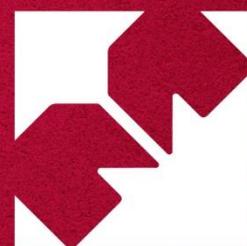


SRČŃOST

POVEZANI
USTVARJAMO
NAJBOLJŠO
SOSESKO



Business report of the
Mercator Group and
Poslovni sistem Mercator d.d.
for the period 1-9, 2021



Mercator
moj najboljši sosed



Content

EXECUTIVE SUMMARY	1
INTRODUCTION	2
PROFILE AND ORGANIZATION	3
BUSINESS STRATEGY.....	7
PERFORMANCE HIGHLIGHTS.....	9
REVIEW OF KEY EVENTS	10
BUSINESS REPORT	15
MERCATOR GROUP OPERATIONS AND PERFORMANCE IN THE PERIOD 1–9 2021.....	16
SALES NETWORK.....	17
FINANCIAL MANAGEMENT	20
MERCATOR SHARE AND INVESTOR RELATIONS	22
FINANCIAL REPORT	25
ACCOUNTING POLICIES	26
CONSOLIDATED FINANCIAL STATEMENTS OF THE MERCATOR GROUP AND THE COMPANY POSLOVNI SISTEM MERCATOR D.D.	26
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF THE MERCATOR GROUP AND FINANCIAL STATEMENTS OF THE COMPANY POSLOVNI SISTEM MERCATOR D.D.	33
MANAGEMENT RESPONSIBILITY STATEMENT	36
OTHER INFORMATIONS.....	37
ALTERNATIVE PERFORMANCE MEASURES (APM).....	38

Executive summary

In the period 1–9, 2021, **Mercator Group reached all of its key business goals** and recorded very successful performance in comparison to the same period of the preceding year. Sales revenue was up 0.9% and reached EUR 1,632 million, and the Group's revenue in retail, its core activity, grew at a similar rate. Operating profit (EBIT) amounted to EUR 57.6 million, net profit for the period was EUR 12.6 million, while normalized EBITDA increased by **10.8%** relative to the equivalent period of the year before, to reach EUR 139.3 million. Mercator Group's normalized EBITDAR in the period 1–9, 2021, amounted to EUR 140.7 million, which is **11.1% more than in the equivalent period of last year**.

In the period 1-9 2021, Mercator Group considerably decreased its net financial debt, pushing its net financial debt to normalized EBITDA ratio back down to **below 5 after a long period**.

Comparison to the year 2019 confirms Mercator Group's successful performance, as sales revenue in the period 1–9, 2021, increased by EUR 45.5 million or by **2.9% relative to the equivalent period before the COVID-19 epidemic** (i.e., period 1–9, 2019). The highest growth of revenue was recorded in retail. In Slovenia, it increased by EUR 33.5 million, or **4.8%, relative to the equivalent period before the declaration of the COVID-19 epidemic** (period 1–9, 2019).

Business performance of the company Poslovni sistem Mercator d.d. was also successful in the period 1–9, 2021, as its operating profit (EBIT) reached EUR 34.4 million, which is an **increase of EUR 4.2 million over the last year's comparable period**. Profit before income tax and net profit is comparable to the same period of the year before. However, normalized EBITDA of the company Poslovni sistem Mercator for the period 1–9, 2021, amounted to EUR 68.3 million (which is EUR 3.6 million more than in the comparable period of the year before). Normalized EBITDAR of the company Poslovni sistem Mercator d.d. amounted to EUR 69.1 million in the period 1–9, 2021, which is **5.8% more** than in the same period of the preceding year.

Operations in the period 1–9, 2021, were affected by the COVID-19 epidemic that meant adoption of extra measures, and continuous adaptation to the actual circumstances and the effects of particular measures put into place by the governments and other relevant authorities in individual countries. Successful business performance depended on rapid adaptation of business operations, and efforts by employees in the Group.

In the period 1-9 2021, there were some major structural changes at the level of Group ownership. On March 5, 2021, Fortenova Group obtained approval from the competition protection agency in Serbia, which opened up the way for transferring shares of the company Poslovni sistem Mercator, d.d. to the Fortenova Group. On March 9, 2021, the Supervisory Board of the company 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 shareholding from Agrokor to the Fortenova Group. On April 23, 2021, the transfer of Agrokor's ownership stake 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. On May 26, 2021, Fortenova announced its takeover bid for the acquisition of all shares of the company Poslovni sistem Mercator d.d.

At the 29th extraordinary Shareholders Assembly, held on September 1, 2021, a resolution was adopted on the increase of share capital by 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.

1.

Introduction

Profile and organization

Mercator Group, from April 23, 2021 a part of the Fortenova Group, is one of the largest corporate groups in Slovenia and in the entire Southeastern European region. Poslovni sistem Mercator d.d., headquartered in the Republic of Slovenia, is the parent and controlling company of the Mercator Group.

Mercator Group Profile as at September 30, 2021



Branch Offices: As at September 30, 2021, 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 September 30, 2021	EUR 224,144,994.19
Number of shares issued and paid-up as at September 30, 2021	6, 257,610
Share listing	Ljubljanska borza d.d. (Ljubljana Stock Exchange), official market, prime market, symbol MELR

Contact

 Telephone	+ 386 1 560 10 00	 Facebook	www.facebook.com/mercator
 E-mail	info@mercator.si	 Twitter	www.twitter.com/mercator_sl
 Website	www.mercatorgroup.si	 LinkedIn	www.linkedin.com/company/335027
		 Instagram	@mercatorslovenija
		 Youtube	www.youtube.com/user/mercatorslo

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

In the period 1–9, 2021, the Supervisory Board of Poslovni sistem Mercator d.d. held two regular sessions and nine 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 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 its **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 Čizmić, 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 of Poslovni sistem Mercator d.d., which was convened for July 26, 2021; the Supervisory Board was also informed about and agrees with the initiative by the majority shareholder Fortenova Grupa d.d. to hire – for strategic planning of the operations of integrated Mercator Group – the company's Management Board members who shall sign with the company Fortenova Grupa d.d. a suitable work contract or other 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.

At the **6th correspondence session held on July 27, 2021**, the Supervisory Board of Poslovni sistem Mercator d.d. adopted, based on the Companies Act, Articles of Association of the joint stock (public limited) company Poslovni sistem Mercator d.d., and authorization from the 28th regular Shareholders Assembly of Poslovni sistem Mercator d.d., dated July 26, 2021, and included in the adopted Shareholders Assembly resolution on covering the net loss for the fiscal year 2020 and simplified decrease of share capital, an amendment to Article 12 of the Articles of Association of the joint stock (public limited) company Poslovni sistem Mercator d.d., which specifies the amount of the company's share capital.

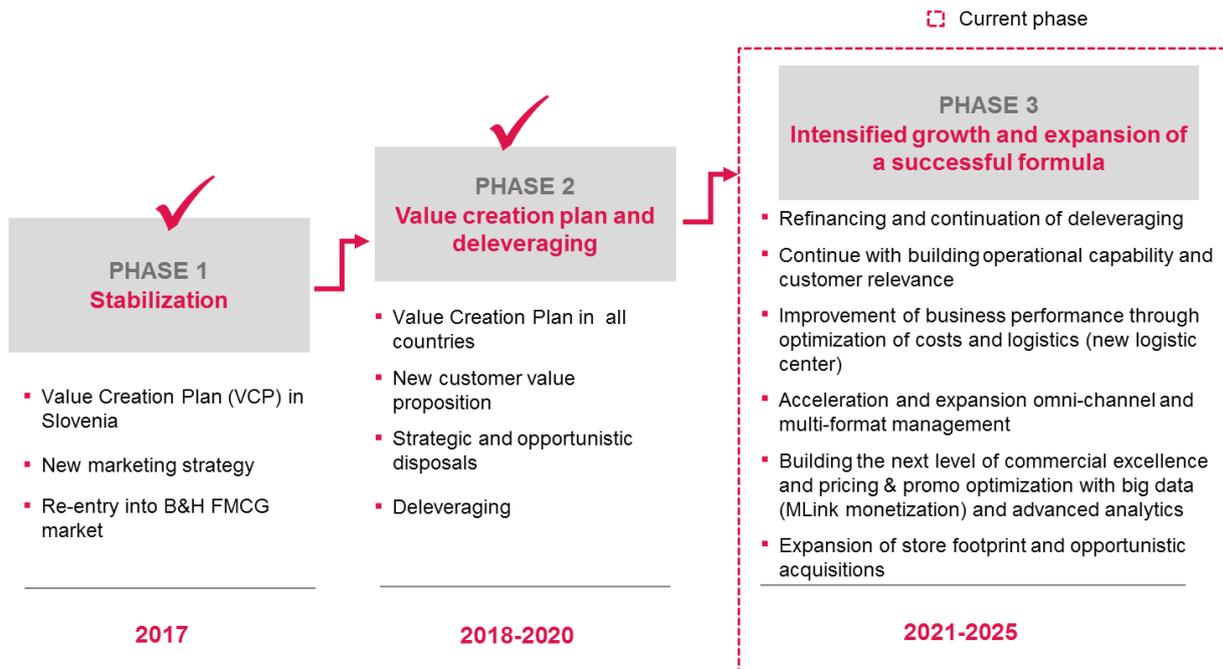
At the **7th correspondence session held on July 29, 2021**, the Supervisory Board of Poslovni sistem Mercator d.d. was informed about the request by the majority shareholder Fortenova Grupa d.d. for the convocation of the 29th extraordinary Shareholders Assembly of the company Poslovni sistem Mercator d.d.

