



19th regular Shareholders Assembly

Pursuant to the Rules and Regulations of the Ljubljana Stock Exchange, d.d, and the relevant legislation, and pursuant to Articles 18 and 19 of the Articles of Association of the company Poslovni sistem Mercator, d.d., Article 295, Paragraph 2 of the Companies Act (ZGD-1), resolution by the company Management Board dated May 6, 2013, and the resolution by the company Supervisory Board dated May 14, 2013, the Management Board hereby convenes the

**19th regular Shareholders Assembly to take place on June 18, 2013
at 1 PM at the company headquarters in Ljubljana, Dunajska cesta 107**

The company Poslovni sistem Mercator, d.d., announces material for Shareholders Assembly: Convocation of the Shareholders Assembly, Material for Shareholders Assembly, Attendance Form and Authorization Form, Report of factual findings by auditing company Ernst & Young, d.o.o., on review engagement regarding the takeover intent and the takeover bid for all shares of the company Pivovarna Laško, d.d., by the company Mercator, d.d., CV of PhD Marko Jaklič, a candidate for Supervisory Board member of the company Poslovni sistem Mercator, d.d., representing shareholders, and Draft consolidated version of the Articles of Association of the company Poslovni sistem Mercator, d.d.

The Annual report of the Mercator Group and the company Poslovni sistem Mercator, d.d., for the year 2012 is also an integral part of the material for the 19th regular Shareholders Assembly and was published on March 6, 2013, on SEOnet under the category Annual report.

This announcement will be published on the company's website at www.mercator.si as of May 17, 2013, and will remain posted for a period of at least five years.

Poslovni sistem Mercator, d.d.,
Management Board



Mercator

Pursuant to Articles 18 and 19 of the Articles of Association of the company POSLOVNI SISTEM MERCATOR, d.d., Article 295, Paragraph 2, of the Companies Act (ZGD-1), Rules and Regulations of the Ljubljana Stock Exchange, d.d., resolution by the company Management Board dated May 6, 2013, and the resolution by the company Supervisory Board dated May 14, 2013, the Management Board hereby convenes the

**19th regular Shareholders Assembly
to take place on June 18, 2013 at 1 pm
at the company headquarters in Ljubljana, Dunajska cesta 107**

I. AGENDA AND RESOLUTION PROPOSALS

1. Opening of the Shareholders Assembly and appointment of the Shareholders Assembly Chairperson

RESOLUTION PROPOSAL:

Mr Uroš Ilić, attorney at law from Ljubljana, shall be appointed Chairman of the Shareholders Assembly.

Explanation summary for the resolution proposal as announced in the Shareholders Assembly documentation:

Pursuant to the company Articles of Association, the company Shareholders Assembly shall be presided over by a Chairperson appointed by the shareholders upon proposal by the party convening the Assembly.

2. Presentation of Annual Report and the Supervisory Board's Report on the results of Annual Report review for the business year 2012; information on the offsetting of net loss; information on the compensation and rewards of the members of managerial and supervisory bodies; information on the Supervisory Board evaluation procedure; and granting discharge from liability to the Management Board and the Supervisory Board

RESOLUTION PROPOSALS:

A) Granting discharge from liability to the company Supervisory Board for the fiscal year 2012

- 1. Discharge from liability to individual Supervisory Board members for the fiscal year 2012 shall be granted to each member separately.*
- 2. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board chairman Šega Robert.*
- 3. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board deputy chairwoman Dakić Jadranka.*

4. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Vavti Stefan.*
5. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Medvešek Miro.*
6. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Cvetek Jože.*
7. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Strniša Janez.*
8. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Župetič Ivica.*
9. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Širec Mateja.*
10. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Verbič Kristjan.*
11. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Leban Sandi.*
12. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Valand Ivan.*
13. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board chairman Lahovnik Matej.*
14. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board deputy chairman Rozman Rok.*
15. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Galić Boris.*
16. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Podlesnik Zdenko.*
17. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Zevnik Marjeta.*

If the proposal to Item 1 of the agenda to vote on the discharges from liability separately for each Supervisory Board member is not adopted, then the Management Board and the Supervisory Board propose that the following resolution be voted on in place of the resolutions 2–17 above:

18. The Shareholders Assembly grants discharge from liability to the company Supervisory Board for the fiscal year 2012.

B) Granting discharge from liability to the company Management Board for the fiscal year 2012

1. *Discharge from liability to individual Management Board members for the fiscal year 2012 shall be granted to each member separately.*
2. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board president Debeljak Žiga.*
3. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board member Aljančič Falež Vera.*

4. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board member Jesenek Mateja.*
5. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board member Kolbezen Melita.*
6. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board member Pejanović Stanka (previously: Čurović Stanka).*
7. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board member Zavrl Peter.*
8. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board president Balažič Anton.*
9. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board member Kavšek Drago.*
10. *The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board member Maroša Igor.*

If the proposal to Item 1 of the agenda to vote on the discharges from liability separately for each Management Board member is not adopted, then the Management Board and the Supervisory Board propose that the following resolution be voted on in place of the resolutions 2–10 above:

11. *The Shareholders Assembly grants discharge from liability to the company Management Board for the fiscal year 2012.*

Explanation summary for the resolution proposals as announced in the Shareholders Assembly documentation:

Since the company did not generate profit in 2012, the Shareholders Assembly shall not make any decisions with regard to allocation thereof. The Shareholders Assembly shall be informed that as at December 31, 2012 the net loss for the fiscal year amounted to EUR 77,602,465.26 and that the Management Board, with consent of the Supervisory Board, shall offset the loss against the following components of equity:

- retained earnings in the amount of EUR 10,337,126.70;
- other revenue reserves in the amount of EUR 67,265,338.56.

In 2012, profit was affected by harsh macroeconomic conditions and a slump in the purchasing power, as well as impairments of real estate and intangible assets, expenses of exit from the markets of Albania and Bulgaria, and impairment of the investment in the subsidiary Mercator-H, d.o.o.

Pursuant to the corporate accounting policies, the company Mercator, d.d., re-appraised its real property to fair value in 2012. Real estate impairment had a negative effect of EUR 9,089 thousand on the income statement; however, the overall effect of real estate appraisal was positive as it increased the equity by EUR 38,007 thousand as a result of value increases recognized in revaluation adjustment to equity. Goodwill was entirely impaired in the amount of EUR 691 thousand. Pursuant to the adopted strategy of exit from the markets of Albania and Bulgaria, the company Mercator, d.d., recognized in 2012 in the income statement expenses related to the exit from these two markets.

Considering the fact that most Supervisory Board members and Management Board members were replaced in the year 2012, it is proposed pursuant to the provision from Article 294, Paragraph 1, sentence 2 of the Companies Act (ZGD-1) that discharge from liability for Supervisory Board and Management Board members be voted on separately for each member.

At last year's regular Shareholders Assembly on March 30, 2012, Robert Šega, Jadranka Dakić, Miro Medvešek, Stefan Vavti, and Kristjan Verbič were recalled from their positions of Supervisory Board members, and the following members were appointed to replace them: Matej Lahovnik, Rok Rozman, Marjeta Zevnik, Zdenko Podlesnik, and Boris Galić. Due to statutory decrease in the number of employee representatives in the Supervisory Board, the following representatives were relieved of their duties as Supervisory Board members at the Workers Council of Poslovni sistem Mercator, d.d., on April 6, 2012: Jože Cvetek, Janez Strniša, and Ivica Župetić. The following employee representatives remained in the Supervisory Board: Sandi Leban, Mateja Širec, and Ivan Valand.

Based on their respective statements of resignation, the term of office of the Management Board president Žiga Debeljak and Management Board member Melita Kolbezen was terminated as of May 31, 2012; terms of office of Management Board members Vera Aljančič Falež, Stanka Pejanović (previously Stanka Čurović), and Peter Zavrl were terminated on June 18, 2012. Based on her statement of resignation, term of office of the Management Board member Mateja Jesenek had been terminated sooner, on February 27, 2012. The new company Management Board consists of the Management Board president Anton Balažič and the following members: Drago Kavšek, Igor Maroša, and Stanka Pejanović.

At the Shareholders Assembly, the Management Board president will orally present procedures and activities on verification of business decisions related to acquisitions and major projects of the company between 2007 and 2012, and a potential damage and possible existence of liability for damages of management bodies members in connection with these projects.

3. Appointment of a certified auditing company for the year 2013

RESOLUTION PROPOSAL:

The auditing company DELOITTE REVIZIJA, d.o.o., Dunajska cesta 165, Ljubljana, shall be appointed as the company auditor for 2013.

Explanation summary for the resolution proposal as announced in the Shareholders Assembly documentation:

The resolution proposal is based on the Supervisory Board proposal. Pursuant to Article 281 of the Companies Act (ZGD-1), the Supervisory Board shall propose the candidate for the company auditor.

The auditing company proposed for appointment has relevant auditing experience in the fields of activity of the company, and references both in Slovenia and abroad.

4. Change of company activity

RESOLUTION PROPOSAL:

The wording of Article 11 of the Articles of Association shall be amended so that the company activity is extended with the following two activities:

"19.200 Manufacture of refined petroleum products

68.320 Management of real estate on a fee or contract basis"
The changes to the company Articles of Association shall be effective as of the day they are entered in the Court Register.

Explanation summary for the resolution proposal as announced in the Shareholders Assembly documentation:

In order to rationalize operations, the company Poslovni sistem Mercator, d.d., is planning to merge its subsidiary M - ENERGIJA, d.o.o. In order for the acquiring company to be able to further pursue the activities of the acquired company, especially distribution of liquid fuels at self-service petrol stations in Slovenia, it has to acquire a special licence from the Energy Agency of the Republic of Slovenia. However, the prerequisite for such licence is registration of the company for the activity 19.200 Manufacture of refined petroleum products, for which the company was previously not registered according to the list of activities in the Articles of Association of Poslovni sistem Mercator, d.d. Addition of the activity 68.320 Management of real estate on a fee or contract basis to the Articles of Association is necessary because of real estate monetization as Poslovni sistem Mercator, d.d., as the lessee will become de facto manager of the real estate.

5. Appointment of a Supervisory Board member

RESOLUTION PROPOSAL:

PhD Marko Jaklič, professor at the Faculty of Economics in Ljubljana shall be appointed Supervisory Board member representing the interests of the shareholders, for a term lasting from day of appointment to March 30, 2016.

Explanation summary for the resolution proposal as announced in the Shareholders Assembly documentation:

Pursuant to the company Articles of Association, the Supervisory Board of Poslovni sistem Mercator, d.d., shall have 9 members, of which 3 members are employee representatives. At last year's Shareholders Assembly on March 30, 2012, all Supervisory Board members representing the interests of the shareholders to that day were recalled. Six new members were appointed; however, Mirjam Hočevar stepped down as a Supervisory Board member immediately after the assembly, on April 4, 2012. Therefore, appointment of the missing Supervisory Board member is proposed. Marko Jaklič, PhD, employed as professor at the Faculty of Economics in Ljubljana since 1988, is the proposed candidate. The proposed candidate was the vice-dean at the Faculty of Economics in Ljubljana for 6 years. For 3 years, he was in charge of the Laboratory for Open Information Systems, and he headed many major international and local research and consulting projects. He was a Supervisory Board member at the SID Bank and the Supervisory Board chairman at HIT and Elan. He is currently the Supervisory Board chairman at TST Gostol, d.d. He is also a member of the examination committee for awarding the supervisory board member certificate with the Slovenian Directors Association, and occasional lecturer for this organization.

6. Information about the report on the findings of the special auditor's review of the company's particular transactions regarding the takeover intent and takeover bid for the purchase of all shares of the company Pivovarna Laško, d.d.

Pursuant to the provision of the Article 318, Paragraph 1, of the Companies Act (ZGD-1), the shareholder UniCredit Banka Slovenija, d.d., requested last year the convocation of an

extraordinary Shareholders Assembly in order to decide on a special audit of the management of company affairs and transactions regarding the takeover intent and the takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., with the symbols PILR in PILH, because they believed that circumstances exist from which it can be deduced or otherwise concluded that the announcement of the takeover intent and the takeover bid could involve actions that represent a failure to act with the diligence of a good manager; which could be detrimental to the company; and which could expose the company to excessive risk. Upon a proposal by the Management Board of the company Mercator, d.d., at the time, the shareholder UniCredit Banka Slovenija, d.d., agreed that decision on this matter not be made in an extraordinary Shareholders Assembly, but rather at the 18th regular Shareholders Assembly which took place on March 30, 2012. Thus, a special auditor was appointed at last year's regular Shareholders Assembly in order to conduct this audit, although it was known at the time that a takeover bid was not made. Special auditor ERNST & YOUNG, Revizija, poslovno svetovanje, d.o.o., prepared pursuant to the provision of Article 320 of the Companies Act (ZGD-1) a special written report on the findings of the special audit in which the auditor stated their views on all transaction referred to in the Shareholders Assembly resolution, and which will also be presented to the Shareholders Assembly.

Resolutions to the agenda items 2 and 4 are proposed by the Management Board and the Supervisory Board; the resolution to the agenda item 1 is proposed by the Management Board; and the resolutions to agenda items 3 and 5 are proposed by the Supervisory Board.

II. INFORMATION FOR THE SHAREHOLDERS

Access to Shareholders Assembly Documentation, proposed resolutions including explanations, and information on the Shareholders Assembly

Materials, or documentation, for the Shareholders Assembly, including resolution proposals and full explanations thereto, Annual Report complete with Supervisory Board Report and the statement of corporate governance, and other documents specified in Article 297.a, Paragraph 2, of the Companies Act (ZGD-1), shall be made available to the company shareholders at the company headquarters in Ljubljana, Dunajska cesta 107 (ground floor), each workday from the day of announcement of the Shareholders Assembly convocation to the day of the Shareholders Assembly session from 9 AM to 12 noon. All documentation referred to above will also be available on the company website at <http://www.mercator.si>. Convocation of the Shareholders Assembly, explanation of the resolution proposals, and other materials are also published on the website of the Ljubljana Stock Exchange, d.d. (<http://seonet.ljse.si>). Information provided in Article 296 of the Companies Act (ZGD-1), Paragraph 3, and detailed information on the rights of the shareholders with regard to submitting any requests for additional agenda items, counter-proposals to proposed resolutions, election/voting proposals, and shareholder rights to information (Article 298, Paragraph 1; Article 300, Paragraph 1; and Articles 301 and 305 of the Companies Act ZGD-1) are published on the company website.

Requests and proposals by the shareholders

Shareholders whose combined shareholdings amount to one twentieth of share capital, may request in writing in seven days after the convocation of the Shareholders Assembly an additional item of the agenda. A written proposal of the resolution on which the Shareholders Assembly should vote/decide, or an explanation of the agenda item in case no resolution is adopted with regard to a particular agenda item, shall be attached to the request. Pursuant to Article 298, Paragraph 3 of the Companies Act (ZGD-1), the company Management Board shall announce those additional agenda items that are requested and submitted by the shareholders no later than seven days after the announcement of this Shareholders Assembly convocation. The shareholders may submit the requests for additional items of the agenda to the company by electronic mail, to the address skupscina@mercator.si.

The shareholders may submit, in writing, resolution and election proposals to each item of the agenda. A shareholder proposal will only be announced by the company Management Board in the same way as this convocation, if it is submitted to the company within seven days after the convocation of the Shareholders Assembly complete with a reasonably justified proposition, along with the statement that the shareholder/proposing party will counter the proposal by the Management or Supervisory Board and that she or he intends to convince other shareholders to vote for her/his proposal. Pursuant to Article 301 of the Companies Act (ZGD-1), the shareholder shall not be required to justify an election proposal. The shareholder's proposal shall be announced and communicated in the way provided by Article 296 of the ZGD-1 only if the shareholder has submitted a reasonably justified proposal within seven days after the announcement of the Shareholders Assembly convocation. The shareholders may also submit the resolution and election proposals to the company by electronic mail, to the address skupscina@mercator.si.

Requests for additional agenda items and resolution or election/voting proposals submitted by electronic mail shall be sent as a scanned image file attached to the e-mail message. The image file shall include a handwritten signature of the natural person; in case of legal persons, such documents shall include the handwritten signature of the company representative as well as the seal of the legal entity, if applicable. The company shall have the right to check the identity of the shareholder or, the person conferring the power of attorney by e-mail, as well the authenticity of the signature.

Shareholder's right to information

Shareholders shall be entitled to raise questions at the Shareholders Assembly and request information on company affairs if such information is required for assessment of agenda items; furthermore, the shareholders may exercise their right to information pursuant to Article 305, Paragraph 1, of the Companies Act (ZGD-1).

Attendance conditions and assertion of voting rights

The Assembly may be attended and voted at only by those shareholders who register their attendance in writing in such way that the Management Board receive their application no later than at close of business on

the fourth day before the Shareholders Assembly, i.e. by the end of June 14, 2013, and who are registered as shareholders in the central register of dematerialized securities as at COB (close of business) of June 14, 2013. The application shall be submitted by regular mail to the address Mercator, d.d., Dunajska cesta 107, Ljubljana, Tajništvo pravnega sektorja (Legal Affairs Secretary Office). The applications to the Shareholders Assembly cannot be submitted using electronic means. Only applications with original signatures of the shareholders or their proxies shall be accepted and deemed valid. The Shareholders Assembly application form shall be available at the company website, and freely available at the company headquarters at Dunajska cesta 107, Ljubljana (ground floor), each workday from the day of announcement of the convocation to the day of the Shareholders Assembly convention, from 9 AM to 12 noon.

Each shareholder with the right to attend the Shareholders Assembly may also appoint a proxy to attend the Shareholders Assembly on their behalf and exercise their voting right. The power of attorney/authorization must be submitted to the company in writing. The power of attorney/authorization shall remain in custody of the company. Proxy voting form is available at the company website; it is also freely available at the company headquarters at Ljubljana, Dunajska cesta 107 (ground floor), each workday from the day of announcement of the convocation to the day of the Shareholders Assembly session, from 9 AM to 12 noon. The power of attorney/authorization may also be submitted to the company by electronic mail, to the address skupscina@mercator.si, scanned into an image file and attached to the e-mail message. Such document shall include a handwritten signature of the natural person; in case of legal persons, such documents shall include the handwritten signature of the company representative as well as the seal of the legal entity, if applicable. The company shall have the right to check the identity of the shareholder or, the person conferring the power of attorney by e-mail, as well the authenticity of the signature. The shareholders may also revoke the power of attorney/authorization in the same way it was submitted, at any time until the day of the Shareholders Assembly.

