



Business report of the
 Mercator Group and
 Poslovni sistem Mercator d.d.
 for the period 1-6, 2021





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Executive summary

Despite the ongoing COVID-19 epidemic and many measures that restricted our operations, Mercator Group's normalized EBITDA increased by 11.1% in the period 1–6, 2021, and amounted to EUR 92,377 thousand for the period. Operating profit (EBIT) increased in the first half of 2021 and reached EUR 40,353 thousand.

In the period 1–6, 2021 Mercator Group sales revenue amounted to EUR 1,062,982 thousand, which is 0.4% below the figure for the equivalent period of the year before. Compared to the same period of the year before, Mercator Group recorded a 1.2% decrease in sales revenues from retail, which is the core business of the group. The latter is due to the above-average retail sales 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.

Mercator Group's sales revenue in the period 1–6, 2021, is consistent with the plan, and it increased by EUR 40,246 thousand, or 3.9%, relative to the equivalent period before the declaration of the COVID-19 epidemic (period 1–6, 2019). The highest growth of sales revenue was recorded in retail. In Slovenia, it increased by EUR 32,094 thousand, or 7.3%, relative to the equivalent period before the declaration of the COVID-19 epidemic (period 1–6, 2019).

Slovenia remains Mercator Group's most important market (59.2% of total sales revenue). In the Slovenian market, the retail company Poslovni sistem Mercator d.d. saw its sales revenue decrease by 1.6% relative to the same period of the preceding year, while generating sales revenue of EUR 606,836 thousand, which represent 95.7% of total sales revenues on the Slovenian market. The company's sales revenue from retail operations amounted to EUR 474,586 thousand, which is 0.8% less than in the period 1–6, 2020.

In order 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 sales revenue due to the epidemic. As a result, normalized EBITDA increased by 11.1%. 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.

As at June 30, 2021, Mercator Group's net financial debt (not taking into account the IFRS 16 Leases) amounted to EUR 558.2 million, which is 5.1% less than as at June 30, 2020. Decrease in total financial liabilities as at June 30, 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 increased by EUR 23,715 thousand relative to December 31, 2020, which is mostly a result partial increase of the Super Senior loan.

In the period 1–6, 2021, Mercator Group's CAPEX amounted to EUR 13.6 million, of which 71.2% was invested in Slovenia, and 28.8% was invested in international markets. Investments into refurbishment and update existing units accounted for 54.2% of total investments; investments into distribution centres accounted for 19.3%; IT investments represented 14.1%; investments into expansion of new retail units accounted for 8.7%; and the remaining 3.7% was invested in non-trade activities.

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 transfer of Agrokor's shareholding in Mercator to the Fortenova Group was completed; on May 26, 2021, Fortenova announced its takeover bid for the purchase of all shares of the company Poslovni sistem Mercator d.d.

On June 9, 2021, the Supervisory Board of Poslovni sistem Mercator d.d. approved a new term of office of Management Board. Thus, the Management Board with a four-year term of office continues to include Tomislav Čizmič as the President of the Management Board and Draga Cujkati and Igor Mamuza as Management Board members. On June 21, 2021, the Supervisory Board approved the agenda and resolution proposals for the 28th regular Shareholders Assembly (general meeting of shareholders) of Poslovni sistem Mercator d.d., which carried out on July 26, 2021.

1.

Introduction

Profile and organization

Mercator Group is one of the largest corporate groups in Slovenia. Within the Fortenova grupa, it is active 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

Mercator Group Profile as at June 30, 2021



- Slovenia**
- Poslovni sistem Mercator, d.d.
 - Mercator - Velpro, d.o.o. (100.0 %)*
 - Mercator IP, d.o.o. (100.0 %)
 - Mercator - Emba, d.d. (100.0 %)
 - M - Energija, d.o.o. (100.0 %)
 - Alpin DVA KG, d.o.o. (100.0 %)
 - Alpin ENA KG, d.o.o. (100.0 %)
 - Alpin SUB, d.o.o. (100.0 %)

- Serbia**
- Mercator - S, d.o.o. (100.0 %)
- Croatia**
- Mercator - H, d.o.o. (100.0 %)
- Bosnia and Herzegovina**
- Mercator - BH, d.o.o. (100.0 %)
 - M - BL, d.o.o. (100.0 %)*
- Montenegro**
- Mercator - CG, d.o.o. (100.0 %)
- North Macedonia**
- Mercator Makedonija, d.o.o.e.l (100.0 %)*

- Mercator operations
- Mercator Real estate
- Other operating activities

* The company does not conduct business operations.

Branch Offices: As at June 30, 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 June 30, 2021	EUR 254,175,051.39
Number of shares issued and paid-up as at June 30, 2021	6,090,943
Share listing	Ljubljanska borza d.d., official market, prime market, symbol MELR

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Youtube www.youtube.com/user/mercatorslo

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

In the period 1–6, 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.

At its **1st regular session held on April 9, 2021**, the Supervisory Board of Poslovni sistem Mercator d.d. approved the transaction and the terms (Key Terms) regarding the refinancing of wide-group debt (WGD) and super-senior facility (SSF), as presented to the Supervisory Board on April 8, 2021.

At their **2nd regular session held on April 22, 2021**, the Supervisory Board of Poslovni sistem Mercator d.d. was presented Mercator Group's business performance in the year 2020, Independent Auditor's Report on restricted statement of relations with affiliated companies pursuant to Article 545 of the Companies Act (ZGD-1), and the results of the Supervisory Board's self-assessment, adopted the Annual Report of the Mercator Group and the company Mercator d.d. for the year 2020, and received information about the Internal Audit's Annual Report for the year 2020.

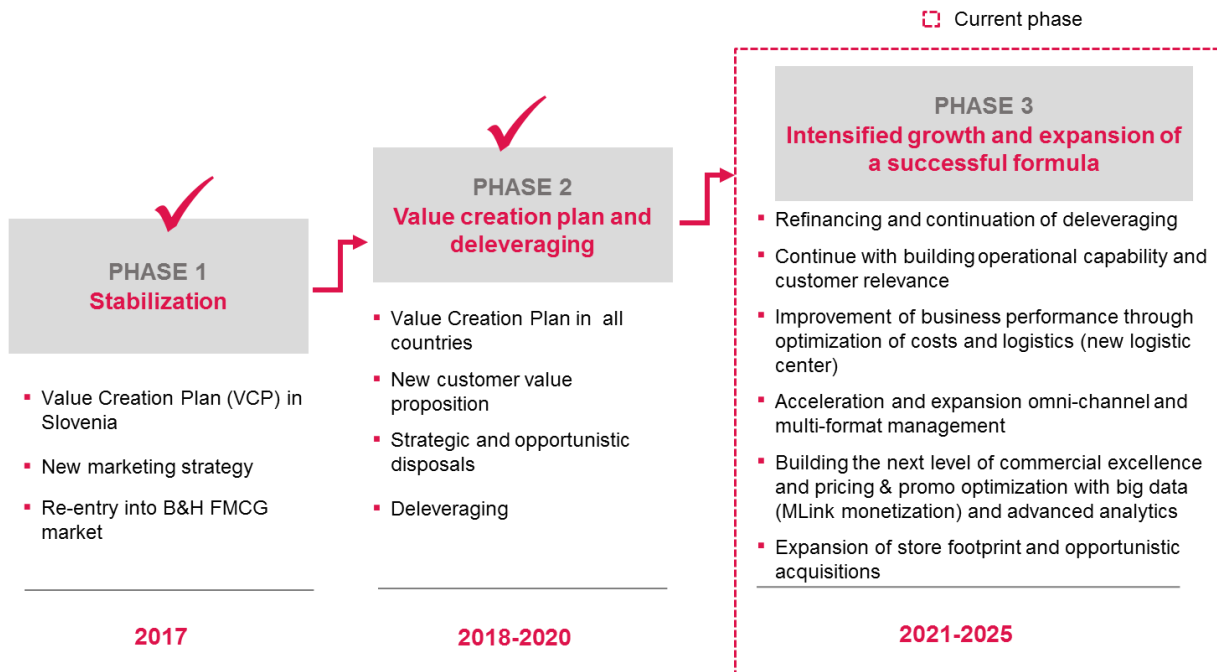
At their **3rd correspondence session held on May 26, 2021**, the Supervisory Board of Poslovni sistem Mercator d.d. adopted the Business Report of the Mercator Group and the company Poslovni sistem Mercator d.d. for the period 1–3, 2021. On April 23, 2021, i.e., the day of transfer of all shares of the company Poslovni sistem Mercator d.d., held by Agrokor, to the company Fortenova Grupa d.d., the Supervisory Board terminated the steering and supervisory committee in charge of compliance with the commitments made by the company Agrokor d.d.

At their **4th correspondence session held on June 9, 2021**, the Supervisory Board of Poslovni sistem Mercator d.d. extended the term of office for all three Management Board members – Tomislav Čizmič, Draga Cukjati, and Igor Mamuza – by four years, and approved the Management Board's proposal to incorporate three companies for the purpose of execution of the Alpin Project, to which three parts of real property, respectively, are to be transferred, and which shall in turn be sold to the buyer who was confirmed at the Supervisory Board's correspondence session held on March 12, 2021, for the sale and purchase of real estate.

At the **5th correspondence session held on June 21, 2021**, the Supervisory Board of Poslovni sistem Mercator d.d. approved the agenda and resolution proposals for the 28th regular Shareholders Assembly (general meeting of shareholders) of Poslovni sistem Mercator d.d., which would take place on July 26, 2021; the Supervisory Board was also informed and consented to the initiative by the majority shareholder Fortenova Grupa d.d. to engage, for strategic planning of operations of integrated Mercator Group, the company's management board members, who shall sign with the company Fortenova Grupa d.d. appropriate contract in this respect; and the Supervisory Board 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 February 1, 2021, to May 19, 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 half of the year 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				
		1–6, 2021	1–6, 2020*	Change 1–6, 2021/ 1–6, 2020
INCOME STATEMENT	(in EUR 000)			
	Sales revenue	1,062,982	1,067,541	-0.4%
	Sales revenue from retail ^Δ	849,788	860,252	-1.2%
	Operating profit (EBIT)	40,353	-40,212	-
	Net profit for the period	10,585	-69,213	-
	EBITDA normalized ^Δ	92,377	83,156	11.1%
STATEMENT OF FINANCIAL POSITION	(in EUR 000)			
	Total assets as at June 30	1,795,580	1,896,711	-5.3%
	Total assets as at June 30	304,804	385,413	-20.9%
	Net financial debt as at June 30 ^Δ	860,871	894,641	-3.8%
	Net financial debt as at June 30 (w.o. effect of IFRS 16 Leases)	558,163	588,204	-5.1%
CASH FLOWS	(in EUR 000)			
	Net financial debt / equity as at June 30 ^Δ	2,8	2,3	21.7%
	Net financial debt / EBITDA normalized ^{1, Δ}	5,1x	5,2x	-3.3%
	(in %)			
	EBITDA normalized / Sales revenue ^Δ	8,7%	7,8%	0.9 o. t.
OTHER INDICATORS	Capital expenditure ^Δ (in EUR 000)	13,613	12,953	5.1%
	Number of employees as at June 30	20,704	20,381	1.6%
	Productivity per employee in retail ^Δ (in EUR 000)	116,0	120,1	-3.4%
	Value added per employee in retail ^Δ (in EUR 000)	29,5	30,4	-2.9%
	Market value per share as at June 30 (in EUR)	37,0	15,0	146.7%
	Market capitalization as at June 30 (in EUR 000)	225,365	91,364	146.7%

*Due to methodological adjustments required for classification/mapping according to the Fortenova Grupa d.d. system, the data for the period 2020 is adjusted.

¹ Normalized EBITDA is adjusted to annual level. It is based on last twelve months EBITDA for referred period. For the period June 2020 to 2021 (LTM).

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

Review of key events

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>
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>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>
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 – April 2021	<p>Transfer of Mercator to Fortenova Group</p> <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.</p>

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, the Supervisory Board of Poslovni sistem Mercator d.d. 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.

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.

From the transfer of the majority shareholding of Mercator to Fortenova on April 23, 2021, the companies Mercator and Fortenova are affiliated persons/entities pursuant to Article 281.b(2) of the Companies Act (ZGD-1), and the approach to documentation with regard to the issued corporate notes of Fortenova was a transaction with affiliated parties pursuant to Article 281.b of the Companies Act (ZGD-1). For such approach, Mercator received approval by the Supervisory Board, in compliance with Articles 281.c and 281.č of the Companies Act (ZGD-1). Such notification, as announced on May 19, 2021, shall be deemed public disclosure of transactions with affiliated parties pursuant to Article 281.d of the Companies Act (ZGD-1).

May 2021

Termination a Management Board member's term of office

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, the extraordinary Management Board member Gregor Planteu was deleted from the Court

	Register as the extraordinary Management Board member of the company Mercator d.d., based on the court order.
May 2021	<p>Launch of employer brand: neighbourhood games, film My Home Away from Home, Big Good Book</p> <p>In May, we launched a revised employer brand that included our employees. We held neighbourhood games, celebrated Neighbours' Day, and premièred the film about our employees titled My Home Away from Home. In the film, our employees sincerely tell their stories and feelings regarding Mercator. On Neighbours' Day, all employees received new T-shirts with our employer brand slogan "Connected, we create the best neighbourhood". The Big Good Book also started its journey across Slovenia, into which employees will enter their stories.</p>
June 2021	<p>Leading Fortenova representatives visit Mercator</p> <p>Leading representatives of Fortenova were joined by Mercator Management Board in taking a tour of Maxi and Mercator Šiška. In the joint plenary session, Mercator Management Board presented the contents of particular projects and the results achieved, as well as current activities taking place within respective sectors at Mercator. This was followed by separate meetings across sectors, which were mostly of introductory nature, but also included discussions of some ongoing projects.</p>
June 2021	<p>Supervisory Board approves a new term of office of Mercator Management Board</p> <p>The Supervisory Board of Poslovni sistem Mercator d.d. approved a new term of office of Mercator's Management Board. The Management Board with a four-year term of office will thus continue to include Tomislav Čizmić as the President of the Management Board, and Draga Cukjati and Igor Mamuza as Management Board members.</p>
June 2021	<p>Entry of new Mercator Group companies into the court register</p> <p>On June 14, 2021, the District Court in Ljubljana entered three new companies into the court register: Alpin SUB d.o.o., Alpin ENA KG d.o.o., and Alpin DVA KG d.o.o.</p>

Major events following the end of the financial period

On July 5, 2021, the term of office of labour representative in the Supervisory Board of the company Poslovni sistem Mercator d.d. Vesna Stojanović expired; therefore, the Workers Council of the company Poslovni sistem Mercator d.d. appointed Tina Skubic as the new labour representative in the Supervisory Board.

On July 26, 2021, the 28th Shareholders Assembly took place with 95.73% of total shares bearing voting rights present. The Shareholders Assembly included a presentation of the 2020 Annual Report and the Supervisory Board Report on the audit results for the 2020 Annual Report. In addition, the Shareholders Assembly was informed about the receipts of the members of managerial and supervisory bodies and about the Supervisory Board assessment procedure, and adopted the resolution on the discharge from liability to the company Management Board and Supervisory Board.