At the **8th correspondence session held on September 2, 2021**, the Supervisory Board of Poslovni sistem Mercator d.d. adopted, based on the Companies Act, Articles of Association of the joint stock (public limited) company Poslovni sistem Mercator d.d., and authorization from the 29th extraordinary Shareholders Assembly of Poslovni sistem Mercator d.d., dated September 1, 2021, and included in the adopted Shareholders Assembly resolution on the increase of share capital by in-kind contributions, an amendment to Article 12 of the Articles of Association of the joint stock (public limited) company Poslovni sistem Mercator d.d., which specifies the amount of the company's share capital.

At the **9th correspondence session held on September 22, 2021**, the Supervisory Board of the company Poslovni sistem Mercator d.d. was presented and adopted the Business Report of the Mercator Group and the company Poslovni sistem Mercator d.d. for the period 1–6, 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 shoppers, 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 revised its 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 third quarter of 2021, the Value Creation Plan was executed in all markets of Mercator Group's operations, and it included 173 initiatives, of which 68 were in Slovenia, 45 in Serbia, 26 in Bosnia and Herzegovina, 29 in Montenegro, and 5 in Croatia. Implementation of initiatives is consistently 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 COVID-19, and we continuously adjust our measures to the needs, considering the changes in the epidemiologic situation in every respective market.

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				
		1–9, 2021	1–9, 2020*	Change 1–9, 2021/ 1–9, 2020
INCOME STATEMENT	(in EUR 000)			
	Sales revenue	1,631,560	1,617,397	0.9%
	Sales revenue from retail ^Δ	1,304,442	1,293,913	0.8%
	Operating profit (EBIT)	57,574	-27,648	-
	Net profit for the period	12,648	-69,071	-
	EBITDA normalized ^Δ	139,278	125,670	10.8%
STATEMENT OF FINANCIAL POSITION	(in EUR 000)			
	Total assets as at September 30	1,761,525	1,867,043	-5.7%
	Total assets as at September 30	313,500	385,645	-18.7%
	Net financial debt as at September 30 ^Δ	851,507	890,538	-4.4%
	Net financial debt as at September 30 (w.o. effect of IFRS 16 Leases)	546,342	580,454	-5.9%
CASH FLOWS	(in EUR 000)			
	Net financial debt / equity as at September 30 ^Δ	2.7	2.3	17.6%
	Net financial debt / EBITDA normalized ^{1,Δ}	4.9x	5.4x	-8.9%
	(in %)			
	EBITDA normalized / Sales revenue ^Δ	8.5%	7.8%	0.8 o. t.
OTHER INDICATORS	Capital expenditure ^Δ (in EUR 000)	20,851	22,872	-8.8%
	Number of employees as at September 30	20,347	20,508	-0.8%
	Productivity per employee in retail ^Δ (in EUR 000)	118.3	119.1	-0.6%
	Value added per employee in retail ^Δ (in EUR 000)	30.0	29.7	1.2%
	Market value per share as at September 30 (in EUR)	36.0	14.3	151.7%
	Market capitalization as at September 30 (in EUR 000)	225,274	87,100	158.6%

*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 September 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 one 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. 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, the academy 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 #mtiktokakademija 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 that Mercator as the largest and best retailer sets the trends and the direction for the future of the industry. 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, learn 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 the entire community. 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 (shareholding/ownership stake)</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> <p>Poslovni sistem Mercator d.d. received a notification from 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</p>

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 the company 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 shareholding 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 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 regarding 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>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>
July 2021	<p>28th Shareholders Assembly</p> <p>On July 26, 2021, the 28th Shareholders Assembly took place at the company headquarters 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.</p>
July 2021	<p>Appointment of a new labour representative</p> <p>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.</p>
August 2021	<p>Revised "Moj M" ("My M") app</p> <p>The revised mobile app Moj M is now even more dynamic and tailored to each user, clearly laid out and practical. The mobile app includes many useful functionalities. "Moj M" simplifies shopping, keeps track of Pika points and makes sure the customers never miss an opportunity for well-priced shopping. The app can replace the green or golden Pika card, since it also allows payment.</p>
August 2021	<p>Three companies of the Mercator Group sold</p> <p>At the end of August 2021, the companies Alpin SUB, d. o. o., Alpin ENA KG, d. o. o., and Alpin DVA KG, d. o. o.</p>

September 2021	<p>Revised app and portal mi.Mercator</p> <p>The mi.Mercator portal was developed with the ambition to further improve the user experience, enrich its content and to make it more clearly laid out. In the future, we will continue to upgrade the portal and allow all employees to access information, applications, documents, knowledge, and more via this digital channel.</p>
September 2021	<p>29th extraordinary Shareholders Assembly</p> <p>Upon request by the majority shareholder Fortenova Grupa, 29th extraordinary Shareholders Assembly 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.</p>
September 2021	<p>Entry of the increase of share capital and the number of shares into the court register</p> <p>The company Poslovni sistem Mercator d.d. informed the general public that a resolution was adopted at Mercator's 29th extraordinary Shareholders Assembly held on September 1, 2021, on the increase of share capital by in-kind contributions. Based on this resolution the District Court in Ljubljana issued on September 28, 2021, a resolution by which the increase of share capital from EUR 218,175,051.39 to EUR 224,144,994.19 and the increase of the number of shares from 6,090,943 to 6,257,610 were entered into the court register.</p>
September 2021	<p>Repayment of super senior facility</p> <p>On September 30, 2021, Mercator drew additional EUR 94.9 million from Fortenova (in total, EUR 479.9 million were drawn on that day). Mercator used this additional loan entirely for the repayment of the Super Senior Facility to VTB Europe.</p>

Major events following the end of the financial period

Maxim again receives The Plate Michelin award

The Maxim restaurant won its second award "The Plate Michelin" presented by the world's most famous restaurant guide – the Michelin Guide.

New labour representative in Mercator's Supervisory Board

The Works Council appointed Matjaž Grošelj, head of distribution system at logistics, as the new **labour representative in Mercator's Supervisory Board**, since the term of office of the current Supervisory Board member Jože Lavrenčič expires on November 5. Matjaž Grošelj is appointed for a four-year term of office from November 6, 2021, to November 6, 2025.

Two challenging actions filed by shareholders against the resolution adopted at the extraordinary Shareholders Assembly

The company Poslovni sistem Mercator d.d. received a lawsuit – challenging action – by the shareholder Danijel Labaš, and a lawsuit – challenging action – of the shareholders Vseslovensko združenje malih delničarjev (Pan-Slovenian Shareholders Association) and Law Firm Ronnie Christopher Horvat o.p. d.o.o., both of which challenge the resolution on the increase of share capital by in-kind contributions, as adopted at the 29th extraordinary Shareholders Assembly, held on September 1, 2021.

Convocation of the 30th extraordinary Shareholders Assembly

On November 5, 2021, the Management Board of the company Poslovni sistem Mercator d.d. convened the 30th extraordinary Shareholders Assembly to take place on December 6, 2021, at 3.30 p.m., at the company headquarters in Ljubljana at Dunajska cesta 107.

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. 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. Pursuant to the provisions of the Act on Additional Measures for Mitigation of Consequences COVID-19, the lowest taxable base for assessment of contributions from salary and salary compensation was changed for salaries paid out from July 2021 on; it is now equal to the minimum wage, which means that it is lower than in the preceding period (it decreased from EUR 1,113.72 to EUR 1,024.24). The measure shall be in effect until the end of the year 2021.

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.