The shareholders or their proxies or attorneys shall be obliged to prove their identity upon request by presenting a personal identification document and written authorization/power of attorney; in addition, statutory representatives shall also be required to present an extract from the judicial or business register.

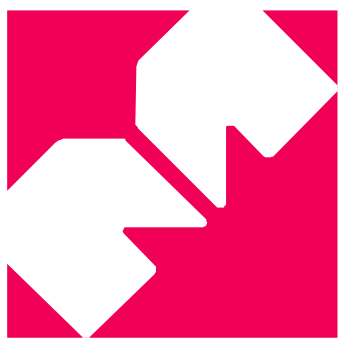
As at the day of Shareholders Assembly convocation, the company has 3,765,361 ordinary registered no par value shares. Pursuant to the relevant legislation, each ordinary share carries one vote for its owner at the Shareholders Assembly. As at the day of Shareholders Assembly convocation, the company has 42,192 treasury shares which do not carry voting rights.

The shareholders are kindly requested to check in at the Shareholders Assembly reception office upon their arrival, no later than half hour before the beginning of the convention / session, to confirm their presence with their signatures on the list of attendants and to claim their voting devices. The hall where the Shareholders Assembly is to take place will be open 30 minutes before the beginning of the session.

The Shareholders Assembly is convened for 1 PM. In case of absence of quorum at such time, the Assembly shall be rescheduled for 2 PM on the same day at the same place, regardless of the percentage of total share capital represented at the Assembly.

President of the Management Board
Anton Balažič

Supervisory Board Chairman
PhD Matej Lahovnik



Mercator

MATERIALS

for the 19th regular Shareholders Assembly
of the company Mercator, d.d.

May 2013

TABLE OF CONTENTS

I. Documents pertaining to item one of the agenda	page 3
II. Documents pertaining to item two of the agenda	page 4
III. Documents pertaining to item three of the agenda	page 8
IV. Documents pertaining to item four of the agenda	page 9
V. Documents pertaining to item five of the agenda	page 10
VI. Documents pertaining to item six of the agenda.....	page 11
VII. Information for the shareholders	page 12
1. Total number of shares and voting rights as at the day of Shareholders Assembly convocation	page 12
2. Information on additional items of the agenda.....	page 12
3. Information on shareholder proposals	page 12
4. Information on shareholder rights to information.....	page 13
5. Attendance conditions and assertion of voting rights	page 14

LIST OF APPENDICES

1. Annual Report complete with Corporate Governance Statement and information on the compensation and rewards paid to the supervisory and managerial bodies, and a written Supervisory Board Report
2. Draft consolidated version of the Articles of Association
3. Curriculum vitae of PhD Marko Jaklič, candidate for the position of a Supervisory Board member
4. Information about the report on the findings of the special auditor ERNST & YOUNG, Revizija, poslovno svetovanje, d.o.o., regarding audit of the company's particular transactions regarding the takeover intent and takeover bid for the purchase of all shares of the company Pivovarna Laško, d.d.
5. Convocation of the Shareholders Assembly
6. Shareholders Assembly attendance form
7. Proxy form



Mercator

Documents pertaining to item one of the agenda

OPENING OF THE SHAREHOLDERS ASSEMBLY AND APPOINTMENT OF THE SHAREHOLDERS ASSEMBLY CHAIRPERSON

The Management Board hereby proposes to the Shareholders Assembly of the company MERCATOR, d. d., the following

resolution:

Mr Uroš Ilić, attorney at law from Ljubljana, shall be appointed Chairman of the Shareholders Assembly.

Explanation:

Pursuant to Article 20 of the Articles of Association of the public limited company (stock corporation) Poslovni sistem Mercator, d.d., (hereinafter referred to as the Articles of Association), the company Shareholders Assembly shall be presided over by a Chairperson appointed by the shareholders upon proposal by the party convening the Assembly. The Management Board as the convening party proposes Mr Uroš Ilić, attorney at law from Ljubljana, to be elected as the Shareholders Assembly Chairman.

Furthermore, a notary public shall be present at the Shareholders Assembly, to record and write down the Shareholders Assembly resolutions in the form of a notary's minutes / notarial record; the notary public shall be appointed by the party convening the Assembly. In the case at hand, the Management Board has appointed notary public Nataša Erjavec from Ljubljana.

Ljubljana, May 17, 2013

Management Board President:
Anton Balažič



Mercator

Documents pertaining to item two of the agenda

PRESENTATION OF ANNUAL REPORT AND THE SUPERVISORY BOARD'S REPORT ON THE RESULTS OF ANNUAL REPORT REVIEW FOR THE BUSINESS YEAR 2012; INFORMATION ON THE OFFSETTING OF NET LOSS; INFORMATION ON THE COMPENSATION AND REWARDS OF THE MEMBERS OF MANAGERIAL AND SUPERVISORY BODIES; INFORMATION ON THE SUPERVISORY BOARD EVALUATION PROCEDURE; AND GRANTING DISCHARGE FROM LIABILITY TO THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The Management Board and Supervisory Board hereby propose to the Shareholders Assembly of the company MERCATOR, d.d., the following

Resolutions:

C) Granting discharge from liability to the company Supervisory Board for the fiscal year 2012

- 1. Discharge from liability to individual Supervisory Board members for the fiscal year 2012 shall be granted to each member separately.*
- 2. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board chairman Šega Robert.*
- 3. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board deputy chairwoman Dakić Jadranka.*
- 4. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Vavti Stefan.*
- 5. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Medvešek Miro.*
- 6. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Cvetek Jože.*
- 7. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Strniša Janez.*
- 8. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Župetić Ivica.*
- 9. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Širec Mateja.*
- 10. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Verbič Kristijan.*
- 11. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Leban Sandi.*
- 12. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Valand Ivan.*
- 13. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board chairman Lahovnik Matej.*

- 14. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board deputy chairman Rozman Rok.**
- 15. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Galić Boris.**
- 16. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Podlesnik Zdenko.**
- 17. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Supervisory Board member Zevnik Marjeta.**

If the proposal to Item 1 of the agenda to vote on the discharges from liability separately for each Supervisory Board member is not adopted, then the Management Board and the Supervisory Board propose that the following resolution be voted on in place of the resolutions 2–17 above:

- 18. The Shareholders Assembly grants discharge from liability to the company Supervisory Board for the fiscal year 2012.**

D) Granting discharge from liability to the company Management Board for the fiscal year 2012

- 1. Discharge from liability to individual Management Board members for the fiscal year 2012 shall be granted to each member separately.**
- 2. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board president Debeljak Žiga.**
- 3. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board member Aljančič Falež Vera.**
- 4. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board member Jesenek Mateja.**
- 5. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board member Kolbezen Melita.**
- 6. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board member Pejanovič Stanka (previously: Čurovič Stanka).**
- 7. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board member Zavrl Peter.**
- 8. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board president Balazič Anton.**
- 9. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board member Kavšek Drago.**
- 10. The Shareholders Assembly grants discharge from liability for the fiscal year 2012 to the Management Board member Maroša Igor.**

If the proposal to Item 1 of the agenda to vote on the discharges from liability separately for each Management Board member is not adopted, then the Management Board and the Supervisory Board propose that the following resolution be voted on in place of the resolutions 2–10 above:

11. The Shareholders Assembly grants discharge from liability to the company Management Board for the fiscal year 2012.

Explanation:

Since the company did not generate profit in 2012, the Shareholders Assembly shall not make any decisions with regard to allocation thereof. The Shareholders Assembly shall be informed that as at December 31, 2012 the net loss for the fiscal year amounted to EUR 77,602,465.26 and that the Management Board, with consent of the Supervisory Board, shall offset the loss against the following components of equity:

- retained earnings in the amount of EUR 10,337,126.70,*
- other revenue reserves in the amount of EUR 67,265,338.56.*

In 2012, profit was affected by harsh macroeconomic conditions and a slump in the purchasing power, as well as impairments of real estate and intangible assets, expenses of exit from the markets of Albania and Bulgaria, and impairment of the investment in the subsidiary Mercator - H, d.o.o.

Pursuant to the corporate accounting policies, the company Mercator, d.d., re-appraised its real property to fair value in 2012. Real estate impairment had a negative effect of EUR 9,089 thousand on the income statement; however, the overall effect of real estate appraisal was positive as it increased the equity by EUR 38,007 thousand as a result of value increases recognized in revaluation adjustment to equity. Goodwill was entirely impaired in the amount of EUR 691 thousand. Pursuant to the adopted strategy of exit from the markets of Albania and Bulgaria, the company Mercator, d.d., recognized in 2012 in the income statement expenses related to the exit from these two markets.

Considering the fact that most Supervisory Board members and Management Board members were replaced in the year 2012, it is proposed pursuant to the provision from Article 294, Paragraph 1, sentence 2 of the Companies Act (ZGD-1) that discharge from liability for Supervisory Board and Management Board members be voted on separately for each member.

At last year's regular Shareholders Assembly on March 30, 2012, Robert Šega, Jadranka Dakić, Miro Medvešek, Stefan Vavti, and Kristjan Verbič were recalled from their positions of Supervisory Board members, and the following members were appointed to replace them: Matej Lahovnik, Rok Rozman, Marjeta Zevnik, Zdenko Podlesnik, and Boris Galić. Due to statutory decrease in the number of employee representatives in the Supervisory Board, the following representatives were relieved of their duties as Supervisory Board members at the Workers Council of Poslovni sistem Mercator, d.d., on April 6, 2012: Jože Cvetek, Janez Strniša, and Ivica Župetič. The following employee representatives remained in the Supervisory Board: Sandi Leban, Mateja Širec, and Ivan Valand.

Based on their respective statements of resignation, the term of office of the Management Board president Žiga Debeljak and Management Board member Melita Kolbezen was terminated as of May 31, 2012; terms of office of Management Board members Vera Aljančič

Falež, Stanka Pejanović (previously Stanka Čurović), and Peter Zavrl were terminated on June 18, 2012. Based on her statement of resignation, term of office of the Management Board member Mateja Jesenek had been terminated sooner, on February 27, 2012. The new company Management Board consists of the Management Board president Anton Balažič and the following members: Drago Kavšek, Igor Maroša, and Stanka Pejanović.

At the Shareholders Assembly, the Management Board president will orally present procedures and activities on verification of business decisions related to acquisitions and major projects of the company between 2007 and 2012, and a potential damage and possible existence of liability for damages of management bodies' members in connection with these projects.

Ljubljana, May 17, 2013

Management Board President:
Anton Balažič

Supervisory Board Chairman:
PhD Matej Lahovnik

Appendix to item 2 of the agenda:

- Annual Report complete with the Corporate Governance Statement and information on compensation paid out to the Management Board and Supervisory Board, and the Supervisory Board's report



Mercator

Documents pertaining to item three of the agenda

APPOINTMENT OF A CERTIFIED AUDITING COMPANY FOR THE YEAR 2013

Based on the proposal by the Audit Committee, the Supervisory Board hereby proposes to the Shareholders Assembly of the company MERCATOR, d.d., the following

resolution:

The auditing company DELOITTE REVIZIJA, d.o.o., Dunajska cesta 165, Ljubljana, shall be appointed as the company auditor for 2013.

Explanation:

The resolution proposal is based on the Supervisory Board proposal. Pursuant to Article 281 of the Companies Act (ZGD-1), the Supervisory Board shall propose the candidate for the company auditor.

The auditing company proposed for appointment has relevant auditing experience in the fields of activity of the company, and references both in Slovenia and abroad.

Ljubljana, May 17, 2013

Supervisory Board Chairman:
PhD Matej Lahovnik



Mercator

Documents pertaining to item four of the agenda

CHANGE OF COMPANY ACTIVITY

The Management Board and Supervisory Board hereby propose to the Shareholders Assembly of the company MERCATOR, d.d., to adopt the following

resolution:

The wording of Article 11 of the Articles of Association shall be amended so that the company activity is extended with the following two activities:

***»19.200 Manufacture of refined petroleum products
68.320 Management of real estate on a fee or contract basis«***

The changes to the company Articles of Association shall be effective as of the day they are entered in the Court Register.

Explanation:

In order to rationalize operations, the company Poslovni sistem Mercator, d.d., is planning to merge its subsidiary M - ENERGIJA, d.o.o. In order for the acquiring company to be able to further pursue the activities of the acquired company, especially distribution of liquid fuels at self-service petrol stations in Slovenia, it has to acquire a special licence from the Energy Agency of the Republic of Slovenia. However, the prerequisite for such licence is registration of the company for the activity 19.200 Manufacture of refined petroleum products, for which the company was previously not registered according to the list of activities in the Articles of Association of Poslovni sistem Mercator, d.d. Addition of the activity 68.320 Management of real estate on a fee or contract basis to the Articles of Association is necessary because of real estate monetization as Poslovni sistem Mercator, d.d., as the lessee will become de facto manager of the real estate.

Ljubljana, May 17, 2013

Management Board President:
Anton Balažič

Supervisory Board Chairman:
PhD Matej Lahovnik

Appendix to item 4 of the agenda:

- Draft consolidated version of the Articles of Association



Mercator

Documents pertaining to item five of the agenda

APPOINTMENT OF A SUPERVISORY BOARD MEMBER

The Supervisory Board hereby proposes to the Shareholders Assembly of the company MERCATOR, d.d., the following

resolution:

PhD Marko Jaklič, professor at the Faculty of Economics in Ljubljana shall be appointed Supervisory Board member representing the interests of the shareholders, for a term lasting from day of appointment until March 30, 2016.

Explanation:

Pursuant to the company Articles of Association, the Supervisory Board of Poslovni sistem Mercator, d.d., shall have 9 members, of which 3 members are employee representatives. At last year's Shareholders Assembly on March 30, 2012, all Supervisory Board members representing the interests of the shareholders to that day were recalled. Six new members were appointed; however, Mirjam Hočevar stepped down as a Supervisory Board member immediately after the assembly, on April 4, 2012. Therefore, appointment of the missing Supervisory Board member is proposed. Marko Jaklič, PhD, employed as professor at the Faculty of Economics in Ljubljana since 1988, is the proposed candidate. The proposed candidate was the vice-dean at the Faculty of Economics in Ljubljana for 6 years. For 3 years, he was in charge of the Laboratory for Open Information Systems, and he headed many major international and local research and consulting projects. He was a Supervisory Board member at the SID Bank and the Supervisory Board chairman at HIT and Elan. He is currently the Supervisory Board chairman at TST Gostol, d.d. He is also a member of the examination committee for awarding the supervisory board member certificate with the Slovenian Directors Association, and occasional lecturer for this organization. The proposed candidate signed a statement that that no circumstances exist as referred to in Article 255, Paragraph 2 of the Companies Act (ZGD-1), which would preclude his performance of the duties of the Supervisory Board member at Poslovni sistem Mercator, d.d., and that no conflict of interest exists pursuant to Item 8 17.2. of the Corporate Governance Code.

Ljubljana, May 17, 2013

Supervisory Board Chairman:
PhD Matej Lahovnik

Appendix to item 5 of the agenda

- Curriculum vitae of PhD Marko Jaklič, candidate for the position of a Supervisory Board



Mercator

member

Documents pertaining to item six of the agenda

INFORMATION ABOUT THE REPORT ON THE FINDINGS OF THE SPECIAL AUDITOR'S REVIEW OF THE COMPANY'S PARTICULAR TRANSACTIONS REGARDING THE TAKEOVER INTENT AND TAKEOVER BID FOR THE PURCHASE OF ALL SHARES OF THE COMPANY PIVOVARNA LAŠKO, D.D.

Pursuant to the provision of the Article 318, Paragraph 1, of the Companies Act (ZGD-1), the shareholder UniCredit Banka Slovenija, d.d., requested last year the convocation of an extraordinary Shareholders Assembly in order to decide on a special audit of the management of company affairs and transactions regarding the takeover intent and the takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., with the symbols PILR in PILH, because they believed that circumstances exist from which it can be deduced or otherwise concluded that the announcement of the takeover intent and the takeover bid could involve actions that represent a failure to act with the diligence of a good manager; which could be detrimental to the company; and which could expose the company to excessive risk. Upon a proposal by the Management Board of the company Mercator, d.d., at the time, the shareholder UniCredit Banka Slovenija, d.d., agreed that decision on this matter not be made in an extraordinary general meeting, but rather at the 18th regular Shareholders Assembly which took place on March 30, 2012. Thus, a special auditor was appointed at last year's regular Shareholders Assembly in order to conduct this audit, although it was known at the time that a takeover bid was not made. Special auditor ERNST & YOUNG, Revizija, poslovno svetovanje, d.o.o., prepared pursuant to the provision of Article 320 of the Companies Act (ZGD-1) a special written report on the findings of the special audit in which the auditor stated their views on all transaction referred to in the Shareholders Assembly resolution, and which will also be presented to the Shareholders Assembly.

Ljubljana, May 17, 2013

Appendix to item 6 of the agenda:

- Information about the report on the findings of the special auditor ERNST & YOUNG, Revizija, poslovno svetovanje, d.o.o., regarding audit of the company's particular transactions regarding the takeover intent and takeover bid for the purchase of all shares of the company Pivovarna Laško, d.d.



Mercator

INFORMATION FOR THE SHAREHOLDERS

1. Total number of shares and voting rights as at the day of Shareholders Assembly convocation

As at the day of Shareholders Assembly convocation, the company has 3,765,361 ordinary registered no par value shares. Pursuant to the relevant legislation, each ordinary share carries one vote for its owner at the Shareholders Assembly. As at the day of Shareholders Assembly convocation, the company has 42,192 treasury shares which do not carry voting rights.

2. Information on additional items of the agenda

Shareholders whose combined shareholdings amount to one twentieth of share capital, may request in writing after the convocation of the Shareholders Assembly an additional item of the agenda. A written proposal of the resolution on which the Shareholders Assembly should vote/decide, or an explanation of the agenda item in case no resolution is to be adopted with regard to a particular agenda item, shall be attached to the request. It shall suffice to send the request to the company no later than seven days after the announcement of Shareholders Assembly convocation.