Upon request by the majority shareholder Fortenova Grupa d.d., 29th extraordinary Shareholders Assembly (general meeting of shareholders) of the company was held on September 1, 2021, at which the shareholders adopted a resolution on the increase of share capital by new in-kind contributions. At the Shareholders Assembly, a total of 96.42% of all company shares bearing voting right were represented. A total of 93.05% of the votes cast were in favour of the increase of share capital, while 6.95% of the votes cast were against it. Three shareholders announced their challenging action against the resolution on the increase of share capital with in-kind contributions.

Events related to the declaration of epidemic

At the end of 2019, a new coronavirus was reported in China. It was named SARS-Cov-2 and it is the cause of the COVID-19 disease. In 2020, the virus spread across the world to affect both the general population and businesses.

The first half of 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 workplace safety, not only at the company, but also along the supply chain.

On June 16, 2021, the Government of the Republic of Slovenia announced the end of the COVID-19 epidemic. Despite the expiry of the government measures related to the COVID-19 epidemic, Mercator continued to carry out the protective measures for its employees and its customers, consistently with the recommendations of the national institutes of public health.

Use of government subsidies and aid

Mercator Group companies made use of the measures intended to relieve the effects of the COVID-19 epidemic on the economy, adopted by governments in respective countries of its operations, and this alleviated the effect of the epidemic on its performance. The Government of the Republic of Slovenia adopted the Act on Additional Measures for Mitigation of Consequences COVID-19 (hereinafter referred to as PKP 8) that came into effect on February 5, 2021, which stipulated that considering the increase of minimum wage in 2021, the employers would receive a subsidy for the difference between the increased and previous minimum wage. From January to June 2021, Mercator Group thus claimed the subsidy for minimum wage recipients.

Moreover, the PKP 8 also extended the measure of short-term health-related absence. Pursuant to the provisions of Article 31 of the PKP 8, employees shall be entitled to a sick leave of 3 consecutive days without being required to present a certificate from their personal physician/general practitioner; in the Act, entitlement to such absence is called short-term sick leave. Compensation for absence in these cases is drawn from the budget. The measure shall be in effect until the end of the year, i.e., until December 31, 2021.

2.

Business
report

Effect of economic conditions and competition on operations

In the international environment, economic activity was stepped up in the second quarter of 2021 relative to the preceding quarter, but the increase was uneven. In June 2021, business climate improved considerably in all activities.

In Slovenia, economic activity is increasing with a considerable pace as operating conditions are largely normalized. During last year's crisis, the economy, with abundant financial aid, succeeded in preserving a great majority of its production capacity. Recovery will take longer in the hospitality (HoReCa) sector and other miscellaneous business activities, and especially tourism.

With improvement of epidemiological circumstances, macroeconomic forecasts for the year 2021 are more favourable. It is estimated that economic growth will amount to 5.2%, fuelled by both domestic and foreign demand. Private spending (household consumption) will be the strongest driver of economic growth, contributing 4.8% in 2021 according to the forecast. In May 2021, economic climate improved by 6.2% relative to the preceding month. Due to re-hiring, unemployment rate will continue to decrease (4.9%).¹ After high year-on-year growth in preceding months, average wage remained moderate in April; it was lower in the private sector. In June 2021, monthly inflation rate was 1.4%, and annual inflation rate was 0.6%. In June 2021, the consumer confidence indicator improved slightly (by 1 percentage point) relative to the preceding month. Consumer expectations improved especially regarding the economic conditions in the country, and financial position of their households.²

In Serbia, annual inflation rate in June 2021 was 3.3%, while the monthly inflation rate was 0.3%. In the first quarter of 2021, real GDP growth was at 1.7% relative to the equivalent period of last year. Average gross salary increased by 7.8% in nominal terms for the period. Unemployment rate was at 12.8%.³ In the second half of 2021, gradual recovery and increase of economic activity is expected.

In Montenegro, annual inflation rate in May 2021 was 2.3%, while the monthly inflation rate was 0.2%.⁴ Average net salary was higher by 2.3% relative to the preceding year. In May 2021, unemployment rate was lower by 0.08% at the monthly level, while at the annual level, it was higher by 35.9%. In the remaining part of 2021, gradual economic recovery is expected, along with active start and increase in tourist activities.

In May 2021, Bosnia and Herzegovina saw deflation at the monthly level of -1.7%. Unemployment rate was 33.1%, while average net salary was up 4.7%.⁵ In the second half of 2021, economic recovery is expected to continue.

¹ UMAR, Spring Forecast of Economic Trends, 2021

² SORS, Consumer Survey, Slovenia, June 2021; Bank of Slovenia: Summary of Macroeconomic Developments

³ Izvozno okno (Export Window), Statistical Indicators for the period 2022–2018, Review of Economic Trends, Serbia; National Bank of Serbia

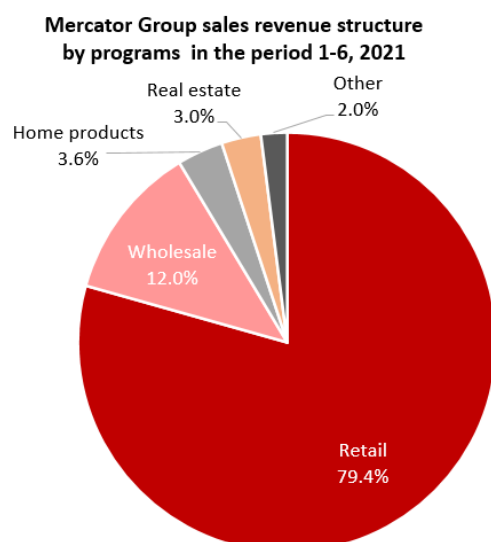
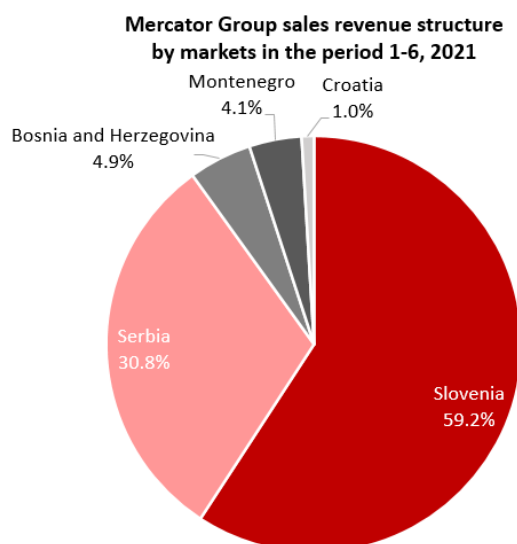
⁴ Izvozno okno (Export Window), Statistical Indicators for the period 2022–2018, Review of Economic Trends, Montenegro

⁵ Izvozno okno (Export Window), Statistical Indicators for the period 2022–2018, Review of Economic Trends, Economic Planning Agency of Bosnia and Herzegovina

Mercator Group operations and performance in the period 1-6 2021

In the period 1–6, 2021, Mercator Group's normalized EBITDA amounted to EUR 92,377 thousand, which is 11.1% more than in the same period of 2020, despite the ongoing epidemic that lasted until June 15, 2021. The companies in which we perform core activity of retail, represent 90% of the realized EBITDA in the period 1-6 2021 and, compared to the previous period, generated EUR 6,302 thousand higher EBITDA. The largest growth among them was generated by the markets of Slovenia with 10.0% growth and Serbia with 9.4% growth.

At Mercator Group, sales revenue from sales and rents in the period 1–6, 2021, is consistent with the plan, and they increased by EUR 40,246 thousand, or 3.9%, relative to the equivalent period before the declaration of the COVID-19 epidemic (period 1–6, 2019). The highest growth of sales revenue was seen in retail, at EUR 32,094 thousand, or 7.3%, relative to the equivalent period before the declaration of the COVID-19 epidemic (period 1–6, 2019). Compared to the equivalent period of 2020, sales revenue decreased by 0.8%, which is a result of above-average retail sales 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.



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 sales revenue resulting from the negative trends related to the epidemic. As a result, **normalized EBITDA increased by 11.1%**.

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.

Store formats

Mercator is pursuing the market trends with continuous development at its stores and rapid introduction of modern technological solutions. It is increasingly important to intensively develop new store concepts that, consistently with the new market trends, emphasize convenience, speed, and offer of healthy and local products. In 2021, particular stress was placed on cooperation of all markets where we are present with a variety of store formats. Shopping behaviour of our customers varies somewhat across our respective markets, and observance of these differences can contribute to improvement of our performance. Focus on the consumer is the key in all markets of our operation. We wish to offer our consumers the best products and services, and a modern shopping environment in as many locations as possible.

The first half of 2021 was a under a heavy impact of the coronavirus, which somewhat affected the dynamics of planned refurbishments, updates, and constructions of new facilities.

In the first half of the year, we invested into refurbishments and expansion of our existing retail network. A total of 13 new units were opened in Slovenia, Serbia, Montenegro, and Bosnia and Herzegovina, while a total of 96 units were refurbished or had their layouts updated; of these, 64 units were located in Slovenia. The refurbished Mercator stores afford customers a more pleasant shopping environment, while category structures and new services are adapted to the most recent trends.



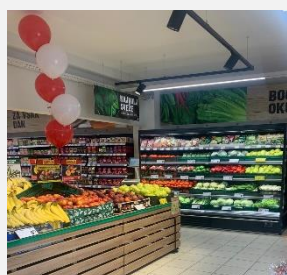
Slovenia

In Slovenia, we entirely or partly renovated several market (FMCG) and supermarket units, and opened new market unit in the first half of 2021. In Hypermarket Mercator Šiška, we opened the largest organic and special nutrition department – the **Bio Zone department**, which was among the major store updates in Slovenia. Customers can now choose between 3,000 products on an area spanning 360 square metres. There are many new features, including the offer of staples like rice, cereal, and pasta in bulk at the department, and the customers can weigh their products. The department offers in one place the products for a range of diets. Sections for athletes are particularly exposed, and the offer of vegan food has been expanded.



Renovated and expanded department of eco and special food in the Mercator Šiška hypermarket

In 2021, we continue to refurbish our market stores, as Mercator carries on the tradition of being the closest to its customer in their local environment. In the period 1–6, 2021, several new market (FMCG) units were opened (Laško and Videm Dobropolje), and we are also focusing on expanding the retail area at the existing units (TFK Hrastnik and Cirkulane). Thus, 66 units were newly opened and updated in the first half of the year.



New market unit Laško



Tujina

In the first half of 2021, refurbishments also took place in other markets where we are present with three store formats: Mercator, Roda, and Idea.

In **Serbia**, we opened 10 new stores and updated the layout of 30 stores. In April, **premium supermarket IDEA Nais** was opened in the new modern shopping centre in Niš called Delta Planet Niš. The supermarket has a special visual identity focused in a contemporary way on the motives from the town of Niš, while offering its customers an extensive assortment of products. The store also employs some innovative solutions, such as the hybrid cash register, i.e., a combination of conventional cash register and integrated self-services cash registers.

In the new prestigious residential and commercial centre in the broad centre of Belgrade, a new **Idea Residence** store was opened. The store is located near the new elite residential area called the Belgrade Waterfront (Beograd na vodi), and its offer, assortment, design and ambiance, it reflects the building's prestige.

Idea Matice Srpske is a small local store focusing on customers in the Mirjevo area. IDEA Odžaci is a small store in the centre of the town of Odžaci, which will allow Idea to consolidate its position in this part of Vojvodina, and win new customers.



New unit Idea Nais

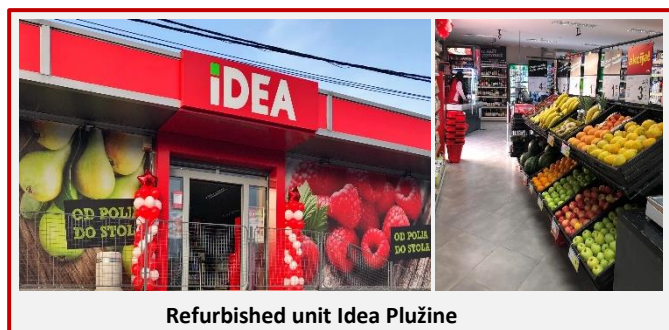
In the market of **Bosnia and Herzegovina**, one unit was refurbished, called Vojničko Polje. The refurbishment also included a decrease in retail area.



Refurbished unit Vojničko Polje

In the market of **Montenegro**, one new **Idea unit Krašići** was opened, and **Idea unit Plužine** was refurbished. **IDEA Krašići** is located in Tivat. On an area of 250 square metres, it offers a good shopping experience to both local residents and visitors.

The refurbished IDEA Plužine with its new image and improved offer opened its door to consumers. With the refurbishment of the existing facility spanning an area of 130 square metres, we completed a store that expands the offer and responds even better to the daily needs and desires of consumers. In the pleasant new ambient, yet in the warm and familiar environment and friendly atmosphere full of attention by our employees, it enriched the shopping experience of the Plužine consumers.



Refurbished unit Idea Plužine

Category management



Slovenija

In the period 1–6, 2021, we continued to actively support local suppliers and to promote local offer at Mercator stores (focus on local fresh meat, fruit and vegetables, and dairy products, local growers and local producers). By launching additional products from the local offer based on the principles of co-branding, we opened up new possibilities of expanding the offer of local products, thus enabling the producers to expand their production output and their recognition. Thus, we responded to the increased demand among our customers for local food, homemade products and produce, proximity and freshness.

Continuous education of our employees on the changes, main points of emphasis, and standard processes contributed to the quality of service at the point of sale. Our comprehensive offer was based on quality and introduction of established market trends, taking into account all new legislative guidelines. As the markets, circumstances, and trends constantly change, we were constantly focused on customer satisfaction, fostering positive user experience, return of our customers, and customer loyalty.

Major emphasis was also placed on continuation and upgrade of our new platform M sojeska (M Neighbourhood) and the My Brands (Moje znamke) project.

The global health crisis introduced new conditions to our daily lives, and requires adapting to new demands and trends in the market. One of Mercator's key goals in this period was to provide unimpeded operation of its units and to ensure adequate supply of basic food products and food in general for consumers, taking into account all policies and rules to protect the health of everyone.

We saw great progress in our online operations, as we took another step further in keeping up with the global digitalization trends.

Key category management activities remained focused on the pursuit of the following key goals:

- upgrade the portfolio of quality private label lines and provide the best value for money;
- introduce a number of various non-food products;
- maintain and expand the offer of local, homemade products;
- manage the commodity market products and seasonal products in a quality and prudent way;
- monitor competition's pricing for products of renowned brands and private labels, and ensure competitiveness;
- provide appealing offer in sales promotion activities and place particular stress on promotion of activities related to the Pika customer loyalty program;
- efficiently manage the retail area down to the level of each product.
- provide and upgrade services at the point of sale, with key stress on our fresh departments.

Taking into account the crisis period in the first and second quarter, we devised the steps and measures for immediate activation and execution in case of worsening of market conditions due to COVID-19.