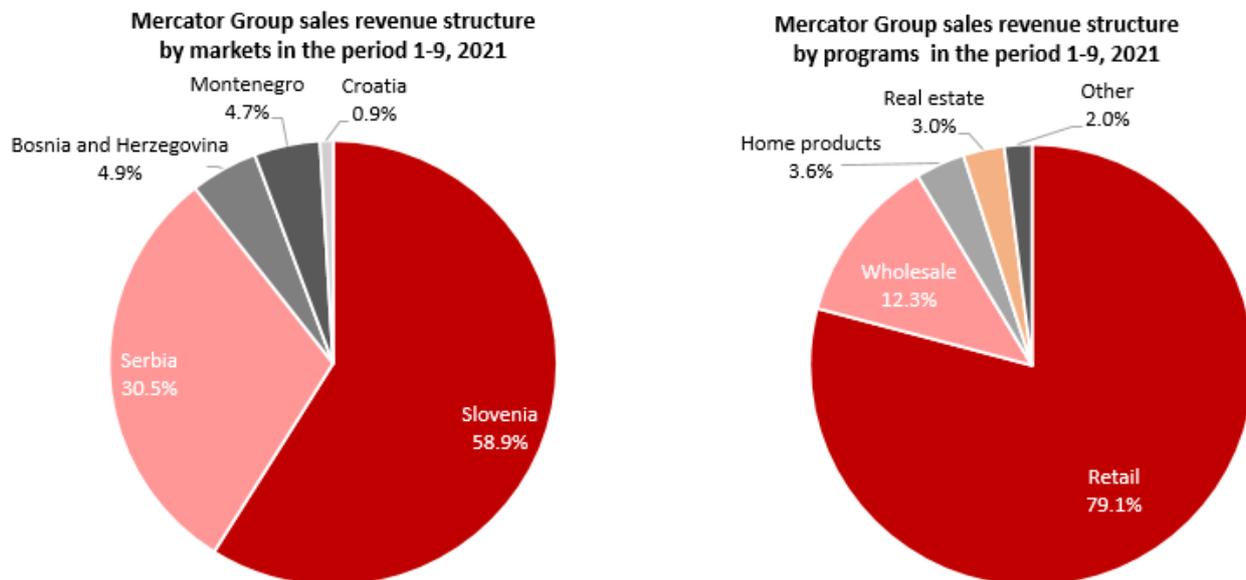
2.

Business
report

Mercator Group operations and performance in the period 1–9 2021

In the period 1–9, 2021, Mercator Group's normalized EBITDA amounted to EUR 139,278 thousand, which is 10.8% more than in the same period of 2020, despite the epidemic that lasted in Slovenia until June 15, 2021, and increasingly restrictive measures. Companies in which we conduct our core activity of retail account for 90% of our EBITDA in the period 1–9, 2021; relative to the preceding period, their normalized EBITDA is up EUR 11,409 thousand. We recorded the increase in normalized EBITDA in all markets of our operations. The largest increase – of 40.0% – was seen in the market of Montenegro. The reason for such growth is a stronger tourist season in the period 1–9, 2021, which had been in major decline in the preceding period of 1–9, 2020, due to the COVID-19 epidemic.

Mercator Group's sales revenue in the period 1–9, 2021, is consistent with the plan, and it increased by EUR 45,506 thousand, or 2.9%, relative to the equivalent period before the declaration of the COVID-19 epidemic (period 1–9, 2019). The highest growth of revenue was recorded in retail. In Slovenia, it increased by EUR 33,495 million, or 4.8%, relative to the equivalent period before the declaration of the COVID-19 epidemic (period 1–9, 2019). Compared to the equivalent period of 2020, sales revenue decreased by 0.3%, which is a result of above-average retail revenue growth in retail in March 2020 due to the onset of the COVID-19 epidemic and the resulting panic shopping and stockpiling, and restrictions in operations in 2021 (lockdowns) in the entire non-core activities of M Tehnika (technical consumer goods), hospitality/HoReCa, as well as wholesale serving HoReCa. Moreover, another reason for the decrease in revenue is the RIT – recovered, inoculated, tested – requirement mandated by the government of the Republic of Slovenia for entry into any shopping centre as of September 2021.

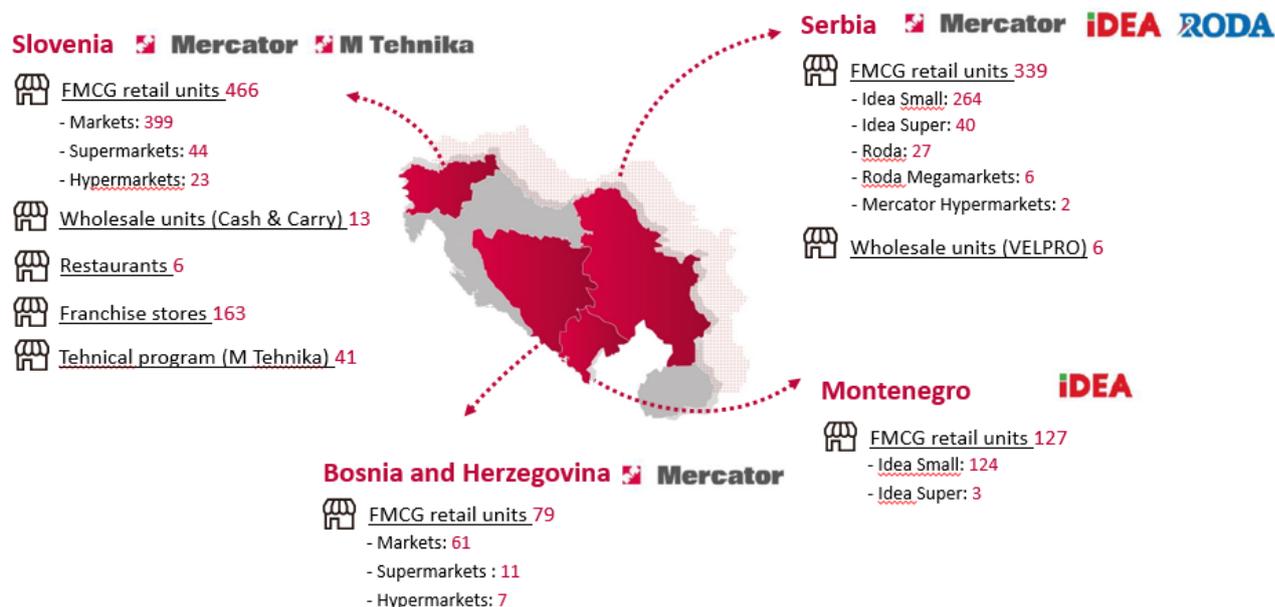


To alleviate the negative effects of the COVID-19 epidemic, Mercator Group introduced a number of activities and initiatives for increase of productivity, optimization of profit margin and cost efficiency, which helped neutralize the negative effect of the COVID-19 epidemic and led to an increase of normalized EBITDA by 10.8%.

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

Sales network

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



MERCATOR GROUP	Gross sales area (in m ²)	Net sales area (in m ²)
FMCG retail units 1,011	807,742	518,370
Wholesale units (Cash & Carry/VELPRO) 19	58,837	34,236
Restaurants 6	2,565	1,019
Technical program (M Tehnika) 41	61,615	36,760
Total units under management 1,077	930,759	590,385
Franchise stores 163	35,125	23,126
TOTAL 1,240	965,884	613,511

Investment and divestment

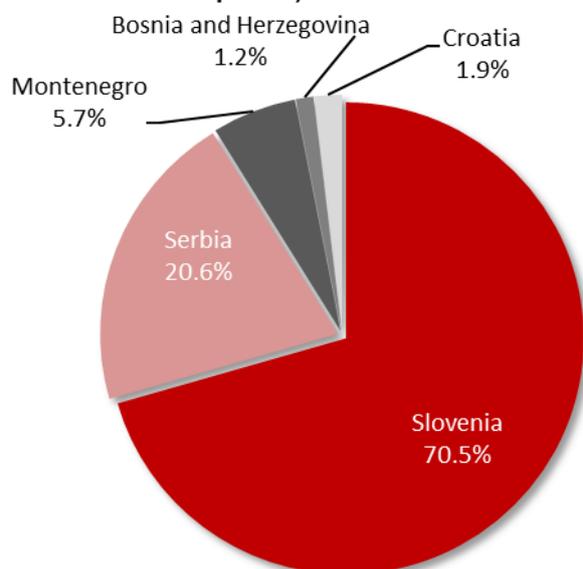
In the period 1–9, 2021, Mercator Group's investment into property, plant, and equipment (CAPEX) amounted to EUR 20.9 million. Of this total, 70.5% was invested in Slovenia, of which 56%, or EUR 8.2 million, was allocated for renovation of existing sales units. Investments in international markets accounted for 29.5% of the total.

	Capital expenditure in the period 1–9, 2021 (in EUR 000)	Structure (in %)
Slovenia	14,710	70.5%
Serbia	4,301	20.6%
Montenegro	1,195	5.7%
Bosnia and Herzegovina	248	1.2%
Croatia	397	1.9%
Total	20,851	100.0%

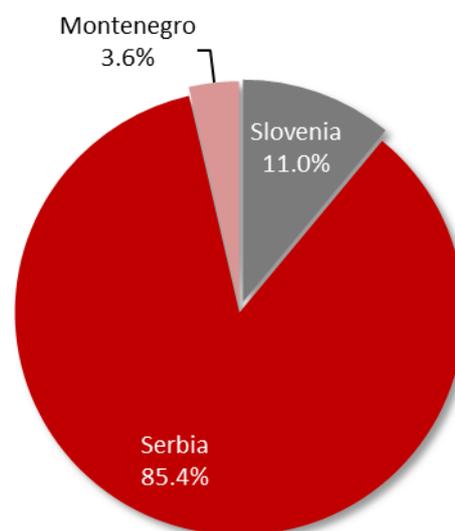
Investments into refurbishment and update existing units accounted for 56.5% of total investments; IT investments accounted for 15.6%; investments into distribution centres represented 13.4%; investments into expansion of new retail units accounted for 10.0%; and the remaining 4.5% was invested in non-trade operations. In the entire Mercator Group, EUR 2 million was invested into expansion of new retail units. The majority of this sum was invested in Serbia: 63.1%, or EUR 1.3 million.

