



Business report of the
Mercator Group and
Poslovni sistem Mercator d.d.
for the period 1-3, 2021





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Executive summary

In the first quarter of 2021, Mercator Group's **normalized EBITDA increased by 7.4%** to reach EUR 47,280 thousand for the period. The Group wrapped up the first quarter **with a business result of EUR 3,137 thousand, which is an increase of 183.9% compared to the equivalent period of the year before.**

The company Poslovni sistem Mercator d.d. generated normalized EBITDA of EUR 25,695 thousand in the period 1–3, 2021, **which is an increase of 12.6%** relative to the equivalent period of the preceding year. At the same time, the company's net income reached EUR 6,642 thousand, which is 1.3% more than in last year's equivalent period.

Mercator Group revenue from sales and rent amounted to EUR 507,785 thousand, which is a drop of 4.3%. This is a result of remarkably high revenue in the first wave of the COVID-19 epidemic in 2020 (revenue growth of 10.8% and 14.1% in retail), while a part of the revenue decrease is due to the government measures for containing the epidemic in 2021 – closing of M Tehnika (technical consumer goods) operations, closing of schools, restaurants, accommodation industry and the resulting decrease in Mercator's wholesale revenue.

Despite all restrictions and changes in consumer behaviour, Mercator Group's performance in retail was successful and on track relative to its plan. In addition to solid performance in terms of EBITDA and net income, Mercator Group also succeeded in cutting its debt. As at March 31, 2021, net financial debt was 5.5% lower than last year, while net financial debt adjusted for the impact of IFRS 16 Leases was lower by 5.4%. In the first quarter of 2021, Mercator Group successfully attained all of its key business and strategic goals. Positive performance trends are a result of successful execution of the business strategy and all initiatives that have led to the attainment of our business goals.

Mercator Group continued its activities for construction of the new logistics and distribution centre in Ljubljana, for expanding its business network, and for real estate monetization. Thus, the Supervisory Board approved the key terms and conditions for sale and lease-back of five Mercator commercial properties (land with existing non-functional facilities) and 22 existing commercial facilities, and thus approved the project of construction of new commercial facilities that will have a positive effect on the level of debt, and especially contribute to an increase of share of retail area in Slovenia.

The first quarter 2021 was also under the impact of the COVID-19 epidemic. Mercator Group and all its companies successfully adapted to all measures adopted by governments in respective markets of the Group's operations. In the course of adjustment to the measures, the Group pursued the key responsibilities – provision of safety for the employees and customers, responsibility to supply chain – and the business results indicate that the Group successfully fulfilled its responsibility for uninterrupted and effective operations. Successful performance also relies on motivated employees who invest a lot of knowledge, experience, and effort in their work. In the period of crisis, Mercator Group was responsible regarding job security, not only at the company, but also along the supply chain.

At the end of the first three months of 2021, key activities took place with regard to Mercator's transfer to the Fortenova Group. In early March, Fortenova Group obtained the last approval from the Serbian regulating authority. In mid-March, the company received a notification that Sberbank and Fortenova Group TopCo signed a put option agreement regarding the shares of the company Poslovni sistem Mercator d.d. At the end of March, the companies Sberbank and Fortenova Group TopCo announced that they have transferred 1,123,803 Mercator shares, or 18.53% of the company's total share capital, from the company Sberbank to the company Fortenova Group TopCo.

On March 9, 2021, Mercator Supervisory Board approved the financial arrangement with the Fortenova Group, the purpose of which was the restructuring of Mercator's financial liabilities maturing in June 2021. Thus, the last key precondition was met for transferring the Mercator share from Agrokor to the Fortenova Group.

On March 25, 2021, Mercator signed an amended agreement on the maturing super senior facility with the VTB Europe bank in the amount of EUR 80 million. This amendment involved a three-month initial extension of the repayment deadline in order to allow a stable framework for completing the agreement on wider group debt refinancing. The amendment also allowed a framework for extending the maturity until the end of September 2021, and an additional EUR 20 million (roll-in) of existing super senior facility in addition to the wider group debt refinancing.

With these activities, all conditions were met for the transfer of Mercator Group to Fortenova Group, which would give Mercator a stable and financially successful owner that will ensure Mercator Group's further successful development.

1.

Introduction

Profile and organization

Mercator Group Profile as at March 31, 2021

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 the Republic of Slovenia, is the parent company of the Mercator Group.



* The company does not conduct business operations.

Branch Offices: As at March 31, 2020, 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 (Fundacija solidarnosti Mercator) in Serbia; the company Mercator–CG d.o.o., is the founder of the Mercator Solidarity Foundation (Fundacija solidarnosti Mercator) in Montenegro, and the company Mercator–BH d.o.o., is the founder of the Mercator Solidarity Fund (Fundacija solidarnosti Mercator) in Bosnia and Herzegovina. The mission of all three international foundations is to provide solidarity aid to employees in respective companies, who are in social or financial distress.

Presentation of the company Poslovni sistem Mercator d.d.



Company name	Poslovni sistem Mercator d.d.
Company head office	Dunajska cesta 107, 1113 Ljubljana, Slovenia
Activity	Retail in non-specialized food retail outlets (G 47.110)
Registration number	5300231
VAT tax code	SI45884595
LEI (Legal Entity Identifier)	549300X47J0FW574JN34
Company share capital as at March 31, 2021	EUR 254,175,051.39
Number of shares issued and paid-up as at March 31, 2021	6,090,943
Share listing	Ljubljanska borza d.d., official market, prime market, symbol MELR

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Instagram [@mercatorslovenija](https://www.instagram.com/mercatorslovenija)



Youtube www.youtube.com/user/mercatorslo

Corporate governance of the company Poslovni sistem Mercator d.d.

In the period 1–3, 2021, the Supervisory Board of Poslovni sistem Mercator d.d. held two correspondence sessions.

At the **1st correspondence session on March 12, 2021**, the Supervisory Board of Poslovni sistem Mercator d.d. approved the key terms and conditions for divestment of 5 Mercator properties (land with existing non-functional facilities) and 22 existing Mercator's commercial facilities (operating units), as well as key conditions for lease-back of the commercial facilities on the said property and the commercial facilities, based on the "triple-net lease" principle, except for the facility at Šubičeva 2, Ljubljana, which Mercator will not lease back.

At the **2nd correspondence session held on March 24, 2021**, the Supervisory Board of the company Poslovni sistem Mercator d.d. approved the signing of documents with financial partners regarding the restructuring of the SSFA, and was presented the Report on all Transactions Effected with the Majority Shareholder the Company Agrokor d.d. and the Companies Affiliated to it, in the Period from November 1, 2020, to January 31, 2021.

Business strategy

VISION

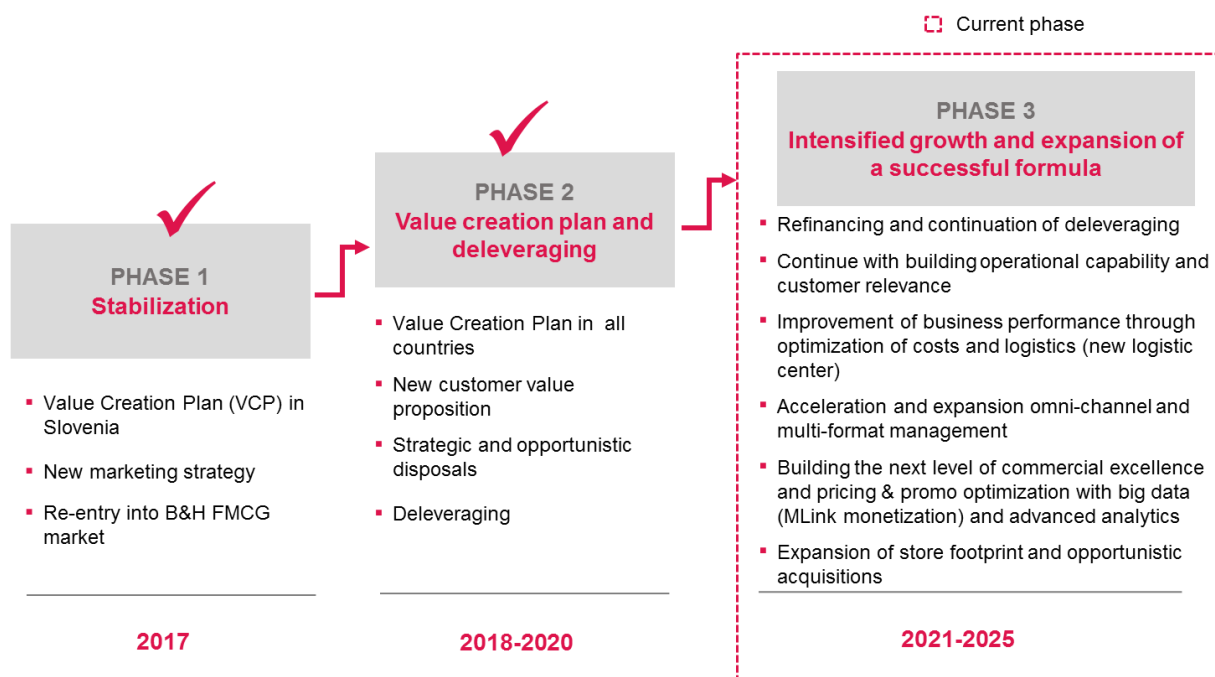
Mercator is the best local retailer offering cutting-edge store concepts in every market of its operations.

MISSION

Mercator's future growth will be built on winning business models that include offer relevant and appealing to customers, long-term partnerships with local and regional suppliers, new store concepts, and enhanced operating excellence and cost efficiency across our businesses.

