



PROSPECTUS

**LISTING OF 12-MONTH COMMERCIAL PAPER
OF THE COMPANY POSLOVNI SISTEM MERCATOR, D.D., LJUBLJANA,
WITH THE SYMBOL MEL08
FOR TRADING IN THE REGULATED MARKET**

Ljubljana, May 2015

INTRODUCTION AND IMPORTANT NOTES

This presentation document (hereinafter referred to as the Prospectus) is drawn up for the purpose of listing the newly issued commercial paper with the symbol MEL08 and ISIN code SI0032501288 (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 RS, No. 67/2007, as subsequently changed and amended; hereinafter referred as the ZTFI), the offering of Commercial Paper is not subject to the provisions of Chapter 2 on the release of a Prospectus for the public offering of securities or 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 Prospectus 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 Prospectus, including all and any relevant risks. Information in the Prospectus are not investment recommendations, nor should they 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 Prospectus should be read in entirety. Furthermore, the investors should be aware and advised that the Prospectus does not necessarily include all information required to analyze 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 prospectus. Even in the event of such changes, this Prospectus shall not be changed or amended by the Issuer.

The Prospectus 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 Prospectus, as at the day of preparation of the Prospectus. The Issuer's responsible persons ensure, having committed their full reasonable diligence, that to their best knowledge the information included in the Prospectus complies with the facts and that no relevant information which could affect the meaning of this information or the Prospectus was omitted, and that they have committed their full reasonable diligence to attain such compliance and completeness.

For expert consulting on preparation of the Prospectus 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 (KDD) 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 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 Prospectus. Therefore, NLB, d.d., shall not be held responsible for the contents of the Prospectus or the information therein. Moreover, NLB, d.d., did not separately or independently review the information presented in this Prospectus. NLB, d.d., does not make any warranties or representations, express or implied, as to the accuracy or completeness of information in this Prospectus. No part of this Prospectus shall be deemed or taken as a reference or in any way considered a promise or guarantee made by NLB, d.d.

This Prospectus may only be used for its expressly stated purpose. Use of the entire prospectus 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 prospectus are not allowed.

Unless expressly stated otherwise in this Prospectus, 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 Prospectus or in case of sale to which this Prospectus 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 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.

This Prospectus 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 Prospectus. These forward-looking statements shall only apply as at the date of the preparation 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. 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/>).

LIST OF ABBREVIATIONS

| Abbreviation: | Full term: |
|---|---|
| VAT | Value-added tax |
| EUR | Euro |
| EURIBOR | Interbank reference interest rate within the European Monetary Union for the euro |
| KDD | Centralna klirinško depotna družba (Central Securities Clearing Corporation), d.d., Ljubljana |
| Ljubljanska borza, d. d. (Ljubljana Stock Exchange) | Ljubljanska borza vrednostnih papirjev, d.d., Ljubljana (Ljubljana Stock Exchange) |
| NLB, d.d. | Nova Ljubljanska banka d.d., Ljubljana, Trg republike 2, Ljubljana, |
| Commercial Paper | Commercial Paper of the company Mercator, d.d., with the symbol MEL08 and ISIN code SI0032501288 |
| OZ | Code of Obligations (OJ RS No. 83/2001 and subsequent). |
| Prospectus | Prospectus/presentation document for the first offering of Commercial Paper of the company Poslovni sistem Mercator, d.d., with the symbol MEL08 |
| SEOnet | Ljubljana Stock Exchange (Ljubljanska borza vrednostnih papirjev, d.d., Ljubljana) information system for electronic announcements |
| Mercator, d.d., or Issuer, or the Company | Poslovni sistem Mercator, d.d., Dunajska cesta 107, 1000 Ljubljana |
| Mercator Group | Mercator, d.d., and its subsidiaries, as listed in the Prospectus |
| Trading account | Account of dematerialized securities managed by a registration member of the KDD (Central Securities Clearing Corporation) selected by the investor |
| ZDoh-2 | Personal Income Tax (OJ RS No. 117/2006 and subsequent) |
| ZDDV-1 | Value Added Tax Act (OJ RS No. 117/2006 and subsequent) |
| ZGD-1 | Companies Act (OJ RS No. 42/2006 and subsequent) |
| ZNVP | Act on Dematerialized Securities (OJ RS No. 23/1999 and subsequent) |
| ZPPDFT | Prevention of Money Laundering and Terrorist Financing Act (OJ RS No. 60/2007 and subsequent) |
| ZTFI | Financial Instruments Market Act (OJ RS No. 67/2007 and subsequent) |
| ZVOP-1 | Personal Data Protection Act (OJ RS No. 86/2004 and subsequent) |

TABLE OF REFERENCES

Reference:

<http://www.mercatorgroup.si/si/za-vlagatelje/>

<http://www.mercatorgroup.si/>

<http://www.seonet.ljse.si/>

Data source:

Mercator Group Annual Reports for the years 2013 and 2014

Business Report of the Mercator Group and the company Poslovni sistem Mercator, d.d., for the period 1-3, 2015

Business plan for 2015

Presentation for Investors, May 2015

Issuer's website

Ljubljana Stock Exchange information dissemination system, SEOnet

SUMMARY OF PROSPECTUS (HEREINAFTER REFERRED TO AS: SUMMARY)

A. INTRODUCTORY 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 Commercial Paper.

Summary of the Prospectus shall be understood as an introduction to the Prospectus; therefore, the Summary should be read in conjunction with the Prospectus. The Prospectus 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 Prospectus does not necessarily include all information that could be necessary for assessment of justifiability or rationality of the purchase and payment 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

| | |
|--|---|
| Poslovni sistem Mercator, d.d. | |
| Telephone | (01) 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 |
| Organizational form: | Public limited company |
| Date of entry into the register: | Republic of Slovenia |
| Relevant legislation/jurisdiction: | Legislation of the republic of Slovenia |
| Company share capital as at March 31, 2015 | EUR 254,175,051.39 |
| Number of shares issued and paid-up as at March 31, 2013 | 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 MEL08
Commercial paper is not registered; it shall be issued in dematerialized form by entry into the central register of dematerialized securities kept by the Central Securities Clearing Corporation (KDD).

Commercial paper maturity: June 6, 2016

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:

SI0032501288

Interest rate:

The interest rate shall be 2.35% 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 12, 2015, and ending on the day of Commercial Paper maturity on June 6, 2016.

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 6, 2016, 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 KDD (Central Securities Clearing Corporation); 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 Prospectus or in any other way specified by the Issuer in compliance with the relevant regulations until the fourth KDD 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 KDD 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 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 with 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.

Regulated market: The Issuer shall request the listing of the Commercial Paper for trading in the regulated market of the Ljubljana Stock Exchange (Ljubljanska borza, d.d.).

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 Prospectus, and consider the fact that the Prospectus 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 Prospectus should be read in entirety. Furthermore, the investors should be aware and advised that the Prospectus does not necessarily include all

information required to analyze 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 Prospectus 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.

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 nine-year moratorium. The first partial tranche repayment is due on December 31, 2016; all tranches shall be fully repaid by June 27, 2021.

Financial restructuring of the Mercator Group is described in more detail in chapter 9.2.4 of the Prospectus.

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 (KDD), 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 RS, No. 67/2007, as subsequently changed and amended; hereinafter referred as the ZTFI), the offering of Commercial Paper is not subject to the provisions of Chapter 2 on the release of a Prospectus for the public offering of securities or 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 Issuer did not sign any agreement 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 Prospectus.

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 12, 2015 (360 days to maturity) to 97.704%.

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.