Pursuant to Article 298, Paragraph three of the Companies Act (ZGD-1), the company Management Board shall announce those additional agenda items that are requested and submitted by the shareholders no later than seven days after the announcement of this Shareholders Assembly convocation.

The shareholders may submit the requests for additional items of the agenda to the company by electronic mail, to the address skupscina@mercator.si. Requests for additional agenda item submitted by electronic mail must be sent as a scanned image file attached to the e-mail message. The image file must include a handwritten signature of the natural person; in case of legal persons, such documents shall include the handwritten signature of the company representative as well as the seal of the legal entity, if applicable. The company shall have the right to check the identity of the shareholder or, the person conferring the power of attorney by e-mail, as well the authenticity of the signature.

The additional agenda item shall only be discussed at the Shareholders Assembly if it is announced in the same way as the Shareholders Assembly convocation, no later than 14 days before the Shareholders Assembly; otherwise, it shall be discussed at the first subsequent Shareholders Assembly. The Management Board will provide in the same deadline and in the same way an announcement of the consolidated copy of the agenda.

3. Information on shareholder proposals

The shareholders may submit, in writing, resolution proposals to each item of the agenda. A shareholder proposal will only be announced by the company Management Board if the shareholder submits within seven days after the convocation of the Shareholders Assembly to the company a reasonably justified proposition, along with the statement of whether the

shareholder will counter the proposal by the managerial/supervisory body, and whether the shareholder intends to convince other shareholders to vote for her/his proposal. The shareholder shall not be required to justify an election proposal.

The shareholders may also submit the resolution and election proposals to the company by electronic mail, to the address skupscina@mercator.si. Resolution or election/voting proposals submitted by electronic mail must be sent as a scanned image file attached to the e-mail message. The image file must include a handwritten signature of the natural person; in case of legal persons, such documents shall include the handwritten signature of the company representative as well as the seal of the legal entity, if applicable. The company has the right to check the identity of the shareholder or, the person conferring the power of attorney by e-mail, as well the authenticity of the signature.

The Management Board shall not announce the shareholder's proposal and the pertaining explanation in the following cases:

- if an announcement of the proposal would constitute a criminal or minor offence;
- if the proposal could lead to a Shareholders Assembly resolution that would be in breach of the legislation or the provisions of the Articles of Association;
- if the explanation of the proposal includes obviously wrong or misleading information or insults in its key points;
- if the shareholder's proposal with the same contents has already been submitted to the company Shareholders Assembly;
- if the same shareholder's proposal with essentially the same explanation has been submitted at at least two company Shareholders Assemblies in the last five years, and if less than one twentieth of the represented share capital voted in favour of such proposal;
- if the shareholder makes it clear that she / he would not attend the Shareholders Assembly and would not be represented there; or
- if the shareholder has not upheld her or his submitted proposal at the Shareholders Assembly in the last two years, or did not do so via proxy.

The Management Board shall not announce the explanation to the proposal if it includes more than 3,000 characters. The Management Board has the right to announce any proposal and their respective explanations in a summary, if several shareholders submit their proposals on the same issue. Shareholder proposals that are not submitted to the company within seven days after the announcement of the Shareholders Assembly convocation and are presented at latest at the Shareholders Assembly, shall be discussed at the Shareholders Assembly.

4. Information on the shareholder's right to information

The Management Board shall provide reliable information on company affairs at the Shareholders Assembly, if such information is required for assessment of the agenda items. Upon questions posed by several shareholders with regard to the same issue, the Management Board may submit the information in a combined reply. The Management Board will submit information on legal and business relations of the company with its subsidiaries, if this is deemed necessary for assessment of the agenda.

Regardless of the provisions from the previous paragraph, the Management Board shall not be required to submit information in the following cases:

- if submitting the information is, by sound economic judgement, of such nature that it could cause injury to the company or an associated company;
- if the information is related to balancing and assessment methods, when the description of such methods in the appendix suffices for assessment of property, finance, and profitability aspects of the company corresponding to the actual circumstances;
- if submitting such information would constitute a criminal or minor offence or non-compliance with sound business practice;
- if the information has already been announced on the company website in the FAQ section at least seven days before the Assembly.

If a shareholder is provided with information outside the Shareholders Assembly, the same information shall be submitted to any other shareholder upon their request, even if such information is not deemed necessary for assessment of the agenda item. If a shareholder is not provided with the required information at the Shareholders Assembly, they may request that their question and the reason for which access to information was denied be entered into the Shareholders Assembly minutes.

5. Attendance conditions and assertion of voting rights

The Assembly may be attended and voted at only by those shareholders who register their attendance in writing in such way that the Management Board receive their application no later than at close of business on the fourth day before the Shareholders Assembly, i.e. by the end of June 14, 2013 and who are registered as shareholders in the central register of dematerialized securities as at COB (close of business) of June 14, 2013. The application shall be submitted by regular mail to the address Mercator, d.d., Dunajska cesta 107, Ljubljana, Tajništvo pravnega sektorja (Legal Affairs Secretary Office). The applications to the Shareholders Assembly cannot be submitted using electronic means. Only applications with original signatures of the shareholders or their proxies shall be accepted and deemed valid. The Shareholders Assembly application form is available at the company website, and it is freely available at the company headquarters at Ljubljana, Dunajska cesta 107, ground floor, each work day from the day of announcement of the convocation to the day of the Shareholders Assembly convention, from 9 AM to 12 noon.

Each shareholder with the right to attend the Shareholders Assembly may also appoint a proxy to attend the Shareholders Assembly on their behalf and exercise their voting right. The power of attorney/authorization must be submitted to the company in writing. The power of attorney/authorization shall remain in custody of the company. Proxy voting form is available at the company website; it is also freely available at the company headquarters at Ljubljana, Dunajska cesta 107, ground floor, each workday from the day of announcement of the convocation to the day of the Shareholders Assembly session, from 9 AM to 12 noon. The power of attorney/authorization may also be submitted to the company by electronic mail to the address skupscina@mercator.si, scanned into an image file and attached to the e-mail message. Such document shall include a handwritten signature of the natural person; in case of legal persons, such documents shall include the handwritten signature of the company representative as well as the seal of the legal entity, if applicable. The company shall have the right to check the identity of the shareholder or, the person conferring the

power of attorney by e-mail, as well the authenticity of the signature. The shareholders may also revoke the power of attorney/authorization in the same way it was submitted, at any time until the day of the Shareholders Assembly.

The shareholders or their proxies or attorneys shall be obliged to prove their identity upon request by presenting a personal identification document and written authorization/power of attorney; in addition, statutory representatives shall also be required to present an extract from the judicial or business register.

The shareholders are kindly requested to check in at the Shareholders Assembly reception office upon their arrival, no later than half hour before the beginning of the session, to confirm their presence with their signatures on the list of attendants and to claim their voting devices. The hall where the Shareholders Assembly is to take place will be open 30 minutes before the beginning of the session.

The Shareholders Assembly is convened for 1 PM. In case of absence of quorum at such time, the Assembly shall be rescheduled for 2 PM on the same day at the same place, regardless of the percentage of total share capital represented at the Assembly.

Ljubljana, May 17, 2013

Management Board President:

Anton Balažič

Supervisory Board Chairman:

PhD Matej Lahovnik

Attendance Form

(First and last name, or company name of the shareholder)

(Address)

(Place and postal code)

(Unique personal identification number – for natural persons only)*

MERCATOR, d.d.
Dunajska cesta 107
1000 LJUBLJANA
(Office of the Legal Affairs Secretary)

ATTENDANCE APPLICATION

for the 19th regular shareholders assembly of MERCATOR, d.d.

The undersigned: _____

(First and last name of the shareholder, or first and last name of company representative and company name of the shareholder)

hereby announce

my attendance at the 19th Shareholders Assembly of the company MERCATOR, d.d., convened for June 18, 2013, at 1 PM at the company head offices in Ljubljana at Dunajska cesta 107.

I shall attend the said Shareholders Assembly (circle accordingly):

- personally
- by proxy

Date and place: _____

(Handwritten signature of the shareholder or their representative, and seal of the legal person, if applicable)

Appendix:

- authorization for representation at the Shareholders Assembly (only for attendance by proxy)
- extract from judicial or business register (for legal persons)

** Unique personal identification number – EMŠO – as a piece of personal information may only be used for the purpose of attendance and exercising the rights at the Shareholders Assembly. By signing this statement, the shareholder agrees to the use and processing of this information for the purposes of the Shareholders Assembly. The shareholder has the right to view, copy by hand or machine, amend, edit, block, or delete this information.*

Proxy form

(First and last name, or company name of the shareholder)

(Address)

(Place and postal code)

(Unique personal identification number – for natural persons only)*

MERCATOR, d.d.

Dunajska cesta 107

1000 LJUBLJANA

(Office of the Legal Affairs Secretary)

AUTHORIZATION / POWER OF ATTORNEY

**for attendance and exercising of voting right at the 19th regular Shareholders Assembly of
MERCATOR, d.d.**

The undersigned: _____

(First and last name of the shareholder, or first and last name of company representative and company name of the shareholder)

hereby authorize

(First and last name, address, and Unique personal identification number of the proxy)

to attend on my behalf and exercise the voting right at the 19th Shareholders Assembly of the company MERCATOR, d.d., convened for June 18, 2013 at 1 PM at the company head offices in Ljubljana at Dunajska cesta 107, for all shares of the issuer Mercator, d.d., code/symbol MELR, of which I am the owner. Upon request by the party convening the Assembly, the proxy shall provide proof of his or her identity by presenting a personal identification document.

Date and place: _____

(Handwritten signature of the shareholder or their representative, and seal of the legal person, if applicable)

** Unique personal identification number – EMŠO – as a piece of personal information may only be used for the purpose of attendance and exercising the rights at the Shareholders Assembly. By signing this statement, the shareholder agrees to the use and processing of this information for the purposes of the Shareholders Assembly. The shareholder has the right to view, copy by hand or machine, amend, edit, block, or delete this information.*



Mercator d.d.

AGREED-UPON PROCEDURES REPORT

May 31, 2012

Contents

COVERING LETTER	4
A. PROCEDURES PERFORMED	6
B. OUR FINDINGS	9
B.1. Mercator's decision making process for the acquisition of other companies.....	9
B.1.1. Company's Statute's provisions on Management Board, Management Board Committee and Supervisory Board Powers.....	9
B.1.2. Rules of Procedure for managing the Mercator Group	10
B.1.3. Rules of Procedure of the MBC of the Mercator Group.....	11
B.1.4. Our Findings	11
B.2. Chronological summary of events up to the date of public announcement of Mercator's intention to submit a take-over bid for Laško (i.e. December 23, 2011), including a summary of reports and other documentation supporting the strategy and decision to publically announce Mercator's intention to submit a bid to take over Laško ...	12
B.2.1. Documents obtained and read	12
B.2.2. Statement of the Management of Mercator in relation to the rationale for the announcement of the take-over intent before the issuance of a formal take-over bid ...	12
B.2.3. Chronological summary of events and relevant documents up to December 23, 2011.....	13
B.3. Internal procedures carried out by Mercator from the date of announcement of Mercator's intention to submit a take-over bid for Laško up to the date of announcement that a take-over bid will not be submitted; and Reports, analysis and other relevant documentation used by Mercator Management to reach its decision not to launch a formal take-over bid for Laško.....	24
B.3.1. Introduction	24
B.3.2. Summary of relevant minutes of the MBC meetings from December 23, 2011 to January 19, 2012	24
B.3.3. Summary of documents obtained and read.....	25
B.3.4. Our Findings	35
B.4 Proforma, consolidated balance sheet of Mercator under the assumption that Laško was controlled by Mercator.....	35

B.5. Bank loan agreements and financial covenants contained therein.....	36
B.5.1. Introduction.....	36
B.5.2. Summary of loan covenants contained in a sample of Mercator's loan agreements.....	36
Annex 1 – Decision included in the Minutes of Mercator d.d.'s Annual General Meeting (AGM), held on March 30, 2012.....	38
Annex 2. List of documents received and read.....	

COVERING LETTER

To the Management of Mercator d.d.

May 31, 2012

Dear Sirs,

In accordance with our contract / engagement letter, dated May 16, 2012, we have performed the procedures agreed with you and set out in section A of the accompanying report. The procedures we agreed with you to perform followed the decision of the Company's AGM dated March 30, 2012, a relevant extract of which is presented in Annex 1 of this report, which appointed Ernst & Young d.o.o. to perform certain procedures related to the events / transactions surrounding its decision to submit a takeover intent and takeover bid for the acquisition of shares of Pivovarna Laško d.d. (hereinafter referred to as "Laško").

Our engagement was undertaken in accordance with the International Standard on Related Services 4400 applicable to agreed-upon procedures engagements.

The procedures were performed solely to report to Mercator d.d. (hereinafter referred to as the "Company" or "Mercator") the factual findings from our work.

The accompanying report outlines the procedures we have performed (section A) as well as our findings from the performance of these procedures (section B). Annex 2 of this report lists the documents we received from Mercator's management for the purpose of carrying out our agreed upon procedures.

Because the procedures we have performed do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the proforma, consolidated balance sheet¹, or other financial information contained in the accompanying report.

Had we performed additional procedures or had we performed an audit or review of the proforma, consolidated balance sheet in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to light that would have been reported.

¹ Extracts from the proforma, consolidated balance sheet, prepared by Mercator in accordance with International Financial Reporting Standards and which consolidates the assets, liabilities and equity of Mercator and Laško under the assumption that Laško was controlled by Mercator, as presented in the Preliminary economic analysis and justification of the strategic project of Mercator to take over Pivovarna Laško (prepared by Mercator's management in December 2011) and the Economic analysis and justification of the strategic project of Mercator to take over Pivovarna Laško (prepared by Mercator's management in January 2012).

In performing the procedures outlined in section A of the accompanying report our work was limited to reading and comparing documentation for consistency and compliance and did not comprise any legal evaluation or consideration. We relied on the data provided to us by the management of the Company and we did not seek to verify its authenticity.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties, except for the Company's shareholders. This report relates only to the procedures specified in section A of this report and does not extend to any financial statements of the Company, taken as a whole. To the fullest extent permitted by law, we do not assume responsibility to anyone other than the Company for this report.

Yours faithfully,


Janez Uranič
Director

 **ERNST & YOUNG**
Revizija, poslovno
svetovanje, d.o.o.
Ljubljana 1


Primož Kovačič
Certified Auditor

A. PROCEDURES PERFORMED

We have performed the following procedures:

- a. We read the Company's Statute, and other documents (e.g. Internal Acts) presenting the decision making process of Mercator (including the Executives authorised to make decisions and the applicable authorization levels) as regards to strategic decisions, such as the take-over of other companies.
- b. Based on our reading of the documents obtained under step (a) above and discussions with Mercator management, we summarised the decision making process of Mercator as regards to the acquisition of other companies.
- c. We obtained the minutes of the Management Board Committee meetings of Mercator for the 5 year period from March 30, 2007 to March 30, 2012, which include references to the proposed acquisition of Laško, as provided to us by Mercator's management. Mercator's management represented to us that only the minutes of the Management Board Committee meetings held during the period from January 10, 2011 to February 20, 2012 make reference to the proposed acquisition of Laško, hence we have obtained only the minutes of the Management Board Committee meetings held during this period.
- d. We read all the minutes obtained under step (c) above and summarised all discussions in the Management Board Committee meetings of Mercator, during the period from January 10, 2011 to February 20, 2012, regarding the possible acquisition of Laško.
- e. Following completion of step (d) above, we prepared a chronological summary of events so as to present how and by whom the decision to publicly announce Mercator's intention to submit a take-over bid for Laško was made.
- f. We obtained and read:
 - i. Documents and reports presenting the strategy of Mercator in connection to its proposed take-over of Laško, as presented to us by the management of Mercator, and reports prepared internally or commissioned and received from external advisors during the months of December 2011 and January 2012 in connection with Mercator's strategy to take over Laško and integrate it into the operations of the Mercator Group, as presented to us by the management of Mercator, and
 - ii. Reports, analysis and other relevant documentation prepared internally or commissioned and received from external legal and other advisors during the period from the date of announcement of the intention to submit a take-over bid (December 23, 2011) to the date of announcement that a take-over bid will not be submitted (January 19, 2012), as presented to us by the management of Mercator, related to Mercator's decision not to launch a formal take-over bid for Laško.

AGREED UPON PROCEDURES REPORT

- g. Based on the documentation read under the above steps, we considered whether:
 - i. the decision to publicly announce Mercator's intention to submit a take-over bid for Laško was in compliance with Mercator's internal regulations (i.e. the Statute and Internal Acts reviewed under step (a) above) indicating areas of compliance, and
 - ii. the decision was consistent with the strategic documents reviewed under step (f) above and considered by the appropriate decision making body of Mercator in the 5 year period prior to the date of announcement of the intention to submit a bid to take over Laško, indicating areas of consistency.
- h. We obtained and read reports, analysis and other relevant documentation prepared internally, or commissioned and received from external legal and other advisors during the period from the date of announcement of intention to submit a take-over bid (December 23, 2011) to the date of announcement that a take-over bid will not be submitted (January 19, 2012), as presented to us by the management of Mercator and related to Mercator's decision not to launch a formal take-over bid for Laško.
- i. We read the documents obtained under steps (c) and (h) above, prepared during the period from the date of announcement of intention to submit a take-over bid (December 23, 2011) to the date of announcement that a take-over bid will not be submitted (January 19, 2012) and outlined who (or which corporate body) and on what basis decided to stop the take-over bid for Laško.
- j. We summarised the documents and reports used by the Management Board, Management Board Committee and the Supervisory Board of Mercator, prepared during the period from the date of announcement of intention to submit a take-over bid (December 23, 2011) to the date of announcement that a take-over bid will not be submitted (January 19, 2012), supporting, in their opinion, the decision not to submit a public take-over bid for Laško.
- k. Based on the documentation read under the above steps, we have considered whether Mercator's decision not to submit a take-over bid for Laško was taken in line with its internal regulations (i.e. the Statute and Internal Acts reviewed under step (a) above) indicating areas of support.
- l. We received from the management of Mercator two documents with extracts from the proforma, consolidated balance sheet, prepared by Mercator's management using the planned data for 2012 as a basis, included in the Preliminary economic analysis and justification of the strategic project of Mercator to take over Pivovarna Laško (prepared by Mercator's management in December 2011) and the Economic analysis and justification of the strategic project of Mercator to take over Pivovarna Laško (prepared by Mercator's management in January 2012).