STRATEGY

At the end of 2020, Mercator Group renovated a long-term strategy and started to consistently implement it across all key processes at the Mercator Group. The strategy was developed for the period until the year 2025.



Value Creation Plan for business efficiency

In the first quarter of 2021, the Value Creation Plan was executed in all markets of Mercator Group's operations, and it included 173 initiatives, of which 68 were in Slovenia, 45 in Serbia, 26 in Bosnia and Herzegovina, 29 in Montenegro, and 5 in Croatia. Implementation of initiatives is strictly monitored, and we respond with corrective measures in case of any deviations. We are also still monitoring the activities related to the COVID-19 pandemic in all markets of Mercator Group's operations. We are closely monitoring the situation regarding the COVID-19, and we continuously adjust our measures to the needs, as we monitor the epidemiologic situation in every market respectively.

Activities for execution of operating plan for business efficiency (Value Creation Plan), with the main goal of increasing free cash flow:



Performance highlights

Mercator Group				
		1–3, 2021	1–3, 2020	Change 1–3, 2021/ 1–3, 2020
INCOME STATEMENT	(in EUR 000)			
	Sales revenue ^{1,2}	507,785	530,483	-4.3%
	Sales revenue from retail ^Δ	412,809	432,434	-4.5%
	Net profit for the period	3,137	1,105	183.9%
	EBITDA normalized ^{2,3 Δ}	47,280	44,006	7.4%
STATEMENT OF FINANCIAL POSITION	(in EUR 000)			
	Total assets as at March 31	1,744,601	1,980,352	-11.9%
	Total assets as at March 31	295,179	435,656	-32.2%
	Net financial debt as at March 31 ^Δ	854,385	904,248	-5.5%
	Net financial debt as at March 31 (w.o. effect of IFRS 16 Leases)	559,973	591,962	-5.4%
CASH FLOWS	(in EUR 000)			
	Net financial debt / equity as at March 31 ^Δ	2.9	2.1	39.5%
	Net financial debt / EBITDA normalized ^{4,Δ}	5.1x	5.2x	-0.5%
	(in %)			
OTHER INDICATORS	EBITDA normalized / sales revenue ^Δ	9.3%	8.3%	1.0 p.p.
	Capital expenditure ^Δ (in EUR 000)	4,480	5,622	-20.3%
	Number of employees as at March 31	20,797	20,042	3.8%
	Productivity per employee in retail ^Δ (in EUR 000)	126.1	137.2	-8.1%
	Value added per employee in retail ^Δ (in EUR 000)	29.3	30.6	-4.3%
	Market value per share as at March 31 (in EUR)	31.6	15.0	110.7%
	Market capitalization as at March 31 (in EUR 000)	192,474	91,364	110.7%

* For comparability, data for the period 1–3 2020 is adjusted to the methodology used for the period 1–3, 2021.

¹ Normalized EBITDA, adjusted for the effect of IFRS 16 Leases, amounts to EUR 30,480 thousand for the period 1–3, 2021, and to EUR 26,964 thousand for the period 1–3, 2020.

² Normalized EBITDA is adjusted to annual level. As at March, 31, 2021 net financial debt/EBITDA normalized without IFRS 16 Leases amounted to 5.5x, and as at March 31, 2020 amounted to 5.6x.

^Δ Alternative measures are presented in more detail in the chapter Alternative performance measures (APM).

Review of key events

January 2021	<p>Our MTikTok Academy has over two million views</p> <p>In less than two months since its launch, it already has 170 registered youngsters who enthusiastically tackle the challenges presented by our mentors, diligently learn, and shoot their videos. The number of views at the #mtiktoakademija has exceeded 2 million, and the number of followers on our TikTok profile exceeded 5,000 users, which means we have won 3,000 new followers since the launch of our academy.</p>
January 2021	<p>Mercator is the first Slovenian retailer present on Pinterest</p> <p>Mercator is the first Slovenian retailer presenting itself on the Pinterest social network – an online platform for sharing content and images. Pinterest is among the fastest-growing online platforms used by over 442 million people of all generations.</p> <p>Pinterest will allow us to keep track of our potential customers, see what they like, connect with them, and thus improve our recognition. In this network, Mercator will mostly share lifestyle content with its followers, i.e. recipes, ideas for creativity, wellness rituals, ideas for play with children, fitness contents etc.</p>
January 2021	<p>We have opened our second training centre, this time in Kranj</p> <p>Our innovative training approaches include opening our second training centre for induction of new employees hired as sales assistants.</p> <p>As a rule, new employees are trained at the centre for at least five business days. They learn about different fields, mandatory content (occupational safety, commercial legislation, HACCP etc.), and content related to retail processes. They learn on their specific job within the sales/retail area. In this part of the training, new employees are also trained in selling skills.</p> <p>Due to the current conditions, the opening was only symbolically celebrated by a narrow group of participants.</p>
February – March 2021	<p>msoseska.tv is one of our most important projects of 2021</p> <p>With this project, we again prove what we have proven many times before: Mercator as the largest and best retailer sets the trends and the direction for the future. At msoseska.tv, we offer content on active leisure time, promote a diverse lifestyle, bust the myths and taboos on vegan diet, offer ideas for delicious lunches and romantic dinners, invite viewers to make the best desserts, unveil the secrets of housewives and technology buffs, as well as culture and music. This online content platform with live video content is freely available to all neighbours. The content of the "town" is available on different Mercator social networks: www.msoseska.tv internet site, Facebook, Instagram, TikTok, YouTube and Pinterest.</p>
March 2021	<p>Acquisition of business share</p> <p>After the acquisition of business share from the Republic of Croatia and the business share from a natural person, Poslovni sistem Mercator d.d. became as of March 1, 2021, the 100% and thus the sole owner of the subsidiary Mercator–H d.o.o.</p>
March 2021	<p>Transfer of Mercator to Fortenova Group</p>

ATVP (competition protection agency) Serbia – On March 5, 2021, Fortenova Group obtained approval from the competition protection agency in Serbia, which **opened up the way to transfer of Mercator to the Fortenova Group**.

Poslovni sistem Mercator d.d. received a notification by the company Sberbank and the company Fortenova Group TopCo, informing Mercator that the two companies signed on March 12, 2021, an **agreement on put option involving the shares of the company Poslovni sistem Mercator d.d.** According to the option agreement, the company Fortenova Group TopCo granted to the company Sberbank the put option, which entitles Sberbank to request from the Fortenova Group TopCo to acquire in exchange for adequate consideration from the Sberbank up to 1,128,803 ordinary registered no-par value shares with the symbol MELR, accounting for 18.53% of total share capital of the company Poslovni sistem Mercator d.d.

At the end of March 2021, we received a notification from the company Sberbank and the company Fortenova Group TopCo, informing us of the **transfer of significant ownership involving 1,128,803 Mercator shares, or 18.53% of total Mercator share capital, from the company Sberbank to the company Fortenova Group TopCo**.

On March 9, 2021, Mercator Supervisory Board approved the financial arrangement with the **Fortenova Group**, the purpose of which was the restructuring of Mercator's financial liabilities maturing in June 2021. Thus, the last key precondition was met for transferring the Mercator share from Agrokor to the Fortenova Group.

On March 25, 2021, Mercator signed an **amended agreement on the maturing super senior facility with the VTB Europe in the amount of EUR 80 million**. This amendment involved a three-month initial extension of the repayment deadline in order to allow a stable framework for completing the agreement on wider group debt refinancing. The amendment also allowed a framework for extending the maturity until the end of September 2021, and an additional EUR 20 million (roll-in) of existing super senior facility in addition to the wider group debt refinancing.

Major events following the end of the financial period

On April 16, 2021, the **agreement on wider group debt refinancing was signed**, according to which the Company took out debt instruments in the total amount of EUR 480 million with the company Fortenova grupa d.d. (FNG Loan).

On April 23, 2021, the **amount of EUR 385 million was drawn** (out of a total of EUR 480 million of available loan) for complete refinancing of the existing WGD senior facilities and for other purposes related to working capital.

On April 23, 2021, the **transfer of Agrokor's shareholding in Mercator to the Fortenova Group was completed**. After the transfer, Fortenova Group holds 5,366,179 or 88.1% of ordinary registered no-par value shares with the symbol MELR.

Pursuant to Article 24 of the Takeovers Act, Fortenova Group made a public announcement on April 26, 2021, that it **intends to announce a takeover bid for all Mercator shares**. On May 26, 2021, Fortenova announced its takeover bid for the acquisition of all shares of the company Poslovni sistem Mercator d.d.

Since the transfer of the majority share of Mercator shares to Fortenova on 23 April 2021, Mercator and Fortenova have been related parties within the meaning of Article 281.b(2) ZGD-1, and the accession to the documentation related to the issued Fortenova notes was a related party transaction within the meaning of Article 281.b ZGD-1. Mercator had obtained consent of the Supervisory Board for the said accession, in accordance with Articles 281.c and 281.č ZGD-1. This notice constitutes a public announcement of transactions with related parties in accordance with Article 281.d ZGD-1.

On May 5, 2021, the Government of the Republic of Slovenia adopted a resolution on the fulfilment of conditions for relieving the extraordinary Management Board member in a company of systemic importance to Republic of Slovenia from his position, pursuant to the Act on Conditions for Appointment of Extraordinary Management Board Member in Companies of Systemic Importance to the Republic of Slovenia. On May 19, 2021, Gregor Planteu, an extraordinary member of the Management Board, was deleted from the court register on the basis of a court decision as an extraordinary member of the Management Board of Mercator, d. d.