In the period 1–9, 2021, Mercator Group newly acquired **6,929 square meters of new gross store area** for its core activity. All new gross area was acquired by operating lease.

Capital expenditure by markets in the period, 1-9 2021



Share of new usable areas by markets in the period, 1-9 2021



In the period 1–9, 2021, Mercator Group **divested property, plant, and equipment worth EUR 39.7 million**, of which EUR 39.5 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 September 30, 2021

	Gross retail area (in m ²)		
	Used for own operations	Leased out	TOTAL
Owned retail area	445,993	343,072	789,065
Leased retail area	484,766	154,605	639,371
Total retail area	930,759	497,677	1,428,436
Owned warehouse capacity	150,778	20,970	171,748
Leased warehouse capacity	60,562	10,508	71,070
Total warehouse capacity	211,340	31,478	242,818
Owned commercial facilities	17,622	3,788	21,410
Leased commercial facilities	9,336	0	9,336
Total commercial facilities	26,958	3,788	30,746
GROSS AREA	1,169,057	532,943	1,702,000
- of which owned	614,393	367,830	982,223
- of which leased	554,664	165,113	719,777

Overview of newly opened and updated units by markets in the period 1–9, 2021

At the Mercator Group level, a total of **18 units** were newly opened in the period 1–9, 2021, and **195 units** were refurbished or had their layouts updated.



Slovenia

Area of new facilities: 760 m²

Number of new units: 2

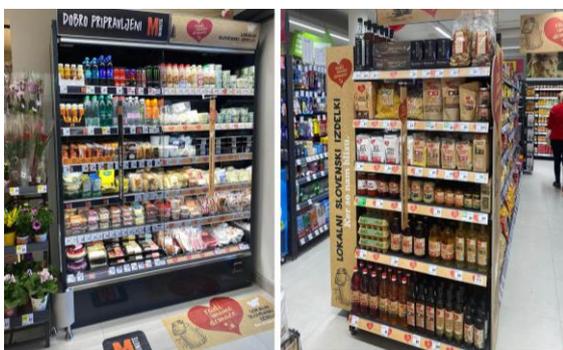
Openings: Market Videm, Dobropolje; Market Laško

Refurbishments/layout updates:

Number of units:

119 fast-moving consumer good stores,

13 wholesale units (Cash&Carry)



Market Videm, Dobropolje



Serbia

Area of new facilities: 5,919 m²

Number of new units: 15

Openings: Market Hilendarska, Novi Sad; Market Banja Koviljača; Market Svetislava Kasapinovića, Novi Sad; Market Bač; Market Cara Uroša, Belgrade; Market Residence, Belgrade; Market Residence, Belgrade; Supermarket Nais, Niš; Market Odžaci; Market Kneza Miloša, Belgrade; Market Matice srbske, Belgrade; Market Kneza Danila, Belgrade; Market Cara Dušana, Belgrade; Market Mutapova, Belgrade; Market Svetozara Markovića, Čačak; Market Tamiš Kapija, Pančevo

Refurbishments/layout updates:

Number of units: 60



Market Svetozara Markovića, Čačak



Montenegro

Area of new facilities: 250 m²

Number of new units: 1

Openings: Market Krašići

Refurbishments/layout updates:

Number of units: 2



Renovated market store IDEA Zabjelo



Bosnia and Herzegovina

Refurbishments/layout updates:

Number of units: 1



Market P 99 Vojničko polje

Financial management

Stable financial operations

As at September 30, 2021, Mercator Group's net financial debt (not taking into account the new IFRS 16 Leases) amounted to EUR 546.3 million, which is 5.9% less than on September 30, 2020, and 0.4% less than at the end of 2020. Mercator Group's total financial liabilities increased by EUR 9,607 thousand relative to December 31, 2020, which is mostly a result of an increase in borrowings from the Fortenova Group. A part of these borrowings also remains on current accounts of Poslovni sistem Mercator.

Net financial debt

in EUR 000	September 30, 2021	December 31, 2020 ¹	September 30, 2020 ¹	Change September 30, 2021/ Dec. 31, 2020 ¹	Change September 30, 2021/ September 30, 2020 ¹
Non-current borrowings	531,908	68,078	70,521	681.3%	654.3%
Current borrowings	50,121	484,538	486,884	-89.7%	-89.7%
Financial leases ²	25,641	45,446	48,722	-43.6%	-47.4%
Total financial liabilities	607,670	598,063	606,127	1.6%	0.3%
Cash and cash equivalents	61,328	49,763	25,673	23.2%	138.9%
Net financial debt (without the effect of IFRS 16 Leases)	546,342	548,299	580,454	-0.4%	-5.9%
Liabilities related to the IFRS 16 Leases	305,165	300,226	310,084	1.6%	-1.6%
Net financial debt (with the effect of IFRS 16 Leases)	851,507	848,525	890,538	0.4%	-4.4%
EBITDA normalized ³	174,716	161,107	166,428	8.4%	5.0%
Net financial debt / EBITDA normalized (with the effect of IFRS 16 Leases)	4.9x	5.3x	5.4x	-7.5%	-8.9%

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.

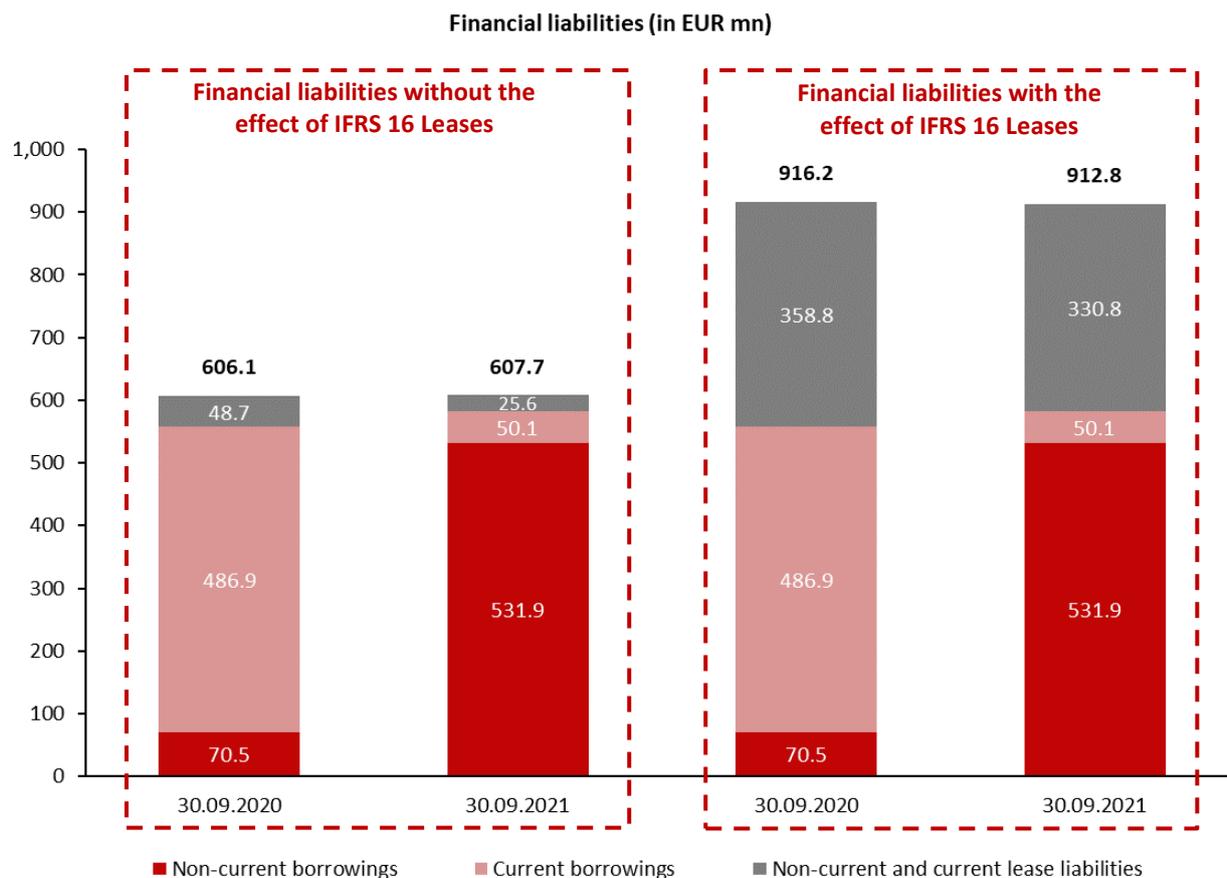
² The items »Financial leases« and »Liabilities related to the IFRS 16 Leases« are presented in the statement of financial position as »Lease liabilities«.