AGREED UPON PROCEDURES REPORT

- m. We read the extracts from the proforma, consolidated balance sheet, referred to under point (l) above, as presented in the preliminary economic analysis and justification of the strategic project of Mercator to take over Pivovarna Laško (prepared by Mercator's management in December 2011) and the economic analysis and justification of the strategic project of Mercator to take over Pivovarna Laško (prepared by Mercator's management January 2012), and we checked their mathematical accuracy. Also, by reference to the details provided in the above mentioned two documents on the elimination and other adjustments made to the sum of the balances of Mercator and Laško, so as to arrive at the relevant extracts from the proforma, consolidated balance sheet, we considered their completeness for the purposes of the preparation of the relevant extracts from the proforma, consolidated balance sheet presented in the above mentioned two documents.
- n. We obtained and read a sample of 17 bank loan agreements and accompanying annexes (as applicable) of Mercator with different banks, in force as of December 31, 2011, as provided to us by the management of Mercator, and identified and summarised the financial debt covenants contained therein.
- o. We have received and read the covenants analysis presented by Mercator's management in the "Preliminary economic analysis of the take-over (prepared by Mercator's management in December 2011)" and the "Economic analysis of the take-over (prepared by Mercator's management in January 2012)" that were provided to us.
- p. Based on the information obtained from the management of Mercator under steps (m) (n) and (o) above² we recalculated Mercator's debt covenants, using the assumptions applied by the management of Mercator for the various phases of the Laško take-over project. These phases are as follows:
- i. After Mercator obtained control over Laško and after the completion of the restructuring process of Laško, using the planned data for 2012 with the monetisation process included and the estimated synergies of the Laško take-over as a basis; and
 - ii. After Mercator obtained control over Laško and after the restructuring and divestment process of significant parts of Laško is completed, using the planned data for 2012, the estimated synergies of the Laško take-over and the estimated effects of the divestment process as a basis.

² The Preliminary economic analysis and justification of the strategic project of Mercator to take over Pivovarna Laško (prepared by Mercator's management in December 2011) and the Economic analysis and justification of the strategic project of Mercator to take over Pivovarna Laško (prepared by Mercator's management in January 2012).

B. OUR FINDINGS

B.1. Mercator's decision making process for the acquisition of other companies

B.1.1. Company's Statute's provisions on Management Board, Management Board Committee and Supervisory Board Powers

We have obtained the Statute of Mercator as of July 13, 2010 and read it. We summarise below the decision making process of Mercator as regards to the acquisition of other companies.

The Management Board (MB) has unlimited power on representation against third parties. The MB has the right to empower one or more persons, based on the pre-approval of the Supervisory Board (SB). In addition, more details on the authorities and areas of responsibility of the individual MB members, as approved by the SB, are contained in the document "Act on Management Board of Mercator Group".

The Company is lead by the MB, which comprises a Chairman and Members. The number of members and the areas of their responsibility are determined by the SB. All MB members, including the Chairman, represent the Company at their own will and without power limitations.

The MB usually approves resolutions unanimously, otherwise with ordinary majority of all members, where each member has one vote. In case of equal votes, the Chairman's vote is decisive.

The MB has various rights and responsibilities. It manages the Company, determines the three-year strategy and annual plan, and it represents the Company in a legally binding manner. Its jurisdiction and responsibility towards the SB also includes reporting on planned business strategy, business performance, on business transactions with significant influence on the profitability and liquidity and all other matters concerning the Company and its related parties. It announces news and decisions of the Company, determines which information is important for shareholders and needs to be published, and takes care that all necessary information is published. It can increase the Company's share capital in accordance with its Statute.

The SB has 12 members, where half are voted by the Shareholders' Assembly. The Chairman and his deputy are appointed by the SB members representing the Shareholder's interests. The Chairman's tasks are to organise, convene and lead the SB meetings, and to represent the Company at the MB.

The SB's jurisdiction towards the MB is to supervise the business, accept the MB's reports, review and check the accounting records and supporting documentation, give consensus to decisions by law and statute, give consensus on the three-year strategy and annual plan, and can demand at any time a report from the MB about any question important for the business and position of the Company.

AGREED UPON PROCEDURES REPORT

The MB has the authority (with the prior agreement of the SB) to increase the share capital by 20% in 5 years from the entry of Statute changes into the Court Register, with the issuance of new shares, where it can exclude the pre-emption right to new shares under the condition that the newly issued shares are used for the acquisition of stock or shares of companies, or business assets, in accordance with the strategic plans and provided that the exclusion of the pre-emption right is approved by the SB.

B.1.2. Rules of Procedure for managing the Mercator Group

The Rules of Procedure define the areas of responsibility, authorizations, powers (or jurisdiction) and responsibilities for business areas in the Mercator Group.

Management Board Committee (MBC) consists of the whole MB of Mercator, assistants of the CEO and other members who are named by the MB.

The MBC has oversight over the planning and coordination in the Mercator Group.

The MBC's main tasks are:

- ▶ Leads (plans, coordinates and controls) the operations of the Mercator Group
- ▶ Discusses and confirms the strategy of the Mercator Group
- ▶ Discusses and confirms the middle and long-term annual plans of the Mercator Group, and Mercator
- ▶ Discusses and confirms the business policies of the Mercator Group and individual business areas
- ▶ Coordinates the functioning of business areas and divisions of the Mercator Group and its subsidiaries
- ▶ Supervises the operations of the Mercator Group, divisions, the parent company and the subsidiaries of the Mercator Group
- ▶ Discusses and accepts reports in accordance with corporate governance
- ▶ Discusses and accepts reports about operations of business areas
- ▶ Accepts organisational records of Mercator Group and Mercator
- ▶ Accepts more important business decisions in accordance with the approved authority levels
- ▶ Decides on all other important matters for the Mercator Group and the parent company

AGREED UPON PROCEDURES REPORT

The authorities of the MBC in relation to the transactions with financial assets and liabilities are not limited in any cases when deciding about purchasing securities, or participating shares in other companies. The MBC is also not limited in any case when deciding about a restructuring within the Mercator Group.

B.1.3. Rules of Procedure of the MBC of the Mercator Group

The resolutions of the MBC are regarded also as resolutions of the MB. The Chairman of the MBC convenes the MBC meetings / sessions according to his judgement, usually twice per month.

The MBC constitutes a quorum if at least half of its members are present, including at least half of the MB members. A resolution is accepted when at least half of the members present at the meeting voted for the proposal and if at least half of the members present are also MB members. The minutes of the MBC meetings are published on the intranet site of the Company.

B.1.4. Our Findings

From reading the Statute of the Company we identified that there are no explicitly stated limitations for the MB or MBC that could prevent it from accepting the decision to execute a take-over intent and submit a bid. In addition, reading the Rules of Procedure of managing the Mercator Group, the authorities of the MBC are also not explicitly limited as regards to the acquisition of securities and participation in other companies.

Therefore, the decision of the MB to publish the intention to execute a take-over bid for Laško is consistent with the MB's authorities, in accordance with the Rules of Procedure of Managing the Mercator Group, provided to us by Mercator's management.

B.2. Chronological summary of events up to the date of public announcement of Mercator's intention to submit a take-over bid for Laško (i.e. December 23, 2011), including a summary of reports and other documentation supporting the strategy and decision to publically announce Mercator's intention to submit a bid to take over Laško

B.2.1. Documents obtained and read

Based on representations of the management of Mercator, that there is no specific reference to the acquisition of Laško in the MB, MBC or SB meeting minutes, before January 1, 2011, which we received from the Management of Mercator, we have read all the minutes which included discussions on the potential acquisition of Laško in the MBC meetings of Mercator, and at the SB meetings of Mercator during the period from January 10, 2011 to February 20, 2012, regarding the possible acquisition of Laško, with a view of identifying all references made to discussions and / or decisions to acquire Laško. The Management of Mercator represented to us that no such discussions took place prior to January 10, 2011, which was the first meeting held by MBC of Mercator in 2011.

We have also received and read reports and other documentation supporting the strategy and decision to publically announce Mercator's intention to submit a bid to take over Laško, which are also summarised below.

B.2.2. Statement of the Management of Mercator in relation to the rationale for the announcement of the take-over intent before the issuance of a formal take-over bid

The Management of Mercator provided to us the following written statement in relation to the rationale for the announcement of the take-over intent before the issuance of a formal take-over bid:

"Pursuant to the Takeovers' Act (ZPre-1), a takeover intent is considered a notification of the acquirer of his intended takeover bid. Prior to the publication of the takeover bid, the acquirer must notify the Securities Market Agency (ATVP), the Competition Protection Office of the Republic of Slovenia, the Management of the target company and representatives of employees of the target company of his takeover intent and publish the takeover intent in the press and on SEOnet on that same day. Therefore, prior to submitting his takeover intent i.e. before his intent is made public, the acquirer must not freely communicate his takeover plans. Through his takeover intent, the acquirer discloses to the interested public his serious business intention to submit the takeover bid, while at the same time he prevents abuse of the financial instruments market by the shareholders of the target company, the target company, or other entities on the financial instruments market (e.g. insider trading) since submission of the takeover intent ensures that the information is made public immediately.

AGREED UPON PROCEDURES REPORT

Through his takeover intent, the acquirer prevents the target company from performing activities (in the interest of only some of his shareholders), which would either hinder or prevent the takeover. During the period of the takeover intent, the target company must not (without the resolution of the General Meeting of Shareholders) increase its share capital, conclude transactions outside the ordinary operations or perform acts, or enter into transactions which could seriously jeopardize further operations of the company, must not acquire treasury shares, or perform other activities that could preclude the takeover bid.

Furthermore, if individual pieces of information relating to the takeover leaked out before the submission of the takeover intent, this could result in various speculations on the capital market and influence the (takeover) price. In particular, we believe this to be significant in this case, as Mercator and Pivovarna Laško are both public limited companies."

B.2.3. Chronological summary of events and relevant documents up to December 23, 2011

We present below a chronological summary of events up to December 23, 2011, date of public announcement of Mercator's intention to submit a take-over bid for Laško, as reflected in the minutes we have read, including a summary of relevant minutes of the MBC meetings, as well as a summary of relevant reports and other relevant documentation referring to the period up to the date of public announcement of Mercator's intention to submit a take-over bid for Laško (i.e. December 23, 2011).

B.2.3.1. MBC meetings up to December 23, 2011

In connection with the decision making process within Mercator Group, it was explained to us by Mercator's management that the MBC's minutes include just the resolutions, while the discussions held during the MBC meetings are not documented in the minutes. The management of Mercator also represented to us that they had discussions regarding the potential take-over of Laško in previous MBC meetings, however, these were, as stated above, not included in the minutes.

We read the minutes of the meetings of the MBC, held during the period from January 10, 2011 to December 23, 2011, and identified that on its 3rd meeting, held on December 22, 2011, Mercator's MBC decided to issue the take-over intent and start the process of acquiring Laško.

We have not identified any other important decisions of Mercator's MBC, by reading the minutes of the meetings of the MBC during the period from January 10, 2011 to December 23, 2011, received from Mercator's management, which could directly be linked to the Laško take-over process.

B.2.3.2. Summary of relevant reports and other relevant documents related, or referring to the period up to December 23, 2011

B.2.3.2.1. Summary of the document entitled "Strategic association with Pivovarna Laško - basis for discussion", dated May 2011

We have received and read the document entitled "Strategic association with Pivovarna Laško - basis for discussion", dated May 2011, in which several arguments in favour of the take-over of Laško are presented. It is stated in this document that Mercator would take over 100% of Laško's shares, restructure and sell a significant part of its business and keep only the part of importance to Mercator's activities.

The reasons outlined in this document as supporting the take-over are the following: a profit would be generated when selling the brewery activity of Laško; Laško has its own production of water and non-alcoholic beverages; there would be synergies on the wholesale / distribution activity; stabilisation of the ownership of Mercator.

In this report the assumptions used, with figures and synergies, are presented, based on which rough estimations of potential future earnings are stated. It is also stated in this report that the take-over of Laško was regarded as an economically very interesting project.

Moreover, important risks were identified and presented in this report, regarding the Competition Protection Office's demand for disposal of the brewery activity (following the take-over by Mercator), the probability of selling the brewery activity, the impact on relations with creditors, the impact on the finance obligations of Mercator, the impact on relations of Pivovarna Laško with other merchants, the impact on relations with banks which are shareholders of Mercator. All the risks outlined in this report were regarded by the Management of Mercator as either non-problematic, or, in Mercator's management's view, a solution for them is stated in this document.

B.2.3.2.2. Email from the external financial advisor, dated January 25, 2012

We have received a copy of an e-mail dated January 25, 2012 between an external financial advisor and Mercator. This email indicated that discussions between the external financial advisor and Mercator to launch a take-over bid for Pivovarna Laško d.d. took place from May 2011 onwards. These discussions were part of the external financial advisor's services, acting as an exclusive financial advisor in connection with the envisaged sale process by a consortium of sellers of a majority stake in Mercator.

AGREED UPON PROCEDURES REPORT

B.2.3.2.3. Summary of the Preliminary economic analysis of the take-over (December 2011)

We received from Mercator's management the Preliminary economic analysis and justification of the strategic project of Mercator to take over Pivovarna Laško (prepared by Mercator's management in December 2011), which we summarise below. We understand that the decision from the economic point of view to announce the take-over intention and to proceed with it was mainly based on this document.

In December 2011, the management of Mercator prepared a preliminary economic analysis of the feasibility of the take-over of Laško³ (hereinafter also referred to as "the project", or "the take-over", or "the acquisition") for the long term, stating also the reasons for the execution of the project.

As stated in this document⁴, Mercator's management assessed that the Mercator Group would realise the following positive operational and financial effects from the take-over of Laško:

- ▶ Mercator would strengthen its core business and become more competitive in the Slovenian and Croatian markets (this would yield positive effects on its daily operations);
- ▶ Mercator would realise positive financial effects, or one-off gains, by restructuring and selling a major part of the business of Laško (brewery, non alcoholic drinks, and media segments) within 2012 and 2013 (this would yield positive, one-off gains); and
- ▶ Mercator would stabilise its ownership structure due to the instability (high indebtedness) of Laško (this would result in a decrease in the risks perceived by the stakeholders of Mercator).

Also, as stated in this document⁵, Mercator's management estimated that the positive effects from the take-over would arise from the following areas:

- ▶ The restructuring of Laško with the aim of providing financial stability and increase in operational efficiency;
- ▶ Management's argument was that Mercator knows Laško well because of their business relationship (Mercator is Laško's is one of most significant customers) and could effectively restructure its operations based on the know-how they possess. Management also argued that Mercator could also renegotiate better terms with the creditors of Laško due to its good relationships with the creditors.
- ▶ The increased business operations, by providing support for sales in the Balkans region;

³ Preliminary economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (December 2011)

⁴ Preliminary economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (December 2011)

⁵ Preliminary economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (December 2011)

AGREED UPON PROCEDURES REPORT

B.2.3.2.3. Summary of the Preliminary economic analysis of the take-over (December 2011) - Continued

- ▶ The increased competitiveness of Mercator in the segment of producing Mercator branded products (beer, water and other beverages);
- ▶ The synergies in the area of supplying hotels, restaurants and the catering business (HORECA);
- ▶ The optimisation of the management of real-estate and the examination of including Laško's real-estate assets in the process of monetisation⁶; and
- ▶ The divesting of businesses which are not strategic.

This document⁷ states that the Mercator Group is not interested in the long-term management of the brewery and media business because this is not in accordance with the Group's strategic focus, with the exception of providing capacity to produce water and non-alcohol beverages for the private label for the Slovenian and Croatian markets and increasing the wholesale activities in the segment of hotels and catering. In addition, it is stated in this document⁸ that Mercator would, after obtaining a controlling share in Laško, at the latest in a couple of years, sell the majority of the brewery and beverages business (Union and Laško; potentially also part of Radenska), sell the entire media business (Večer, Delo), and sell other unnecessary business and financial assets.

Before assessing the feasibility of the project, Mercator's management made and presented in this document⁹ an analysis of Laško, showing the structure of Laško, the business operations and financial statements of the Laško Group as of September 30, 2011 and key Laško Group companies as of December 31, 2010. The analysis also shows the 2011 projection of Laško Group's financial statements and the 2012 plan (budget) for Laško.

The preliminary assessment of the effects of the take-over of Laško on the assets and liabilities of the Mercator Group, as stated in this document¹⁰, was made based on the following assumptions:

The analysis was prepared using the estimation of key balance sheet and income statement elements for Laško for 2012 and the 2012 plan for the Mercator Group.

- ▶ Mercator uses the subscribed share capital and cash in terms of a combined take-over bid for Laško (part share, part cash offer).

⁶ Sale and lease back

⁷ Preliminary economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (December 2011)

⁸ Preliminary economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (December 2011)

⁹ Preliminary economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (December 2011)

¹⁰ Preliminary economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (December 2011)

AGREED UPON PROCEDURES REPORT

B.2.3.2.3. Summary of the Preliminary economic analysis of the take-over (December 2011) - Continued

- ▶ The shares of Laško were valued by a Certified Valuer.
- ▶ In 2012 and 2013 the Mercator Group performs restructuring activities and divestments of non-strategic businesses. The effects used in the analysis were derived from own estimations of the management of Mercator.

As stated in this document¹¹, the feasibility of the project was assessed by dividing the project into two phases: Phase 1 - the take-over, and consolidation phase; and Phase 2 - the steps to be taken after the take-over (i.e. restructuring and divesting); and then assessing the effects on loan covenants throughout the entire project.

We recalculated the loan covenants, as presented in the Preliminary economic analysis of the take-over, prepared by Mercator's management in December 2011, based on the figures provided in this analysis and the definitions of each loan covenant as stated in the sample of the 17 loan contracts obtained and read.

Based on the discussions we held with the management of the Mercator Group and the documents read (such as a sample of 17 loan agreements, together with related annexes (as applicable), loan covenant confirmations sent to 17 creditors for 2011 and the calculations of the loan covenants performed by Mercator's management), we understand that the Mercator Group is required by contractual provisions to comply with the following financial loan covenants:

- ▶ The interest cover ratio should not decrease below a specified amount;
- ▶ The leverage ratio should not increase above a specified amount; and
- ▶ The consolidated tangible net worth should not decrease below a specified amount.