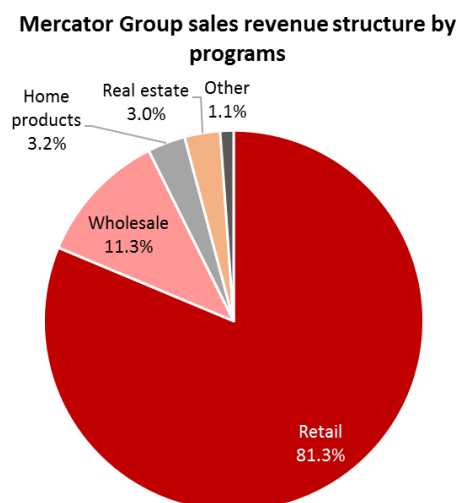
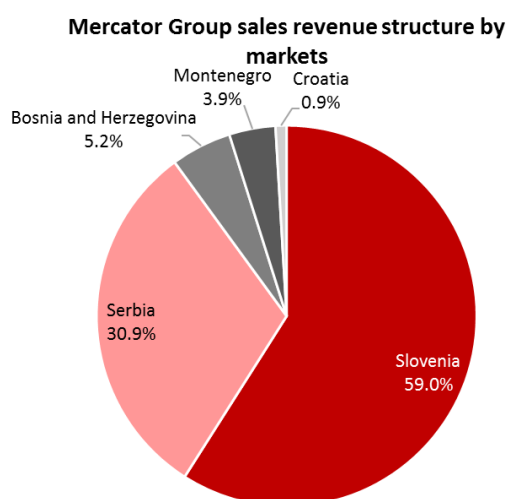
2.

Business report

Mercator Group operations and performance in the period 1– 3 2021

In the period 1–3, 2021, Mercator Group's normalized EBITDA amounted to EUR 47,280 thousand, which is 7.4% more than in the same period of 2020, despite the ongoing epidemic. The highest growth of normalized EBITDA was recorded in the market of Slovenia at 11.0%, followed by Serbia with 9.8% and Bosnia and Herzegovina with 4.0% growth.

At Mercator Group, revenue from sales and rents in the period 1–3, 2021, is consistent with the plan, and they increased by EUR 28,973 thousand, or 6.1%, relative to the equivalent period before the declaration of the COVID-19 epidemic (period 1–3, 2019). The highest growth of revenue from sales and rents was seen in retail, at EUR 33,903 thousand, or 8.9%, relative to the equivalent period before the declaration of the COVID-19 epidemic (period 1–3, 2019). Compared to the equivalent period of 2020, revenue from sales and rents decreased by 4.3%, which is a result of above-average retail revenue growth in March 2020 due to the onset of the COVID-19 epidemic, and restrictions in operations in 2021 (lockdowns) in the entire non-core activities of M Tehnika (technical consumer goods), hospitality/HoReCa, as well as wholesale serving HoReCa. Moreover, Mercator Group sales **revenue in retail operations** that are Mercator Group's core activity, decreased by 4.5% in the period 1–3, 2021. The reason for lower revenue is the considerable increase in revenue last year after the declaration of epidemic in Slovenia, which resulted mostly from purchases in large volumes, or hoarding.

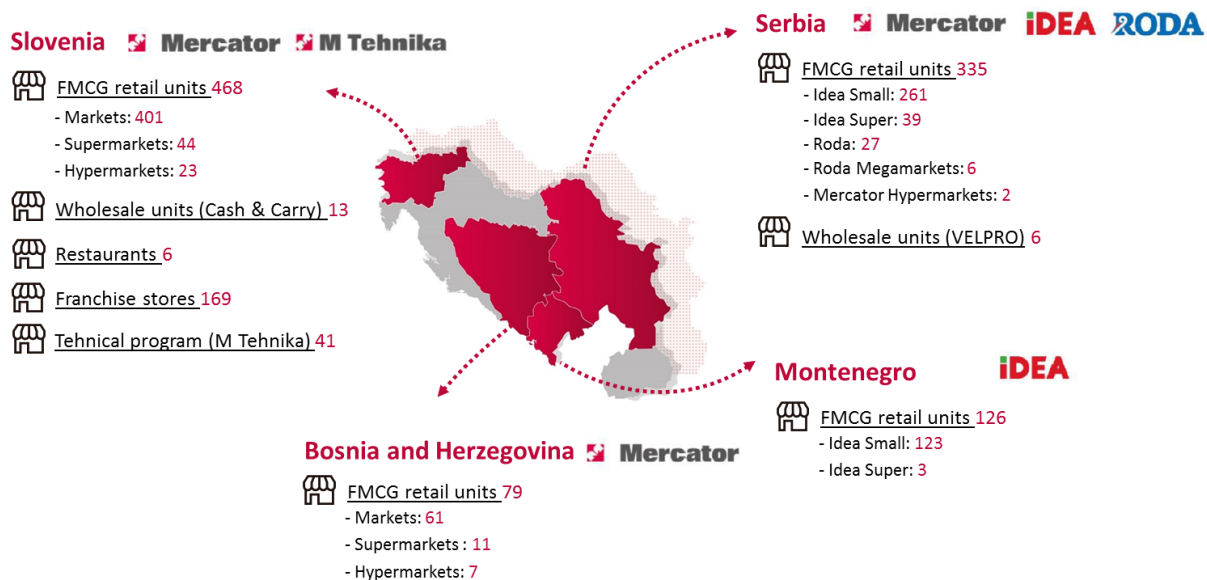


To alleviate the negative effects of the COVID-19 epidemic, Mercator Group introduced a number of activities and initiatives for optimization of profit margin and cost efficiency, which completely neutralized the negative effect of the drop of revenue resulting from the negative trends related to the epidemic. As a result, **normalized EBITDA increased by 7.4%**.

Only timely and responsible preparation for the crisis allowed Mercator Group to sustain its positive performance trends regardless of the negative effects of the epidemic and the measures adopted by governments in respective markets of our operations. Moreover, operation during the crisis has proven that Mercator Group employees are highly motivated, loyal, and responsible for accomplishment of the Group's goals.

Sales network

Composition of units by store formats as at March 31, 2021



MERCATOR GROUP	Gross sales area (in m ²)	Net sales area (in m ²)
FMCG retail units 1,008	809,646	519,097
Wholesale units (Cash & Carry/VELPRO) 19	56,804	34,236
Restaurants 6	2,565	1,019
Technical program (M Tehnika) 41	61,615	36,760
Total units under management 1,074	930,630	591,112
Franchise stores 169	36,128	23,769
TOTAL 1,243	966,758	614,881

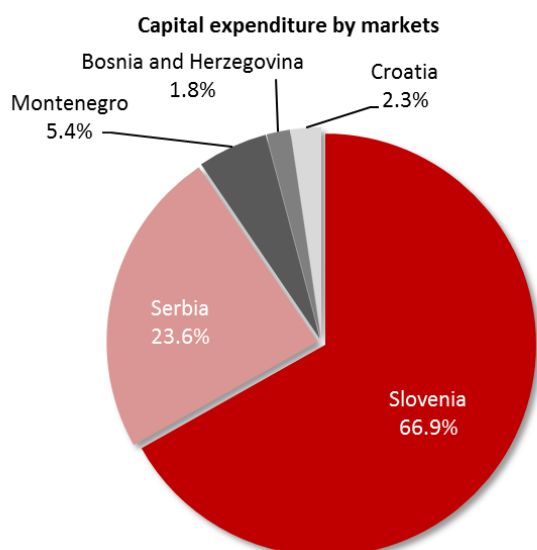
Investment and divestment

In the period 1–3, 2021, Mercator Group's investment into property, plant, and equipment (CAPEX) amounted to EUR 4.5 million. Of the total investment amount, 66.9% was used for investments in Slovenia and 33.1% was used for investments in international markets.

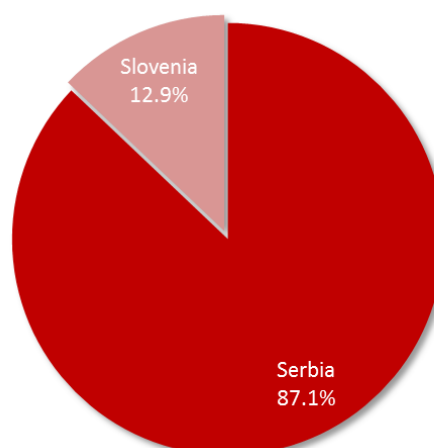
	Capital expenditure in the period 1–3, 2021 (in EUR 000)	Structure (in %)
Slovenia	2,995	66.9%
Serbia	1,058	23.6%
Montenegro	241	5.4%
Bosnia and Herzegovina	80	1.8%
Croatia	105	2.3%
Total	4,480	100.0%

Investment into refurbishment of existing units accounted for 53.7% of total investments; expansion of new retail units represented 8.4%; IT investments accounted for 18.3%; investments into distribution centres accounted for 13.8%; and the remaining 5.8% was invested in non-trade activities.

In the period 1–3, 2021, Mercator Group acquired **2,724 m² of new retail area** for its own operations. All gross areas were acquired by operating leases.



Share of new usable areas by markets



In the period 1–3, 2021, Mercator Group **divested property, plant, and equipment worth EUR 5.3 million**, of which EUR 5.2 million pertains to the divestment of property (real estate) and EUR 0.1 million pertains to plant and equipment.