³ EBITDA normalized is adjusted to the annual level and it represents EBITDA in the last twelve months (LTM) of operations, from September 2020 to September 2021.

Security of bank loans

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

Debt to equity and financial liability ratio



On September 30, 2021, Mercator Group attained a financing structure with an equity to net financial debt ratio^Δ of 1 : 2,7161.

In recent years, Mercator Group has 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 September 30, 2021, amounted to 87.4% (37.9% as at December 31, 2020). The ratio between non-current and current financial liabilities changed as a result of refinancing of the bank loan with a long-term borrowing from the Fortenova Group. Coverage of non-current assets with non-current liabilities at the Mercator Group as at September 30, 2020, is at 84.8%^Δ.

Following the refinancing 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 September 30, 2021

As at September 30, 2021, Mercator Group had access to the following liquidity ^Δ:

In 000 EUR	September 30, 2021
Cash and cash equivalents	61,328
Standby revolving credit lines	2,915
Total	64,243

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

Mercator share and investor relations

Share and ownership structure

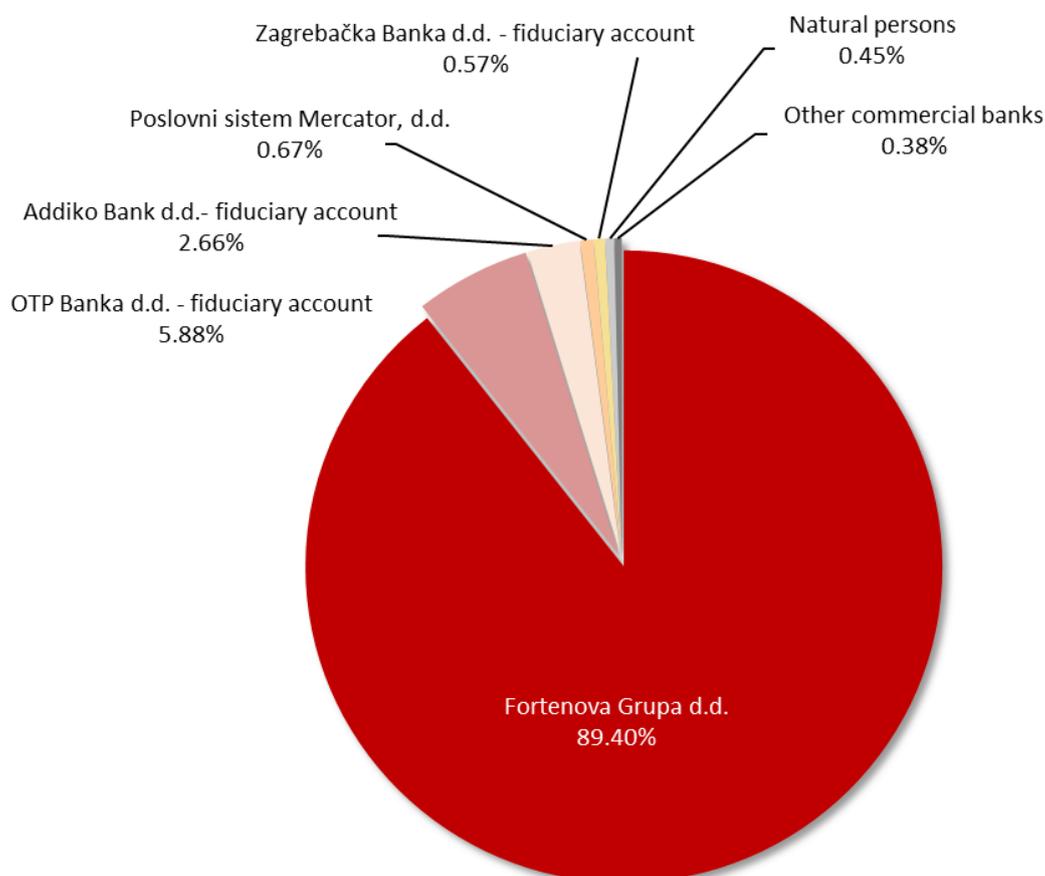
Basic information on the share of the company Poslovni sistem Mercator d.d. as at September 30, 2021:



Code/Symbol	MELR
Type	Common share
Listing	Prime market of Ljubljanska Borza, d.d.
Nominal capital	EUR 224,144,994.19
Number of shares	6,257,610*
Number of own shares	42,192
Number of shareholders	1,285

* The said total amount of shares also includes 166,667 shares subscribed based on the Shareholders Assembly resolution by the company Fortenova Grupa d.d., although these were only entered and registered in the Central Securities Clearing Corporation (KDD) on October 5, 2021.

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



Structure of the company shareholders as at September 30, 2021

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

Shareholders	Country	Number of shares	Share
Fortenova Grupa d.d.	Croatia	5,594,167	89.40%
OTP banka d.d. – fiduciary account	Croatia	367,904	5.88%
Addiko Bank d.d. – fiduciary account	Croatia	166,614	2.66%
Poslovni sistem Mercator d. d.	Croatia	42,192	0.67%
Others		86,733	1.39%
Total		6,257,610	100.0%

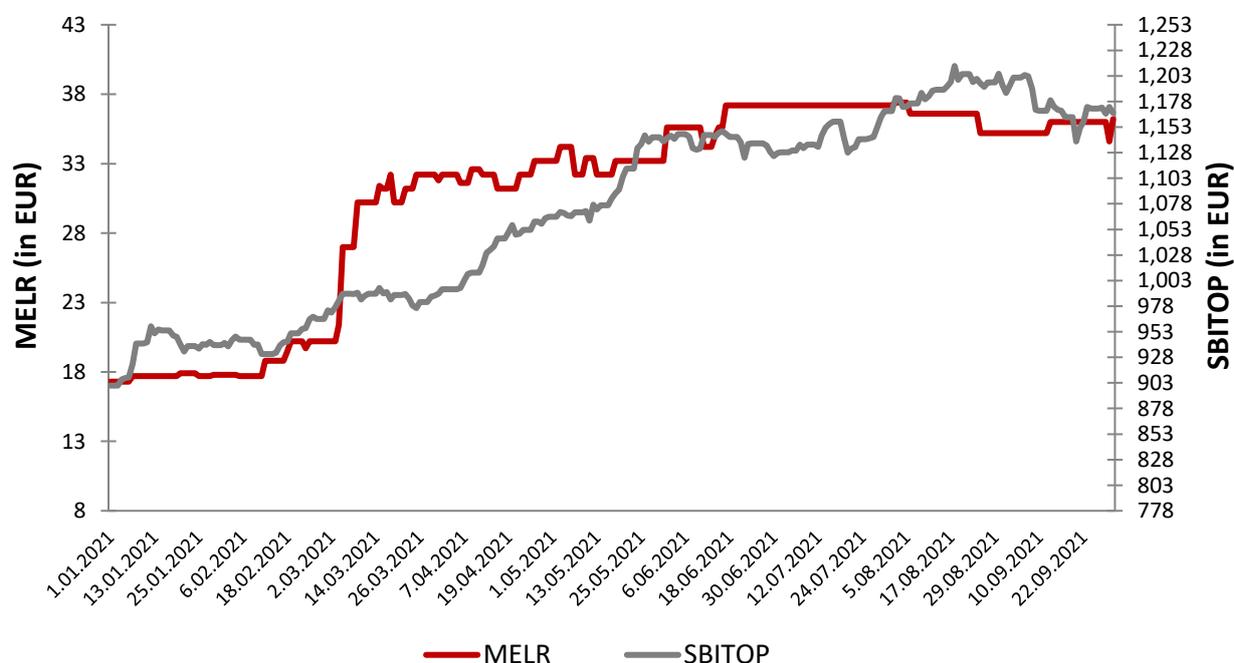
Shares held by Management and Supervisory Board Members as at September 30, 2021

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 September 30, 2021.

Foreign shareholders

As at September 30, 2021, the share of foreign investors in the company Poslovni sistem Mercator d.d. amounted to **98.91%**, which is 0.24 percentage point more than at the end of 2020.

Movement of closing price per MELR share in the period 1–9, 2020, compared to the movement of the SBITOP index



Key information for the shareholders

	September 30, 2021	September 30, 2020	Change September 30, 2021/ September 30, 2020
Number of shares registered in Court Register	6,257,610	6,090,943	2.7%
Number of own shares	42,192	42,192	0.0%
Market capitalization (in EUR 000)	225,274	87,100	158.6%
Market value of share (in EUR)	36.0	14.3	151.7%
Book value per share (in EUR)	61.5	71.7	-14.3%
Minimum close rate in the period (in EUR)	17.1	14.0	22.1%
Maximum close rate in the period (in EUR)	37.2	20.0	86.0%
Average close rate in the period (in EUR)	30.6	16.3	88.1%
Earnings per share (in EUR)	1.8	2.4	-23.7%

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

Dividend payment in 2021, pertaining to the distributable profit from 2020, is not planned.