Serbia

Key category management activities in the period 1–6 2021 include the following:

- negotiations with suppliers to attain the targeted commercial terms for 2021 in order to attain the budgeted performance;
- further development and promotion of assortment in the sector of fruit and vegetables, meat, and bakery products, as well as private label products that offer the best value for money;
- in the newly opened facilities, we employed an innovative approach to the selection and positioning of a diverse offer in order to differentiate ourselves from the competition;

- price competitiveness is ensured by regular monitoring of competition's prices of branded and store-brand (private label) products;
- attractive special offers are further enhanced by brand promotion through the project Better Together (Vredno je zajedno), "Hero" products, offer of exclusive products, the Holiday Magazine initiative, as well as online sales which flourished in this year. We continued our quality promotion offers for users of the Super Card program, complete with a loyalty program that includes an offer of comprehensive development of modalities of personalised offers for the Super Card users;
- work has continued on the implementation of the Apollo project that allows efficient management of the retail area down to the level of particular products, primary and secondary positions;
- development of the M-link supplier portal offers new functionality for secondary positions management;
- a new cycle of the category management process was started, which resulted in an improvement of offer for our customers, and had a strong effect on the level of knowledge and education of our employees;
- continuous contribution to the improvement of cash flow continued through the inter-sector project "inventory optimization 2021".



Bosnia and Herzegovina

Key activities of Mercator–BH d.o.o. for the period 1–6, 2021, included the following:

- negotiations with regional and local suppliers;
- revision of assortment and update of planograms on the categories of breakfast, canned or preserved food, sweets and snacks, children's world, detergents and cleaners;
- preparations and discussions with the suppliers for the projects N2. Prime Time activities;
- execution of the first wave of the My Brands project; negotiations for the second wave;
- execution of the Pika Bonus project (sweepstakes in cooperation with the Pika card and suppliers);
- execution of special activities for Botik and Ložionička with emphasis on the scope of offer and offer in fresh departments;
- agreement with suppliers for further cooperation in the project "Discounted for You" (project by which we cut our regular prices of over 500 products, with support from our suppliers);
- active monitoring of legislative decisions regarding the COVID pandemic, and adjustment thereto. These decisions include freezing the profit margins, restriction of margins etc., which results in major operating expenses and causes problems with central assortment and price management;
- in the first quarter, we transitioned to inventory management based on average purchasing price; previously, we employed the FIFO system;
- preparations for integration and coordination with Konzum regarding the negotiations with suppliers;
- preparing the post-integration strategy regarding marketing mix, positioning on regular shelves/aisles, pricing positioning, and assortment;
- in-depth analysis of Mercator and Konzum assortment. Comparison of assortment on banners and analysis of the potential of both assortments.



Montenegro

Mercator - CG d.o.o. continued its practice of setting clear goals, focusing on fresh departments, including fresh meat, fruit and vegetables, and bakery products, as well as on the preparation for the tourist season, and specification of promotion. The focus remains on improvement of services by constant employee training in order to offer our customers quality offer and services at the key departments.

We also carried on the following activities:

- monitoring pricing competitiveness for the best-selling products across regions;
- innovative promotional activities for improving the offer within the customer loyalty projects; here, additional investments are required, focused on the suppliers;
- in order to reach the planned profitability, we are in continuous negotiations with suppliers to increase participation;
- redefinition of promotional and marketing activities.

Marketing

In the period 1–6, 2021, we started our activities to support our business strategy that allows long-term stability and profitable growth.

In marketing projects, we were focused especially on Mercator brand differentiation, which rests on five pillars of differentiations. These pillars, in turn, are also the basis for the Mercator marketing strategy.

Differentiation as the key comparative advantage involves the following areas:



My best neighbour; what is good brings us together



The best omni-channel; here lies the future of shopping



Excelling in delicatessen and bakery



Shopping at Mercator pays off



For daily and major shopping trips

These are the pillars of differentiation that also support the marketing projects presented hereinafter.



Slovenia

Marketing strategy projects

Connected, we create the best neighbourhood

At Mercator, we are aware that corporate performance rests on people working at the enterprise, and that we only reached the position of one of the largest companies in the region with the support of highly trained and committed employees. Thus, maintaining our employer brand is one of our key strategic tasks. Launch of the revised employer brand was accompanied by a new strategy, visual identity, and the slogan Connected, we create the best neighbourhood. Upon launch, we carried out a range of activities and transferred the employer brand to practice. This, we turned the European Neighbours' Day into a neighbours' month, holding a host of activities in order to bring our big family back closer together. We came together, connected, as clandestine good neighbours.



We Love Local

The content platform of 2021 is based on 12 gastronomic regions of Slovenia, which we selected based on product representation from the official 24 gastronomic regions with which Slovenia is presented at the European level as a gastronomic region of Europe.



Region of the month is presented with traditional regional recipes to which the chef duo Midva kuhava (We're Cooking) adds a modern twist. Consistently, every week, we present these, along with recipe ingredients and other regional products, in regular flyers, on our website, and on our social networks that include a variety of sweepstakes.

At the end of February, we issued an extensive catalogue for the We Love Local assortment, in which the private label We Love Local that already includes 66 products received a good part of attention. Moreover, the catalogue was issued as an introduction to the communication campaign carried out in March, which emphasized 180 new products added to the We Love Local assortment in the last year.

In the second quarter, we used our standard channels to present the Gorenjska, Notranjska and Štajerska gastronomic regions. In June, we launched a campaign emphasizing fresh cherries, raspberries, and blueberries that were also added to the assortment or products under the private label We Love Local. In this period, we teamed up with the Finance daily paper to select the winners of the Agrobiznis (agricultural business) contest. Winning products will be added to our shelves in the autumn.

My brands – opt for a balanced diet

In order to improve consumer awareness about the importance of including food with enhanced nutritional composition in their diets, Mercator worked early in 2021 with the suppliers and its partner the Chamber of Agricultural and Alimentary Companies (ZKŽP) to support selected activities from the project Commitment of Responsibility, and presented a range of food products with enhanced nutritional composition. Food products with enhanced nutritional composition are presented by categories in the Catalogue of Food with Enhanced Nutritional Composition prepared by the ZKŽP and available on Mercator website. Mercator's shelves will thus feature even more food with enhanced nutritional composition (with lower sugar content, salt content, or fat content, and with more nutritional fibre, vitamins or minerals), which is a result of development by Slovenian suppliers. In January, the activity included 66 products of the My Brands label. The products will be specially labelled on Mercator shelves until the end of the year.

Little Chef Slovenia 2021

At Mercator, we are aware of the importance of encouraging young people to develop healthy habits, including a responsible diet. Thus, we teamed up again this spring with POP TV to prepare the third season of the TV show Slovenia's Little Chef for which we received an award for innovation by international media associations NAPTE and CEETV in 2019. We donated funds to each participating elementary school to help carry out their projects for better well-being of their students. The amount of funds allocated to each school was decided by customers with their votes during the activity, i.e., from March 8 to May 10, 2021.



My Brands – honouring the commitment to responsibility

With the project Commitment to Responsibility, managed by the Chamber of Agricultural and Alimentary Companies with the Slovenian Chamber of Commerce and Industry, Mercator is looking to contribute to improvement of nutritional habits of Slovenian population. Commitments of responsibility are made by Slovenian food companies that are aware of their effect on consumers and which are looking to inform and improve the nutritional composition of their food products and thus contribute to a more balanced lifestyle of their consumers. To date, the project has been joined by three sectors: non-alcoholic drinks sector, daily sector, and bakery sector. In partnership with suppliers of the My Brands products, we are honouring the

commitments made by all sectors, and we are striving to fulfil them. As a result, we are including ever more food products with enhanced nutritional composition in our isles.

Coming back pays off (slo. »Več se vrača, več se spleča«)

In February, Mercator launched a new campaign called **Coming back pays off** (slo. »Več se vrača, več se spleča«). With this campaign, we are looking to bring attention to the fact that shopping at Mercator



really pays off, since customers are offered many benefits, and their loyal use of the Pika Card is rewarded with extra savings. The campaign focuses on two activities: **Pika Bonus** and **More Pays Off**.

Since shopping at Mercator really pays off, we added a yellow label »More pays off« to all special offer benefits that truly bring something extra. This label involves both major and even larger volume discounts, complimentary products, MAXX family packs, and much more. A red label, on the other hand, draws attention to the savings that reward the loyal use of the Pika card. This label also indicates the Pika bonus activities in which customers earn a benefits coupon valid for one shopping session in the next month by purchasing products with the Pika bonus label.

The project will last throughout the year. The activities include a variety of suppliers, and the project has media support across different channels.

Assortment

Private label with emphasis on quality and differentiation of offer

With regard to private label, we focused on support to new product launch on our shelves and on connecting our labels with the new content platform M Soseska, as well as with sponsorships. The biggest emphasis, however, was on the launch of the new Lumpi Club, targeted at young families. Thus, activities were carried out in the following fields:

- In January, several new Mercator fermented dairy products were introduced. We were particularly pleased with the new Free Zone lactose-free milk and the new Lumpi premium diapers.
- After the launch of our new digital content platform **msoseska.tv** in February, we started introducing in various shows and recipes the products under our Bio Zone and Mercator private labels.
- In March, we issued a private label flyer to present the award-winning Minute products with the label **Select Product of 2021** and other new features in the Minute offer, particularly, new sandwiches and dishes for reheating. Both were developed in cooperation with nutritionists, while sandwiches were even developed in cooperation with the cycling team Bahrain Victorious.
- We continued the promotion of the **Minute to-go** product in relation to the sponsorship of the Bahrain Victorious team in May and June, and upgraded it with a TV ad featuring cyclist Matej Mohorič.
- In April, we launched the **Lumpi Club** intended for young families, our key target group. The Club does not reward only purchases of Lumpi products, but rather encourages shopping across the entire children's and toy program at Mercator. In addition to rewarding shopping, it also offers expert advice. Midwife support, offered in cooperation with the Nurses and Midwives Association of Slovenia, is particularly important. We also work with maternity wards and hospitals to promote the Club and Lumpi diapers.
- In relation to the Lumpi Club, we also organized a pan-Slovenian contest for children aged 4 to 10 in which they presented their takes on our new Lumpi heroes. Five were selected at the end of June.
- In June, we again issued a private label flyer that includes a presentation of new features and products, including recipes, shopping videos, and links to content at M Soseska, with a total of 40 pages.





Tupperware

In January 2021, we prepared an attractive customer loyalty program **Tupperware**. Customers were offered the indispensable Tupperware containers with discounts of up to 63% with collected stickers or e-stickers on their Pika Cards. The program lasted until (and including) May 12, 2021.

Deli and bakery campaign

The offer and service of our bakery and delicatessen departments is a key point distinction for us. To this end, we expose products of the week in both departments on our flyer, at the stores, and in video stories in our online channels. In March, we also prepared a communication campaign for both categories, in which we highlight product heroes in these categories.



Hypermarket Šiška and Maxi Gourmet Market

In 2021, we continued our activities for Mercator's largest hypermarket Šiška and the Maxi Gourmet Market. We prepared monthly flyers, while extra treats for customers at the Šiška hypermarkets included benefit coupons and special offer.

In March, we expanded and updated the **Bio Zone Department** at hypermarket Šiška, adding special and organic product. Now, there are over 3,000 for our customers to choose from. We also prepared a special

campaign for this purpose.

Pika customer loyalty program

Number of active Pika card holders in the period 1–6, 2021

In Slovenia, we are continuously increasing the number of active Pika card holders, and we remain the best customer loyalty program according to customer perception. We keep introducing new digital services and benefits, and we remain the only grocery retailer offering a payment card on a mobile phone. In the first half of 2021, there were 669,436 active card holders in Slovenia



For our youngest customers: launch of the LUMPI Club

Lumpi Club is intended for our youngest customers, aged 0 to 7. In addition to regular benefits, membership also brings additional bonuses available only to Lumpi Club members. Thus, Club members will accumulate points as they purchase products, counting towards a coupon worth 5 EUR and more. Pika Card is a prerequisite for membership. All new users who do not yet have a Pika card will be able to order their blue instant virtual Pika Card via the My M App. They can keep up to date with all benefits, such as redemption of coupons, shopping recommendations, special offers and test samples in their My M mobile app. The app is free of charge, as is Club membership. Upon registering for membership, Club members shall also receive a welcome gift

Target segmenting campaign with suppliers

Suppliers are looking for more direct communication with the customers, which would allow them insight into their response to the campaigns and into their shopping behaviour. In May in June, we thus worked with the suppliers Danone and Arc to carry out several successful targeted campaigns promoting products by suppliers, which had recently been launched in the Slovenian market. Using a carefully chosen database of our Pika Card holders, we reached the desired sales effects.



Pika brings neighbours together: 5% discount in seasonal Konzum stores

In July and August, Pika card holders are offered a 5% discount on every purchase at more than 140 seasonal Konzum stores in Croatia. They received their 5% discount coupon in their My M mobile app or to their electronic mail address if they do not use the App. Thus, they will be able to enjoy Pika benefits all year long, also while visiting our neighbours.



Pika Magazine

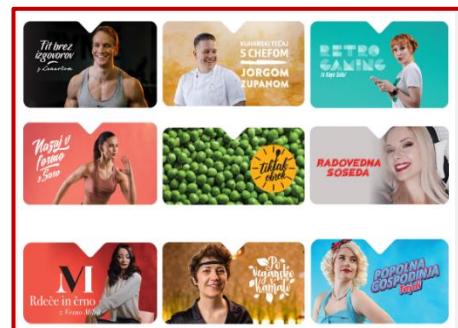
In the first half of the year, we issued two Pika magazines and one Pika Junior magazine. The magazines include many interesting recipes, both simple and challenging, for the spring and summer season. They also include a range of interesting articles complete with advice, suggestions, ideas and more. As a present to our loyal readers, the magazines also include coupons for extra Pika points.



Digital projects and innovation

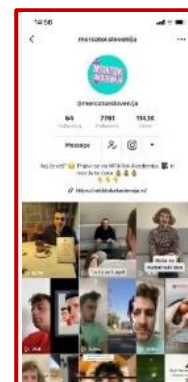
Communication to support the key projects at Mercator was also carried out in digital channels. In addition to support role, we highlight the following development projects

- Launch of the new content platform msoseska.tv:** this is a new content platform based on video content. It was launched on February 18, 2021, and it is a hub for all types of content available on our social networks. Msoseska.tv has the status of a media outlet; therefore, it has its editorial content and an editorial plan. For 2021, production and broadcast of 16 different shows is planned, which will be released in a variety of social networks; after initial posting, all are also available on msoseska.tv. We post content daily on Facebook, Instagram, YouTube, and TikTok. By June 30, 2021, we posted episodes of the following shows: Tik Tak Meals, Cooking Course with Chef Jorg Zupan, Tajdi the Perfect Housewife, Retro Gaming with Kaya Solo, The Noisy Neighbour, Back in Shape with Sara, Fit Without Excuses with Lenart, Vegan Style with Kamala, and Red and Black with Vesna Milek. In msoseska.tv, we aired a concert by Jan Plestenjak celebrating the International Women's Day on March 8, 2021, and the show by Špas Teater called "Women" on Mother's Day, March 25, 2021. In the period April–June 2021, we introduced new categories of Tik Tak meals for flexitarians (persons who are vegetarians, but occasionally consume meat), related to the project Say It with Flavour, prepared by our Maxim Restaurant chef Peter Kovač. We use new products by Planet of Plants and fit snacks to prepare the dishes. At the end of May 2021, M Soseska also aired the regional quiz show The Neighbour Always Knows, and received applications from as many as 137 teams from across Slovenia. The winners presented a part of their prize to a project taking place in their local environment.
- Mercator online store:** In these months, Mercator is continuing its strategic project of comprehensive overhaul of its online store and the company's digital transformation. Due to the Covid-19 epidemic and



process improvements, the number of online purchases continues to grow, making Mercator's online store an important sales channel.