Summary of total gross retail area as at March 31, 2021

	Gross retail area (in m ²)		
	Used for own operations	Leased out	TOTAL
Owned retail area	459,073	336,628	795,701
Leased retail area	471,556	145,827	617,383
Total retail area	930,629	482,455	1,413,084
Owned warehouse capacity	152,952	20,526	173,478
Leased warehouse capacity	60,562	10,508	71,070
Total warehouse capacity	213,514	31,034	244,548
Owned commercial facilities	17,922	3,611	21,533
Leased commercial facilities	7,411	674	8,085
Total commercial facilities	25,333	4,285	29,618
GROSS AREA UNDER MANAGEMENT	1,169,476	517,774	1,687,250
- of which owned	629,947	360,765	990,712
- of which leased	539,529	157,009	696,538

Overview of newly opened and updated units by markets in the period 1–3, 2021

**Slovenia**

Area of new facilities: 352 m²

Number of new units: 1

Openings: Market Videm, Dobropolje

Refurbishments/layout updates:

Number of units: 14 fast-moving consumer good stores, 13 wholesale units (Cash&Carry)



Market Videm, Dobropolje



Market Videm, Dobropolje

**Serbia**

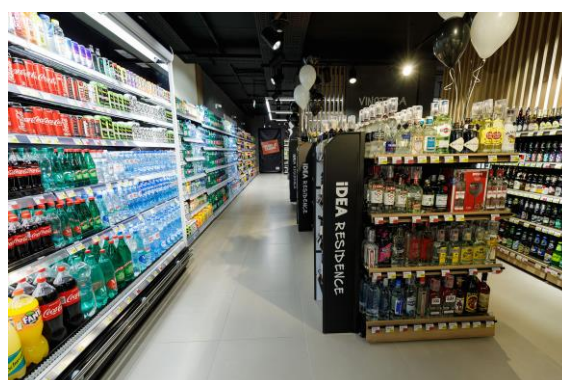
Area of new facilities: 2,372 m²

Number of new units: 6

Openings: Market Hilandarska, Novi Sad; Market Banja Koviljača; Market Svetislava Kasapinovića, Novi Sad; Market Bač; Market Cara Uroša, Beograd; Market Residence, Beograd

Refurbishments/layout updates:

Number of units: 15



Market Residence, Beograd



Market Banja Koviljača

At the Mercator Group level, a total of **7 units were newly opened** in 1-3 2021, and **42 units** were renovated or refurbished.

Financial management

Stable financial operations

As at March 31, 2021, Mercator Group's net financial debt (not taking into account the IFRS 16 Leases) amounted to EUR 560.0 million, which is 2.2% more than as at the end of 2020, and 5.4% less than as at March 31, 2020. Decrease in total financial liabilities as at March 31, 2021 relative to the same period last year was a result of complete repayment of two financial leases in Slovenia. Mercator Group's total financial liabilities decreased by EUR 8,660 thousand relative to December 31, 2020, which is mostly a result of repayment of financial leases in Slovenia, and partial repayment of debt in Serbia.

Net financial debt

in EUR 000	March 31, 2021	December 31, 2020	March 31, 2020 ¹	Change March 31, 2021/ Dec. 31, 2020	Change March 31, 2021/March 31, 2020
Non-current borrowings	65,177	67,743	451,410	-3.8%	-85.6%
Current borrowings	483,094	484,538	141,789	-0.3%	240.7%
Financial leases ²	40,795	45,446	54,852	-10.2%	-25.6%
Total financial liabilities	589,067	597,727	648,050	-1.4%	-9.1%
Cash and cash equivalents	29,094	49,884	56,088	-41.7%	-48.1%
Net financial debt (without the effect of IFRS 16 Leases)	559,973	547,843	591,962	2.2%	-5.4%
Present value of future rent IFRS 16 Leases					
New non-current and current lease liabilities ²	294,412	300,226	312,286	-1.9%	-5.7%
Total lease liabilities related to the new standard IFRS 16 Leases	294,412	300,226	312,286	-1.9%	-5.7%
Net financial debt (with the effect of IFRS 16 Leases)	854,385	848,069	904,248	0.7%	-5.5%
EBITDA normalized ³	166,029	162,755	174,816	2.0%	-5.0%
Net financial debt / EBITDA normalized (with the effect of IFRS 16 Leases)	5.1x	5.2x	5.2x	-1.2%	-0.5%

¹ For comparability, data for the period 1–3 2020 is adjusted to the methodology used for the period 1–3, 2021.²

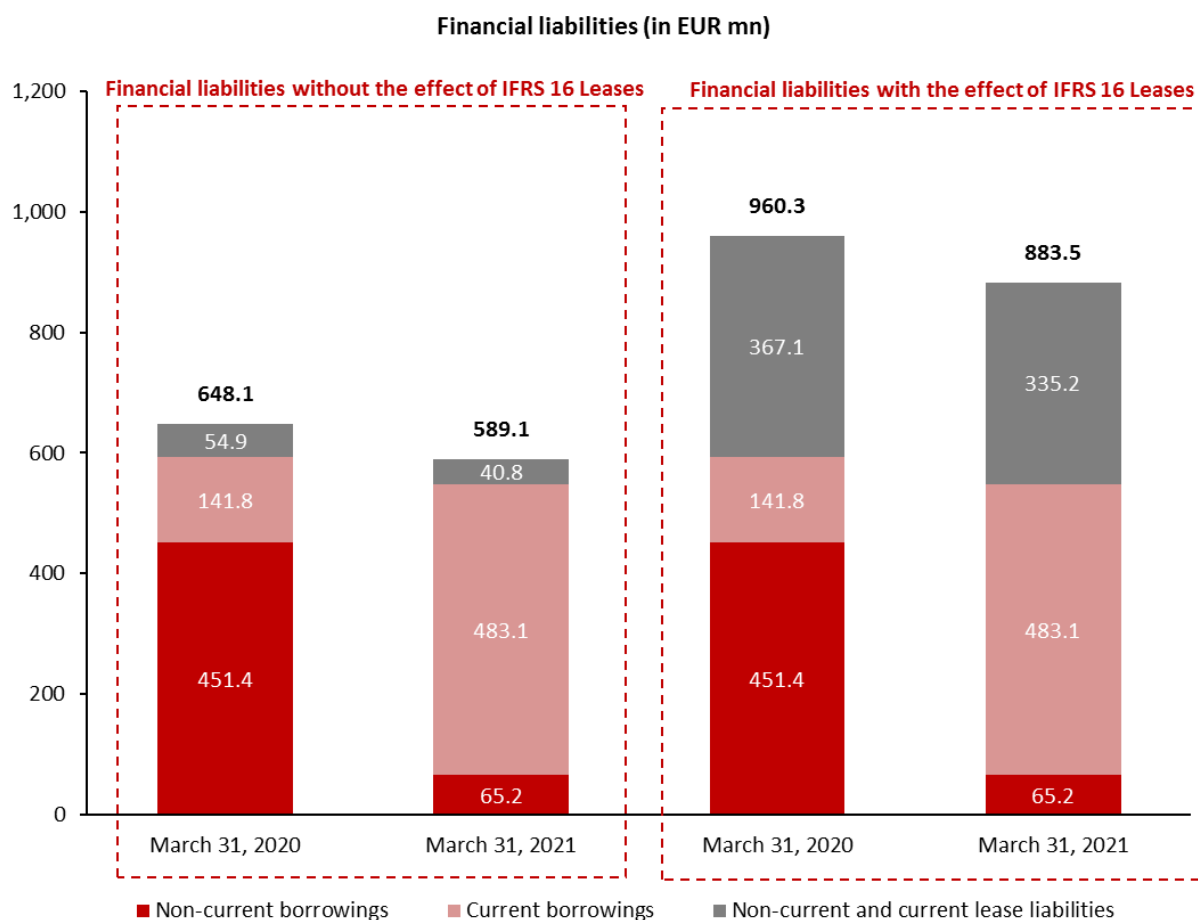
² The items "Financial leases" and "New non-current and current lease liabilities" are presented in the statement of financial position as "Lease liabilities".

³ The "Normalized EBITDA" item for the periods 1–3, 2021, and 1–3, 2020, is adjusted to annual level. It is based on last twelve months EBITDA for referred period. For the period March 2020 to 2021 (LTM)

Security of bank loans

Restructuring of Mercator Group's financial liabilities included securing such liabilities with mortgages on Mercator's own real property, with financial investments into subsidiaries, receivables, inventories, intellectual property, and cash/deposits in bank accounts.

Debt to equity and financial liability ratio



As at March 31, 2021, Mercator Group's ratio between equity and net financial debt^Δ was at 1 : 2.898.

In recent years, Mercator Group considerably decreased its debt by carrying out the real estate monetization project in Slovenia and Serbia, and by regularly paying off its financial liabilities.

The share of non-current financial liabilities in total financial liabilities as at March 31, 2021, amounted to 37.1% (37.9% as at December 31, 2020). The ratio between long-term and short-term financial liabilities changed due to the fact that a significant part of Mercator's financial liabilities matures in March and June 2021, respectively. Coverage of non-current assets with non-current liabilities at the Mercator Group as at March 31, 2021, is at 47.9%. ^Δ

Following the restructuring of the company Poslovni sistem Mercator d.d., all financial liabilities of the company are variable and tied to the EURIBOR.

Available liquidity as at March 31, 2021

As at March 31, 2021, Mercator Group had access to the following liquidity ^Δ:

In 000 EUR	March 31, 2021
Cash and cash equivalents	29,094
Standby revolving credit lines	6,648
Total	35,742

^Δ Alternative measures are presented in more detail in the chapter Alternative performance measures (APM).

