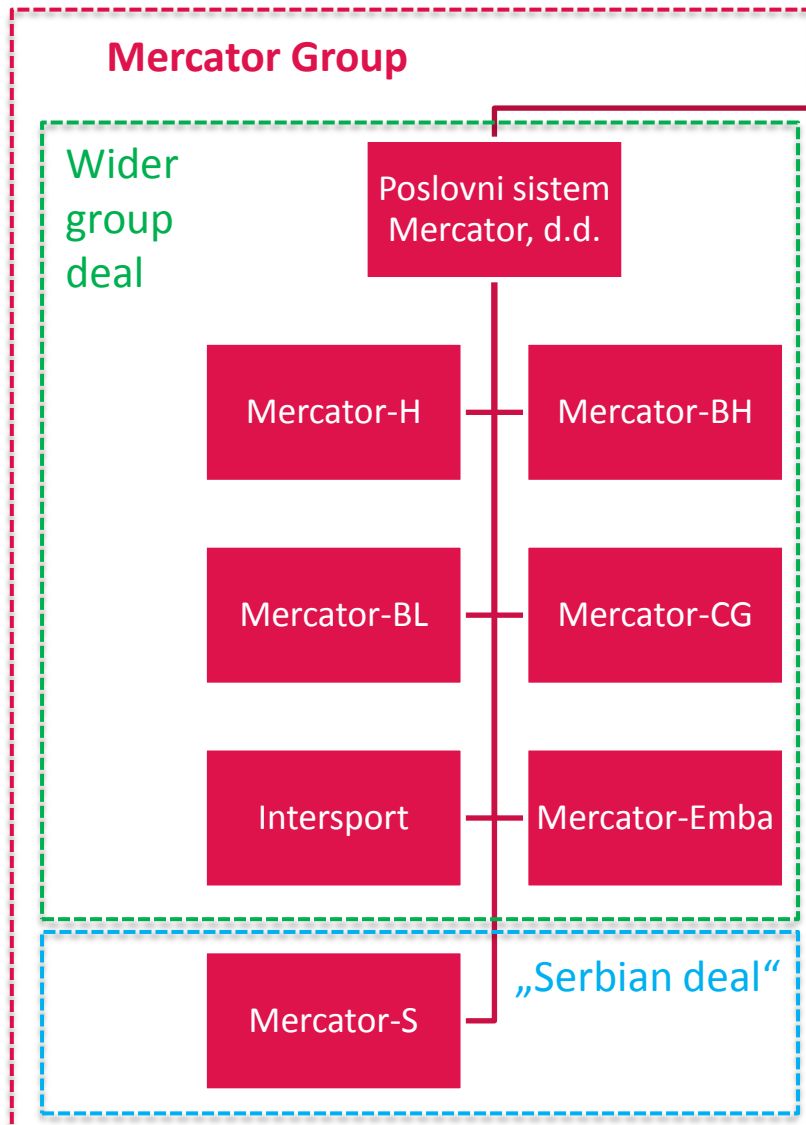
It is expected that Mercator's leverage ratio will drop below 4x by 2016 or before when selling non core divisions

Estimated Net debt/EBITDA



Legal relationship between Mercator and Agrokor

Agrokor Group



Agrokor, d.d.

Agrokor bonds

Agrokor
trading
companies

Agrokor
producton
companies

Agrokorjeve
other
companies

Due to the requirements of Mercator and Agrokor creditors, relations between the companies are precisely specified:

- Agrokor bonds: as long as Mercator's leverage exceeds 4x net debt/EBITDA ratio
- Mercator's restructured debt
 - Serbian deal
 - Wider Group deal
 - Synergy sharing deal



Conditions for commercial paper issue

|Key terms of the commercial papers – MEL08

Instrument type	Commercial paper (CP) is money market instrument, issued in dematerialized form with the central register of the Central Securities Clearing Corporation (KDD) with planned commercial name MEL08
Status of liabilities from financial instruments:	The CPs are not backed by any underlying collateral or guarantee of the Issuer and the holders of commercial papers shall not have any preferential treatment (pari passu ranking) relative to other creditors or claims regarding repayment.
Purpose of the issue:	Managing the maturity of the Issuer's assets and liabilities and diversification of the base of debt financing sources.
Total face (nominal) value of the issue:	Up to EUR 20,000,000.
Method of interest calculation:	Actual / 360.
Payment of interest and principal amount	Commercial paper is issued with discount and at maturity repaid at nominal value.
Interest period:	Starts on 12.6.2015.
Maturity:	360 dni, matures 6.6.2016.
Yield to maturity:	It is foreseen that imbedded interest rate will be in the range of 2.2% - 2.5%
Listing:	Ljubljana Stock Exchange.
Private placement: :	Pursuant to the provisions of the Financial Instruments Market Act (ZTFI), the provisions of the Chapter 2 (two) on the publication of the prospectus for sale of the securities to the public, shall not apply to the sale or listing of new commercial papers . It is a private placement issue



Thank you!