- **MTikTok Academy:** In 2020, Mercator was the first retailer to appear on the TikTok social network. We devised the MTikTok Academy with the purpose of supporting the creativity of the youngsters. Under tutelage of our mentors, they will co-create an additional channel for promotion of our messages. By the end of June 2021, TikTok Academy already had 264 registered youngsters who were enthusiastically tackling the challenges presented by our mentors, diligently learning and shooting their videos.
- **Additional new features:** In 2021, we revised our regular newsletters and started sending an additional one, intended only for Lumpi Club members who receive segmented offer depending on the age of their children. We also post podcasts on our websites.
- **Internal portal mi.mercator:** On March 15, 2021, we introduced **digital payroll**. Thus, we offered all employees access to their digital pay on the mi.mercator portal. We also developed the **Knowledge Base** that offers our employees educational content (manuals, webinars, user instructions etc.) from a variety of areas of our operations.






Other markets



Serbia

Key regular corporate projects of Mercator–S d.o.o. include in particular the following ones:

- **Flavours of My Town** – the first Serbian brand with over 100 »guardian« (srb.: čuvarkuća) labels awarded by the Serbian Chamber of Commerce to highlight locally made high-quality products. The products are sold in IDEA stores, Roda stores and Mercator hypermarkets. 
- The major sweepstakes »Perfect ten« – Ten lucky winners won the FIAT 500 HYBRID. The sweepstakes took place at IDEA, Roda, and Mercator stores.
- **»Cash to go«:** at checkout points at over 330 Idea stores, Roda markets, and Mercator hypermarket, all Mastercard debit card holders can withdraw up to 5,000 dinars from their current accounts, owing to technical support by the Unicredit bank. Thus, Mercator–S d.o.o. continues to develop service digitalization and offers their customers more than just daily shopping. 
- **Argeta Kosjerić trout at stores:** Mercator–S d.o.o. joined the initiative by the Atlantic Grupa and its Argeta brand in purchasing the stock of Kosjerić trout that the fish farm owners were not able to sell. They made a new spread that is now offered in their stores. To make the spread even more affordable for the customers, Mercator–S d.o.o. and Argeta waived their profits.
- They carried out a campaign for homemade meat and bakery.
- **The Flying Company:** a loyalty program for children was carried out at all stores within the My Brands project, rewarding loyal customers an offering additional discounts and an opportunity to present plush toys to their children. 
- At the **IDEA Organic** stores, smart can crushers were installed. The goal is to actively involve the population in recycling efforts in order to contribute to preservation of the environment. The campaign is conducted in cooperation with the German organization GIZ. The project Smart Can Collection System in Town is being carried out under the auspices of the Ministry of Economic Cooperation and Development, the company Ball Packaging Europe, Mercator–S d.o.o., and Solgara.



Bosnia and Herzegovina



In the market of Bosnia and Herzegovina, we continue in 2021 the project **Mercator Première** through which we are striving to offer our customers all that is attractive and sought after globally and in the region.

At Mercator–BH d.o.o. we are in our third consecutive year of weaving our story of success in cooperation with local and regional suppliers. The project **My Brands, Our Values** offers customers their favourite brands and products. We continue to reward loyalty, and thus, they prepare super sweepstakes for every wave of activities. In June, sweepstakes were launched with 10 electric kick scooters and 10 bicycles.

Campaign »Pika Pays Back«

In the campaign Pika Pays Back, we highlighted all benefits offered to our customers who use the Pika Card. They are offered discounts on products labelled with Pika Offer, and they can win cash prizes with Pika bonus products.



Montenegro

Major activities and campaigns at the company Mercator–CG d.o.o.:

- **Fresh:** As a part of the campaign "**Something Fresh Connects Us All**", we presented a broad offer of delicatessen at our stores. We communicated in stores, as well as digital and print media. In the second part of the campaign, we were focused on the offer of fruit and vegetables, and we also carried out sweepstakes.
- **Assortment:** In the first half of 2021, we continued our strategic project "**My Brands**". Compared to the preceding year, My Brands products were linked to Prime Time activities. Thus, customers purchasing at least 3 My Brands products worth 6 EUR or more, were entitled to a 50% discount on one product from the Prime Time offer.
- **Super Card:** In the first half, there were nearly 60,000 active Super Card users, of which 10,161 were retirees. We are preparing special benefit coupons for card holders, segmented offer, 10% discount on retirees, and a higher bonus. We also repeated the activation of non-active consumers who stopped shopping at these stores in 2020. Their purchases in March 2021 were rewarded with bonus points.



Sales network

Composition of units by store formats as at June 30, 2021

Slovenia

FMCG retail units **467**

- Markets: 400
- Supermarkets: 44
- Hypermarkets: 23

Wholesale units (Cash & Carry) **13**

Restaurants **6**

Franchise stores **165**

Technical program (M Tehnika) **41**



Serbia

FMCG retail units **335**

- Idea Small: 260
- Idea Super: 40
- Roda: 27
- Roda Megamarkets: 6
- Mercator Hypermarkets: 2

Wholesale units (VELPRO) **6**

Montenegro

FMCG retail units **127**

- Idea Small: 124
- Idea Super: 3

Bosnia and Herzegovina

FMCG retail units **79**

- Markets: 61
- Supermarkets: 11
- Hypermarkets: 7

MERCATOR GROUP	Gross sales area (in m ²)	Net sales area (in m ²)
FMCG retail units 1,008	807,223	517,926
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	928,206	589,942
Franchise stores 165	35,405	23,317
TOTAL 1,239	963,611	613,259

Investment and divestment

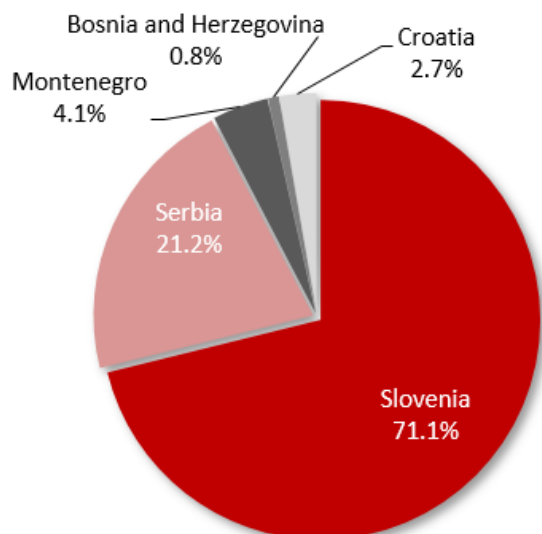
In the period 1–6, 2021, Mercator Group's investment into property, plant, and equipment (CAPEX) amounted to EUR 13.6 million. Of the total investment amount, 71.1% was used for investments in Slovenia and 28.9% was used for investments in international markets.

	Capital expenditure in the period 1–6, 2021 (in EUR 000)	Structure (in %)
Slovenia	9,685	71.2%
Serbia	2,887	21.2%
Montenegro	560	4.1%
Bosnia and Herzegovina	107	0.8%
Croatia	374	2.7%
Total	13,613	100.0%

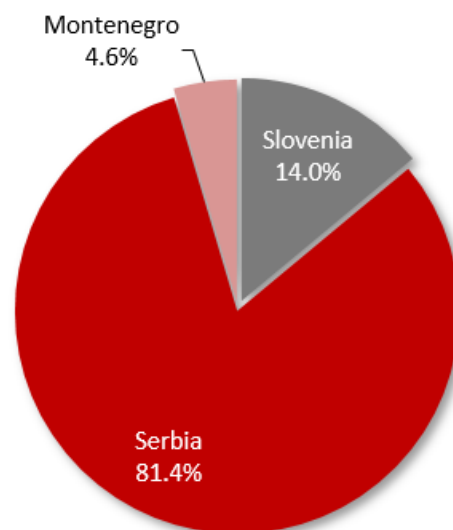
Investment into refurbishment of existing units accounted for 54.2% of total investments, investments into distribution centres accounted for 19.3%, IT investments accounted for 14.1%, expansion of new retail units represented 8.7% and the remaining 3.7% was invested in non-trade activities.

In the period 1–6, 2021, Mercator Group acquired **5,440 m² of new retail area** for its own operations. All gross areas were acquired by operating leases.

Capital expenditure by markets in the period, 1-6 2021



Share of new usable areas by markets in the period, 1-6 2021



In the period 1–6, 2021, Mercator Group **divested property, plant, and equipment worth EUR 24.2 million**, of which EUR 24.0 million pertains to the divestment of property (real estate) and EUR 0.2 million pertains to plant and equipment.

Summary of total gross retail area as at June 30, 2021

	Gross retail area (in m ²)		
	Used for own operations	Leased out	TOTAL
Owned retail area	451,150	329,307	780,457
Leased retail area	477,056	148,982	626,038
Total retail area	928,206	478,289	1,406,495
Owned warehouse capacity	151,937	20,950	172,887
Leased warehouse capacity	60,562	10,508	71,070
Total warehouse capacity	212,499	31,458	243,957
Owned commercial facilities	17,900	3,726	21,626
Leased commercial facilities	7,427	674	8,101
Total commercial facilities	25,327	4,400	29,727
GROSS AREA UNDER MANAGEMENT	1,166,032	514,147	1,680,179
- of which owned	620,987	353,983	974,970
- of which leased	545,045	160,164	705,209

Overview of newly opened and updated units by markets in the period 1–6, 2021

At the Mercator Group level, a total of **13 units were newly opened** in 1-6 2021, and **109 units** were renovated or refurbished.



Slovenia

Area of new facilities: 760 m²

Number of new units: 2

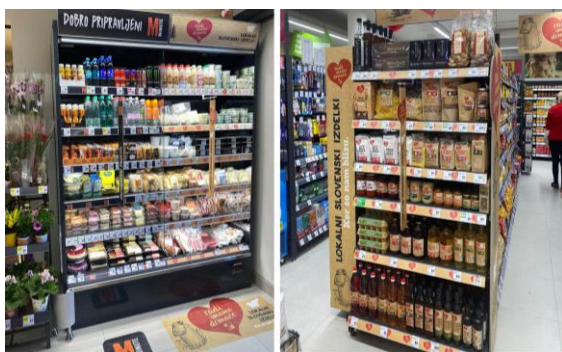
Openings: Market Videm, Dobropolje; Market Laško

Refurbishments/layout updates:

Number of units:

64 fast-moving consumer good stores,

13 wholesale units (Cash&Carry)



Market Videm, Dobropolje



Serbia

Area of new facilities: 4,430 m²

Number of new units: 10

Openings: Market Hilendarska, Novi Sad; Market Banja Koviljača; Market Svetislava Kasapinovića, Novi Sad; Market Bač; Market Cara Uroša, Beograd; Market Residence, Beograd; Market Residence, Beograd; Supermarket Nais, Niš; Market Odžaci; Market Kneza Miloša, Beograd; Market Matice srbske, Beograd

Refurbishments/layout updates:

Number of units: 30



Supermarket Nais, Niš



Montenegro

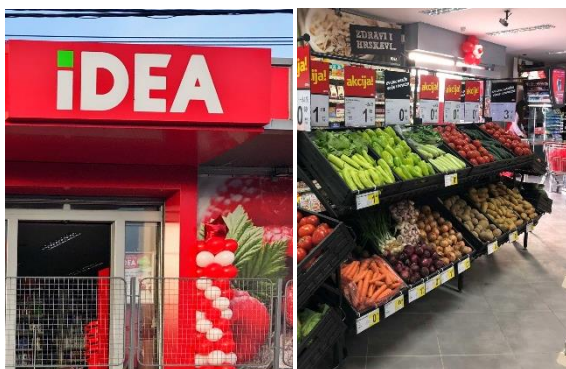
Area of new facilities: 250 m²

Number of new units: 1

Openings: Market Krašiči

Refurbishments/layout updates:

Number of units: 1



Market Krašiči



Bosnia and Herzegovina

Refurbishments/layout updates:

Number of units: 1



Market P 99 Vojničko polje

Risk management

KEY RISKS IDENTIFIED	RISK DEFINITION	CURRENT REDUCTION MEASURES	IMPLEMENTATION OF NEW REDUCTION MEASURES
Risk of change in customer behaviour	<ul style="list-style-type: none"> ▪ Digitalization, Development of e-commerce ▪ Changes in price sensitivity ▪ Epidemic (in case of COVID-19 – bigger shopping baskets/carts, fewer visits) ▪ Changes in personal preferences ▪ Brands boycott ▪ Decrease in customer loyalty ▪ More home cooking 	<p>Risk is being mitigated with Value Creation Plan (VCP) initiatives under the key goals focusing on sales revenue, margin generation and brand differentiation:</p> <ul style="list-style-type: none"> ▪ Annual negotiations with suppliers, additional marketing projects with suppliers, My Brands – upgrade of existing concept, pricing, preparation of category management strategy and process improvements, optimization of promotions, PromoTool – design and implementation of Mercator promotions, Reporting for Suppliers – standardization and automation, recommender SYSTEM, targeted segmentations of customers, private label development and central purchasing, process part of margin optimization, loyalty customer strategy, operational readiness, brand unique selling propositions (USPs) communication, improvement of loyalty card program (digitalization, monetization, personalization, optimization), single banner strategy and factors of differentiation ▪ Contactless payments ▪ Customer behaviour analysis 	<p>Among the new risk mitigation and hedging initiatives for 2021, the following measures have already been launched in the period 1–6:</p> <ul style="list-style-type: none"> ▪ "Heroes" project: defining SKU's that will improve brand differentiation ▪ Upgrade of My brands platform ▪ providing value added services to suppliers (MLink monetization) ▪ Development of fresh categories – deli, meat, fruit & vegetables and bakery ▪ Projects for stimulating the frequency of shopping and increase of average baskets and connect online and offline experience, "Value for Money" project, best omni channel (Msoseka, new digital platforms, MojM (My M) app, We Love Local and Lumpi Baby Club) ▪ Ready to eat food, ready to bake food (bundles) ▪ Social Commerce ▪ Contactless payments with Pika card

KEY RISKS IDENTIFIED	RISK DEFINITION	CURRENT REDUCTION MEASURES	IMPLEMENTATION OF NEW REDUCTION MEASURES
Risks pertaining to e-Commerce	<ul style="list-style-type: none"> Change of consumer behaviour, way of life Development of competitor's online stores (IT solution, assortment, delivery time, security) Threat of a process bottleneck Threat of inadequate profitability in the online store segment 	<p>Risk is being mitigated with VCP initiatives:</p> <ul style="list-style-type: none"> Improving digital services for customers and monetization of digital channels for Mercator's suppliers and partners Creation of marketing & commercial platform for Mercator's suppliers 	<p>Among the new risk mitigation and hedging initiatives for 2021, the following measures have already been launched in the period 1–6:</p> <ul style="list-style-type: none"> Complete renovation of Mercator online store is being prepared, with the aim of increasing the share of wallet with omni-channel approach, winning the young customer segment and developing a complete new set up for online shop (platform, operations, marketing, customer care etc.) Best omni-channel operation with development of new digital channels (Msoleska, using new digital channels like Spotify, Pinterest, WhatsApp, podcasts) and mi.mercator. Improvement of loyalty card program (digitalization, monetization, personalization, optimization)
Risk of loss of market share	<ul style="list-style-type: none"> Competitor's activities Suboptimal promo activities Suboptimal category management 	<ul style="list-style-type: none"> Initiatives under the key goals which focus on sales revenue, margin generation, brand differentiation and new store concept and refurbishment New store openings and renovations with the implementation of latest store concepts 	<p>Among the new risk mitigation and hedging initiatives for 2021, the following measures have already been launched in the period 1–6:</p> <ul style="list-style-type: none"> "Heroes" project: defining SKU's that improve brand differentiation Upgrade of My brands platform providing value added services to suppliers (MLink monetization) Development of fresh categories – deli, meat, fruit & vegetables and bakery Projects for stimulating the frequency of shopping and increase of average baskets and connect online and offline experience, "Value for Money" project, best omni channel (Msoleska, new digital platforms, MojM (My M) app, We Love Local and Lumpi Baby Club) Increase of online presence in areas with lower store density