More details on the loan covenants contained in a sample of loan agreements we received and read are presented in section **B.5.** of this report.

¹¹ Preliminary economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (December 2011)

B.2.3.2.3. Summary of the Preliminary economic analysis of the take-over (December 2011) - Continued

We present below a summary of the two phases of the project for the take-over of Laško, as contained in the Preliminary economic analysis of the take-over (December 2011):

Phase 1 of the Project to Take over Laško

As per the Preliminary economic analysis performed in December 2011, the first phase of the take-over project encompasses the actual take-over of Laško, and its consolidation into the Mercator Group. The document does not contain information on the date of the take-over.

The management of Mercator prepared and presented in this document¹² an analysis of this phase based on the following assumptions:

1. Plans for 2012:

Mercator Group:

The key balance sheet and income statement elements used in the first phase of the analysis derive from the business plan of Mercator Group for 2012. Based on the published business plan of the Mercator Group for 2012, we understand that the plan incorporates the effects of the monetisation (sale and lease-back) of real-estate in the amount of EUR 250 million in the middle of 2012. The published business plan of the Mercator Group for 2012 presents as the estimated effects of the monetisation the following:

- ▶ reduced bank borrowings by EUR 250 million, hence improving the net financial debt structure of Mercator Group;
- ▶ lower net interest expense, hence improving the cover ratio (*ceteris paribus*);
- ▶ lower depreciation; and
- ▶ higher rental costs, which would reduce EBITDA and the cover ratio (*ceteris paribus*).

Management also estimated a EUR 5 million profit from the sale of real-estate, which would directly improve EBITDA and the cover ratio as a one-off item in 2012.

¹² Preliminary economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (December 2011)

AGREED UPON PROCEDURES REPORT

B.2.3.2.3. Summary of the Preliminary economic analysis of the take-over (December 2011) - Continued

Laško:

At the time of the preparation of the preliminary economic assessment, Laško had not yet published the 2011 year-end estimation of its business results for 2011, or its 2012 plan. The management of Mercator estimated the 2011 and 2012 results based on the prior years' results and market expectations, incorporating known information (such as the sale of Fructal) into the estimations made.

The analysis made by Mercator's management assumes that Laško's results would be consolidated into those of Mercator for the entire year 2012.

2. Consideration payable

The preliminary analysis is based on financing the take-over by the issuance of new share capital of EUR 165.6 million at EUR 220 per one share of Mercator. Based on this document, the value per share is comparable to the book value of Mercator's shares. According to the Annual Report of the Mercator Group for 2011, the book value per share as of December 31, 2011, was EUR 221.81 per share.

The preliminary analysis of the take-over does not consider any debt financing of the transaction.

3. Treasury shares

Based on the analysis, Laško owns EUR 144 million of Mercator's shares. Those shares were treated as treasury shares in the projected, proforma, consolidated financial statements of Mercator, after the take-over would take place.

4. Intercompany transactions

The analysis assumes that a certain amount of intercompany sales and purchases between the Mercator Group and Laško would occur, which were estimated to be at the same level as in 2011, based on management's data. Management assessed that this would not affect EBITDA of the combined group.

Based on the above assumptions, the projected, proforma, consolidated financial statements of the combined Mercator Group and Laško, as presented in this report¹³, show that two out of three loan covenants would be met after the completion of the first phase (in accordance with Mercator's management's representation, at the date of closing of the transaction – take-over of Laško), which assumed that the monetisation would have taken place by that time.

We have received the following statement from the Management of Mercator regarding their compliance with financial loan covenants:

¹³ Preliminary economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (December 2011)

AGREED UPON PROCEDURES REPORT

"The management planned to re-negotiate the arrangements with the banks, including the financial covenants and other collateral, in the first half of the year 2012, within the real-estate monetisation project. It was management's estimation that based on: (a) the excellent long-term relations with all key banking partners, (b) structure of assets and business of the group, (c) effects of the planned real-estate monetisation project, (d) the majority of banks being co-owners of Mercator and Laško brewery, (e) the banks' expressed intention to dispose of their investments in the Laško brewery, and (e) economic attractiveness of the take-over project, (f) the fact that no assets have been pledged, the re-negotiation of all key arrangements with the banks regarding refinancing, pricing and type of collateral, including financial covenants, will be successful and in line with Mercator's interests, and therefore as such does not represent a key risk."

AGREED UPON PROCEDURES REPORT

B.2.3.2.3. Summary of the Preliminary economic analysis of the take-over (December 2011) - Continued

Phase 2 of the Project to take over Laško

The second phase of the project to take over Laško was divided into two steps: (i) the restructuring activities, and (ii) the divesting activities. The simulation of the effects of these steps was prepared using the planned data for 2012 as a basis.

The restructuring activities assume additional investments in the infrastructure of Laško Group companies of EUR 50 million (according to the representation of Mercator's management, this was a conservative estimation based on retail experience rather than production one and that later this estimate was decreased to EUR 10 million, based on a more detailed analysis by an external Consultant), using debt financing; optimization of the operations of Laško with an estimated annual increase in EBITDA of EUR 12.5 million; and a decrease in the effective interest rate of Laško's debt to 5.0% per annum. After the restructuring activities (but before the divesting activities), Mercator management's analysis shows that, during the completion of the first part of Phase 2 of the take-over of Laško, the interest cover ratio loan covenant would still not be met.

Mercator Management has made the following representation to us: "Based on the above assumptions, the projected, preliminary, proforma, roughly estimated consolidated balance sheet of the combined Mercator Group and Laško and restructuring of Laško with additional investments of EUR 50 million as presented in this report, show that two out of three loan covenants would be met after the completion of the first step of the second phase, whereby the breached covenant shows minor non material difference (0,07). This was an acceptable and manageable risk due to the fact that additional investments were assumed at a conservative level which was confirmed in the later phase where additional investments amounted to EUR 10 million (as estimated by the external Consultant). With this amount of additional investments all three covenants would be met".

The divesting activities assume the sale of the improved beverage (only brewery and non-alcohol drinks) and media businesses of Laško; and the retention of Radenska. The analysis of Mercator's management shows all loan covenants would be met after the divesting activities are completed, i.e. at the end of phase 2 of the project.

Key assumptions used in the preliminary economic analysis, prepared in December 2011¹⁴

The preliminary analysis of the take-over was prepared by the management of Mercator Group in December 2011 using the following key assumptions:

- ▶ The 2012 plan of Mercator Group includes the effects of sale and lease-back transactions of its real-estate of EUR 250 million.
- ▶ The proforma, consolidated extracts from the financial statements of Mercator Group and Laško as of and for the year ending December 31, 2012 assume that Laško would be consolidated for the entire 12 months ending December 31, 2012.

¹⁴ Preliminary economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (December 2011)

AGREED UPON PROCEDURES REPORT

B.2.3.2.3. Summary of the Preliminary economic analysis of the take-over (December 2011) - Continued

- ▶ The effects of the second phase (restructuring and divesting) are shown as of December 31, 2012, regardless of the fact that Mercator's management assumes that the restructuring and divesting steps would be taken in 2012 and 2013. All estimations of the restructuring effects are included in terms of annual estimated amounts.
- ▶ The restructuring activities include a hypothesis that the cost of debt of Laško will decrease and this transaction would have no impact on the cost of debt of the Mercator Group.
- ▶ The restructuring activities also include estimations made for the annual savings from the optimization of Laško's business and the estimations of additional investments required to restructure Laško. Mercator's management represented to us that these estimations have been assessed internally.
- ▶ The analysis is based on Mercator securing a 100% stake in Laško.

The preliminary analysis performed in December 2011 by the management of Mercator shows that by executing all the phases of the project successfully and as anticipated by management (including the successful disposal of the brewery, non alcoholic drinks and media business of Laško) it would be possible that the loan covenants would be adhered to.

We have received the following statement from the Management of Mercator regarding their compliance with financial loan covenants:

"As regards the relationship with banks, the management planned to re-negotiate the arrangements with the banks, including the financial covenants and other collateral, in the first half of the year 2012, within the real-estate monetisation project. It was management's estimation that based on: (a) the excellent long-term relations with all key banking partners, (b) structure of assets and business of the group, (c) effects of the planned real-estate monetisation project, (d) the majority of banks being co-owners of Mercator and Laško brewery, (e) the banks' expressed intention to dispose of their investments in the Laško brewery, and (e) economic attractiveness of the take-over project, (f) the fact that no assets have been pledged, the re-negotiation of all key arrangements with the banks regarding refinancing, pricing and type of collateral, including financial covenants, will be successful and in line with Mercator's interests, and therefore as such does not represent a key risk."

AGREED UPON PROCEDURES REPORT

B.2.3.2.3. Summary of the minutes of MBC's meeting on December 22, 2011

At the MBC meeting on December 22, 2011 the MBC of Mercator approved the announcement of the intention of executing the take-over of Laško. The underlying reasons put forward for the take-over were the potential synergies between the Mercator Group and the Pivovarna Laško Group, which would result in business efficiency and added value to the shareholders and stabilise the ownership structure.

For the execution of the take-over, the MB commissioned a legal advisor to prepare a legal opinion, appointed a financial advisor as financial advisors, and a consultant to carry out an evaluation of the potential effects of the synergies from the acquisition and subsequent restructuring of Laško.

B.2.3.2.4. Publication of the take-over intent on December 23, 2011

Mercator published the intent for the take-over of Laško on December 23, 2011, following MBC's meeting on December 22, 2011.

We have read the document stating Mercator's intent to take over all of the shares of Laško (with stock exchange shares codes: PILR and PILH). The intention was communicated the following day to the Securities Market Agency (SMA), the management of Laško, the Competition Protection Office (CPO), and representatives of workers at Laško. Mercator's management stated in this document that they had the intention to follow the legal requirements and to publish the take-over bid for the shares of Laško with a related prospectus within 30 days from the date of the published intent (i.e. 30 days from December 23, 2011).

B.3. Internal procedures carried out by Mercator from the date of announcement of Mercator's intention to submit a take-over bid for Laško up to the date of announcement that a take-over bid will not be submitted; and Reports, analysis and other relevant documentation used by Mercator Management to reach its decision not to launch a formal take-over bid for Laško

B.3.1. Introduction

This section focuses on the developments between the date of public announcement of the take-over intention on December 23, 2011 up to the date the management of Mercator decided to withdraw from its plans to issue the take-over bid for Laško, publicly announced on January 19, 2012.

We have carried out the procedures outlined below:

- ▶ We have obtained and read reports, analysis and other relevant documentation, such as legal opinions, commissioned and received from external Legal Advisors, and external valuations of Mercator and Laško commissioned and received from Certified Valuers during the period (i.e. from December 23, 2011 to January 19, 2012), which underpin Mercator management's decision not to continue with the take-over bid.
- ▶ We have obtained, read and summarised the MBC meetings, held during the period from December 23, 2011 to January 19, 2012, so as to present which body accepted the decision to stop the process of the take-over of Laško, and whether this was in accordance with the Internal Acts and/or Statute of Mercator and supported with appropriate documentation (i.e. expert opinions).

Furthermore, Mercator has made other consultations with the Competition Protection Office, the Ministry of Economy and Securities Market Agency, which were also used by management in the course of decision making as regards to the take-over of Laško.

B.3.2. Summary of relevant minutes of the MBC meetings from December 23, 2011 to January 19, 2012

In connection with the proposed take-over of Laško, the MBC discussed and accepted the decision to stop the process of the take-over of Laško at its 3rd MBC Meeting, dated January 19, 2012. The minutes of the MBC meeting held on January 19, 2012 stated that on the basis of new important matters that have come to light during the period from the date announcement of Mercator's intent to submit a take-over bid for Laško (on December 23, 2011) to January 19, 2012.

We have not identified any other important decisions of Mercator's MBC, during the period from December 23, 2011 to January 19, 2012, which could directly be linked to the Laško take-over process.

B.3.3. Summary of documents obtained and read

B.3.3.1. Valuations of Mercator's and Laško's shares

In the process of issuing the take-over bid for Laško, Mercator received a valuation report from Certified Valuers for the valuation of Laško's shares (with stock exchange codes: PILH, PILR). The valuation report, dated January 15, 2012, provided a value of all of Laško's shares, on the basis of a combination of methods comprising the discounted future cash flows and certain multiples of comparable listed companies in the region and worldwide.

The Certified Valuers also prepared a valuation report for Mercator, also based on the request from Mercator's management. The valuation report, dated January 15, 2012, provided a value of one Mercator share (MELR), on the basis of discounted future free cash flows.

As per the representations received from Mercator's management, both above mentioned valuation reports for Laško and Mercator as of September 30, 2011 were used in the process of forming the pricing strategy for the purchase of Laško's shares. The exchange ratio provided in the prospectus submitted to the SMA and also presented in the proposed take-over bid was calculated on the basis of these valuations, was thus 1 MELR share per 12 PILR/PILH shares, valued at EUR 17 each, with an additional EUR 2 cash payment per share to be offered to the shareholders of Laško.

B.3.3.2. Summary of inquiries made by Mercator to the Competition Protection Office and the Ministry of Economy

Mercator has made inquiries with the Competition Protection Office and the Ministry of Economy through the Notification of concentration, relating to the intended take-over bid of Mercator for the acquisition of all shares of Laško, in several documents dated January 9, 2012.

In the interval of events starting from January 9, 2012 and ending on January 23, 2012, Mercator management made several documented inquiries with the SMA or the Ministry of Economy about the process of market concentration in the case of a successful take-over bid for Laško. Finally, on January 20, 2012 a Mercator MB Member notified the Ministry of Economy in writing through a letter the "withdrawal of the notification of concentrations relating to the intended take-over bid of Mercator d.d. Group for the acquisition of all shares of Laško" about the decision of Mercator's management (reached on January 19, 2012), not to go ahead with the take-over bid.

B.3.3.3. Legal opinion and advice obtained from legal advisors

In the period from December 23, 2011 to January 19, 2012 Mercator management received a legal opinion from external Legal Advisors, dated January 18, 2012, detailing the risks of continuing the take-over process of Laško, pursuant to Zpre-1¹⁵. In this legal opinion, the legal advisors mention the risks which would probably arise for Mercator due to the facts which have become apparent from the announcement of the agenda of the proposed Shareholders' General Meeting of Laško, on December 29, 2011.

The risks mentioned in the legal advisors' report are the following (which are items per the agenda of the proposed Shareholders' General Meeting of Laško):

- ▶ Proposed issuance of new shares of Laško
- ▶ Determination of the size and timing of the issuance of new shares of Laško
- ▶ Plans to dispose off Mercator's (with stock exchange code: MELR) shares and share exchange
- ▶ Report on the internal valuation of Laško shares (with stock exchange codes: PILR and PILH)

The legal opinion advised Mercator management to decide on the withdrawal from the acquisition of Laško due to the significant negative facts deriving from the agenda of Laško's General Shareholders' Meeting, which was announced on December 29, 2011.

B.3.3.4. Summary of the Economic analysis of the take-over (January 2012)

In January 2012, the management of Mercator prepared an analysis of the feasibility of the project to take over Laško¹⁶, based on the preliminary analysis prepared in December 2011. The document specifically states "the Management Board of Mercator has considered the potential execution of the strategic project to take over Pivovarna Laško already several times in the past" and that "at the end of December 2011 (the Management Board) decided to carry out a more detailed examination and execution of this project".

This analysis states that the take-over project would be finalised in the same two phases as the preliminary analysis carried out in December 2011.

¹⁵ Take-over Act (published in the Slovene Government Gazette number 79/06, dated July 27, 2006).

¹⁶ Economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (prepared by Mercator's management January 2012)

B.3.3.4. Summary of the Economic analysis of the take-over (January 2012) - Continued

We present below a summary of the two phases of the take-over project of Laško, as presented in this report.

Phase 1 of the project to take over Laško

The following assumptions, contained in the Economic analysis of the take-over (January 2012), were made by Mercator's management when preparing this analysis of the feasibility of the project to take over Laško:

- ▶ The basic financial data are the plans (budgets) for Mercator Group and Laško as of and for the year ending December 31, 2012. The assumptions used were the same as in the preliminary analysis¹⁷ (i.e. the monetisation of real-estate of Mercator Group and estimations of the 2012 plans for Laško).
- ▶ Mercator issues share capital of certain amount and assumes new debt of certain amount for the cash payment part of the take-over, in order to finance the take-over. This assumption is different from the preliminary assumption made to issue a certain amount of shares without debt financing.
- ▶ Laško owns EUR 144 million of Mercator's shares, treated as treasury shares in the proforma, consolidated financial statements after the take-over.
- ▶ Intercompany transactions are eliminated upon consolidation. The amount is based on the value of transactions in 2011.

Based on the above assumptions, included in the economic analysis of the take-over, prepared by Mercator's management in January 2012, the proforma, consolidated financial statements of the combined Mercator Group and Laško, show that two out of the three loan covenants would be met, in the first phase (in accordance with Mercator's management's representation, at the date of closing of the transaction – take-over of Laško).

Phase 2 of the project to take over Laško

The second phase of the project to take over Laško was divided into two steps: (i) the restructuring activities, and (ii) the divesting activities; but the assumptions were changed from those presented in the preliminary economic analysis of the take-over¹⁸.

¹⁷ Preliminary economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (December 2011)

¹⁸ Preliminary economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (December 2011)

B.3.3.4. Summary of the Economic analysis of the take-over (January 2012) - Continued

The estimated additional investment in the infrastructure of Laško companies, as presented in this report, decreased by EUR 40 million, to EUR 10 million, as compared to the figure presented in the Preliminary economic analysis performed by the Management of Mercator in December 2011. According to the representation of Mercator's management, the estimated additional investment in the infrastructure of Laško companies, as per the preliminary economic analysis of the Laško take-over, prepared in December 2011, was a conservative estimation based on retail experience rather than production one and that later this estimate was decreased to EUR 10 million, based on a more detailed analysis by an external Consultant.

The estimated annual savings from the optimization of the brewery business was derived from the Consultant's report on the potential impact of the restructuring of Laško. In the Consultant's report, the anticipated synergies from the take-over of Laško were forecasted to occur within a period from one to two and a half years.

The Consultant's report also states that overall an annual saving could be obtained from better refinancing terms of current debt. The management of Mercator used the lower range of this estimate.