Mercator share and investor relations

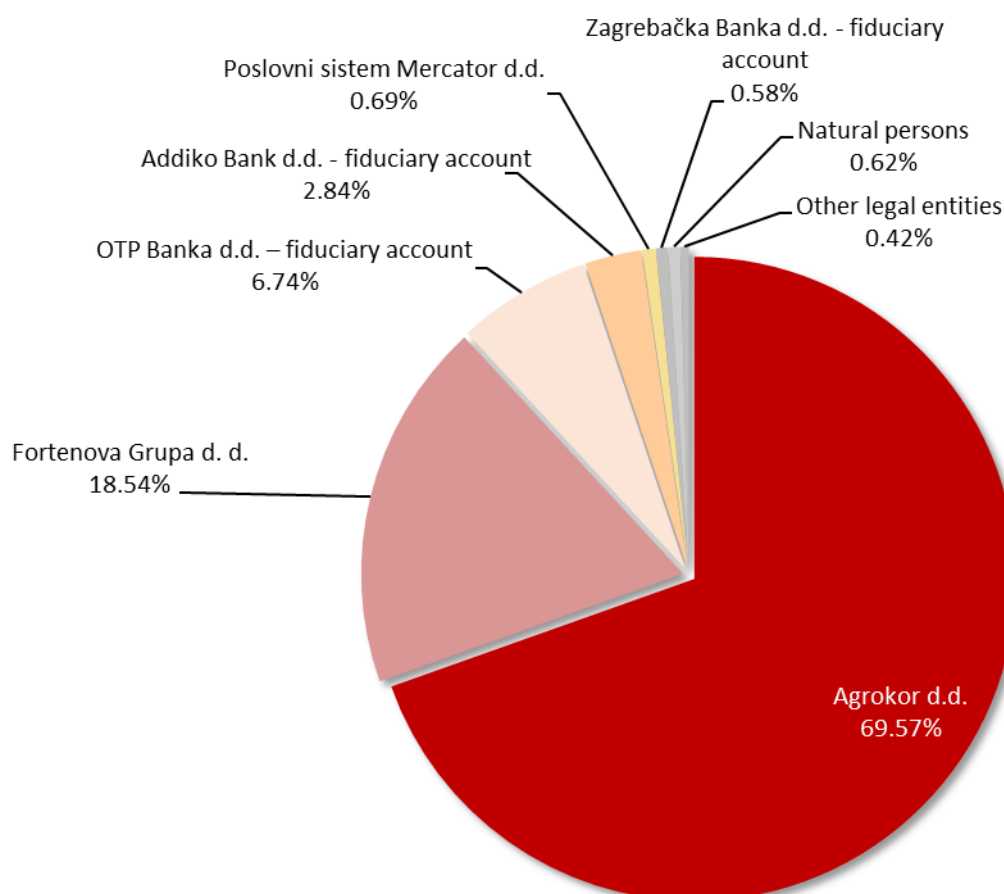
Share and ownership structure

Basic information on the share of the company Poslovni sistem Mercator d.d. as at March 31, 2021:



Code/Symbol	MELR
Type	Common share
Listing	Prime market of Ljubljanska Borza, d.d.
Nominal capital	EUR 254,175,051.39
Number of shares	6,090,943
Number of own shares	42,192
Number of shareholders	1,473

Ownership structure of the company Poslovni sistem Mercator d.d. as at March 31, 2021:



Structure of the company shareholders as at March 31, 2021

As at March 31, 2021, the four largest shareholders combined owned **97.68%** of the company.

Shareholders	Country	Number of shares	Share
Agrokor d.d.	Croatia	4,237,376	69.57 %
Fortenova Grupa d.d.	Croatia	1,129,058	18.54 %
OTP Banka d.d. – fiduciary account	Croatia	410,339	6.74 %
Addiko Bank d.d. - fiduciary account	Croatia	172,755	2.84 %
Other		141,415	2.31 %
Total		6,090,943	100.00 %

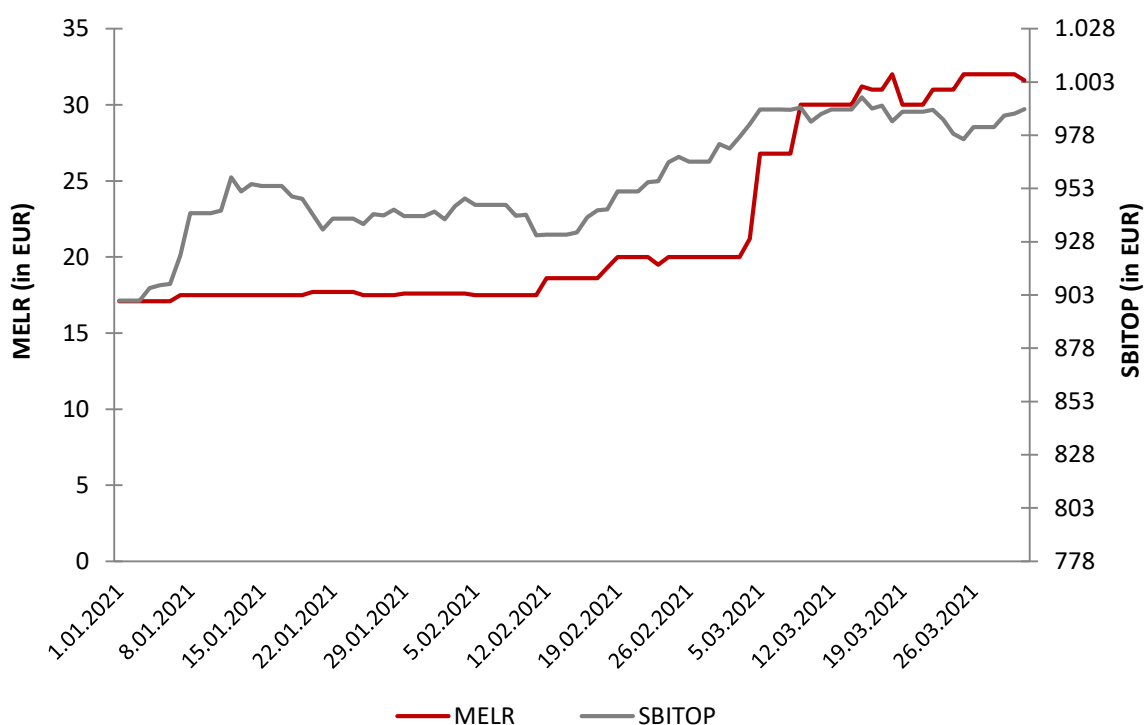
Shares held by Management and Supervisory Board Members as at March 31, 2021

Management Board and Supervisory Board Members of Poslovni sistem Mercator d.d. did not own shares of the company Poslovni sistem Mercator d.d. as at March 31, 2021.

Foreign shareholders

As at March 31, 2021, the share of international shareholders in the company Poslovni sistem Mercator d.d. was **98.69%**, and it increased in comparison to December 31, 2020 by 0.02 percentage point.

Movement of closing price per MELR share in the period 1–3, 2020, compared to the movement of the SBITOP index



Key information for the shareholders

	March 31, 2021	March 31, 2020	Change March 31, 2021/ March 31, 2020
Number of shares registered in Court Register	6,090,943	6,090,943	0.0%
Number of own shares	42,192	42,192	0.0%
Market capitalization (in EUR 000)	192,474	91,364	110.7%
Market value of share (in EUR)	31.6	15.0	110.7%
Book value per share (in EUR)	61.6	67.6	-8.9%
Minimum close rate in the period (in EUR)	17.1	15.0	14.0%
Maximum close rate in the period (in EUR)	32.0	19.1	67.5%
Average close rate in the period (in EUR)	21.8	17.7	23.3%
Earnings per share (in EUR)	4.4	4.3	2.2%

Market capitalization is calculated by multiplying the number of shares entered into the court register as at March 31 with market price per share as at March 31.

Book value per share is calculated as the ratio between the value of the equity of the company Poslovni sistem Mercator d.d. as at March 31, and the weighted average number of ordinary shares in the period at hand, excluding own shares.

Earning per share is defined as the alternative measure and is presented in more detail in the chapter Alternative performance measures (APM).

Dividend policy

In 2021 no dividend payment relating to accumulated net profit for 2020 is planned.

Own shares

As at March 31, 2021, the company Poslovni sistem Mercator d.d. held 42,192 own shares. In the period 1–3, 2021, the company Poslovni sistem Mercator d. d, neither acquired nor disposed of own shares.

Investors

The company Poslovni sistem Mercator d.d. communicates important information and major changes in company operations or performance to all stakeholders regularly and in a timely fashion. Such information is conveyed via the website at www.mercatorgroup.si, and the Ljubljana Stock Exchange electronic information dissemination system SEOnet where Mercator is publishing releases in Slovenian and English.

Shareholders holding shares of the same class are treated equally by Mercator. Furthermore, they are motivated to actively and responsibly assert their rights.

3.

Financial
report

Accounting policies

All financial statements of the Mercator Group and the company Poslovni sistem Mercator d.d. for the period 1–3, 2021, are drawn up in compliance with the International Financial Reporting Standards and they are unaudited.

Consolidated financial statements of the Mercator Group and the company Poslovni sistem Mercator d.d.

Poslovni sistem Mercator d.d. is a company headquartered in Slovenia. The address of its registered head office is Ljubljana, Dunajska cesta 107. Consolidated financial statements for the period 1–3, 2021, include the company Poslovni sistem Mercator d.d. and its subsidiaries (hereinafter jointly referred to as the "Mercator Group"), as follows:

- in Slovenia: Mercator–Emba d.d., Mercator IP d.o.o., M–Energija d.o.o.,
- abroad: Mercator–H d.o.o., Croatia; Mercator–S d.o.o., Serbia; Mercator–BH, d.o.o., Bosnia and Herzegovina; Mercator–CG d.o.o., Montenegro; Mercator Macedonia, d.o.o.e.l., North Macedonia.

Mercator Group's predominant operating activity is retail and wholesale of fast-moving consumer goods.

Consolidated statement of financial position of the Mercator Group and statement of financial position of the company Poslovni sistem Mercator d.d.