Own shares

As at September 30, 2021, the company Poslovni sistem Mercator d.d. held 42,192 treasury shares. In the period 1–9, 2021, the company Poslovni sistem Mercator d.d. neither acquired nor disposed of treasury 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 assert their rights actively and responsibly.

3.

Financial
report

Accounting policies

All financial statements of the Mercator Group and the company Poslovni sistem Mercator d.d. for the period 1–9, 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 1–9, 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.	
	Sept. 30, 2021	Dec. 31, 2020*	Sept. 30, 2021	Dec. 31, 2020*
ASSETS				
Non-current assets				
Property, plant and equipment	778,863	831,390	510,920	545,488
Right of use assets	339,408	340,030	172,358	159,703
Investment property	206,906	198,978	3,044	3,043
Intangible assets	20,255	20,750	12,688	12,993
Investment in subsidiaries	-	-	250,521	235,511
Investments in associates	-	-	-	-
Loans, deposits and other non-current financial assets	7,790	13,363	94,872	3,481
Deferred tax assets	4,548	5,420	(859)	-
Other non-current assets	92	36	-	-
TOTAL NON-CURRENT ASSETS	1,357,864	1,409,966	1,043,544	960,219
Current assets				
Inventories	196,673	202,457	112,377	109,908
Loans and deposits	5,798	2,365	5,364	33,012
Accounts receivable	82,168	86,512	39,591	41,399
Other current assets	57,694	40,420	22,481	15,409
Cash and cash equivalents	61,328	49,763	45,342	28,964
TOTAL CURRENT ASSETS	403,661	381,517	225,154	228,692
TOTAL ASSETS	1,761,525	1,791,483	1,268,698	1,188,911
EQUITY AND LIABILITIES				
Share capital	224,145	254,175	224,145	254,175
Capital reserves	2,601	2,571	2,601	2,571
Legal reserves	23,863	20,691	13,389	13,389
Treasury shares	(3,235)	(3,235)	(3,235)	(3,235)
Revaluation reserves	15,650	15,204	3,235	3,235
Reserves for remeasurement to fair value	174,810	186,215	123,039	134,672
Currency translation	(80,260)	(90,971)	-	-
Retained earnings/accumulated deficit	(44,073)	(92,835)	18,885	(39,110)
Non-controlling interests	-	231	-	-
TOTAL EQUITY	313,500	292,046	382,058	365,696
LIABILITIES				
Non-current liabilities				
Borrowings	531,908	68,078	471,513	-
Lease liabilities (IFRS 16 Leases)	265,819	272,636	86,195	71,553
Provisions	24,724	27,543	20,545	22,824
Deferred tax liabilities	14,898	15,063	6,491	6,708
TOTAL NON-CURRENT LIABILITIES	837,349	383,320	584,744	101,085
Current liabilities				
Accounts payable	430,829	451,470	223,908	236,093
Income tax payable	2,954	199	2,437	-
Borrowings	50,121	484,538	29,068	395,433
Lease liabilities (IFRS 16)	64,987	73,036	13,746	21,354
Other current liabilities	61,785	106,874	32,737	69,250
TOTAL CURRENT LIABILITIES	610,676	1,116,117	301,896	722,130
TOTAL LIABILITIES	1,448,025	1,499,438	886,640	823,215
EQUITY AND LIABILITIES	1,761,525	1,791,483	1,268,698	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.	
	1–9, 2021	1–9, 2020*	1–9, 2021	1–9, 2020*
Sales revenue	1,631,560	1,617,397	929,019	940,562
Other income	5,685	9,106	4,712	8,149
Other operating income	1,637,245	1,626,503	933,731	948,711
Changes in inventories of finished goods and work in progress	229	39	-	-
Cost of materials and goods sold	(1,155,521)	(1,162,300)	(636,301)	(657,364)
Cost of services	(99,992)	(98,522)	(70,533)	(71,752)
Staff costs	(203,140)	(198,445)	(132,986)	(130,827)
Depreciation, amortisation and impairment	(43,405)	(114,507)	(23,056)	(21,097)
Depreciation and impairment of 'right of use' assets (IFRS 16)	(37,374)	(39,683)	(10,460)	(11,655)
Other costs	(42,909)	(43,296)	(26,956)	(26,215)
Gain/ loss on sale of properties	2,442	2,561	994	473
Other operating expenses	(1,579,671)	(1,654,152)	(899,298)	(918,436)
Operating profit (EBIT)	57,574	(27,648)	34,433	30,276
Financial income	2,817	2,590	3,965	1,553
Financial expenses	(42,292)	(40,691)	(24,957)	(17,967)
	(39,474)	(38,101)	(20,992)	(16,413)
Share of profit / (loss) of associated companies / joint ventures	-	-	-	-
Profit or loss before tax	18,100	(65,749)	13,441	13,862
Income tax	(5,452)	(3,321)	(4,931)	(3,012)
Profit/(loss) for the year	12,648	(69,071)	8,510	10,851

* 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.	
	1-9, 2021	1-9, 2020*	1-9, 2021	1-9, 2020*
Net profit/loss for the period	12,648	(69,071)	8,510	10,851
Other comprehensive income:				
Items that subsequently cannot be reclassified to profit or loss	21,009	(53,076)	16,362	31,747
Revaluation of land	37,357	(50,935)	46,362	31,747
Income tax effect	-	-	-	-
Actuarial remeasurement of employees benefits	-	-	-	-
Effect of income tax rate change	10,711	(2,711)	-	-
Other comprehensive income	(27,058)	570	(30,000)	-
Items that may be reclassified subsequently to profit or loss	446	(22)	-	-
Profit/loss on financial asset through other comprehensive income	446	(22)	-	-
Income tax effect	-	-	-	-
Total comprehensive income/(loss) for the period	21,455	(53,099)	16,362	31,747

* 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)	53,131	439,313	(339)	-	-	438,974
Total comprehensive income for the period	(0)	-	-	-	-	(22)	13,297	(2,711)	(64,232)	(53,669)	570	-	-	(53,099)
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share kapital payment / input	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity movements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends IG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at September 30, 2020	254,175	-	2,571	20,691	(3,235)	15,203	193,863	(86,522)	(11,101)	385,645	231	-	-	385,876

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	(90,971)	(92,835)	291,814	231	-	-	292,046
Total comprehensive income for the period	(30,030)	-	30	3,173	-	446	(11,405)	10,711	48,762	21,686	(231)	-	-	21,455
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share kapital payment / input	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity movements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends IG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at September 30, 2021	224,145	-	2,601	23,863	(3,235)	15,650	174,810	(80,260)	(44,073)	313,500	-	-	-	313,500

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	-	-	-	-	-	-	16,470	-	15,278	31,747	-	-	-	31,747
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share kapital payment / input	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity movements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends IG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at September 30, 2020	254,175	-	2,571	13,389	(3,235)	3,235	139,968	-	23,786	433,888	-	-	-	433,888

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	(30,030)	-	30	-	-	-	(11,633)	-	57,995	16,362	-	-	-	16,362
Transactions with non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share kapital payment / input	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other equity movements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends IG	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at September 30, 2021	224,145	-	2,601	13,389	(3,235)	3,235	123,039	-	18,885	382,058	-	-	-	382,058

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.	
	1-9, 2021	1-9, 2020*	1-9, 2021	1-9, 2020*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/ (Loss) before tax	18,100	(65,749)	13,441	13,862
<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	43,405	114,507	23,056	21,097
Depreciation charged for right of use assets (IFRS 16)	37,374	39,683	10,460	11,655
Financial income	(2,817)	(2,590)	(3,965)	(1,553)
Financial expenses	42,292	40,691	24,957	17,967
Impairment loss on financial assets	-	-	(10)	-
Gain on sale of properties	(2,442)	(2,561)	(994)	(473)
Impairment loss on trade receivables, net	(2,856)	(1,016)	(1,632)	(1,728)
Change in provisions and other reconciliation adjustment	23,527	22,611	16,153	14,517
Net cash flows from operating activities before changes in working capital	156,582	145,575	81,466	75,344
Changes in trade receivables	6,414	27,214	2,698	7,001
Changes in inventories	(18,052)	(13,181)	(19,198)	(14,459)
Changes in trade payables	(20,660)	(51,344)	(12,195)	(12,192)
Changes in other current assets	(16,356)	(2,788)	(6,156)	(8,068)
Changes in other current liabilities	(45,009)	(6,981)	(35,996)	302
Net cash inflow from operating activities before interest and taxes	62,919	98,495	10,619	47,927
Tax paid	(23,712)	(20,118)	(19,107)	(13,088)
Short-term and/ or low-value lease payments	(15,431)	(16,311)	(3,795)	(3,678)
Net cash provided from operating activities	23,776	62,066	(12,282)	31,162
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries, net of cash acquired	594	-	(14,412)	(1,955)
Purchase of property, plant and equipment and intangible assets	(20,855)	(22,872)	(14,223)	(12,367)
Net proceeds from sale of properties	39,656	5,570	34,029	5,296
Net proceeds from sale of financial assets	(57)	(2)	-	-
Net proceeds from loan receivables	17,327	6,711	7,000	1,490
Net outflows proceeds from loan receivables	(15,188)	(7,085)	(81,750)	(21,299)
Interest received	444	859	3,120	1,243
Dividends received	-	-	-	-
Net cash used in investing activities	21,921	(16,819)	(66,237)	(27,592)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from short-term and long-term borrowings	502,712	44,552	500,839	34,926
Net (outflow) from repayment of short-term and long-term borrowings	(485,337)	(65,331)	(396,794)	(32,744)
Cash payments for the principal portion of the lease liability (IFRS 16)	(51,506)	(51,640)	(9,149)	(9,108)
Net cash from financing activities	(34,132)	(72,419)	94,897	(6,926)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,565	(27,172)	16,378	(3,356)
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	61,328	25,673	45,342	12,450

* 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 September 30, 2021, amounted to EUR 1,761,525 thousand, which is EUR 29,958 thousand less than at the end of 2020.