The estimated proceeds from the sale of non-strategic businesses of Laško (brewery, non-alcohol beverages and media) decreased as compared to the same estimate contained in the preliminary economic analysis of the take-over, prepared in December 2011. We understand from the document containing the economic analysis, prepared by Mercator's management in January 2012, that this estimate derived from the valuation performed by Certified Valuers and management's estimations of the synergies.

Based on the above written assumptions used in the evaluation of the second phase of the project, the proforma, consolidated financial statements as of and for the year ending December 31, 2012, after the second phase is anticipated to be completed, show that Mercator would comply with all the loan covenants.

Key assumptions used in the economic analysis of the take-over, performed in January 2012¹⁹

The analysis prepared by the management of the Mercator Group in January 2012 contained the following assumptions:

- ▶ The 2012 plan for Mercator Group includes the effects of sale and lease-back transactions for EUR 250 million of its real-estate.

¹⁹ Economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (prepared by Mercator's management January 2012)

B.3.3.4. Summary of the Economic analysis of the take-over (January 2012) - Continued

- ▶ The proforma, combined / consolidated extracts from the financial statements of Mercator Group and Laško assume that Laško would be consolidated for the entire 12 months ending December 31, 2012.
- ▶ The effects of the second phase (restructuring and divesting) of the take-over plan are shown as of December 31, 2012.
- ▶ The restructuring activities include a hypothesis that the cost of debt of Laško will decrease and this transaction would have no impact on the cost of debt of Mercator Group.
- ▶ The restructuring activities also include estimations of additional investments required to restructure Laško, which were estimated by the external Consultant.
- ▶ The analysis is based on obtaining a 100% stake in Laško.

B.3.3.5. Summary of the "Request for permission for the take-over bid" sent to the SMA on January 18, 2012

The request for the permission of the take-over bid, sent to the SMA on January 18, 2012, contains details on the number of shares of Laško Mercator would like to acquire, the confirmation of the Central Securities Clearing Corporation (CSCC) about a signed contract in relation to the provision of services for the take-over bid and fees paid for this service, the draft prospectus of the take-over bid, a report of Laško's shares that Mercator acquired during the 12 months period prior to the announcement of the take-over intention (report PRE-VP12) and payment of a EUR 12 thousand fee. Mercator also stated that the MB and SB of Mercator will have meetings on January 19, 2012, and if the decision to withdraw from the proposed acquisition of Laško will be accepted, then Mercator's management will follow that decision.

The request filed with the SMA was not submitted with the final version of the take-over bid and prospectus (a draft of the take-over bid and prospectus was submitted at first), which is a normal procedure to follow, in accordance with usual market practice, while the details included in the draft take-over bid and prospectus are being finalised. According to the Act ZPre-1²⁰, the request should include the following: the calculation of the funds needed to be deposited at the CSCC for the cash distribution and the confirmation that these funds were deposited with the CSCC. These documents were not filed with the take-over bid. The explanation provided by Mercator's management to the SMA for their inability to file these documents was that the amount required for the cash distribution was still being calculated in cooperation with the CSCC.

²⁰ Take-over Act (published in the Slovene Government Gazette number 79/06, dated July 27, 2006).

B.3.3.6. Withdrawal of the "Request for permission for the take-over bid" and "Request for consent to withdraw from the take-over intent", submitted to the SMA, dated January 19, 2012

On January 19, 2012, Mercator's management sent to the SMA a withdrawal of the "Request for permission for the take-over bid" and requested for SMA's consent to withdraw the take-over intent submitted to the SMA on January 18, 2012.

The main reason stated for the withdrawal of the "Request for permission for the take-over bid" is the topics for discussion (agenda) at Laško's Shareholders' meeting, announced on December 29, 2011. Mercator's management stated that the following two main items in the agenda of this meeting would affect the take-over bid of Mercator directly:

- (i) The increase of Laško's share capital (new share issue at EUR 10 per share); and
- (ii) The increase of Laško's share capital based on the approved initial share capital.

One of the items of the agenda for this meeting was the ratification of the contracts between Laško, Union, and Radenska, so as to establish Laško's control over Radenska and Union. These contracts were signed on December 27, 2011 and provided that Laško would pay the minority shareholders of Union and Radenska, so as to sell their shares of Mercator to Laško, if they would not agree with the conclusion of this contract. The share exchange ratio was calculated by a Certified Valuer, who assessed the value of Laško shares at EUR 34 per share.

Mercator's arguments for the withdrawal of the take-over intent, as stated in the letter submitted to the SMA by Mercator's Management on January 19, 2012, were as follows:

- ▶ If the shareholders of Laško would vote for the increase in capital as per the agenda of the meeting, this would affect the number of shares Mercator could acquire. Furthermore, the value per new Laško share of EUR 10 is substantially lower than Mercator's offer of EUR 17 plus EUR 2 per share. In addition, the increase of shares, as per point (i) above²¹, would be executed after the final deadline for the acceptance of Mercator's take-over bid, and therefore, it is not possible to predict the effect of dilution of Mercator's shareholding in Laško after Mercator has already obtained the 75% + 1 share majority, required for a successful bid, as it is possible that Mercator would lose the absolute majority in such event.
- ▶ The fact the two Certified Valuers, one appointed by Mercator and one by Laško, assessed the value of shares of Laško with a significant difference between their estimates. The Management of Mercator stated in this letter to the SMA that it is likely to assume that Laško's shareholders would not accept Mercator's take-over bid, if the price per share offered is less than EUR 34, as estimated by the Certified Valuer appointed by Laško. Mercator's offer was EUR 17 plus EUR 2 in cash per share. Mercator stated in the above mentioned letter that the Certified Valuer appointed by Laško had better insights and information, as provided by Laško. Therefore, Mercator's management stated that the Certified Valuer appointed by Laško was more informed.

²¹ The increase of Laško's share capital (new share issue at EUR 10 per share).

AGREED UPON PROCEDURES REPORT

B.3.3.7. Mercator's MBC's meeting on January 19, 2012

On January 19, 2012, Mercator's MBC held a meeting where it got familiar with the economic analysis and reports, prepared by the Management of Mercator or received from external advisors, regarding the take-over of Laško and the memo (dopis) from the Competition Protection Office regarding the anticipated concentration of Mercator and Laško.

The minutes of this meeting stated that the MBC found that the new facts that have arisen from the announced agenda of Laško's Shareholders' Assembly, posed new legal threats that could not be easily removed before or during the take-over and risks, affecting the probability of success of executing the bid. The MBC received the legal opinion from Mercator's external Legal Advisors regarding these risks and the advice not to execute the take-over at this point in time.

The MBC of Mercator decided not to execute the take-over.

B.3.3.8. Mercator's MBC's notification to the SB of the withdrawal of the take-over intent on January 19, 2012

Also on January 19, 2012, a meeting between Mercator's MBC and the SB was held. According to the minutes of this meeting, the MBC presented to the SB the strategic project of taking over Laško and familiarised it with the business reasons, economic reasons and valuations performed.

MB also acquainted the SB with the decision brought at the MBC meeting on the same day that the take-over bid would not be submitted. The reason for this decision was Pivovarna Laško's Shareholders' Assembly, which was convened after the announcement of the take-over intention on December 23, 2011. It was also stated in the minutes of this meeting that this would bring new legal and economic threats that could not be efficiently removed before or during the take-over.

Laško's General Assembly was regarded as a "poison pill" that Mercator could not "swallow". The MBC of Mercator stated to the SB that the proposed decisions of Laško were made with the intent to follow their business interests and the protection of interests of Laško.

Summary of proposed resolutions, outlined in the announced agenda of Laško's Shareholders' Meeting:

- ▶ Issuance of up to 100% of new equity, at EUR 10 per share, which represents less than 30% of the fair value of Laško's share as per the appraisal of the Certified Valuer appointed by Laško,
- ▶ Possibility of issuing approved capital up to 50% of share capital, with no pre-emption right and no price determined, and
- ▶ Ratification of the contract to sell Mercator shares, where certain elements of the contract deviate from best practice and cause an imbalance for the benefit of the buyer. The key terms of the contract were not known to Mercator before the announcement of Laško's Shareholders' Meeting.

EUR 34 was the value of each of Laško's shares as per the result of the valuation carried out by the Certified Valuer, which was deemed by the Management of Mercator to be more informed, as internal information of Laško was used. The fair value of Laško's shares, as estimated by the Certified Valuers, was EUR 19 under the assumption of total control of

MERCATOR D.D.

AGREED UPON PROCEDURES REPORT

Laško (100% of its shares). Taking this price and the value of all effects of Laško's restructuring and related synergies, the price of the share for the investor would not achieve EUR 34 per share (assuming the synergies assessed by the Consultants are incorporated in the price) under the assumption that Mercator would obtain a 75% plus one share ownership in Laško. Mercator used the price of EUR 19 per share in the combined offer with the shares issue and additional cash compensation.

The MBC stated that due to the price difference it was reasonable to assume that the shareholders of Laško would not accept any offer under the price of EUR 34. Due to this fact the MBC decided that the take-over bid of Mercator with a targeted 75% plus one share shareholding as a minimum would not succeed.

B.3.3.8. Mercator's MBC's notification to the SB of the withdrawal of the take-over intent on January 19, 2012 - Continued

The MBC and later also the SB of Mercator decided on January 19, 2012, during their meeting on January 19, 2012, due to the new facts that surfaced after December 23, 2011, not to issue the take-over bid for Laško's shares. On this matter the MBC took the advice of the legal counsel.

B.3.3.9. Mercator's communication with the SMA in connection with the take-over procedure

On January 18, 2012, Mercator submitted a request to the SMA for the latter to issue its consent on Mercator's take-over bid for Laško's shares.

On January 19, 2012, Mercator issued a request to the SMA to withdraw the take-over intent and not to submit to the SMA the take-over bid.

On January 20, 2012, Mercator received from the SMA a resolution, whereby the SMA stopped Mercator's take-over bid for Laško's shares.

On January 26, 2012, Mercator received the SMA's resolution, stating that its request to withdraw the take-over intent was rejected.

The SMA stated that in its request to withdraw the take-over bid Mercator presented the following reasons for the withdrawal of the take-over intent, deriving from the announced agenda of Laško's shareholders' meeting:

- ▶ The planned increase of share capital of Laško for a cash consideration
- ▶ The increase of share capital of Laško from the authorised share capital
- ▶ The ratification of the contract for the sale of Mercator's shares

Mercator supported its arguments based on article 52 of ZPre-1²², that after the announcement of the take-over intent on December 23, 2011 there was a change of circumstances and that buying the shares of Laško would affect Mercator's expectations. The announced agenda of Laško's shareholders' meeting, to be held on January 30, 2012, stated that the independent Valuer evaluated the shares of PILR at EUR 34 per share, which is significantly higher than Mercator's planned offer (of EUR 17 for one Laško share, plus EUR 2 in cash per share).

²² Take-over Act (published in the Slovene Government Gazette number 79/06, dated July 27, 2006).

B.3.3.9. Mercator's communication with the SMA in connection with the take-over procedure - Continued

The SMA argued that Mercator could not justify the withdrawal of the take-over intent in accordance with article 52 of ZPre-1²³ because the announced agenda of Laško's shareholders' meeting was published on December 29, 2011, 20 days prior to Mercator's request to the SMA to withdraw the take-over intent. The SMA also argued that the conditions for such withdrawal, as presented in article 52 of ZPre-1²⁴ had not actually occurred as the shareholders' meeting of Laško was to be held on January 30, 2012 and its shareholders might have chosen not to approve the proposed resolutions.

B.3.3.10. Summary of the draft take-over bid submitted to the SMA

After publishing the intent to submit a bid to take over Laško, Mercator prepared a draft take-over bid.

We obtained the draft take-over bid and the draft take-over prospectus for the acquisition of shares of Laško, submitted to the SMA, dated January 21, 2012, which was submitted to the SMA prior to January 19, 2012, to facilitate the process of review by and approval of the SMA. The final take-over bid was prepared by Mercator but was never submitted to the SMA.

The draft take-over prospectus stated that the deadline for the acceptance of the offer was March 20, 2012. It also stated that the take-over would be binding only if Mercator acquired 75% plus one of Laško's shares.

The main assumption made by Mercator's management for the take-over bid is the acquisition of 100% of the shares of Laško (8.581.732 shares of PILR and 136.171 PILH shares, as Mercator already owns 29.749 shares of PILR, all together 8.747.652 shares). Mercator proposed a combined offer to the shareholders of Laško, by share exchange and additional cash consideration.

In accordance with statements of Mercator's management, the authorization to the MB to proceed with the increase of the share capital and the issuance of new shares was given on the 13th Annual General Assembly of Mercator, held on June 26, 2007. Mercator's MB suggested that such a share exchange would be within the authorizations given to it at the AGM held on June 26, 2007.

²³ Take-over Act (published in the Slovene Government Gazette number 79/06, dated July 27, 2006).

²⁴ Take-over Act (published in the Slovene Government Gazette number 79/06, dated July 27, 2006).

AGREED UPON PROCEDURES REPORT

B.3.4. Our Findings

Based on the agreed upon procedures performed, Mercator's management received from external advisors certain reports (valuation reports and legal opinions), or prepared internally certain procedures, reports and other documentation, in the process of reaching the decision not to continue with the take-over process. The above mentioned reports and documents, which were provided to and read by us, underpin the decision of Mercator not to continue with the take-over bid.

Moreover, the summary of Mercator's MBC and SB meetings, in section **B.3.2.** of this report, shows that the management of Mercator reached its decision not to continue with the take-over of Laško.

Furthermore, the decision of Mercator's management not to continue with the acquisition process is consistent with the MB's authorities, in accordance with the Rules of Procedure of Managing the Mercator Group, provided to us by Mercator's management.

B.4 Proforma, consolidated balance sheet of Mercator under the assumption that Laško was controlled by Mercator

We received two documents with extracts from the proforma, consolidated financial statements, namely the Preliminary economic analysis and justification of the strategic project to take over Laško by Mercator (prepared by Mercator's management in December 2011) and the Economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (prepared by Mercator's management in January 2012). We understand that the decision to announce the take-over intention and to proceed with it was based on the Preliminary economic analysis and justification of the strategic project to take over Laško by Mercator (prepared by Mercator's management in December 2011).

A summary of the Preliminary economic analysis of the take-over and the Economic analysis of the take-over, prepared by Mercator' management in December 2011 and January 2012, respectively are presented in sections **B.2.3.2.3.** and **B.3.3.4.** of this report, respectively.

B.5. Bank loan agreements and financial covenants contained therein

B.5.1. Introduction

We obtained and read a sample of 17 bank loan agreements and accompanying annexes (as applicable) of Mercator with different banks, in force as of December 31, 2011, as provided to us by the management of Mercator.

We summarise below the financial debt covenants contained in the loan agreements we have received and read.

B.5.2. Summary of loan covenants contained in a sample of Mercator's loan agreements

All loan contracts we have received and read contain the same three financial covenants, as follows:

- ▶ The Leverage ratio, which must not exceed a specified amount;
- ▶ The Interest Cover ratio, which must be at least a specified amount; and
- ▶ The Consolidated Net Worth which must be greater than or equal to a specified amount.

We understand from Mercator management's representations that all loan contracts, which include financial covenants, contain the same financial covenants.

The contracts we read clearly state that the financial covenants are calculated on the basis of the consolidated financial statements of the Mercator Group.

In terms of reporting the compliance with financial covenants, all contracts we obtained and read include provisions of reporting requirements as of each financial year-end of the Company. Nevertheless, two syndicated loan agreements we read require the Company to report compliance with financial covenants also based on consolidated, semi-annual, financial statements, as well as one loan contract requires continuous compliance with covenants throughout the year, even though, as stated in this contract, the bank checks compliance with the covenants on an annual basis.

We understand, based on representation from Mercator's management that the take-over of Laško was anticipated to be completed until the end of September 2012, because Mercator's management anticipated that the process of obtaining approval from the Competition Protection Office would take until September 2012 to be completed. We have not been provided with a calculation of the impact on covenants of consolidating Laško for the three month period to December 31, 2012.

AGREED UPON PROCEDURES REPORT

We received the following statement from the Management of Mercator regarding their compliance with financial loan covenants:

"As regards the relationship with banks, the management planned to re-negotiate the arrangements with the banks, including the financial covenants and other collateral, in the first half of the year 2012, within the real-estate monetisation project. It was management's estimation that based on: (a) the excellent long-term relations with all key banking partners, (b) structure of assets and business of the group, (c) effects of the planned real-estate monetisation project, (d) the majority of banks being co-owners of Mercator and Laško brewery, (e) the banks' expressed intention to dispose of their investments in the Laško brewery, and (e) economic attractiveness of the take-over project, (f) the fact that no assets have been pledged, the re-negotiation of all key arrangements with the banks regarding refinancing, pricing and type of collateral, including financial covenants, will be successful and in line with Mercator's interests, and therefore as such does not represent a key risk."

Moreover, all loan contracts, which we obtained and read, contain the requirement for the borrower to inform the creditors of any other matter which might reasonably be expected to affect the ability of the borrower to fully perform his material obligations and which might have a material adverse effect on the financial condition of the borrower.

Based on the Preliminary analysis of the take-over, prepared by Mercator's management in December 2011²⁵, Mercator's management assessed that the net financial debt of Mercator Group would increase by EUR 358 million in the first phase of the Laško take-over project (i.e. before restructuring Laško and divesting significant parts of it).

Our comments on the loan covenants compliance of Mercator, as prepared by Mercator's management during the take-over process of Laško, are presented in sections **B.2.3.2.3.** and **B.3.3.4.** of this report, which present a summary of the Preliminary economic analysis of the take-over and the Economic analysis of the take-over of Laško, as prepared by Mercator's management in December 2011 and January 2012, respectively.