KEY RISKS IDENTIFIED	RISK DEFINITION	CURRENT REDUCTION MEASURES	IMPLEMENTATION OF NEW REDUCTION MEASURES
Risks of changes in law and regulatory risk	<ul style="list-style-type: none"> ▪ Ban of sale of certain products ▪ Opening time restrictions ▪ Regulatory measures take effect in a very short time; hence, there is a threat due to the lack of time for preparation and adjustment ▪ Regulatory measures are often unpredictable ▪ The duration of restrictions is unpredictable ▪ Delays in development and execution of action plans 	<ul style="list-style-type: none"> ▪ Risk in being mitigated as a part of everyday business activities ▪ Special project teams are being appointed to deal with major regulatory changes 	<p>Among the new risk mitigation and hedging initiatives for 2021, the following measures have already been launched in the period 1–6:</p> <ul style="list-style-type: none"> ▪ The Business Continuity Management System project has been launched
Risks pertaining to ownership changes – merging process and synergies from the merger	<ul style="list-style-type: none"> ▪ Failure to reap the synergistic effects of the merger within the specified timeline and budget 	<ul style="list-style-type: none"> ▪ Risk to be mitigated with Ringo project initiatives (joint project between Mercator Group and Fortenova Group) 	<p>Among the new risk mitigation and hedging initiatives for 2021, the following measures have already been launched in the period 1–6:</p> <ul style="list-style-type: none"> ▪ All Ringo initiatives are being constantly upgraded and enhanced.
Risks pertaining to change management	<ul style="list-style-type: none"> ▪ Risk of inappropriate internal communication, exchange of information, and inefficient process improvements 	<ul style="list-style-type: none"> ▪ Risks are being mitigated within mi.mercator project ▪ VCP initiative "Employer brand" with introduction of 4-step model to set up, manage and build an employer brand 	

KEY RISKS IDENTIFIED	RISK DEFINITION	CURRENT REDUCTION MEASURES	IMPLEMENTATION OF NEW REDUCTION MEASURES
Risks pertaining to business continuity management system	<ul style="list-style-type: none"> Risk of unpreparedness for certain catastrophic events that could threaten the functioning of the company 	<ul style="list-style-type: none"> Based on the experience gathered during the crisis management in Mercator due to coronavirus epidemic, Mercator shall, after the end of the current epidemic, review the relevant existing policies and procedures and prepare an update in order to improve the response and minimise the negative impacts of any future similar events. 	
Risks pertaining to talent management and human resources	<ul style="list-style-type: none"> Risk of a lack of qualified (adequately trained) motivated employees 	<ul style="list-style-type: none"> Risks are being mitigated with VCP initiatives within key goals related to our employees: employer brand, onboarding processes, motivation & reward, talent development Frequent job announcements in all areas, especially in retail, distribution and IT, through various human resource agencies Improved assessment of job candidates and the effectiveness of initial job training. Recruitment and integration of expatriates with specialist skills Introducing additional atypical work practices Internal cross-functional training. Cooperation with secondary schools (internships, scholarship, practical training) Development and fostering of leadership competencies 	<p>Among the new risk mitigation and hedging initiatives for 2021, the following measures have already been launched in the period 1–6:</p> <ul style="list-style-type: none"> Introduction of E-learning concept mi.mercator as a key channel for internal communication, with which we have connected all employees in all markets

KEY RISKS IDENTIFIED	RISK DEFINITION	CURRENT REDUCTION MEASURES	IMPLEMENTATION OF NEW REDUCTION MEASURES
Risks pertaining to CAPEX projects criteria	<ul style="list-style-type: none"> Threat of reduced competitiveness of Mercator in relation to the store portfolio Threat of increased maintenance costs for buildings and equipment Threat of reduced productivity and profitability 	<ul style="list-style-type: none"> Ongoing initiatives to maximize free cash flow, reduce leverage and consequently increase the level of cash flow available for CAPEX Right KPI and criteria for CAPEX projects 	
Risks pertaining to IT infrastructure (technology, processes, people)	<ul style="list-style-type: none"> Lack of IT personnel is also related to suboptimal process improvements. Lack of IT-related investments (CAPEX) Information/cyber-security risk IT infrastructure may be subject to occasional disruptions and would need to be upgraded in some areas. 	<ul style="list-style-type: none"> This risk is being mitigated with VCP initiative IT optimization (removal of outdated systems, optimization and digitalization of processes). This risk is being mitigated within the initiative IT, Digital & Online Adoption of the latest best practices in IT security standards 	<p>Among the new risk mitigation and hedging initiatives for 2021, the following measures have already been launched in the period 1–6:</p> <ul style="list-style-type: none"> The initiative is being constantly upgraded and enhanced. In addition to the current activities, we are planning new activities within our Value Creation Plan for 2021, such as the mi.mercator portal.

Employees

Mercator Group companies pledge

We are dedicated to attaining our business goals with competent, satisfied and motivated employees. In order to successfully accomplish these goals, the following starting points of our efforts are of key importance: focus on the customer, efficiency, and agility.

Regardless of the changes in the business environment (internal and external), Mercator Group **complies with the norms laid down by the applicable legislation and restricts any forms of discrimination.** We hereby declare that free assembly and association and collective bargaining is not restricted or impeded at Mercator Group companies and that there is no child or forced labour at our companies.

Number of employees

Market	Number of employees as at June 30, 2021	Number of employees as at June 30, 2020	Index number of employees June 30, 2021/ June 30, 2020	Number of employees based on hours worked in the period 1–6 2021
Slovenia	9,571	9,574	100.0	8,411
Serbia	8,238	7,988	103.1	7,731
Montenegro	1,663	1,590	104.6	1,532
Bosnia and Herzegovina	1,204	1,199	100.4	1,149
Croatia	28	30	93.3	28
Total	20,704	20,381	101.6	18,852

Mercator Group's permanent and sustainable development activities

In the first half of 2021, Mercator Group devoted nearly 64,631 hours to training and education that involved 15,893 employees.

Mercator Humanitarian Foundation paid out humanitarian aid in the total amount of EUR 43,190 in the first half of the year to assist 52 employees of the companies Poslovni sistem Mercator d.d. and Mercator IP d.o.o. In Serbia, we provided humanitarian aid in the amount of EUR 37,195.38 to 128 employees. In Bosnia and Herzegovina, aid was provided from the Solidarity Fund to 17 employees, in the total amount of EUR 5,112.91. In Montenegro, 31 employees received total aid of EUR 5,400.

In 2021, effects of the COVID-19 pandemic were field in human resource management as well. This involves further observance of the current measures and recommendation in this respect, and adjusted organization of work in all business segments, considering the current conditions, in order to contain the spread of the pandemic as much as possible.

In the second quarter, major emphasis was placed on learning about and coordination with the Fortenova Grupa, development of reports to this end, and coordination of joint projects. One such project is the »I Work Safely!« contest in which all employees were invited to submit the best slogan promoting safe and healthy work.



Drive beyond excellence (slo. vozite nad odličnostjo)

The DRIVE Beyond Excellence educational program is conducted by the FN Group for key employees of all its companies. Two programs are currently in progress. Navigate and Accelerate. The Navigate Program is provided in cooperation with the COTRUGLI Business School and it involves 35 FN Group employees, of which 2 are from the company Mercator d.d., and 3 are from Mercator–S d.o.o. The second program, Accelerate, is taking place

in cooperation with the company Selectio, and it includes 98 FN Group employees, of which 12 are from Mercator d.d., 10 are from Mercator-S d.o.o., 2 are from Mercator-BH d.o.o. and 2 are from Mercator-CG d.o.o. Both programs are modular, and they are intended for acquiring new knowledge and competences in various areas of work.



Human resource management activities at the company Poslovni sistem Mercator d.d

Training for FMCG retail and wholesale

In the first half of the year, several workshops on **Mercator's Selling Skills Standard** were held to train a total of 852 employees from FMCG retail and wholesale. We completed a total of 1,804 hours of training. In June, employees from the delicatessen departments at the units Hypermarket Šiška, Maxi Ljubljana, Hypermarket Ljubljana Šmartinska, Hypermarket Ljubljana Rudnik, and Hypermarket Kranj Primskovo took part in training prepared by the supplier Citterio. They were also joined by category management instructors for the field of delicatessen. Supplier representative presented the products to the employees, pointed out the differences between particular types of prosciutto, and demonstrated the proper preparation and manual slicing of bone-in prosciutto and other products by the supplier Citterio.

Employer brand

In May, we launched a revised employer brand. The campaign actively involved all our employees. One of the activities was organization of the largest neighbourhood games with participation of 570 units. We celebrated the World Neighbours' Day by watching a première of Mercator's first documentary film that involved 20 of our employees sharing their stories. On this day, all employees also received new T-shirts with the employer brand slogan. In May, the Big Good Book set out on its journey. Until November, stories of our employees will be written down into the Book. These activities brought us closer together and consolidated our employer slogan, which is »Connected, we create the best neighbourhood«.



Employee connection and cooperation is important

The employer brand project, among other things, devotes attention to cooperation and relations between employees. In order to attain excellent results and provide quality services, employees always work together, connect and communicate, with both the customers and our colleagues, superiors, and suppliers. Leaders, as the first among equals, are role models for their colleagues.

In order to raise the awareness of the importance of communication, we encourage our leaders and their co-workers in various ways to develop skills that make communication easier in situations when everything is running smoothly, as well as when there are hiccups or when something is stuck.

In May and June, we conducted workshops to this end, titled Intergenerational Bridges, which were mostly intended for shop managers at retail units. This interactive training presents the tools for managing and motivating generationally diverse teams that are very common at Mercator. The other part of the workshops will be carried out in autumn. A total of 200 managers will attend training courses in 17 time slots.



Shop Manager School at M Tehnika

At the Shop Manager School at Tehnika, we carried out the 3rd module this year, aimed at promotion of leadership skills, titled Organization of Work and Meeting Management; a workshop titled working hours (employee attendance) tracking; »one-on-one« discussions between leaders and shop managers; and group coaching sessions. The program of the School was completed with an online discussion with the management of M Tehnika, during

which shop managers could share what they have learned and what they had already used in their leadership practice.

Selection of new generation of successors in retail, wholesale, and M Tehnika

The program of **succession in retail** is a case of good practice. The purpose of the project is to create a pool of in-house candidates for shop managers who will be systematically trained in the long run, and prepared to assume key positions in our retail. This year, the project was also rolled out to wholesale and M Tehnika.

In March, we selected proposals for candidates, submitted by leaders to the **Operations Succession Program**. This year's new feature was that selection took place for all three areas simultaneously: retail, wholesale, and M Tehnika. The first part of the selection, which included 176 employees, started in April. Candidates who were successful in the first part of the selection process proceeded to the evaluation centre where assessments were made in smaller groups in May and June. In autumn, 92 participants selected for the succession program will start their training program that will prepare them for assumption of more challenging jobs or positions.

Compliance with the emergency relief and containment legislation

In the first half of the year, human resource management was still under heavy impact of the COVID-19 epidemic, compliance with the emergency relief and containment legislation, adjustment of work process and IT support to the extension of the measure of short-term sick leave without certificate of justified absence from work, introduction of the right to salary compensation during temporary absence from work allowing one of the parents to stay with their child at a healthcare facility, absence due to force majeure, quarantines, employee testing, and other measures, changing depending on the current COVID-19 situation. One important part are the activities for drawing funds based on the currently effective Act on Additional Measures for Mitigation of Consequences COVID-19 (PKP): reimbursement of the crisis bonus, obtaining required certificates, and filing applications for reimbursement of compensations for quarantines and absence for reason of force majeure, and claiming the subsidy for higher minimum wage.

Social dialogue

At the company, we are deliberately maintaining an exemplary level of social dialogue in the form of regular monthly meetings with the chairs of both representative trade unions, as well as meetings held whenever new open issues arise regarding employment relationships, working conditions, personal circumstances of employees etc.

Variable share of salary for some groups of employees

As of May 1, 2021, we introduced variable parts of salaries for employees at FMCG retail, wholesale stores, M Tehnika stores and warehouses, and logistics. The periods for determining eligibility will last three months, with the first payment with the salary for the month of July (exceptionally, the first period will only include 2 months).

HR document digitalization

In March, we introduced electronic payroll at Mercator d.d., Mercator-IP d.o.o., and M Energija d.o.o. In May, we followed up with work performance assessment in electronic form. Both are available to employees at mi.mercator.



Human resource management activities at the company Mercator IP d.o.o.

The most innovative food product of 2021

Three products made at our Delicatessen plant in Naklo received the award for the most innovative food product of the year, according to the expert jury of the Institute of Nutrition Science.

Gold medals for pastry and bakery products

Pastry and bakery products made at the pastry shop Kranjski kolaček (Kranj Cupcake) in Naklo received a record 9 gold medals for excellent quality, as presented by the Chamber of Agricultural and Food Producing Companies with the Slovenian Chamber of Commerce and Industry.



Human resource management activities at the company Mercator - S d.o.o.

Monitoring of newly hired employees – »Coffee with the HR department«

The purpose of the »Coffee with the HR department« project is to gain insight into the impressions of newly hired employees in the first few months of their employment. This way, we show our interest in their opinion, and our interest to keep them at the company and become a better employer.

Training for conducting interviews with candidates for hiring in retail, wholesale, and logistics, and for leaders in administration

Training for operational employees is intended for heads of retail units, and wholesale and logistics centres, in order to train them to independently conduct interviews with candidates for hirings at their units. Thus, employment candidates were also presented the interviews in terms of timing and location.

Training, intended for all leaders in administration, is devised to present the concept of competency-based interviews. Following are the goals of the training: improving interview conducting skills, use of competency-based interview for objective selection of the best candidate, and empowering first-level leaders in the process of recruitment of their team.

Internship program »Fax'n'Prax« for the field of logistics

In logistics, we are working with relevant colleges to promote our company among the students and to recruit young and ambitious candidates who would be willing to keep working at our company after a few months of internship.

Cooperation with the »Ana and Vlade Divac« foundation

This is a project involving active measures for hiring Roma people in the Belgrade area. A contract is concluded for a period of three months, without obligation of further employment, while the Foundation pays EUR 200 for each candidate during the first three months of employment.

M-Hub Talent Program

In the selection process, 47 key talents at the company were selected, who started the program in January. After the introductory presentation of the program, mentorship couples were selected and leadership skills training was held; in addition, training workshops are continuously in progress with the ICT Hub on a variety of topics, along with intensive preparations for the role of in-house trainers.