As at September 30, 2021, the value of Mercator Group's non-current assets amounted to EUR 1,357,864 thousand, which is EUR 52,102 thousand less than as at December 31, 2020. Property, plant, and equipment (57.4%) and right of use assets (25.0%) account for the largest share of non-current assets.

As at September 30, 2021, the value of Mercator Group's current assets amounted to EUR 403,661 thousand, which is EUR 22,144 thousand more than as at the end of 2020. The largest share thereof includes inventories (48.7%) and trade and other receivables (20.3%).

Equity and liabilities

As at September 30, 2021, Mercator Group share capital amounted to EUR 313,500 thousand, which is EUR 21,455 thousand less than as at the end of 2020.

As at September 30, 2021, Mercator Group's total borrowings amounted to EUR 582,029 thousand, which is EUR 29,412 thousand more than as at the end of 2020. As at September 30, 2021, total rent liabilities amounted to EUR 330,806 thousand, which is EUR 14,865 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 851,507 thousand as at September 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 September 30, 2021, amounted to EUR 1,268,698 thousand, which is EUR 79,787 thousand more than at the end of 2020.

As at September 30, 2021, the value of the company's non-current assets amounted to EUR 1,043,544 thousand, which is EUR 83,325 thousand more than as at December 31, 2020. Property, plant, and equipment (49.0%) and investments into subsidiaries (24.0%) account for the largest share of non-current assets.

As at September 30, 2021, the value of company current assets was EUR 225,154 thousand, which is EUR 3,538 thousand less than at the end of 2020. The largest share thereof includes inventories (49.9%) and trade and other receivables (17.5%).

Equity of the company Poslovni sistem Mercator d.d. as at September 30, 2021, amounts to EUR 382,058 thousand, which is an increase of EUR 16,362 thousand relative to the end of 2020.

As at September 30, 2021, the company's total borrowings amount to EUR 500,581 thousand, which is an increase of EUR 105,149 thousand relative to December 31, 2020, whereby EUR 91,387 thousand of this borrowings is transferred forward as a borrowings to Mercator-H, d.o.o. and Mercator-BH b.o.o. As at September 30, 2021, total lease liabilities amounted to EUR 99,941 thousand, which is EUR 7,035 thousand more than as the end of 2020. Net financial debt, calculated as the difference between financial liabilities and financial assets without taking into account the part transferred to Mercator-H, d.o.o.

As at September 30, 2021, Mercator Group's provisions amounted to EUR 24,724 thousand. Compared to the end of 2020, provisions have decreased by EUR 2,819 thousand.

Mercator Group's trade and other payables as at September 30, 2021, amounted to EUR 430,829 thousand, which is EUR 20,641 thousand less than at the end of 2020.

As at September 30, 2021, long-term coverage of non-current assets with non-current liabilities at the Mercator Group was at 84.8%, which is 36.9 p.p. more than as at the end of 2020.

and Mercator-BH d.o.o, amounted to EUR 463,794 thousand as at September 30, 2021 (December 31, 2020: EUR 459,375 thousand).

As at September 30, 2021, the company's provisions amounted to EUR 20,545 thousand. Compared to the end of 2020, provisions have decreased by EUR 22,824 thousand.

The company's trade and other payables as at September 30, 2021, amounted to EUR 233,908 thousand, which is EUR 12,185 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 1–9, 2021, Mercator Group's sales revenue amounted to EUR 1,631,560 thousand, which is 0.9% more than in the equivalent period of the year before. Compared to the same period of the year before, retail sales revenue increased by 0.8%. Slovenia (58.9% of total sales revenue) remains Mercator Group's most important market.

Costs

Mercator Group's costs of goods sold in the period 1–9, 2021, amounted to EUR 1,102,370 thousand, which is 0.6% less than in the comparable period last year.

Operatig profit (EBIT)

In the period 1–9, 2021, Mercator Group generated EUR 57,574 thousand of operating profit (EBIT), which is EUR 85,222 thousand more than the comparable figure for the same period of last year.

Net finance expenses

Mercator Group's finance income in the period 1–9, 2021, amounted to EUR 2,817 thousand, which is 227 thousand EUR more than in the comparable period of last year.

In the period 1–9, 2021, Mercator Group's finance costs amounted to EUR 42,292 thousand, which is EUR 1,600 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 1–9, 2021, the company Poslovni sistem Mercator d.d. generated sales revenue of EUR 929,019 thousand, which is 1.2% less than in the period 1–9, 2020. The company's sales revenue from retail operations amounted to EUR 724,888 thousand, which is 0.3% less than in the period 1–9, 2020.

Cost of goods sold at the company Poslovni sistem Mercator d.d. in the period 1–9, 2021, amounted to EUR 616,629 thousand, which is 3.0% less than in the comparable period last year.

In the period 1–9, 2021, operating profit (EBIT) of the company Poslovni sistem Mercator d.d. reached EUR 34,433 thousand, which is an increase of EUR 4,157 thousand.

Finance income of the company Poslovni sistem Mercator d.d. in the period 1–9, 2021, amounted to EUR 3,965 thousand, which is EUR 2,412 thousand more than in the comparable period of the preceding year.

Finance costs in the period 1–9, 2021, amounted to EUR 24,957 thousand which is EUR 6,991 thousand more than in the comparable period of last year.

Profit before tax

In the period 1–9, 2021, Mercator Group's results profit before income tax amounted to EUR 18,100 thousand, which is EUR 83,849 thousand more than in the equivalent period of last year.

Net profit for the period

Mercator Group's net profit for the period 1–9, 2021, amounts to EUR 12,648 thousand, which is an increase of EUR 81,718 thousand relative to the equivalent period of the preceding year.

Normalized EBITDA and EBITDAR

Mercator Group's normalized EBITDA in the period 1–9, 2021, amounted to EUR 139,278 thousand (increase by EUR 13,608 thousand relative to the same period of the preceding year).

Mercator Group normalized EBITDAR in the period 1–9, 2021, amounted to EUR 140,778 thousand, which is 11.1% more than in the equivalent period of last year.

Profit before income tax of the company Poslovni sistem Mercator d.d. in the period 1–9, 2021 amounted to EUR 13,441 thousand, which is EUR 1,421 thousand less than the profit in the same period of the preceding year.

Net profit of the company Poslovni sistem Mercator d.d. for the period 1–9, 2021, amounted to EUR 8,510 thousand, which is EUR 2,341 thousand less than in the equivalent period of the preceding year.

Normalized EBITDA of the company Poslovni sistem Mercator d.d. in the period 1–9, 2021, amounted to EUR 68,265 thousand (increase for EUR 3,594 thousand relative to the same period of the preceding year).