	Mercator Group		Poslovni sistem Mercator d.d.	
in EUR thousand	March 31, 2021	Dec. 31, 2020	March 31, 2021	Dec. 31, 2020
ASSETS				
Property, plant and equipment	816,602	831,426	539,458	545,488
Right of use assets	333,446	340,030	158,188	159,703
Investment property	203,432	198,978	3,043	3,043
Intangible assets	20,562	20,750	12,860	12,993
Deferred tax assets	5,415	5,420	-	-
Trade and other receivables	4,571	4,190	2,763	2,669
Loans/deposits given	2,701	8,246	-	-
Investments in financial assets	927	927	803	803
Investments in subsidiaries	-	-	-	235,520
Total non-current assets	1,387,656	1,409,966	952,645	960,219
Inventories	200,281	202,951	112,407	110,245
Trade and other receivables	124,934	124,675	61,493	54,932
Current tax assets	2,223	1,642	2,060	1,539
Loans/deposits given	413	2,365	29,096	33,012
Cash and cash equivalents	29,094	49,884	11,671	28,964
Total current assets	356,945	381,517	216,727	228,692
Total assets	1,744,601	1,791,483	1,169,372	1,188,911
EQUITY				
Share capital	254,175	254,175	254,175	254,175
Own shares	(3,235)	(3,235)	(3,235)	(3,235)
Reserves	136,248	133,709	152,516	153,867
Retained earnings	(92,009)	(92,835)	(30,874)	(39,110)
Equity attributable to the owners of the company	295,179	291,814	-	-
Non-controlling interests	-	231	-	-
Total equity	295,179	292,046	372,581	365,696
LIABILITIES				
Borrowings	65,177	67,743	-	-
Lease liabilities	262,388	272,636	69,332	71,553
Deferred tax liabilities	16,211	15,063	7,878	6,708
Provisions	26,334	27,543	21,880	22,824
Non-current liabilities	370,111	382,985	99,090	101,085
Trade and other payables	522,442	558,680	281,410	305,344
Borrowings	483,094	484,538	396,067	395,433
Lease liabilities	72,819	73,036	19,415	21,354
Current tax	956	199	808	0
Current liabilities	1,079,312	1,116,453	697,700	722,130
Total liabilities	1,449,423	1,499,438	796,791	823,215
Equity and liabilities	1,744,601	1,791,483	1,169,372	1,188,911

Consolidated income statement of the Mercator Group and income statement of the company Poslovni sistem Mercator, d.d.

	Mercator Group		Poslovni sistem Mercator d.d.	
in EUR thousand	1–3, 2021	1–3, 2020*	1–3, 2021	1–3, 2020*
Sales revenue	497,103	519,788	290,228	302,784
Rental income**	10,681	10,695	3,078	3,131
Selling costs	(473,594)	(501,282)	(273,374)	(286,012)
Revaluation gains/losses of investment property	-	-	-	-
Administrative expenses	(18,656)	(15,347)	(7,569)	(8,631)
Other operating income	2,401	2,090	1,704	816
Results from operating activities	17,934	15,945	14,067	12,089
Finance income	111	392	311	427
Finance costs	(12,555)	(15,182)	(5,515)	(5,960)
Net finance costs	(12,444)	(14,790)	(5,204)	(5,533)
Profit or loss before tax	5,491	1,154	8,863	6,555
Tax	(2,354)	(49)	(2,220)	-
Net profit (loss) for the period	3,137	1,105	6,642	6,555
Net profit (loss) for the period attributable to:				
Owners of the Company	3,287	1,084		
Non-controlling interests	(150)	21		

* For comparability, data for the period 1–3 2020 is adjusted to the methodology used for the period 1–3, 2021.

** At the end of 2020, Mercator Group and the company Poslovni sistem Mercator d.d. changed the way they report revenue from rents. These are now reported in a separate line, and subtracted from the sales revenue. The Group believes that such reporting provides reliable information that is more relevant to the users of the Group's financial statements. For comparability, this change was also applied to the period 1–3, 2020.

Consolidated statement of other comprehensive income of the Mercator Group and statement of other comprehensive income of the company Poslovni sistem Mercator d.d.

	Mercator Group		Poslovni sistem Mercator d.d.	
in EUR thousand	1–3, 2021	1–3, 2020*	1–3, 2021	1–3, 2020*
Net profit/loss for the period	3,137	1,105	6,642	6,555
Other comprehensive income:	-	-	-	-
Items that subsequently cannot be reclassified to profit or loss	(3,766)	207	243	-
Change in fair value of assets	-	-	-	-
Change in fair value of financial assets	-	(1)	-	-
Remeasurements of post-employment benefit obligations	(3,766)	209	243	-
Deferred tax	-	-	-	-
Items that may be reclassified subsequently to profit or loss	3,762	(4,879)	(0)	(0)
Foreign currency translation differences	3,762	(4,879)	(0)	(0)
Total other comprehensive income/(loss) for the period	(4)	(4,672)	243	(0)
Total comprehensive income/(loss) for the period	3,133	(3,567)	6,885	6,555
Total comprehensive income for the period attributable to:				
Owners of the company	3,364	(3,554)		
Non-controlling interests	(231)	(12)		

* For comparability, data for the period 1–3 2020 is adjusted to the methodology used for the period 1–3, 2021.

Consolidated statement of changes in equity of the Mercator Group

Mercator Group													
in EUR thousand	Share capital	Own shares	Reserves						Retained earnings		Equity attribute. to the control. company owners	Non-control. interests	Total equity
			Reserves for own shares	Share premium	Legal reserves	Other profit reserves	Fair value reserves	Currency translation reserve	Retained net profit or loss	Net profit or loss for the period			
As at January 1, 2020	254,175	(3,235)	3,235	2,571	20,691	11,990	180,566	(83,810)	55,156	(2,522)	438,816	401	439,217
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	1,105	1,105	-	1,105
Other comprehensive income for the period	-	-	-	-	-	(35)	(978)	(4,493)	845	3	(4,659)	(12)	(4,672)
Total comprehensive income for the period	-	-	-	-	-	(35)	(978)	(4,493)	845	1,108	(3,554)	(12)	(3,567)
Transactions with owners directly recognized in equity													
Contributions by and distributions to owners													
Transfer of net loss for the previous year to retained earnings	-	-	-	-	-	-	-	-	(2,522)	2,522	-	-	-
Total transactions with owners	0	-	-	-	-	(0)	-	-	(2,522)	2,522	-	-	-
Balance as at March 31, 2020	254,175	(3,235)	3,235	2,571	20,691	11,955	179,588	(88,304)	53,479	1,108	435,262	388	435,650

Mercator Group													
in EUR thousand	Share capital	Own shares	Reserves						Retained earnings		Equity attributable to the control. company owners	Non-control. interests	Total equity
			Reserves for own shares	Share premium	Legal reserves	Other profit reserves	Fair value reserves	Currency translation reserve	Retained net profit or loss	Net profit or loss for the period			
As at January 1, 2021	254,175	(3,235)	3,235	2,571	20,691	11,969	186,215	(90,971)	63,725	(156,560)	291,814	231	292,046
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	3,137	3,137	-	3,137
Other comprehensive income for the period	-	-	-	-	-	(3)	(1,454)	3,997	(2,312)	0	227	(231)	(4)
Total comprehensive income for the period	-	-	-	-	-	(3)	(1,454)	3,997	(2,312)	3,137	3,364	(231)	3,133
Transactions with owners directly recognized in equity													
Contributions by and distributions to owners													
Transfer of net loss for the previous year to retained earnings	-	-	-	-	-	-	-	-	(156,560)	156,560	-	-	-
Total transactions with owners	0	-	-	-	-	0	-	-	(156,560)	156,560	-	-	-
Balance as at March 31, 2021	254,175	(3,235)	3,235	2,571	20,691	11,965	184,761	(86,974)	(95,147)	3,137	295,178	-	295,178

Statement of changes in equity of the company Poslovni sistem Mercator, d. d.

Poslovni sistem Mercator d.d.										
in EUR thousand	Share capital	Own shares	Reserves					Retained earnings		Total equity
			Reserves for own shares	Share premium	Legal reserves	Other profit reserves	Fair value reserves	Retained net profit or loss	Net profit or loss for the period	
As at January 1, 2020	254,175	(3,235)	3,235	2,571	13,389	-	123,498	27,330	(18,822)	402,141
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	6,555	6,555
Other comprehensive income for the period	-	-	-	-	-	-	-	-	(0)	(0)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	6,555	6,555
Transactions with owners directly recognized in equity										
Contributions by and distributions to owners										
Transfer of net loss for the previous year to retained earnings	-	-	-	-	-	-	-	(18,822)	18,822	-
Total transactions with owners	-	-	-	-	-	-	-	(18,822)	18,822	-
Balance as at March 31, 2020	254,175	(3,235)	3,235	2,571	13,389	-	123,498	8,508	6,555	408,696

Poslovni sistem Mercator d.d.										
in EUR thousand	Share capital	Own shares	Reserves					Retained earnings		Total equity
			Reserves for own shares	Share premium	Legal reserves	Other profit reserves	Fair value reserves	Retained net profit or loss	Net profit or loss for the period	
As at January 1, 2021	254,175	(3,235)	3,235	2,571	13,389	-	134,672	16,310	(55,420)	365,696
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	6,642	6,642
Other comprehensive income for the period	-	-	-	-	-	-	(1,351)	1,594	(0)	243
Total comprehensive income for the period	-	-	-	-	-	-	(1,351)	1,594	6,642	6,885
Transactions with owners directly recognized in equity										
Contributions by and distributions to owners										
Transfer of net loss for the previous year to retained earnings	-	-	-	-	-	-	-	(55,420)	55,420	-
Total transactions with owners	-	-	-	-	-	-	-	(55,420)	55,420	-
Balance as at March 31, 2021	254,175	(3,235)	3,235	2,571	13,389	-	133,321	(37,516)	6,642	372,581

Consolidated cash flow statement of the Mercator Group and cash flow statement of the company Poslovni sistem Mercator d.d.