Induction/onboarding in administration

Ten new employees in administration were included in the established induction/onboarding process that allows them to get to know their co-workers. Additional support in this respect is provided by the training course »Welcome to Mercator-S« which presents in a systematic way the work of all sectors at the company.

Resilience training

Thirty-nine employees from administration took part in training on how to boost resilience to stress and changes in daily life and business challenges, and how to adapt their daily routines to digitalization and technology development.



Human resource management activities at the company Mercator - BH d.o.o.

Project »I Have an Idea«

In May and June, we conducted all activities to launch the project »I Have an Idea«. The idea behind the project is to allow every individual working for a Fortenova Group company to participate in developing proposals for improvement in operations. A jury will assess all submitted ideas and reward the best ones.





Human resource management activities at the company Mercator - CG, d.o.o.

Employee training at bakery departments

In February, we started conducting training for all employees at bakery departments, which are an important segment of our stores. The goal of the training is to encourage employees to actively approach the customers and provide the best service, with emphasis on the golden rules of communication and sharing of their knowledge of the offer of bakery products. Training was attended by 52 employees whose commitment, motivation and experience contributed to productive and dynamic sessions. One result of the training program are valuable comments and suggestions that will serve as guidelines for further progress in the field.



Retail training network is a training method for newly hired employees, which has proven beneficial and successful; therefore, we continue the good practice and look to extend it. In the first quarter, we selected 23 new candidates for trainers. The candidates first completed psychological testing; after successfully passing this stage, they started their training. Retail training network now has 65 trained trainers specializing in bakery, bakery/delicatessen, delicatessen, cash registers, cash registers/exposures, meat department, and fruit and vegetables department.

Financial management

Stable financial operations

As at June 30, 2021, Mercator Group's net financial debt (not taking into account the IFRS 16 Leases) amounted to EUR 558.2 million, which is 5.1% less than as at the end of 2020, and 1.8% more than as at June 30, 2020. Decrease in total financial liabilities as at June 30, 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 increased by EUR 23,715 thousand relative to December 31, 2020, which is mostly a result of partial increase of the Super Senior loan.

Net financial debt

in EUR 000	June 30, 2021	December 31, 2020 ¹	June 30, 2020 ¹	Change June 30, 2021/ Dec. 31, 2020 ¹	Change June 30, 2021/June 30, 2020 ¹
Non-current borrowings	441,365	68,078	73,092	548.3%	503.8%
Current borrowings	147,296	484,538	498,182	-69.6%	-70.4%
Financial leases ²	33,116	45,446	51,771	-27.1%	-36.0%
Total financial liabilities	621,778	598,063	623,045	4.0%	-0.2%
Cash and cash equivalents	63,615	49,763	34,841	27.8%	82.6%
Net financial debt (without the effect of IFRS 16 Leases)	558,163	548,299	588,204	1.8%	-5.1%
Present value of future rent IFRS 16 Leases					
New non-current and current lease liabilities ²	302,708	300,226	306,437	0.8%	-1.2%
Total lease liabilities related to the new standard IFRS 16 Leases	302,708	300,226	306,437	0.8%	-1.2%
Net financial debt (with the effect of IFRS 16 Leases)	860,871	848,525	894,641	1.5%	-3.8%
EBITDA normalized ³	170,126	160,905	170,879	5.7%	-0.4%
Net financial debt / EBITDA normalized (with the effect of IFRS 16 Leases)	5.1x	5.3x	5.2x	-4.0%	-3.3%

¹ Due to methodological adjustments required for classification/mapping according to the Fortenova Grupa d.d. system, the data for the period 2020 is adjusted.

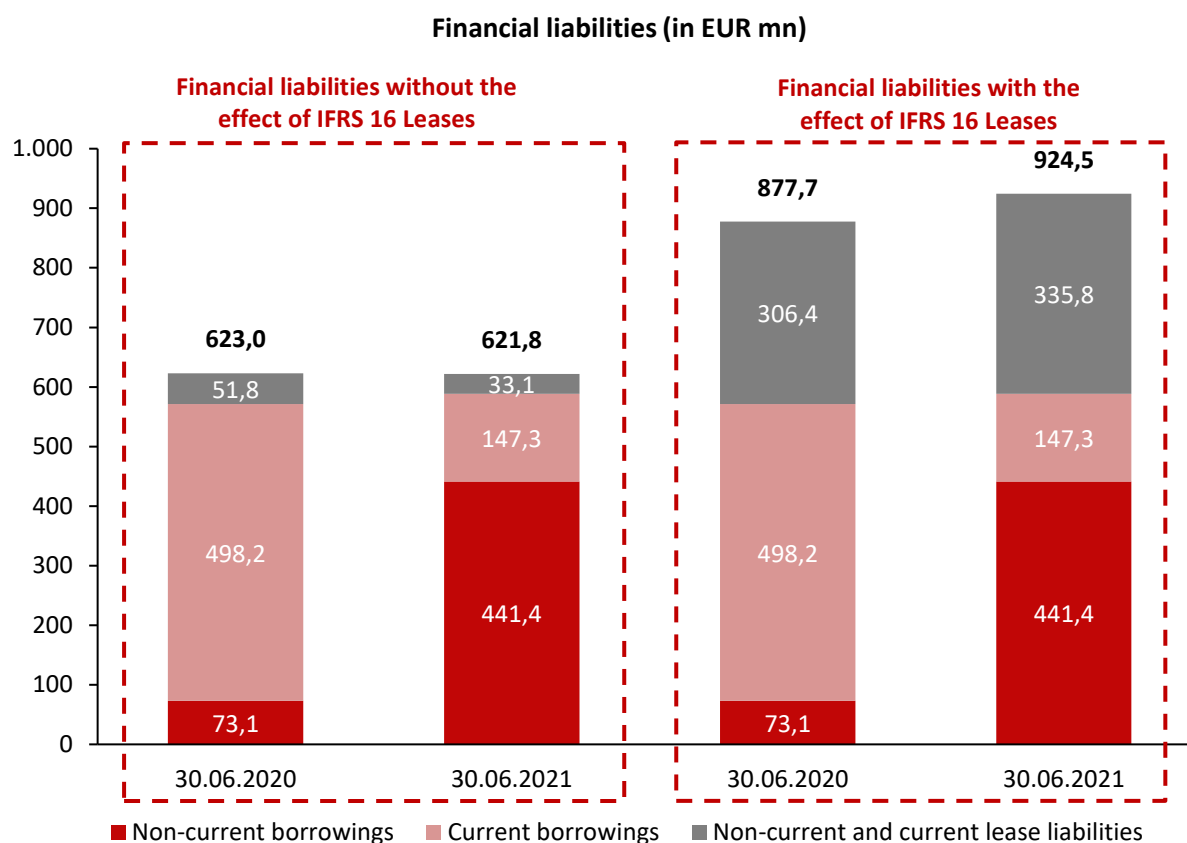
² The items »Financial leases« and »New non-current and current lease liabilities« are presented in the statement of financial position as »Lease liabilities«.

³ The »Normalized EBITDA« item for the periods 1–6, 2021, and 1–6, 2020, is adjusted to annual level. It is based on last twelve months EBITDA for referred period. For the period June 2020 to June 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 June 30, 2021, Mercator Group's ratio between equity and net financial debt^A was at 1 : 2.824.

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 June 30, 2021, amounted to 76.7% (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. The debt refinancing have become long-term financial liabilities. Coverage of non-current assets with non-current liabilities at the Mercator Group as at June 30, 2021, is at 76.5%. ^A

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 June 30, 2021

As at June 30, 2021, Mercator Group had access to the following liquidity ^A:

In 000 EUR	June 30, 2021
Cash and cash equivalents	63,615
Standby revolving credit lines	10,953
Total	74,568

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

Mercator share and investor relations

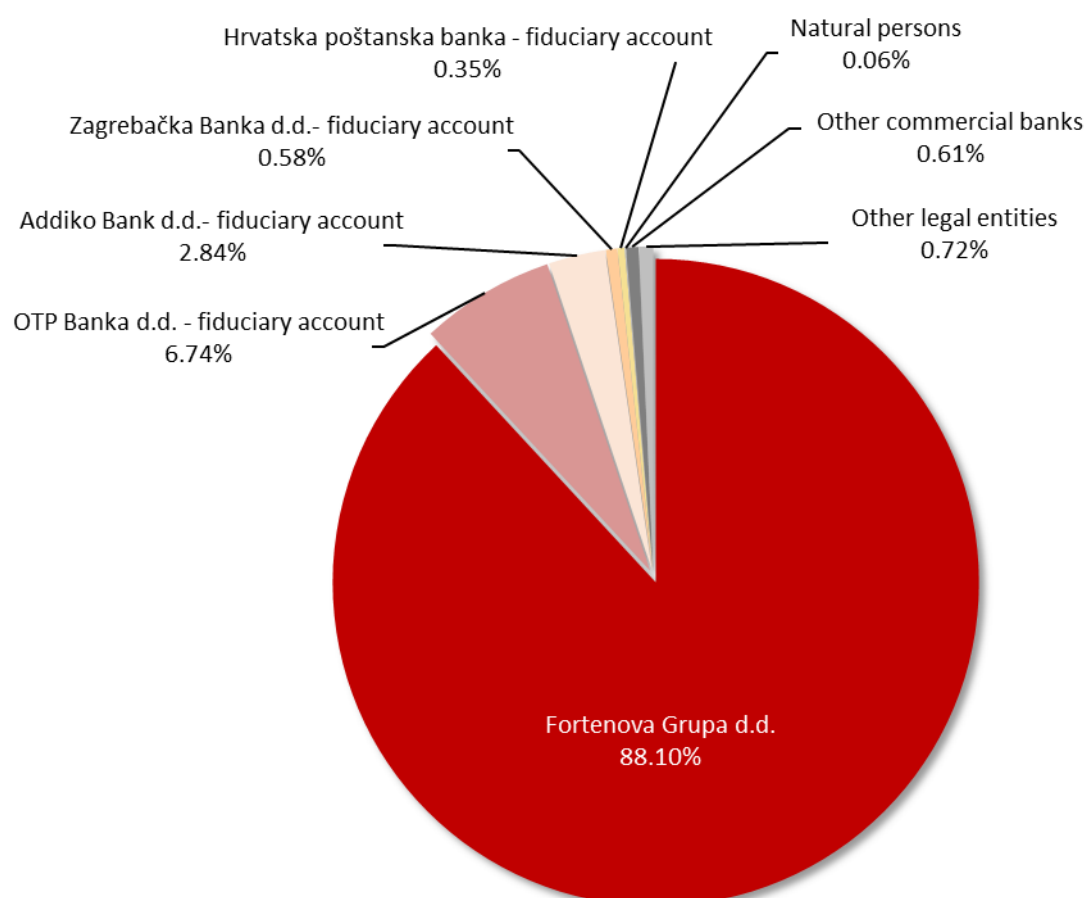
Share and ownership structure

Basic information on the share of the company Poslovni sistem Mercator d.d. as at June 30, 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	1,445

Ownership structure of the company Poslovni sistem Mercator d.d. as at June 30, 2021:



Structure of the company shareholders as at June 30, 2021

As at June 30, 2021, the four largest shareholders combined owned **98.25%** of the company.

Shareholders	Country	Number of shares	Share
Fortenova Grupa d.d.	Croatia	5,366,179	88.10%
OTP Banka d.d. – fiduciarni račun	Croatia	410,342	6.74%
Addiko Bank d.d.- fiduciarni račun	Croatia	172,755	2.84%
Zagrebačka Banka d.d.- fiduciarni račun	Croatia	35,143	0.58%
Other		106,524	1.75%
Total		6,090,943	100 %

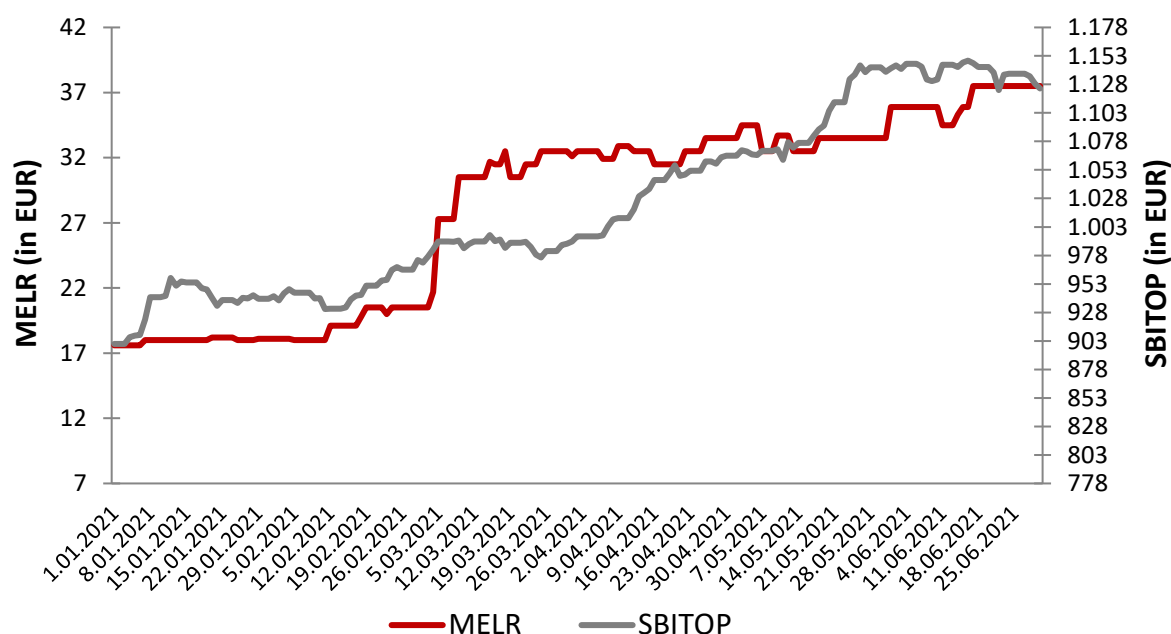
Shares held by Management and Supervisory Board Members as at June 30, 2021

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 June 30, 2021.

Foreign shareholders

As at June 30, 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 1–6, 2020, compared to the movement of the SBITOP index



Key information for the shareholders

	June 30, 2021	June 30, 2020	Change June 30, 2021/ June 30, 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)	225,365	91,364	146.7%
Market value of share (in EUR)	37.0	15.0	146.7%
Book value per share (in EUR)	62.1	71.4	-13.0%
Minimum close rate in the period (in EUR)	17.1	14.6	17.1%
Maximum close rate in the period (in EUR)	37.0	19.1	93.7%
Average close rate in the period (in EUR)	27.7	16.4	68.8%
Earnings per share (in EUR)	3.0	3.0	0.0%

Market capitalization is calculated by multiplying the number of shares entered into the court register as at June 30 with market price per share as at June 30.