Normalized EBITDAR of the company Poslovni sistem Mercator d.d. in the period 1–9, 2021, amounted to EUR 69,038 thousand, which is 5.8% 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 September 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, November 15, 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>1–9, 2021</th> <th>1–9, 2020</th> </tr> </thead> <tbody> <tr> <td>Retail</td> <td>1,304,442</td> <td>1,293,913</td> </tr> <tr> <td>Other activities/ businesses</td> <td>327,117</td> <td>323,485</td> </tr> <tr> <td>Sales revenue</td> <td>1,631,560</td> <td>1,617,397</td> </tr> </tbody> </table>	Mercator Group (EUR thousand)	1–9, 2021	1–9, 2020	Retail	1,304,442	1,293,913	Other activities/ businesses	327,117	323,485	Sales revenue	1,631,560	1,617,397					
Mercator Group (EUR thousand)	1–9, 2021	1–9, 2020																	
Retail	1,304,442	1,293,913																	
Other activities/ businesses	327,117	323,485																	
Sales revenue	1,631,560	1,617,397																	
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>1–9, 2021</th> <th>1–9, 2020</th> </tr> </thead> <tbody> <tr> <td>Labour costs from collective and individual employment contracts</td> <td>132,986</td> <td>130,827</td> </tr> <tr> <td>Costs of student labour, hired workers, and other employment contracts</td> <td>87,063</td> <td>88,925</td> </tr> <tr> <td>Labour force cost</td> <td>220,049</td> <td>219,752</td> </tr> </tbody> </table>	Mercator Group (EUR thousand)	1–9, 2021	1–9, 2020	Labour costs from collective and individual employment contracts	132,986	130,827	Costs of student labour, hired workers, and other employment contracts	87,063	88,925	Labour force cost	220,049	219,752					
Mercator Group (EUR thousand)	1–9, 2021	1–9, 2020																	
Labour costs from collective and individual employment contracts	132,986	130,827																	
Costs of student labour, hired workers, and other employment contracts	87,063	88,925																	
Labour force cost	220,049	219,752																	
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>1–9, 2021</th> <th>1–9, 2020</th> </tr> </thead> <tbody> <tr> <td>Operating profit (EBIT)</td> <td>57,574</td> <td>-27,648</td> </tr> <tr> <td>Depreciation and amortization</td> <td>80,779</td> <td>154,190</td> </tr> <tr> <td>Non-recurring business events</td> <td>924</td> <td>-872</td> </tr> <tr> <td>Normalized EBITDA</td> <td>139,278</td> <td>125,670</td> </tr> </tbody> </table>	Mercator Group (EUR thousand)	1–9, 2021	1–9, 2020	Operating profit (EBIT)	57,574	-27,648	Depreciation and amortization	80,779	154,190	Non-recurring business events	924	-872	Normalized EBITDA	139,278	125,670		
Mercator Group (EUR thousand)	1–9, 2021	1–9, 2020																	
Operating profit (EBIT)	57,574	-27,648																	
Depreciation and amortization	80,779	154,190																	
Non-recurring business events	924	-872																	
Normalized EBITDA	139,278	125,670																	
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>1–9, 2021</th> <th>1–9, 2020</th> </tr> </thead> <tbody> <tr> <td>Normalized EBITDA</td> <td>139,278</td> <td>125,670</td> </tr> <tr> <td>Sales revenue</td> <td>1,631,560</td> <td>1,617,397</td> </tr> <tr> <td>EBITDA margin (in %)</td> <td>8.5%</td> <td>7.8%</td> </tr> </tbody> </table>	Mercator Group (EUR thousand)	1–9, 2021	1–9, 2020	Normalized EBITDA	139,278	125,670	Sales revenue	1,631,560	1,617,397	EBITDA margin (in %)	8.5%	7.8%					
Mercator Group (EUR thousand)	1–9, 2021	1–9, 2020																	
Normalized EBITDA	139,278	125,670																	
Sales revenue	1,631,560	1,617,397																	
EBITDA margin (in %)	8.5%	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>1-9, 2021</th> <th>1-9, 2020</th> </tr> </thead> <tbody> <tr> <td>Retail sales revenue (EUR thousand) – <i>annualized</i></td> <td>1,769,801</td> <td>1,740,789</td> </tr> <tr> <td>Number of FTE (employees based on hours worked) in retail</td> <td>14,697</td> <td>14,484</td> </tr> <tr> <td>Productivity per Employee in retail (EUR thousand)</td> <td>120.4</td> <td>120.2</td> </tr> </tbody> </table>	Mercator Group	1-9, 2021	1-9, 2020	Retail sales revenue (EUR thousand) – <i>annualized</i>	1,769,801	1,740,789	Number of FTE (employees based on hours worked) in retail	14,697	14,484	Productivity per Employee in retail (EUR thousand)	120.4	120.2											
Mercator Group	1-9, 2021	1-9, 2020																							
Retail sales revenue (EUR thousand) – <i>annualized</i>	1,769,801	1,740,789																							
Number of FTE (employees based on hours worked) in retail	14,697	14,484																							
Productivity per Employee in retail (EUR thousand)	120.4	120.2																							
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>1-9, 2021</th> <th>1-9, 2020</th> </tr> </thead> <tbody> <tr> <td>EBIT in retail* – <i>annualized</i></td> <td>188,020</td> <td>163,979</td> </tr> <tr> <td>Depreciation and amortization costs in retail* – <i>annualized</i></td> <td>65,593</td> <td>75,311</td> </tr> <tr> <td>Labor costs in retail* – <i>annualized</i></td> <td>186,667</td> <td>189,564</td> </tr> <tr> <td>Rental costs in retail* – <i>annualized</i></td> <td>1,026</td> <td>695</td> </tr> <tr> <td>Number of retail employees based on hours worked (FTE)</td> <td>14,697</td> <td>14,484</td> </tr> <tr> <td>Value added per retail employee (EUR thousand)</td> <td>30.0</td> <td>29.7</td> </tr> </tbody> </table> <p>* Data excluding non-recurring business events .</p>	Mercator Group (EUR thousand)	1-9, 2021	1-9, 2020	EBIT in retail* – <i>annualized</i>	188,020	163,979	Depreciation and amortization costs in retail* – <i>annualized</i>	65,593	75,311	Labor costs in retail* – <i>annualized</i>	186,667	189,564	Rental costs in retail* – <i>annualized</i>	1,026	695	Number of retail employees based on hours worked (FTE)	14,697	14,484	Value added per retail employee (EUR thousand)	30.0	29.7		
Mercator Group (EUR thousand)	1-9, 2021	1-9, 2020																							
EBIT in retail* – <i>annualized</i>	188,020	163,979																							
Depreciation and amortization costs in retail* – <i>annualized</i>	65,593	75,311																							
Labor costs in retail* – <i>annualized</i>	186,667	189,564																							
Rental costs in retail* – <i>annualized</i>	1,026	695																							
Number of retail employees based on hours worked (FTE)	14,697	14,484																							
Value added per retail employee (EUR thousand)	30.0	29.7																							
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>September 30, 2021</th> <th>September 30, 2020</th> </tr> </thead> <tbody> <tr> <td>Equity</td> <td>313,500</td> <td>385,645</td> </tr> <tr> <td>Non-current liabilities</td> <td>837,349</td> <td>402,259</td> </tr> <tr> <td>Non-current assets</td> <td>1,357,864</td> <td>1,500,204</td> </tr> <tr> <td>Long-term coverage of non-current assets with non-current liabilities</td> <td>84.8%</td> <td>52.5%</td> </tr> </tbody> </table>	Mercator Group (EUR thousand)	September 30, 2021	September 30, 2020	Equity	313,500	385,645	Non-current liabilities	837,349	402,259	Non-current assets	1,357,864	1,500,204	Long-term coverage of non-current assets with non-current liabilities	84.8%	52.5%								
Mercator Group (EUR thousand)	September 30, 2021	September 30, 2020																							
Equity	313,500	385,645																							
Non-current liabilities	837,349	402,259																							
Non-current assets	1,357,864	1,500,204																							
Long-term coverage of non-current assets with non-current liabilities	84.8%	52.5%																							
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>September 30, 2021</th> <th>September 30, 2020</th> </tr> </thead> <tbody> <tr> <td>Net financial debt (EUR thousand)</td> <td>851,507</td> <td>890,538</td> </tr> <tr> <td>Equity (EUR thousand)</td> <td>313,500</td> <td>385,645</td> </tr> <tr> <td>Net financial debt/equity</td> <td>2.7</td> <td>2.3</td> </tr> </tbody> </table>	Mercator Group	September 30, 2021	September 30, 2020	Net financial debt (EUR thousand)	851,507	890,538	Equity (EUR thousand)	313,500	385,645	Net financial debt/equity	2.7	2.3											
Mercator Group	September 30, 2021	September 30, 2020																							
Net financial debt (EUR thousand)	851,507	890,538																							
Equity (EUR thousand)	313,500	385,645																							
Net financial debt/equity	2.7	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>1–9, 2021</th> <th>1–9, 2020</th> </tr> </thead> <tbody> <tr> <td>Profit attributable to shareholders (EUR thousand) – <i>annualized</i></td> <td>11,346</td> <td>14,468</td> </tr> <tr> <td>Weighted average number of ordinary shares being exercised</td> <td>6,215,418</td> <td>6,048,751</td> </tr> <tr> <td>Earnings per share (in EUR)</td> <td>1.8</td> <td>2.4</td> </tr> </tbody> </table>	Poslovni sistem Mercator d.d.	1–9, 2021	1–9, 2020	Profit attributable to shareholders (EUR thousand) – <i>annualized</i>	11,346	14,468	Weighted average number of ordinary shares being exercised	6,215,418	6,048,751	Earnings per share (in EUR)	1.8	2.4
Poslovni sistem Mercator d.d.	1–9, 2021	1–9, 2020												
Profit attributable to shareholders (EUR thousand) – <i>annualized</i>	11,346	14,468												
Weighted average number of ordinary shares being exercised	6,215,418	6,048,751												
Earnings per share (in EUR)	1.8	2.4												