²⁵ Preliminary economic analysis and justification of the strategic project to take over Pivovarna Laško by Mercator (December 2011)

Annex 1 – Decision included in the Minutes of Mercator d.d.'s
Annual General Meeting (AGM), held on March 30, 2012

Item 6 on the Agenda: Appointment of a special auditor to review individual Company transactions

AGM DECISION:

The general meeting of shareholders hereby appoints Ernst & Young Revizija, poslovno svetovanje, d.o.o., Dunajska cesta 111, 1000 Ljubljana, as the special auditor to review the Company's transactions. The special auditor is to review all the Company's transactions associated with the takeover intent and takeover bid for acquisition of shares issued by PIVOVARNA LAŠKO, d.d., Trubarjeva ulica 28, 3270 Laško, share symbol PILR and PILH as well as those relating to the takeover intent and takeover bid for these shares in the past five year period prior to adoption of this decision. In addition, the special auditor is to review the takeover intent and takeover bid for acquisition of shares issued by PIVOVARNA LAŠKO, d.d., share symbol PILR and PILH. As part of its review of business conduct, the special auditor should in particular review the appropriateness of the decision (in terms of legal and formal aspects, economic viability and advisability) to announce the takeover intent and takeover bid for acquisition of shares issued by PIVOVARNA LAŠKO d.d., share symbol PILR and PILH, the implementation (in view of transparency, economic viability and advisability) of the announcement of the takeover intent and the takeover bid for acquisition of shares issued by PIVOVARNA LAŠKO d.d., share symbol PILR and PILH, as well as the impact of the takeover intent and the takeover bid for acquisition of shares issued by PIVOVARNA LAŠKO d.d., share symbol PILR and PILH on the Company's operations (in view of economic viability and advisability, as well as in terms of exposure to risks, risk management and in view of its financial and accounting impact).

The special auditor must prepare a written report including its findings with regards to all transactions indicated in the decision of the general meeting of shareholders in accordance with the provisions of Article 320 of the Companies Act (ZGD-1).

Annex 2. List of documents received and read

Number	Document title	Document date
1	13th Annual General Shareholder meeting - invitation 27.5.2007	27.05.2007
2	13th Annual General Shareholder meeting - accepted decisions 27.6.2007	27.06.2007
3	Act on Management Board of Mercator Group	30.03.2010
4	Notarised document - Statute of the Poslovni sistem Mercator PLC	15.07.2010
5	Rules and Procedure of the Management Board of Mercator Group	23.12.2009
6	Pivovarna Laško d.d. - Annual Report 2010	28.03.2011
7	Strategic association with Pivovarna Laško - basis for discussion	2011 May
8	Statute of the public limited company Pivovarna Laško d.d. (consolidated text)	24.06.2011
9	Notarised document pursuant to Article 332/1 of ZGD-1	24.06.2011
10	Pivovarna Laško - financial data for the period January 2011 to September 2011	24.11.2011
11	Preliminary economic analysis and justification of the financial sustainability of the transaction	2011 December
12	Preliminary economic analysis and justification of the strategic take-over of Pivovarna Laško by Mercator	2011 December
13	Minutes of the 3rd conference call of MBC held on 22 December 2011	22.12.2011
14	The take-over Intent for acquisition of all the shares of Pivovarna Laško d.d.	23.12.2011
15	The take-over intent for acquisition of all shares of Pivovarna Laško d.d.	22.12.2011
16	The take-over intent for acquisition of all shares of Pivovarna Laško d.d. - sent to the Securities Market Agency	22.12.2011

AGREED UPON PROCEDURES REPORT

Number	Document title	Document date
17	The take-over intent for acquisition of all shares of Pivovarna Laško d.d. - sent to the Competition Protection Office	22.12.2011
18	The take-over intent for acquisition of all shares of Pivovarna Laško d.d. - sent to Pivovarna Laško, d.d.	22.12.2011
19	The take-over intent for acquisition of all shares of Pivovarna Laško d.d. - sent to Pivovarna Laško, d.d.	22.12.2011
20	The take-over intent for acquisition of all shares of Pivovarna Laško d.d. - sent to SMA	22.12.2011
21	The take-over intent for acquisition of all shares of Pivovarna Laško d.d. - sent to SMA	22.12.2011
22	The take-over intent published in the newspaper (copy)	22.12.2011
23	Acknowledgement of receipt of all the Take-over intents for Pivovarna Laško sent (6 acknowledgements)	23.12.2011
24	Rules of Procedure of managing the Mercator Group	no date on document
25	Proposal for the control and organisation of the contractual associated group (between Pivovarna Laško d.d. and Radenska d.d.)	27.12.2011
26	Contract for the control and organisation of the contractual associated group (between Pivovarna Laško d.d. and Pivovarna Union d.d.)	27.12.2011
27	Proposal for the resolution concerning supplements to the Statute (authorised capital) - requested by Kapitalaska družba, d.d. on December 20, 2011	29.12.2011
28	Proposal for the resolution for rescheduling of financial liabilities	29.12.2011
29	Proposal for the resolution relating to the informing and consent of the general meeting to the Contract for the sale and acquisition of shares of Poslovni sistem Mercator d.d.	29.12.2011
30	Proposal for the resolution relating to the consent to the performance of the supervision in the subsidiary entities	29.12.2011
31	Proposal for the resolution relating to amendments to the Statute	29.12.2011
32	Proposal for the resolution for determination of remuneration of members of the Supervisory Board	29.12.2011

AGREED UPON PROCEDURES REPORT

Number	Document title	Document date
33	Call to the 19th General Meeting of Shareholders of Pivovarna Laško, d.d., Trubarjeva 28, Laško (pursuant to Articles 281 and 293 of ZGD-1; Article 47 of ZPre-1 and Article 26 of the Statute) and proposed resolutions	29.12.2011
34	Proposal for the resolution to increase the share capital through cash contributions (capital increase)	29.12.2011
35	Proposal for the resolution on the General Meeting's consent to contracts on control and amendments to the Statute (authorised capital)	29.12.2011
36	Economic analysis and justification of the strategic project of the take-over of Pivovarna Laško by Mercator	2012 January
37	Contract for Valuation of Pivovarna Laško d.d. and Mercator d.d.	04.01.2012
38	Contact No. _ for Consultation Services	09.01.2012
39	Notification of concentrations relating to the intended take-over bid of Poslovni sistem Mercator, d.d. for acquisition of all shares issued by Pivovarna Laško d.d. sent to the Competition Protection Office	09.01.2012
40	Notification of concentrations form (confidential format)	09.01.2012
41	Notification of concentrations form (non-confidential format)	09.01.2012
42	Contract for the performance of services associated with the shares take-over bid pursuant to the Merger and Acquisitions Act	12.01.2012
43	Amendment and counter proposal to Item 6 of the Agenda of the 19th General Meeting of Shareholders of Pivovarna Laško, d.d.	12.01.2012
44	Profile of the Contractor and Proposal for the Opinion regarding the fairness of the transaction	13.01.2012
45	Supplement to the notification of concentrations relating to the intended take-over bid of Poslovni sistem Mercator, d.d. for acquisition of all shares issued by Pivovarna Laško d.d. sent to the Competition Protection Office	13.01.2012
46	Notification of concentrations form (confidential format)	13.01.2012
47	Notification of concentrations form (non-confidential format)	13.01.2012
48	Letter by Mercator d.d. to the Competition Protection Office of the Republic of Slovenia	16.01.2012

AGREED UPON PROCEDURES REPORT

Number	Document title	Document date
49	Potential impact of the restructuring of the Pivovarna Laško Group - Final report	16.01.2012
50	Pivovarna Laško d.d. - Report on assessment of the value of the share capital as at September 30, 2011	15.01.2012
51	Mercator d.d - Report on assessment of the value of the share capital as at September 30, 2011	15.01.2012
52	Risk of continued take-over process of Pivovarna Laško d.d., pursuant to Zpre-1, after new facts came to light - Legal Opinion	18.01.2012
53	Reply to the request of Mercator d.d. for opinion of the Office concerning admissibility of the intended conduct of PS Mercator d.d. in the matter of notification of concentrations (Competition Protection Office of RS)	18.01.2012
54	Request for permission for the take-over bid	18.01.2012
55	Withdrawal of the Request for permission for the take-over bid and request for consent to withdraw from the take-over intent	19.01.2012
56	Invitation to attend the 3rd meeting - Decision on the take-over of Pivovarna Laško d.d. and proposal for discussion at the meeting of the Board of Directors	19.01.2012
57	Minutes of the 3rd meeting of the Management Board Committee of the Mercator Group	19.01.2012
58	17th session of the Supervisory Board of the Poslovni sistem Mercator d.d.	19.01.2012
59	Resolutions of the 17th session of the Supervisory Board of the Poslovni sistem Mercator d.d., relating to the take-over bid for the shares of Pivovarna Laško, d.d.	19.01.2012
60	Resolutions 2 through to 5 of the Statute of Mercator d.d.	no date on document
61	Resolution of the Securities Market Agency relating to the request for permission for the take-over bid of Mercator d.d.	20.01.2012
62	Resolution of the Securities Market Agency relating to the request of Mercator d.d. to issue consent to withdraw from the take-over intent dated January 19, 2012	20.01.2012
63	The take-over bid including the take-over prospectus for acquisition of shares of the target company Pivovarna Laško, d.d. pursuant to the Securities Market Agency	21.01.2012

AGREED UPON PROCEDURES REPORT

Number	Document title	Document date
64	E-mail for the withdrawal of the notification of concentrations relating to the intended take-over bid of Mercator d.d. for acquisition of all shares of Pivovarna Laško d.d.	23.01.2012
65	Certificate of payment made by Mercator d.d. to the Securities Market Agency (SMA)	24.01.2012
66	E-mail from the financial advisors to the Management of Mercator concerning the take-over bid for Pivovarna Laško	25.01.2012
67	Securities Market Agency decision relating to the request of Mercator d.d. for the issue of consent to withdraw from the take-over intent dated January 19, 2012	26.01.2012
68	Brief description of how transactions associated with the take-over intent for the acquisition of all shares of Pivovarna Laško, d.d. were managed, including list of appendices or material that provided the basis for the decision.	27.01.2012
69	Appeal against the Decision No.40201-19/2001-11 of the Securities Market Agency dated January 26, 2012	01.02.2012
70	Sample of loan contracts for most relevant and significant contracts of Mercator d.d. at December 31, 2011	
71	E-Mail from a Mercator Management Board member describing the process of take-over intention and take-over bid	28.05.2012

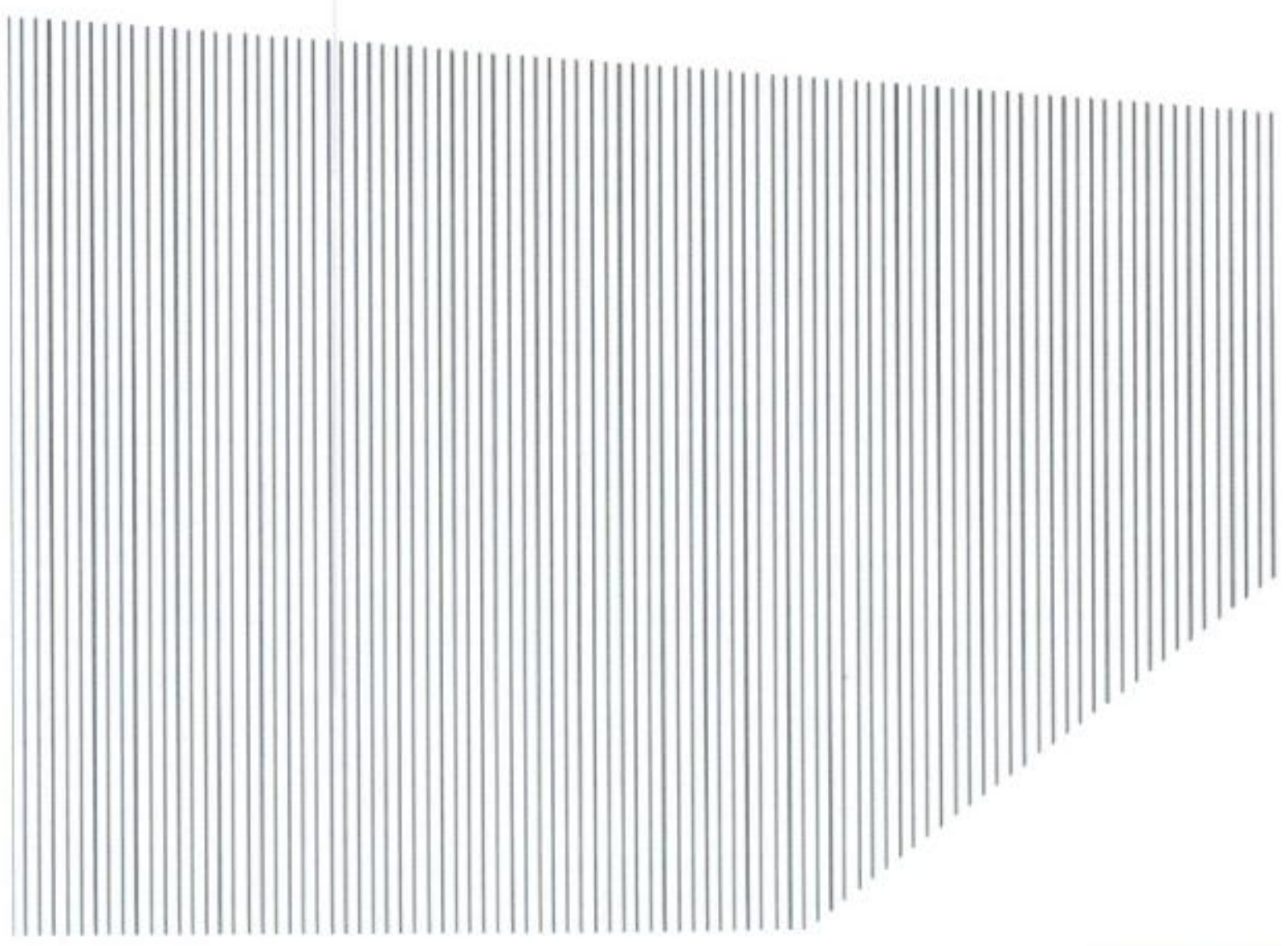
Ernst & Young

Assurance | Tax | Transactions | Advisory

www.ey.com

© 2008 EYGM Limited.

All Rights Reserved.



europass

Europass Curriculum Vitae



Personal information

Surname/First name

Jaklič Marko

Address

Zgornje Pirniče 22, 1215 Medvode, Slovenia

Telephone

+38613623050 Mobile phone: +38640204005

Fax

+38615892698

E-mail

Marko.Jaklic@ef.uni-lj.si

Nationality

Slovenian

Date of birth

November 25, 1962

Gender

Male

Occupational field

Professor of business administration

Work experience

Dates

1988 – present

Occupation or position held

Professor

Main activities and responsibilities

teaching, research, consulting, management

Name and address of the employer

University of Ljubljana, Faculty of Economics

Type of business or sector

Education/research, public

Dates

2010 – end of 2013

Occupation or position held

Head of Laboratory for Open Innovation Systems

Main activities and responsibilities

management, research, consulting

Name and address of the employer

COBIK Centre of Excellence

Type of business or sector

research, public-private partnership

Education and training

Dates

1990-1993

Title of qualification awarded

Doctor of Philosophy

Principal subjects

Economics

Name and type of organisation providing education and training

University of Ljubljana, Faculty of Economics

Level in national or international classification

Doctoral, science

Dates

1988-1990

Title of qualification awarded

Master of Arts

Principal subjects

Economics

Name and type of organisation providing education and training | New School for Social Research, New York, ZDA

Level in national or international classification | Master of Arts

Dates | 1982-1987

Title of qualification awarded | University diploma / Bachelor of Arts

Principal subjects | Economics and business administration

Name and type of organisation providing education and training | University of Ljubljana, Faculty of Economics

Level in national or international classification | University degree / Bachelor of Arts

Personal skills and competences

Mother tongue | **Slovenian**

Other languages

Self-assessment

European level ()*

English

Croatian

German

Italian

French

Understanding		Speaking		Writing
Listening	Reading	Spoken interaction	Spoken production	
C2	C2	C2	C2	C2
C2	C2	C2	C2	C2
B1	B1	B1	B1	B1
A2	A2	A2	A2	A2
A2	A2	A2	A2	A2

(*) Common European Framework of Reference for Languages

Organizational skills and competences | Vice-dean at Faculty of Economics in Ljubljana (6 years), management of the Laboratory for Open Information Systems (3 years), management of several international and local research and consulting projects

Computer skills and competences | MS Office, SPSS

Other skills and competencies (relevant for the position of a Supervisory Board member) | Sat on the supervisory boards of SID banka (two terms), Elan, HIT (chairman). Currently the supervisory board chairman at TST Gostol, d.d.

Member of the exam committee for the supervisory board member's certificate with the Slovenian Director's Association (field of strategy and business ethics) and occasional lecturer for this association.

Driver's licence | B

Appendices | Selected bibliography

Selected scientific bibliography (author or co-author)

- Authentic Leadership, Creativity, and Innovation: A multilevel perspective, Leadership, 2012
- Organizational Learning Culture and Innovativeness in Turkish Firms, Journal of Management and Organization, Vol. 18, Iss 2, March 2012
- Organizational Learning Culture and Innovativeness in Turkish Firms, Journal of Management and Organization, Vol 18, Iss 2, March 2012
- Resort Casino Development and Its Linkage to National and International Turism: A Slovenian Perspective, in Integrated Resort Casinos - Implications for Economic Growth and Social Impacts, Reno: Institute for the Study of Gambling and Commercial Gaming, 2009
- Slovenian Evolutionary Business System Dynamics, in New Modes of Globalizing: Experimentalist

Forms of Economic Organization and Enabling Welfare Institutions - Lessons from the Nordic Countries and Slovenia, Helsinki: HSE, 2009

- The shadow economy and its impact on national competitiveness: the case of Slovenia. South East European journal of economics and business, Apr. 2009, vol. 4, no. 1, str. 37-50.
- Cluster Policy Implementation and Evaluation in Slovenia: Lessons from a Transition Economy, v Technological Change and Mature Industrial Regions, eds. M. Farshchi, O. E. M. Janne, P. McCann, Edward Elgar, 2009
- Collective Learning Channels in Clusters, Economic and Business Review, Vol. 10, No. 4, 2008
- How does collective learning in clusters contribute to innovation? Science and Public Policy, 2008
- Leadership, 11 Clusters: Attributes of Effective Cluster Leader in Slovenia. International Journal of Scholarly Papers Transformations in Business and Economics 7(2) 2008
- Analysis of reliability of the leadership practices inventory in the item response theory framework, International Journal of Selection and Assessment, 14(2), 2006
- A Comparison of Clusters in Slovenia, Austria and Italy, in Janez Prašnikar (ed), Medium Sized Firms and Economic Growth, New York, Nova Science Publishers 2004
- Symbolic Interactionism Approach to Study Socio-Economic Development in Slovenia, East European Quarterly, Vol. 38, Issue 1, 2004, str. 109-127
- Path Dependence and Contractual Relations in Emergent Capitalism: Contrasting State Socialist legacies and Inter-firm Cooperation in Hungary and Slovenia, Organization Studies, Vol. 24, Issue 1, 2003
- Ustvarjanje uspešnega podjetja, GVZ, Ljubljana 2003
- Rationality and Slovenian Managers' Perception of Shareholder Value, Economic and Business Review, Vol 4, No 1, 2002, p. 5-24-Networks and Regional Development in CEEC - the Slovene example, in W. Schrittwieser, Handbuch fuer Kooperationen und Netzwerke - Grundlagen und Beispiele, Vienna: WU Service Verlag, 2001-Success Without Shock Therapy in Eastern Europe: the Case of Slovenia, in Sigrid Quack, Glenn Morgan, Richard Whitley (ed.). National Capitalisms, Global Competition and Economic Performance. Amsterdam/Philadelphia: John Benjamins Publishing Company, 2000.
- Slovenski managerski izziv, GVZ, Ljubljana 1997
- Trust and Contractual Relations Between Companies in a Transitional Economy: The Case of Slovenia, Economic Analysis, I, 1999 -Changing Organizational Structures in Slovenia, (Journal for East European Management Studies, Vol 4, No 1, str. 197-215
- Internationalization Strategies, Networking and Functional Discretion, Competition and Change: The Journal of Global Business and Political Economy, Volume 3, Iss. 4, pp 359-385. 1998
- The Development of the Governance System in Slovenia, Journal of European Business Education, Vol 7, No.1, 1997, pp. 22-42

ARTICLES OF ASSOCIATION OF THE PUBLIC LIMITED/JOINT STOCK COMPANY

POSLOVNI SISTEM MERCATOR, d.d.