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 June 30, 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 June 30, 2021, the company Poslovni sistem Mercator d.d. held 42,192 own shares. In the period 1–6, 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 1–6, 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 1–6, 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.

in EUR thousand	Mercator Group		Poslovni sistem Mercator d.d.	
	June 30, 2021	Dec. 31, 2020	June 30, 2021	Dec. 31, 2020
ASSETS				
Non-current assets				
Property, plant and equipment	796,611	831,390	522,257	545,488
Right of use assets	343,199	340,030	172,223	159,703
Investment property	205,949	198,978	3,043	3,043
Intangible assets	20,540	20,750	12,847	12,993
Investment in subsidiaries	-	-	250,521	235,511
Investments in associates	927	-	803	803
Loans, deposits and other non-current financial assets	6,981	13,363	97,071	2,678
Deferred tax assets	5,413	5,420	-	-
Other non-current assets	132	36	80	-
TOTAL NON-CURRENT ASSETS	1,379,753	1,409,966	1,058,845	960,219
Current assets				
Inventories	204,779	202,457	115,828	109,908
Loans and deposits	346	2,365	4,844	33,012
Accounts receivable	83,300	86,158	41,575	41,060
Other current assets	63,787	40,773	22,039	15,748
Cash and cash equivalents	63,615	49,763	42,070	28,964
TOTAL CURRENT ASSETS	415,827	381,517	226,355	228,692
TOTAL ASSETS	1,795,580	1,791,483	1,285,200	1,188,911
EQUITY AND LIABILITIES				
Share capital	254,175	254,175	254,175	254,175
Capital reserves	2,571	2,571	2,571	2,571
Legal reserves	20,691	20,691	13,389	13,389
Treasury shares	(3,235)	(3,235)	(3,235)	(3,235)
Revaluation reserves	15,649	15,204	3,235	3,235
Reserves for remeasurement to fair value	179,368	186,215	127,598	134,672
Currency translation	(83,653)	(86,477)	-	-
Retained earnings/accumulated deficit	(80,761)	(97,097)	(21,847)	(39,110)
TOTAL EQUITY	304,804	292,046	375,886	365,696
LIABILITIES				
Non-current liabilities				
Borrowings	441,365	68,078	387,939	-
Lease liabilities (IFRS 16 Leases)	267,725	272,636	81,927	71,553
Provisions	25,711	27,543	21,362	22,824
Deferred tax liabilities	16,120	15,063	7,715	6,708
TOTAL NON-CURRENT LIABILITIES	750,921	383,320	498,942	101,085
Current liabilities				
Accounts payable	444,525	451,470	236,036	236,093
Income tax payable	2,260	199	1,923	-
Borrowings	147,296	484,538	122,486	395,433
Lease liabilities (IFRS 16)	68,099	73,036	15,633	21,354
Other current liabilities	77,674	106,874	34,293	69,250
TOTAL CURRENT LIABILITIES	739,855	1,116,117	410,372	722,130
TOTAL LIABILITIES	1,490,776	1,499,438	909,314	823,215
EQUITY AND LIABILITIES	1,795,580	1,791,483	1,285,200	1,188,911

* Due to methodological adjustments required for classification/mapping according to the Fortenova Grupa d.d. system, the data for the period 2020 is adjusted.

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

in EUR thousand	Mercator Group		Poslovni sistem Mercator d.d.	
	1-6, 2021	1-6, 2020*	1-6, 2021	1-6, 2020*
Sales revenue	1,062,982	1,067,541	606,836	616,711
Other income	3,758	7,830	3,082	7,403
	1,066,740	1,075,371	609,918	624,114
Changes in inventories of finished goods and work in progress	522	(76)	-	-
Cost of materials and goods sold	(751,783)	(766,799)	(415,854)	(430,700)
Cost of services	(66,262)	(63,388)	(46,001)	(45,589)
Staff costs	(134,092)	(136,447)	(86,188)	(89,488)
Depreciation, amortisation and impairment	(28,960)	(111,470)	(15,417)	(25,138)
Depreciation and impairment of 'right of use' assets (IFRS 16)	(24,624)	(25,297)	(6,739)	(6,610)
Other costs	(25,746)	(25,116)	(16,353)	(14,843)
Gain/ loss on sale of properties	4,558	13,011	3,116	10,823
	(1,026,387)	(1,115,583)	(583,435)	(601,546)
Operating profit	40,353	(40,212)	26,483	22,568
Financial income	1,981	1,859	1,749	1,018
Financial expenses	(27,343)	(28,226)	(15,112)	(12,063)
	(25,363)	(26,367)	(13,363)	(11,044)
Share of profit / (loss) of associated companies / joint ventures	-	-	-	-
Profit or loss before tax	14,991	(66,579)	13,119	11,524
Income tax	(4,405)	(2,633)	(4,064)	(2,471)
Profit/(loss) for the year	10,585	(69,213)	9,055	9,053

* Due to methodological adjustments required for classification/mapping according to the Fortenova Grupa d.d. system, the data for the period 2020 is adjusted.

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

in EUR thousand	Mercator Group		Poslovni sistem Mercator d.d.	
	1-6, 2021	1-6, 2020*	1-6, 2021	1-6, 2020*
Net profit/loss for the period	10,585	(69,213)	9,055	9,053
Other comprehensive income:				
Items that subsequently cannot be reclassified to profit or loss	12,313	(73,506)	10,190	28,030
Revaluation of land	9,489	(70,511)	10,190	28,030
Income tax effect	-	-	-	-
Actuarial remeasurement of employees benefits	-	-	-	-
Effect of income tax rate change	2,825	(2,995)	-	-
Other comprehensive income	-	-	-	-
Items that may be reclassified subsequently to profit or loss	445	(25)	-	-
Profit/loss on financial asset through other comprehensive income	445	(25)	-	-
Income tax effect	-	-	-	-
Total comprehensive income/(loss) for the period	12,759	(73,531)	10,190	28,030

* Due to methodological adjustments required for classification/mapping according to the Fortenova Grupa d.d. system, the data for the period 2020 is adjusted.

Consolidated statement of changes in equity of the Mercator Group

Mercator Group														
	Share capital	Fair value of assets acquired via PPA	Capital reserves	Legal reserves	Treasury shares	Revaluation surplus	Reserves for remeasurement to fair value	Currency translation	Retained earnings/ Accumulated deficit	Total	Non-controlling interest	Currency translation - Non-controlling interest	Total - Non-controlling interest	Total equity
As at January 1, 2020	254,175	-	2,571	20,691	(3,235)	15,225	180,566	(83,810)	72,762	458,944	-	-	-	458,944
Total comprehensive income for the period	-	-	-	-	-	(25)	8,133	(2,995)	(78,644)	(73,531)	-	-	-	(73,531)
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share kapital payment / input	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity movements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends IG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2020	254,175	-	2,571	20,691	(3,235)	15,200	188,699	(86,805)	(5,882)	385,413	-	-	-	385,413

Mercator Group														
	Share capital	Fair value of assets acquired via PPA	Capital reserves	Legal reserves	Treasury shares	Revaluation surplus	Reserves for remeasurement to fair value	Currency translation	Retained earnings/ Accumulated deficit	Total	Non-controlling interest	Currency translation - Non-controlling interest	Total - Non-controlling interest	Total equity
As at January 1, 2021	254,175	-	2,571	20,691	(3,235)	15,204	186,215	(86,477)	(97,097)	292,046	-	-	-	292,046
Total comprehensive income for the period	-	-	-	-	-	445	(6,847)	2,825	16,335	12,759	-	-	-	12,759
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share kapital payment / input	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity movements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends IG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2021	254,175	-	2,571	20,691	(3,235)	15,649	179,368	(83,653)	(80,761)	304,804	-	-	-	304,804

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

Poslovni sistem Mercator, d. d.														
	Share capital	Fair value of assets acquired via PPA	Capital reserves	Legal reserves	Treasury shares	Revaluation surplus	Reserves for remeasurement to fair value	Currency translation	Retained earnings/ Accumulated deficit	Total	Non-controlling interest	Currency translation - Non-controlling interest	Total - Non-controlling interest	Total equity
As at January 1, 2020	254,175	-	2,571	13,389	(3,235)	3,235	123,498	-	8,508	402,141	-	-	-	402,141
Total comprehensive income for the period	-	-	-	-	-	-	11,072	-	18,783	29,856	-	-	-	29,856
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share kapital payment / input	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity movements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends IG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2020	254,175	-	2,571	13,389	(3,235)	3,235	134,570	-	27,292	431,996	-	-	-	431,996

Poslovni sistem Mercator, d. d.														
	Share capital	Fair value of assets acquired via PPA	Capital reserves	Legal reserves	Treasury shares	Revaluation surplus	Reserves for remeasurement to fair value	Currency translation	Retained earnings/ Accumulated deficit	Total	Non-controlling interest	Currency translation - Non-controlling interest	Total - Non-controlling interest	Total equity
As at January 1, 2021	254,175	-	2,571	13,389	(3,235)	3,235	134,672	-	(39,110)	365,696	-	-	-	365,696
Total comprehensive income for the period	-	-	-	-	-	-	(7,073)	-	17,263	10,190	-	-	-	10,190
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share kapital payment / input	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity movements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends IG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at June 30, 2021	254,175	-	2,571	13,389	(3,235)	3,235	127,598	-	(21,847)	375,886	-	-	-	375,886

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

v 000 EUR	Mercator Group		Poslovni sistem Mercator d.d.	
	1-6, 2021	1-6, 2020*	1-6, 2021	1-6, 2020*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/ (Loss) before tax	14,991	(66,579)	13,119	11,524
<i>Adjustments to reconcile net earnings to net cash provided by operating activities:</i>				
Depreciation, amortisation and impairment of property plant, equipment and other intangible assets	28,960	111,470	15,417	25,138
Depreciation charged for right of use assets (IFRS 16)	24,624	25,297	6,739	6,610
Financial income	(1,981)	(1,859)	(1,749)	(1,018)
Financial expenses	27,343	28,226	15,112	12,063
Impairment loss on financial assets	-	-	(10)	-
Gain on sale of properties	(4,558)	(13,011)	(3,116)	(10,823)
Impairment loss on trade receivables, net	(2,169)	(607)	(1,322)	(1,187)
Change in provisions and other reconciliation adjustment	13,099	10,809	9,967	6,805
Net cash flows from operating activities before changes in working capital	100,309	93,746	54,157	49,111
Changes in trade receivables	5,028	7,456	807	2,520
Changes in inventories	(17,452)	(7,602)	(16,695)	(9,470)
Changes in trade payables	(6,945)	(38,727)	(58)	(18,044)
Changes in other current assets	(23,104)	(2,400)	(6,370)	(11,776)
Changes in other current liabilities	(27,943)	8,421	(34,604)	13,566
Net cash inflow from operating activities before interest and taxes	29,893	60,895	(2,763)	25,908
Income tax paid	(2,344)	(1,801)	(2,141)	(1,152)
Interest paid	(26,329)	(25,228)	(15,022)	(11,994)
Short-term and/ or low-value lease payments	-	-	-	-
Net cash provided from operating activities	1,220	33,866	(19,926)	12,762
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries, net of cash acquired	-	-	(15,011)	-
Purchase of property, plant and equipment and intangible assets	(13,613)	(12,953)	(9,332)	(6,698)
Net proceeds from sale of properties	24,206	1,494	20,006	1,456
Net proceeds from loan receivables	40,423	7,823	28,991	-
Net outflows proceeds from loan receivables	(32,949)	(2,206)	(95,206)	(10,113)
Interest received	382	807	1,669	948
Dividends received	-	-	-	-
Net cash used in investing activities	18,448	(5,035)	(68,882)	(14,407)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from short-term and long-term borrowings	502,712	40,423	425,234	38,655
Net (outflow) from repayment of short-term and long-term borrowings	(474,425)	(53,610)	(317,533)	(31,317)
Cash payments for the principal portion of the lease liability (IFRS 16)	(34,104)	(33,648)	(5,787)	(5,914)
Net cash from financing activities	(5,817)	(46,835)	101,914	1,424
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,851	(18,004)	13,106	(221)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF REPORTING PERIOD	49,763	52,845	28,964	15,806
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	63,615	34,841	42,070	15,585

* Due to methodological adjustments required for classification/mapping according to the Fortenova Grupa d.d. system, the data for the period 2020 is adjusted.

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 June 30, 2021, amounted to EUR 1,795,580 thousand, which is EUR 4,097 thousand more than at the end of 2020.

As at June 30, 2021, the value of Mercator Group's non-current assets amounted to EUR 1,379,753 thousand, which is EUR 30,212 thousand less than as at December 31, 2020. Property, plant, and equipment (57.7%) and right of use assets (24.9%) account for the largest share of non-current assets.

As at June 30, 2021, the value of Mercator Group's current assets amounted to EUR 415,827 thousand, which is EUR 34,309 thousand more than as at the end of 2020. The largest share thereof includes inventories (49.2%) and trade and other receivables (20.0%).

Equity and liabilities

As at June 30, 2021, Mercator Group share capital amounted to EUR 304,804 thousand, which is EUR 12,759 thousand more than as at the end of 2020.

As at June 30, 2021, Mercator Group's total borrowings amounted to EUR 588,661 thousand, which is EUR 36,045 thousand more than as at the end of 2020. As at June 30, 2021, total rent liabilities amounted to EUR 335,824 thousand, which is EUR 9,848 thousand less than as the end of 2020. Mercator Group's net financial debt, calculated as the difference between Mercator Group's financial liabilities and financial assets, amounted to EUR 860,871 thousand as at June 30, 2021 (December 31, 2020: EUR 848,525 thousand).

POSLOVNI SISTEM MERCATOR D.D.

Assets of the company Poslovni sistem Mercator d.d. as at June 30, 2021, amounted to EUR 1,285,200 thousand, which is EUR 96,288 thousand more than at the end of 2020.

As at June 30, 2021, the value of the company's non-current assets amounted to EUR 1,058,845 thousand, which is EUR 98,626 thousand less than as at December 31, 2020. Property, plant, and equipment (49.3%) and investments into subsidiaries (23.7%) account for the largest share of non-current assets.

As at June 30, 2021, the value of company current assets was EUR 226,355 thousand, which is EUR 2,338 thousand less than at the end of 2020. The largest share thereof includes inventories (51.2%) and trade and other receivables (18.4%).

Equity of the company Poslovni sistem Mercator d.d. as at June 30, 2021, amounts to EUR 375,886 thousand, which is an increase of EUR 10,190 thousand relative to the end of 2020.

As at June 30, 2021, the company's total borrowings amount to EUR 510,425 thousand, which is an decrease of EUR 114,993 relative to December 31, 2020. As at June 30, 2021, total lease liabilities amounted to EUR 97,561 thousand, which is EUR 4,654 thousand more than as the end of 2020. Net financial debt, calculated as the difference between financial liabilities and financial assets, amounted to EUR 565,916 thousand as at June 30, 2021 (December 31, 2020: EUR 459,375 thousand).

As at June 30, 2021, Mercator Group's provisions amounted to EUR 25,711 thousand. Compared to the end of 2020, provisions have decreased by EUR 1,832 thousand.

Mercator Group's trade and other payables as at June 30, 2021, amounted to EUR 444,525 thousand, which is EUR 6,945 thousand less than at the end of 2020.

As at June 30, 2021, long-term coverage of non-current assets with non-current liabilities at the Mercator Group was at 76.5%, which is 28.6 p.p. more than as at the end of 2020.

As at June 30, 2021, the company's provisions amounted to EUR 21,362 thousand. Compared to the end of 2020, provisions have decreased by EUR 1,463 thousand.