	Mercator Group		Poslovni sistem Mercator d.d.	
in EUR thousand	1–3, 2021	1–3, 2020*	1–3, 2021	1–3, 2020*
Cash flows from operating activities				
Cash from operating activities before the change of working capital	42,409	40,942	23,670	20,575
Change in inventories	2,507	1,942	(2,275)	(4,283)
Change in trade and other receivables	(662)	3,184	(6,512)	(3,479)
Change in trade and other payables, and provisions	(31,291)	(32,929)	(21,343)	(12,343)
Tax paid	-	-	-	-
Cash from operating activities	12,962	13,140	(6,460)	470
Cash flows from investing activities				
Acquisition of property, plant and equipment, investment property and intangible assets	(4,480)	(5,621)	(2,797)	(2,794)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	5,323	571	1,150	545
Interest received	42	25	242	216
Loans granted	53	(2,264)	-	(7,362)
Repayment of loans granted	52	4,055	4,000	0
Cash from investing activities	991	(3,234)	2,595	(9,395)
Cash flow from financing activities				
Repayment of borrowings	(6,771)	(58,075)	(2,729)	(1,507)
Proceeds from borrowings	3,967	82,762	755	34,416
Interest paid	(10,982)	(11,300)	(5,046)	(5,679)
Principal elements of lease payments	(20,948)	(20,100)	(6,407)	(4,077)
Cash from financing activities	(34,734)	(6,714)	(13,427)	23,153
Net increase/decrease in cash and cash equivalents	(20,781)	3,192	(17,293)	14,228
Cash and cash equivalents at beginning of the year	49,884	52,977	28,964	15,806
Effect of exchange rate fluctuations on cash and cash equivalents	(10)	(80)	-	-
Cash and cash equivalents at the end of the period	29,094	56,088	11,671	30,034

* For comparability, data for the period 1–3 2020 is adjusted to the methodology used for the period 1–3, 2021.

Notes to consolidated financial statements of the Mercator Group and financial statements of the company Poslovni sistem Mercator d.d.

Notes to consolidated Statement of Financial Position of the Mercator Group and the Statement of Financial Position of the company Poslovni sistem Mercator d.d.

MERCATOR GROUP

Assets

Mercator Group assets as at March 31, 2021, amounted to EUR 1,744,601 thousand, which is EUR 235,751 thousand less than at the end of 2020.

As at March 31, 2021, the value of Mercator Group's non-current assets amounted to EUR 1,387,656 thousand, which is EUR 177,653 thousand less than as at December 31, 2020. Property, plant, and equipment (58.8%) and right of use assets (24.0%) account for the largest share of non-current assets.

As at March 31, 2021, the value of Mercator Group's current assets amounted to EUR 356,945 thousand, which is EUR 58,098 thousand less than as at the end of 2020. The largest share thereof includes inventories (56.1%) and trade and other receivables (35.0%).

Equity and liabilities

As at March 31, 2021, Mercator Group share capital amounted to EUR 295,179 thousand, which is EUR 140,487 thousand less than as at the end of 2020.

As at March 31, 2021, Mercator Group's total borrowings amounted to EUR 548,271 thousand, which is EUR 44,927 thousand less than as at the end of 2020. The cause for the decrease is the final repayment of two financial leases in Slovenia, and partial repayment of debt in Serbia. As at March 31, 2021, total rent liabilities amounted to EUR 335,208 thousand, which is EUR 31,930 thousand less than as at the end of 2020. Mercator Group's net financial debt, calculated as the difference between Mercator Group's financial liabilities and financial assets,

POSLOVNI SISTEM MERCATOR D.D.

Assets of the company Poslovni sistem Mercator d.d. as at March 31, 2021, amounted to EUR 1,169,372 thousand, which is EUR 81,583 thousand less than at the end of 2020.

As at March 31, 2021, the value of the company's non-current assets amounted to EUR 952,645 thousand, which is EUR 54,500 thousand less than as at December 31, 2020. Property, plant, and equipment (56.6%) and investments into subsidiaries (24.7%) account for the largest share of non-current assets.

As at March 31, 2021, the value of company current assets was EUR 216,727 thousand, which is EUR 27,083 thousand less than at the end of 2020. The largest share thereof includes inventories (51.9%) and trade and other receivables (28.4%).

Equity of the company Poslovni sistem Mercator d.d. as at March 31, 2021, amounts to EUR 372,581 thousand, which is an decrease of EUR 36,115 thousand relative to the end of 2020, pertaining mostly to net profit for the current period.

As at March 31, 2021, the company's total borrowings amount to EUR 396,067 thousand, which is an decrease of EUR 28,933 relative to December 31, 2020. As at March 31, 2021, total lease liabilities amounted to EUR 88,748 thousand, which is EUR 14,275 thousand less than as at the end of 2020. Net financial debt, calculated as the difference between financial liabilities and financial assets, amounted to EUR 473,144 thousand as at March 31, 2021 (December 31, 2020: EUR 497,988 thousand).

amounted to EUR 854,385 thousand as at March 31, 2021 (December 31, 2020: EUR 904,248 thousand).

As at March 31, 2021, Mercator Group's provisions amounted to EUR 26,334 thousand. Compared to the end of 2020, provisions have decreased by EUR 1,209 thousand.

Mercator Group's trade and other payables as at March 31, 2021, amounted to EUR 522,442 thousand, which is EUR 22,555 thousand less than at the end of 2020.

As at March 31, 2021, long-term coverage of non-current assets with non-current liabilities at the Mercator Group was at 47.9%, which is the same as at the end of 2020.

As at March 31, 2021, the company's provisions amounted to EUR 21,880 thousand. Compared to the end of 2020, provisions have decreased by EUR 944 thousand.

The company's trade and other payables as at March 31, 2021, amounted to EUR 281,410 thousand, which is EUR 7,055 thousand less than at the end of 2020.

Notes to consolidated Income Statement of the Mercator Group and the Income statement of the company Poslovni sistem Mercator d.d.

MERCATOR GROUP

Sales revenue

In the period 1–3, 2021, Mercator Group's sales revenue amounted to EUR 507,785 thousand, which is 4.3% less than in the equivalent period of the year before. Retail revenue also increased, by 4.5%. Slovenia (59.0% of total revenue) remain Mercator Group's most important market. In the Slovenian market, the retail company Poslovni sistem Mercator d.d. saw its revenue increase by 4.1% relative to the same period of the preceding year.

Costs

Mercator Group's costs of goods sold in the period 1–3, 2021, amounted to EUR 351,818 thousand, which is 5.9% less than in the comparable period last year.

Mercator Group's administrative expenses and selling costs in the period 1–3, 2021, amounted to EUR 140,284 thousand, which is 1.5% less than in the comparable period last year.

Results from operating activities (EBIT)

In the period 1–3, 2021, Mercator Group generated EUR 17,934 thousand of operating profit (EBIT), which is EUR 1,990 thousand more than the figure for the same period of last year.

Net finance expenses

Mercator Group's finance income in the period 1–3, 2021, amounted to EUR 111 thousand, which is 281 thousand EUR less than in the comparable period of last year.

POSLOVNI SISTEM MERCATOR D.D.

In the period 1–3, 2021, the company Poslovni sistem Mercator d.d. generated revenue of EUR 299,689 thousand, which is 4.1% less than in the period 1–3, 2020. Retail revenue amounted to EUR 232,455 thousand and has decreased by 3.0% relative to the same period of the preceding year.

Cost of goods sold at the company Poslovni sistem Mercator d.d. in the period 1–3, 2021, amounted to EUR 197,599 thousand, which is 5.8% less than in the comparable period last year.

Administrative expenses and selling costs of the company Poslovni sistem Mercator d.d. in the period 1–3, 2021, amounted to EUR 83,215 thousand, which is 1.8% less than in the comparable period last year.

In the period 1–3, 2021, operating profit (EBIT) of the company Poslovni sistem Mercator d.d. reached EUR 14,067 thousand, which is an increase of EUR 1,978 thousand.

Finance income of the company Poslovni sistem Mercator d.d. in the period 1–3, 2021, amounted to EUR 311 thousand, which is EUR 116 thousand less than in the comparable period of the preceding year.

In the period 1–3, 2021, Mercator Group's finance costs amounted to EUR 12,555 thousand, which is EUR 2,627 thousand less than in the comparable period of the year before, especially due to effect of currency translation differences.

Profit before tax

In the period 1–3, 2021, Mercator Group's results profit before income tax amounted to EUR 5,491 thousand, which is EUR 4,336 thousand more than in the equivalent period of last year.

Net profit for the period

Mercator Group's net profit for the period 1–3, 2021, amounts to EUR 3,137 thousand, which is an increase of EUR 2,032 thousand relative to the equivalent period of the preceding year.

EBITDA and EBITDAR

Mercator Group's EBITDA in the period 1–3, 2021, amounted to EUR 44,548 thousand (increase by EUR 2,427 thousand relative to the same period of the preceding year).

Mercator Group EBITDAR in the period 1–3, 2021, amounted to EUR 45,083 thousand, which is 5.9% more than in the equivalent period of last year.

Finance costs in the period 1–3, 2021, amounted to EUR 5,515 thousand which is EUR 445 thousand less than in the comparable period of last year.

Profit before income tax of the company Poslovni sistem Mercator d.d. in the period 1–3, 2021 amounted to EUR 8,863 thousand, which is EUR 2,307 thousand more than the profit in the same period of the preceding year.

Net profit of the company Poslovni sistem Mercator d.d. for the period 1–3, 2021, amounted to EUR 6,642 thousand, which is EUR 87 thousand more than in the equivalent period of the preceding year.