The company's trade and other payables as at June 30, 2021, amounted to EUR 236,036 thousand, which is EUR 58 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 1–6, 2021, Mercator Group's sales revenue amounted to EUR 1,062,982 thousand, which is 0.4% less than in the equivalent period of the year before. Compared to the same period of the year before, retail sales revenue decreased by 1.2%. Slovenia (59.2% of total sales revenue) remains Mercator Group's most important market. In the Slovenian market, the retail company Poslovni sistem Mercator d.d. saw its sales revenue decrease by 1.6% relative to the same period of the preceding year.

Costs

Mercator Group's costs of goods sold in the period 1–6, 2021, amounted to EUR 751,783 thousand, which is 2.0% less than in the comparable period last year.

Operatig profit (EBIT)

In the period 1–6, 2021, Mercator Group generated EUR 40,353 thousand of operating profit (EBIT), which is EUR 80,565 thousand more than the comparable figure for the same period of last year.

Net finance expenses

Mercator Group's finance income in the period 1–6, 2021, amounted to EUR 1,981 thousand, which is 122 thousand EUR more than in the comparable period of last year.

In the period 1–6, 2021, Mercator Group's finance costs amounted to EUR 27,343 thousand, which is EUR 883 thousand more than in the comparable period of the year before, especially due to effect of currency translation differences.

POSLOVNI SISTEM MERCATOR D.D.

In the period 1–6, 2021, the company Poslovni sistem Mercator d.d. generated sales revenue of EUR 606,836 thousand, which is 1.6% less than in the period 1–6, 2020. The company's sales revenue from retail operations amounted to EUR 474,586 thousand, which is 0.8% less than in the period 1–6, 2020.

Cost of goods sold at the company Poslovni sistem Mercator d.d. in the period 1–6, 2021, amounted to EUR 415,854 thousand, which is 3.4% less than in the comparable period last year.

In the period 1–6, 2021, operating profit (EBIT) of the company Poslovni sistem Mercator d.d. reached EUR 26,483 thousand, which is an increase of EUR 3,914 thousand.

Finance income of the company Poslovni sistem Mercator d.d. in the period 1–6, 2021, amounted to EUR 1,749 thousand, which is EUR 731 thousand more than in the comparable period of the preceding year.

Finance costs in the period 1–6, 2021, amounted to EUR 15,112 thousand which is EUR 3,050 thousand less than in the comparable period of last year.

Profit before tax

In the period 1–6, 2021, Mercator Group's results profit before income tax amounted to EUR 14,991 thousand, which is EUR 81,570 thousand more than in the equivalent period of last year.

Net profit for the period

Mercator Group's net profit for the period 1–6, 2021, amounts to EUR 10,585 thousand, which is an increase of EUR 79,798 thousand relative to the equivalent period of the preceding year.

Normalized EBITDA and EBITDAR

Mercator Group's normalized EBITDA in the period 1–6, 2021, amounted to EUR 92,377 thousand (increase by EUR 9,221 thousand relative to the same period of the preceding year).

Mercator Group normalized EBITDAR in the period 1–6, 2021, amounted to EUR 93,270 thousand, which is 11.2% more than in the equivalent period of last year.

Profit before income tax of the company Poslovni sistem Mercator d.d. in the period 1–6, 2021 amounted to EUR 13,119 thousand, which is EUR 1,595 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 1–6, 2021, amounted to EUR 9,055 thousand, which is EUR 2 thousand more than in the equivalent period of the preceding year.

Normalized EBITDA of the company Poslovni sistem Mercator d.d. in the period 1–6, 2021, amounted to EUR 46,566 thousand (increase for EUR 3,144 thousand relative to the same period of the preceding year).

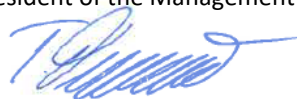
Normalized EBITDAR of the company Poslovni sistem Mercator d.d. in the period 1–6, 2021, amounted to EUR 47,017 thousand, which is 7.3% more than in the same period of last year.

Management Responsibility Statement

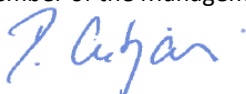
The Management Board of the company Poslovni sistem Mercator d.d. hereby confirms that the interim financial report of the company Poslovni sistem Mercator d.d., and the Mercator Group for the period ended on June 30, 2021, to their best knowledge, is compiled in compliance with the International Financial 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, September 13, 2021

mag. Tomislav Čizmić
President of the Management Board



Draga Cukjati
Member of the Management Board



Igor Mamuza
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. Due to methodological adjustments required for classification/mapping according to the Fortenova Grupa d.d. system, the data for the period 2020 is adjusted.

APM	The most equivalent/closest IFRS item Definition Purpose	Calculation basis																	
Income statement																			
Retail sales revenue	<ul style="list-style-type: none"> Sales revenue Retail sales revenue includes total sales 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 sales revenue accounts for the predominant share of total sales revenue. 	<table border="1"> <thead> <tr> <th>Mercator Group (EUR thousand)</th> <th>1–6, 2021</th> <th>1–6, 2020</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>849,788</td> <td>860,565</td> </tr> <tr> <td>Other activities/ businesses</td> <td>213,194</td> <td>206,976</td> </tr> <tr> <td>Sales revenue</td> <td>1,062,982</td> <td>1,067,541</td> </tr> </tbody> </table>	Mercator Group (EUR thousand)	1–6, 2021	1–6, 2020	Retail	849,788	860,565	Other activities/ businesses	213,194	206,976	Sales revenue	1,062,982	1,067,541					
Mercator Group (EUR thousand)	1–6, 2021	1–6, 2020																	
Retail	849,788	860,565																	
Other activities/ businesses	213,194	206,976																	
Sales revenue	1,062,982	1,067,541																	
Labour force cost	<ul style="list-style-type: none"> No direct item The 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. 	<table border="1"> <thead> <tr> <th>Mercator Group (EUR thousand)</th> <th>1–6, 2021</th> <th>1–6, 2020</th> </tr> </thead> <tbody> <tr> <td>Labour costs from collective and individual employment contracts</td> <td>134,092</td> <td>136,447</td> </tr> <tr> <td>Costs of student labour, hired workers, and other employment contracts</td> <td>8,434</td> <td>10,874</td> </tr> <tr> <td>Labour force cost</td> <td>142,525</td> <td>147,321</td> </tr> </tbody> </table>	Mercator Group (EUR thousand)	1–6, 2021	1–6, 2020	Labour costs from collective and individual employment contracts	134,092	136,447	Costs of student labour, hired workers, and other employment contracts	8,434	10,874	Labour force cost	142,525	147,321					
Mercator Group (EUR thousand)	1–6, 2021	1–6, 2020																	
Labour costs from collective and individual employment contracts	134,092	136,447																	
Costs of student labour, hired workers, and other employment contracts	8,434	10,874																	
Labour force cost	142,525	147,321																	
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. 	<table border="1"> <thead> <tr> <th>Mercator Group (EUR thousand)</th> <th>1–6, 2021</th> <th>1–6, 2020</th> </tr> </thead> <tbody> <tr> <td>Operating profit (EBIT)</td> <td>40,353</td> <td>-40,212</td> </tr> <tr> <td>Depreciation and amortization</td> <td>53,584</td> <td>136,767</td> </tr> <tr> <td>Non-recurring business events</td> <td>1,550</td> <td>13,399</td> </tr> <tr> <td>Normalized EBITDA</td> <td>92,377</td> <td>83,156</td> </tr> </tbody> </table>	Mercator Group (EUR thousand)	1–6, 2021	1–6, 2020	Operating profit (EBIT)	40,353	-40,212	Depreciation and amortization	53,584	136,767	Non-recurring business events	1,550	13,399	Normalized EBITDA	92,377	83,156		
Mercator Group (EUR thousand)	1–6, 2021	1–6, 2020																	
Operating profit (EBIT)	40,353	-40,212																	
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Non-recurring business events	1,550	13,399																	
Normalized EBITDA	92,377	83,156																	
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. 	<table border="1"> <thead> <tr> <th>Mercator Group (EUR thousand)</th> <th>1–6, 2021</th> <th>1–6, 2020</th> </tr> </thead> <tbody> <tr> <td>Normalized EBITDA</td> <td>92,377</td> <td>83,156</td> </tr> <tr> <td>Sales revenue</td> <td>1,062,982</td> <td>1,067,541</td> </tr> <tr> <td>EBITDA margin (in %)</td> <td>8.7%</td> <td>7.8%</td> </tr> </tbody> </table>	Mercator Group (EUR thousand)	1–6, 2021	1–6, 2020	Normalized EBITDA	92,377	83,156	Sales revenue	1,062,982	1,067,541	EBITDA margin (in %)	8.7%	7.8%					
Mercator Group (EUR thousand)	1–6, 2021	1–6, 2020																	
Normalized EBITDA	92,377	83,156																	
Sales revenue	1,062,982	1,067,541																	
EBITDA margin (in %)	8.7%	7.8%																	

APM	The most equivalent/closest IFRS item Definition Purpose	Calculation basis																							
Productivity per retail employee	<ul style="list-style-type: none"> Sales revenue The indicator is calculated as the ratio between retail sales revenue and number of FTE (number of employees based on hours worked) in retail. The indicator is annualized (adjusted to annual level). Sales revenue The use of this indicator is common in the retail industry, and it measures performance in the company's core activity. 	<table border="1"> <thead> <tr> <th>Mercator Group</th> <th>1-6, 2021</th> <th>1-6, 2020</th> </tr> </thead> <tbody> <tr> <td>Retail sales revenue (EUR thousand) – <i>annualized</i></td> <td>1,748,807</td> <td>1,752,821</td> </tr> <tr> <td>Number of FTE (employees based on hours worked) in retail</td> <td>14,647</td> <td>14,324</td> </tr> <tr> <td>Productivity per Employee in retail (EUR thousand)</td> <td>119.4</td> <td>122.4</td> </tr> </tbody> </table>	Mercator Group	1-6, 2021	1-6, 2020	Retail sales revenue (EUR thousand) – <i>annualized</i>	1,748,807	1,752,821	Number of FTE (employees based on hours worked) in retail	14,647	14,324	Productivity per Employee in retail (EUR thousand)	119.4	122.4											
Mercator Group	1-6, 2021	1-6, 2020																							
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Number of FTE (employees based on hours worked) in retail	14,647	14,324																							
Productivity per Employee in retail (EUR thousand)	119.4	122.4																							
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. 	<table border="1"> <thead> <tr> <th>Mercator Group (EUR thousand)</th> <th>1-6, 2021</th> <th>1-6, 2020</th> </tr> </thead> <tbody> <tr> <td>EBIT in retail* – <i>annualized</i></td> <td>184,374</td> <td>174,203</td> </tr> <tr> <td>Depreciation and amortization costs in retail* – <i>annualized</i></td> <td>65,051</td> <td>68,382</td> </tr> <tr> <td>Labor costs in retail* – <i>annualized</i></td> <td>181,086</td> <td>191,497</td> </tr> <tr> <td>Rental costs in retail* – <i>annualized</i></td> <td>998</td> <td>721</td> </tr> <tr> <td>Number of retail employees based on hours worked (FTE)</td> <td>14,647</td> <td>14,324</td> </tr> <tr> <td>Value added per retail employee (EUR thousand)</td> <td>29.5</td> <td>30.4</td> </tr> </tbody> </table> <p>* Data excluding non-recurring business events .</p>	Mercator Group (EUR thousand)	1-6, 2021	1-6, 2020	EBIT in retail* – <i>annualized</i>	184,374	174,203	Depreciation and amortization costs in retail* – <i>annualized</i>	65,051	68,382	Labor costs in retail* – <i>annualized</i>	181,086	191,497	Rental costs in retail* – <i>annualized</i>	998	721	Number of retail employees based on hours worked (FTE)	14,647	14,324	Value added per retail employee (EUR thousand)	29.5	30.4		
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Value added per retail employee (EUR thousand)	29.5	30.4																							
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, equity The 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. 	<table border="1"> <thead> <tr> <th>Mercator Group (EUR thousand)</th> <th>June 30, 2021</th> <th>June 30, 2020</th> </tr> </thead> <tbody> <tr> <td>Equity</td> <td>304,804</td> <td>385,413</td> </tr> <tr> <td>Non-current liabilities</td> <td>750,921</td> <td>401,358</td> </tr> <tr> <td>Non-current assets</td> <td>1,379,790</td> <td>1,507,007</td> </tr> <tr> <td>Long-term coverage of non-current assets with non-current liabilities</td> <td>76.5%</td> <td>52.2%</td> </tr> </tbody> </table>	Mercator Group (EUR thousand)	June 30, 2021	June 30, 2020	Equity	304,804	385,413	Non-current liabilities	750,921	401,358	Non-current assets	1,379,790	1,507,007	Long-term coverage of non-current assets with non-current liabilities	76.5%	52.2%								
Mercator Group (EUR thousand)	June 30, 2021	June 30, 2020																							
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Non-current assets	1,379,790	1,507,007																							
Long-term coverage of non-current assets with non-current liabilities	76.5%	52.2%																							
Net financial debt	<ul style="list-style-type: none"> Received borrowings, lease liabilities, cash and cash equivalents The 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 Semi-annual Report.																							
Net financial debt/equity	<ul style="list-style-type: none"> Received borrowings, lease liabilities, cash and cash equivalents, equity The 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). 	<table border="1"> <thead> <tr> <th>Mercator Group</th> <th>June 30, 2021</th> <th>June 30, 2020</th> </tr> </thead> <tbody> <tr> <td>Net financial debt (EUR thousand)</td> <td>860,871</td> <td>894,641</td> </tr> <tr> <td>Equity (EUR thousand)</td> <td>304,804</td> <td>385,413</td> </tr> <tr> <td>Net financial debt/equity</td> <td>2.8</td> <td>2.3</td> </tr> </tbody> </table>	Mercator Group	June 30, 2021	June 30, 2020	Net financial debt (EUR thousand)	860,871	894,641	Equity (EUR thousand)	304,804	385,413	Net financial debt/equity	2.8	2.3											
Mercator Group	June 30, 2021	June 30, 2020																							
Net financial debt (EUR thousand)	860,871	894,641																							
Equity (EUR thousand)	304,804	385,413																							
Net financial debt/equity	2.8	2.3																							
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 Semi-annual Report.																							
Available liquidity	<ul style="list-style-type: none"> Cash and cash equivalents The 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 Semi-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 Semi-annual Report, and in the Cash Flow Statement in the Financial Report section of the Semi-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 border="1"> <thead> <tr> <th>Poslovni sistem Mercator d.d.</th> <th>1-6, 2021</th> <th>1-6, 2020</th> </tr> </thead> <tbody> <tr> <td>Profit attributable to shareholders (EUR thousand) – <i>annualized</i></td> <td style="text-align: right;">18,110</td> <td style="text-align: right;">18,105</td> </tr> <tr> <td>Weighted average number of ordinary shares being exercised</td> <td style="text-align: right;">6,048,751</td> <td style="text-align: right;">6,048,751</td> </tr> <tr> <td>Earnings per share (in EUR)</td> <td style="text-align: right;">3.0</td> <td style="text-align: right;">3.0</td> </tr> </tbody> </table>	Poslovni sistem Mercator d.d.	1-6, 2021	1-6, 2020	Profit attributable to shareholders (EUR thousand) – <i>annualized</i>	18,110	18,105	Weighted average number of ordinary shares being exercised	6,048,751	6,048,751	Earnings per share (in EUR)	3.0	3.0
Poslovni sistem Mercator d.d.	1-6, 2021	1-6, 2020												
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