EBITDA of the company Poslovni sistem Mercator d.d. in the period 1–3, 2021, amounted to EUR 25,045 thousand (increase by 14.2% relative to the same period of the preceding year).

EBITDAR of the company Poslovni sistem Mercator d.d. in the period 1–3, 2021, amounted to EUR 25,313 thousand, which is 14.1% more than in the same period of last year.

Management Responsibility Statement

The Management Board of the company Poslovni sistem Mercator d.d. hereby confirms that the interim financial report of the company Poslovni sistem Mercator d.d., and the Mercator Group for the period ended on March 31, 2021, to their best knowledge, is compiled in compliance with the International Financial Reporting Standards and that it presents a true and fair account of assets and liabilities, financial position, and the net income of the company Poslovni sistem Mercator d.d., and other companies included in the consolidated statements. The Management Board also declares that the transactions between associated entities within the Mercator Group were conducted based on the signed sale and purchase agreements, according to arm's length principle.

Ljubljana, May 18, 2021

mag. Tomislav Čizmić
President of the Management Board



Draga Cukjati
Member of the Management Board



Igor Mamuza
Member of the Management Board



Gregor Planteu
Extraordinary Member of the Management Board



4.

Other informations

Alternative Performance Measures (APM)

Following is a review of alternative performance measures (APM) that offer additional insight into the trends and performance of Mercator Group, and which are defined based on the ESMA Guidelines on Alternative Performance Measures (APM). Thus, an APM is an indicator not specified in the International Accounting Standards. It is likely that the indicator is not directly comparable to other competitors and enterprises in other industries, due to differences in the methodology applied. All specified alternative performance measures pertain to business performance in the preceding reporting period and they include benchmark periods against which they are compared.

APM	The most equivalent/closest IFRS item Definition Purpose	Calculation basis		
Income statement				
Retail revenue	<ul style="list-style-type: none">Sales revenueRetail revenue includes total revenue from Mercator Group core activity in the markets of Slovenia, Serbia, Montenegro, and Bosnia and Herzegovina.The indicator is an important measure of Mercator Group performance, since retail revenue accounts for the predominant share of total revenue.	Mercator Group (EUR thousand)	1–3, 2021	1–3, 2020
		Retail	412,809	432,434
		Other activities/ businesses	94,975	98,049
		Sales revenue	507,785	530,483
Labour force cost	<ul style="list-style-type: none">No direct itemThe indicator is calculated as a sum of expenses pertaining to regular work based on collective and individual employment contracts, costs of student service agencies, hired workers, and costs related to other employment contracts.The indicator represents the total cost of labour.	Mercator Group (EUR thousand)	1–3, 2021	1–3, 2020
		Labour costs from collective and individual employment contracts	66,119	66,079
		Costs of student labour, hired workers, and other employment contracts	3,728	5,350
		Labour force cost	69,846	71,429
EBIT	<ul style="list-style-type: none">Operating profit (EBIT)Earnings before interest and taxes.The indicator is a measure of operating profitability, which is the key for attainment of Mercator Group's long-term goals.	The calculation is presented in the income statement in the Financial Report section of the Annual Report.		
Normalized EBITDA	<ul style="list-style-type: none">Operating profit (EBIT)Earnings before interest, taxes, depreciation and amortization, excluding the effect of non-recurring business events. Data for 2020 is adjusted and it only includes the net margin generated based on transit operations contracts. Moreover, the data observes the transfers of a part of the early payment discounts from the financial section to the business section of the Income statement.The indicator is a measure operating performance, and it is an approximation of cash flow from operating activities.	Mercator Group (EUR thousand)	1–3, 2021	1–3, 2020
		Operating profit (EBIT)	17,934	15,945
		Depreciation and amortization	26,613	26,177
		EBITDA	44,548	42,121
		Non-recurring business events	2,732	1,885
		Normalized EBITDA	47,280	44,006
Normalized EBITDA margin	<ul style="list-style-type: none">Sales revenue, Operating profit (EBIT)The indicator is calculated as the ratio between normalized EBITDA and total sales revenue.Improvement in this indicator is an important sign of operating performance, and it allows comparison with competitors and other industries, regardless of the scope of operations.	Mercator Group (EUR thousand)	1–3, 2021	1–3, 2020
		Normalized EBITDA	47,280	44,006
		Sales revenue	507,785	530,483
		EBITDA margin (in %)	9.3	8.3

APM	The most equivalent/closest IFRS item Definition Purpose	Calculation basis		
Productivity per retail employee	<ul style="list-style-type: none">Sales revenueThe indicator is calculated as the ratio between retail revenue and number of FTE (number of employees based on hours worked) in retail. The indicator is annualized (adjusted to annual level).Sales revenueThe use of this indicator is common in the retail industry, and it measures performance in the company's core activity.	Mercator Group	1–3, 2021	1–3, 2020
		Retail revenue (EUR thousand) – annualized	1,816,361	1,902,711
Value added per retail employee	<ul style="list-style-type: none">Operating profit (EBIT)The indicator is calculated as earnings before interest, taxes, depreciation and amortization, and rents, excluding labour costs, divided by FTE (number of employees based on hours worked). The indicator is annualized.The indicator measures the contribution of each employee in the company's core business.	Mercator Group	1–3, 2021	1–3, 2020
		EBITDAR, excluding retail labour costs (EUR thousand) – annualized	421,638	424,349
		Number of retail employees based on hours worked (FTE)	14,399	13,867
		Value added per retail employee (EUR thousand)	29.3	30.6
Statement of financial position				
Long-term coverage of non-current assets with non-current liabilities	<ul style="list-style-type: none">Non-current assets, non-current liabilities, equityThe indicator is calculated as the ratio between the sum of equity and non-current liabilities, and non-current assets.It is a measure of coverage of long-term assets with long-term liabilities, and it indicates adequacy of financing.	Mercator Group (EUR thousand)	March 31, 2021	March 31, 2020
		Equity	295,179	435,656
		Non-current liabilities	370,111	784,500
		Non-current assets	1,387,656	1,565,309
		Long-term coverage of non-current assets with non-current liabilities	47.9%	77.9%
Net financial debt	<ul style="list-style-type: none">Received borrowings, lease liabilities, cash and cash equivalentsThe indicator is calculated as: Non-current and current received borrowings + non-current and current lease liabilities – cash and cash equivalents.The indicator measures indebtedness of Mercator Group.	The calculation is presented in chapter Financial Management in the Business Report section of the Annual Report.		
Net financial debt/equity	<ul style="list-style-type: none">Received borrowings, lease liabilities, cash and cash equivalents, equityThe indicator is calculated as the ratio between net financial debt and equity.The indicator measures Mercator Group's ability to finance its assets with equity (share capital).	Mercator Group	March 31, 2021	March 31, 2020
		Net financial debt (EUR thousand)	854,385	904,248
		Equity (EUR thousand)	295,179	435,656
		Net financial debt/equity	2.9	2.1
Net financial debt / normalized EBITDA	<ul style="list-style-type: none">Received borrowings, lease liabilities, cash and cash equivalents, operating profit (EBIT)The indicator is calculated as the ratio between net financial debt and normalized EBITDA in the last twelve months (LTM) of business operations.The indicator measures the ability to repay the Mercator Group's financial debt from existing sources of liquidity and the generated cash flow from operating activities, and thus indicates the number of years required to repay the financial debt.	The calculation is presented in chapter Financial Management in the Business Report section of the Annual Report.		
Available liquidity	<ul style="list-style-type: none">Cash and cash equivalentsThe indicator is calculated as the sum of cash and cash equivalents and undrawn approved revolving lines.The indicator presents the balance of all liquidity available to the company on a particular date.	The calculation is presented in chapter Financial Management in the Business Report section of the Annual Report.		

APM	The most equivalent/closest IFRS item Definition Purpose	Calculation basis												
Other performance indicators														
Capital expenditure	<ul style="list-style-type: none"> No direct item Capital expenditure presents investment into expansion of retail network, refurbishment of existing units, investment into information technology and distribution centres, and investments into non-trade operations. The indicator allows the attainment of the business strategy laid down. 	Calculation, broken down by respective types of investment in markets, is presented in the chapter Sales Network in the Business Report section of the Annual Report, and in the Cash Flow Statement in the Financial Report section of the Annual Report.												
Earnings per share	<ul style="list-style-type: none"> Net profit for the period The indicator is calculated as the ratio between net income (profit or loss) and weighted average number of ordinary shares, excluding treasury shares, of the company Poslovni sistem Mercator d.d. in the period at hand. The item net income is annualized. The indicator is an estimate of performance and returns for shareholders. 	<table> <tr> <th>Poslovni sistem Mercator d.d.</th><th>1–3, 2021</th><th>1–3, 2020</th></tr> <tr> <td>Profit attributable to shareholders (EUR thousand) – <i>annualized</i></td><td>26,569</td><td>26,221</td></tr> <tr> <td>Weighted average number of ordinary shares being exercised</td><td>6,048,751</td><td>6,048,751</td></tr> <tr> <td>Earnings per share (in EUR)</td><td>4.4</td><td>4.3</td></tr> </table>	Poslovni sistem Mercator d.d.	1–3, 2021	1–3, 2020	Profit attributable to shareholders (EUR thousand) – <i>annualized</i>	26,569	26,221	Weighted average number of ordinary shares being exercised	6,048,751	6,048,751	Earnings per share (in EUR)	4.4	4.3
Poslovni sistem Mercator d.d.	1–3, 2021	1–3, 2020												
Profit attributable to shareholders (EUR thousand) – <i>annualized</i>	26,569	26,221												
Weighted average number of ordinary shares being exercised	6,048,751	6,048,751												
Earnings per share (in EUR)	4.4	4.3												