Pursuant to the Companies Act (Official Journal of the Republic of Slovenia 30/93, 29/94, and 82/94), the Shareholders Assembly of the company POSLOVNI SISTEM MERCATOR, d.d., adopted on May 30th 1995 (May thirtieth nineteen ninety-five) the Articles of Association of the public limited company / joint stock company Poslovni sistem Mercator, d.d.; at the 1st (first) Shareholders Assembly of Poslovni sistem Mercator, d.d., following the registration of the ownership restructuring of the company into the Court Register on November 23rd 1995 (November twenty-third nineteen ninety-five); at the 2nd (second) Shareholders Assembly on December 19th 1996 (December nineteenth nineteen ninety-six), at the 3rd (third) Shareholders Assembly on June 20th 1997 (June twentieth nineteen ninety-seven), at the 4th (fourth) Shareholders Assembly on November 17th 1998 (November seventeenth nineteen ninety-eight), at the 8th (eighth) Shareholders Assembly on May 31st 2002 (May thirty-first two thousand two), at the 13th (thirteenth) Shareholders Assembly on June 27th 2007 (June twenty-seventh two thousand seven), at the 16th (sixteenth) Shareholders Assembly on July 13th 2010 (July thirteenth two thousand ten), at the 18th (eighteenth) Shareholders Assembly on March 30th 2012 (March thirtieth two thousand twelve), and at the 19th (nineteenth) Shareholders Assembly on June 18th 2013 (June eighteenth two thousand thirteen), changes and amendments thereto were adopted so that the consolidated text is as follows:

ARTICLES OF ASSOCIATION OF THE PUBLIC LIMITED/JOINT STOCK COMPANY POSLOVNI SISTEM MERCATOR, D.D.

I. GENERAL PROVISIONS

1. Article 1 (one)

These Articles of Association define:

- general provisions,
- name and residence resp. name and seat of founders,
- name and seat of the company,
- representation,

- company activity,
- share capital amount, share number,
- company bodies,
- restraint of trade,
- measures for increase and decrease of share capital,
- possible ways to use or allocate the distributable profit,
- relations in the group,
- company dissolution,
- business secret,
- rules and other company acts,
- informing of shareholders,
- transitional and final provisions.

2. Article 2 (two)

Based on the Law on Enterprises (Official Gazette of the SFRY Nos. 77/88, 40/89) the former members of SOZD MERCATOR KIT, n.sub.o. on managing bodies in the period from 5 (the fifth) and 27 December 1989 (the twenty-seventh of December one thousand nine hundred and eighty-nine) concluded the Contract on foundation of Poslovni sistem Mercator, d.d., Ljubljana as a composite form of enterprise integration.

By the end of 1992 (one thousand nine hundred and ninety-two) the unpayable transfers of the members' social capital to the holding enterprise were registered which thus became a majority owner of members. In this way the actual group has been formed concentrating social capital among its sources of assets.

The Programme of ownership transformation of Poslovni sistem Mercator, d.d., Ljubljana was adopted by the Shareholders Assembly of Poslovni sistem Mercator, d.d., Ljubljana on the 19 (nineteenth) May and 9 September 1994 (the ninth of September one thousand nine hundred and ninety-four); according to this Programme 40 (forty) % of social capital is designated to three funds and 60 (sixty) % to public sale of shares. On the 28 September 1994 (the twenty-eighth of September one thousand nine hundred and ninety-four) it was approved by the Agency of the Republic of Slovenia for Reconstructing and Privatization. The public sale of shares of Poslovni sistem Mercator, d.d., Ljubljana was carried out in the period from 20 (the twentieth) October to 18 November 1994 (the eighteenth of November one thousand nine hundred and ninety-four).

3. Article 3 (three)

The Companies Act is used directly unless otherwise determined by these Articles of Association.

4. Article 4 (four)

Poslovni sistem Mercator, d.d. is a business company organized as a joint-stock company performing a gainful activity and appearing on the market with the objective of profit making.

The company is a legal entity registered in the court register and has all authorizations in legal transactions.

The company is responsible for its liabilities with its total property, whereas shareholders bear no responsibility for the liabilities of the company.

The company has been founded for an indefinite period.

5. Article 5 (five)

Poslovni sistem Mercator is an actual group in which the company Poslovni sistem Mercator d.d. is a controlling company. The companies of the group are those companies in which the controlling company owns directly or indirectly the majority share or the majority of voting rights, and which are under its actual unified management.

The group Poslovni sistem Mercator has been founded with the aim of:

- profit increase in each group company and the group as a whole,
- common balanced development of all companies,
- the best and the greatest possible supply of consumer goods and services in Slovenia,
- greater competitiveness, efficiency and successfulness,
- guidance of goods flows,
- coordinated appearance on home and foreign markets in purchase and sale,
- financing of current operating and development with joint means,
- security, joint liquidity and the best possible yield in money transactions.

Poslovni sistem Mercator, d.d. as a holding company of the group directs and coordinates goods and market flows in the group, consolidates financial resources of members for securing current financial operations and investments and coordinates the development of members, develops mutual business connections and establishes their organizational and technological progress.

When speaking about company or group bodies, the same bodies are meant.

II. NAME AND SEAT OF FOUNDER

6. Article 6 (six)

In the sense of the company transformation according to the Company Law, the company founders are as follows:

- Development Fund of the Republic of Slovenia, Ljubljana, Kotnikova 28 (twenty-eight),
- Old-Age Pension and Disablement Insurance Capital Fund, Ljubljana, Mala ulica 5 (five),
- Slovenian Compensation Fund, Ljubljana, Dunajska 22 (twenty-two),
- 14 (fourteen) agricultural cooperatives as per the list and the company MERCATOR-ROŽNIK, d.d., Ljubljana,
- natural persons as per the list.

III. NAME AND SEAT OF THE COMPANY

7. Article 7 (seven)

Name of the company: POSLOVNI SISTEM MERCATOR, d.d. (hereinafter referred to as the company)

Shortened/abbreviated name of the company: MERCATOR, d.d.

A constituent part of the company is a collective logo MERCATOR representing a common exterior sign of affiliation to the group.

The collective logo "M" comprises a mark resp. symbol made up of an abstract symbol of stylized letter "M" and a logo Mercator in Folio Extra Bold type font. The obligatory colours in colour execution are: symbol - red (pantone 1935 – one thousand nine hundred and thirty-five), logo - grey (pantone 425 – four hundred and twenty-five).

The use of the collective logo MERCATOR by members and in legal transactions is determined by rules adopted by the Management Board.

The full or the shortened name and seat of the company is used on company stamps.

8. Article 8 (eight)

The seat of the company is in Ljubljana.

IV. REPRESENTATION

9. Article 9 (nine)

The Management Board acts for and represents the company against third persons unlimitedly.

10. Article 10 (ten)

Upon previous consent of the Supervisory Board, the Management Board can grant a power of attorney to one or more persons.

V. COMPANY ACTIVITY

11. Article 11 (eleven)

Company activities include the following:

- 01.110 Growing of cereals (except rice), leguminous crops and oil seeds
- 01.120 Growing of rice
- 01.130 Growing of vegetables and melons, roots and tubers
- 01.140 Growing of sugar cane
- 01.150 Growing of rice
- 01.160 Growing of fiber crops
- 01.190 Growing of other non-perennial crops
- 01.210 Growing of grapes
- 01.220 Growing of tropical and subtropical fruits
- 01.230 Growing of citrus fruits
- 01.240 Growing of pome fruits and stone fruits
- 01.250 Growing of other tree and bush fruits and nuts
- 01.260 Growing of oleaginous fruits
- 01.270 Growing of beverage crops
- 01.280 Growing of spices, aromatic, drug and pharmaceutical crops
- 01.290 Growing of other perennial crops
- 01.300 Plant propagation
- 01.610 Support activities for crop production
- 01.620 Support activities for animal production
- 01.630 Post-harvest crop activities
- 01.640 Seed processing for propagation
- 02.100 Silviculture and other forestry activities
- 02.200 Logging
- 02.300 Gathering of wild growing non-wood products
- 02.400 Support services to forestry
- 10.130 Production of meat and poultry meat products
- 10.310 Processing and preserving of potatoes
- 10.320 Manufacture of fruit and vegetable juice

10.390 Other processing and preserving of fruit and vegetables
10.410 Manufacture of oils and fats
10.520 Manufacture of ice cream
10.710 Manufacture of bread; manufacture of fresh pastry goods and cakes
10.720 Manufacture of rusks and biscuits; manufacture of preserved pastry goods and cakes
10.730 Manufacture of macaroni, noodles, couscous and similar farinaceous products
10.850 Manufacture of prepared meals and dishes
10.890 Manufacture of other food products not elsewhere classified
11.010 Distilling, rectifying and blending of spirits
11.020 Manufacture of wine from grape
13.300 Finishing of textiles
14.130 Manufacture of other outerwear
16.100 Sawmilling and planing of wood
16.220 Manufacture of assembled parquet floors
16.230 Manufacture of other builders' carpentry and joinery
17.230 Manufacture of paper stationery
18.120 Other printing
18.140 Binding and related services
19.200 Manufacture of refined petroleum products
23.200 Manufacture of refractory products
23.410 Manufacture of ceramic household and ornamental articles
23.420 Manufacture of ceramic sanitary fixtures
23.430 Manufacture of ceramic insulators and insulating fittings
23.440 Manufacture of other technical ceramic products
23.490 Manufacture of other ceramic products
25.120 Manufacture of doors and windows of metal
25.620 Machining
25.930 Manufacture of wire products, chain and springs
25.940 Manufacture of fasteners and screw machine products
33.120 Repair of machinery
41.100 Development of building projects
41.200 Construction of residential and non-residential buildings
42.110 Construction of roads and motorways
42.120 Construction of railways and underground railways
42.130 Construction of bridges and tunnels
42.210 Construction of utility projects for fluids
42.220 Construction of utility projects for electricity and telecommunications
42.910 Construction of water projects
42.990 Construction of other civil engineering projects not elsewhere classified
43.110 Demolition
43.120 Site preparation
43.130 Test drilling and boring
43.210 Electrical installation
43.220 Plumbing, heat and air conditioning installation
43.290 Other construction installation
43.310 Plastering
43.320 Joinery installation
43.330 Floor and wall covering
43.341 Glazing
43.342 Painting
43.390 Other building completion and finishing
43.910 Roofing activities
43.990 Other specialized construction activities not elsewhere classified
45.110 Sale of cars and light motor vehicles
45.190 Sale of other motor vehicles
45.200 Maintenance and repair of motor vehicles

45.310 Wholesale trade of motor vehicle parts and accessories
45.320 Retail trade of motor vehicle parts and accessories
45.400 Sale, maintenance and repair of motorcycles and related parts and accessories
46.110 Agents involved in the sale of agricultural raw materials, live animals, textile raw materials and semi-finished goods
46.120 Agents involved in the sale of fuels, ores, metals and industrial chemicals
46.130 Agents involved in the sale of timber and building materials
46.140 Agents involved in the sale of machinery, industrial equipment, ships and aircraft
46.150 Agents involved in the sale of furniture, household goods, hardware and ironmongery
46.160 Agents involved in the sale of textiles, clothing, fur, footwear and leather goods
46.170 Agents involved in the sale of food, beverages and tobacco
46.180 Agents specialized in the sale of other particular products
46.190 Agents involved in the sale of a variety of goods
46.210 Wholesale of grain, unmanufactured tobacco, seeds and animal feeds
46.220 Wholesale of flowers and plants
46.230 Wholesale of live animals
46.240 Wholesale of hides, skins and leather
46.310 Wholesale of fruit and vegetables
46.320 Wholesale of meat and meat products
46.330 Wholesale of dairy products, eggs and edible oils and fats
46.340 Wholesale of beverages
46.350 Wholesale of tobacco products
46.360 Wholesale of sugar and chocolate and sugar confectionery
46.370 Wholesale of coffee, tea, cocoa and spices
46.380 Wholesale of other food, including fish, crustaceans and molluscs
46.390 Non-specialized wholesale of food, beverages and tobacco
46.410 Wholesale of textiles
46.420 Wholesale of clothing and footwear
46.430 Wholesale of electrical household appliances
46.440 Wholesale of china and glassware and cleaning materials
46.450 Wholesale of perfume and cosmetics
46.460 Wholesale of pharmaceutical goods
46.470 Wholesale of furniture, carpets and lighting equipment
46.480 Wholesale of watches and jewellery
46.490 Wholesale of other household goods
46.510 Wholesale of computers, computer peripheral equipment and software
46.520 Wholesale of electronic and telecommunications equipment and parts
46.610 Wholesale of agricultural machinery, equipment and supplies
46.620 Wholesale of machine tools
46.630 Wholesale of mining, construction and civil engineering machinery
46.640 Wholesale of machinery for the textile industry and of sewing and knitting machines
46.650 Wholesale of office furniture
46.660 Wholesale of other office machinery and equipment
46.690 Wholesale of other machinery and equipment
46.710 Wholesale of solid, liquid and gaseous fuels and related products
46.720 Wholesale of metals and metal ores
46.730 Wholesale of wood, construction materials and sanitary equipment
46.740 Wholesale of hardware, plumbing and heating equipment and supplies
46.750 Wholesale of chemical products
46.760 Wholesale of other intermediate products
46.770 Wholesale of waste and scrap
46.900 Non-specialized wholesale trade
47.110 Retail sale in non-specialized stores with food, beverages or tobacco predominating
47.190 Other retail sale in non-specialized stores
47.210 Retail sale of fruit and vegetables in specialized stores
47.220 Retail sale of meat and meat products in specialized stores

47.230 Retail sale of fish, crustaceans and molluscs in specialized stores
47.240 Retail sale of bread, cakes, flour confectionery and sugar confectionery in specialized stores
47.250 Retail sale of beverages in specialized stores
47.260 Retail sale of tobacco products in specialized stores
47.290 Other retail sale of food in specialized stores
47.301 Retail sale of own motor fuels
47.302 Agents involved in the retail of motor fuels
47.410 Retail sale of computers, peripheral units and software in specialized stores
47.420 Retail sale of telecommunications equipment in specialized stores
47.430 Retail sale of audio and video equipment in specialized stores
47.510 Retail sale of textiles in specialized stores
47.520 Retail sale of hardware, paints and glass in specialized stores
47.530 Retail sale of carpets, rugs, wall, and floor coverings in specialized stores
47.540 Retail sale of electrical household appliances in specialized stores
47.590 Retail sale of furniture, lighting equipment and other household articles not elsewhere classified in specialized stores
47.610 Retail sale of books in specialized stores
47.621 Retail sale of newspapers and magazines in specialized stores
47.622 Retail sale of paper and stationery in specialized stores
47.630 Retail sale of music and video recordings in specialized stores
47.640 Retail sale of sporting equipment in specialized stores
47.650 Retail sale of games and toys in specialized stores
47.710 Retail sale of clothing in specialized stores
47.720 Retail sale of footwear and leather goods in specialized stores
47.730 Dispensing chemist in specialized stores
47.740 Retail sale of medical and orthopaedic goods in specialized stores
47.750 Retail sale of cosmetic and toilet articles in specialized stores
47.761 Retail sale of flowers, plants, seeds, fertilizers, pet animals and pet food in specialized stores
47.762 Retail sale of gardening equipment and pets in specialized stores
47.770 Retail sale of watches and jewellery in specialized stores
47.781 Retail sale of eyeglasses in specialized stores
47.782 Retail sale of artistic products in specialized stores
47.789 Other retail sale of new goods in specialized stores
47.790 Retail sale of second-hand goods in stores
47.810 Retail sale via stalls and markets of food, beverages and tobacco products
47.820 Retail sale via stalls and markets of textiles, clothing and footwear
47.890 Retail sale via stalls and markets of other goods
47.910 Retail sale via mail order houses or via Internet
47.990 Other retail sale not in stores, stalls or markets
49.310 Urban and suburban passenger land transport
49.320 Taxi operation
49.391 Intercity and other road passenger transport
49.392 Cable car operation
49.410 Freight transport by road
49.420 Removal services
52.100 Warehousing and storage
52.210 Service activities incidental to land transportation
52.220 Service activities incidental to water transportation
52.230 Service activities incidental to air transportation
52.240 Cargo handling
52.290 Forwarding and Other transportation support activities
53.200 Other postal and courier activities
55.100 Hotels and similar accommodation
55.201 Children and other holiday homes
55.202 Tourist farm houses with lodging

55.203 Letting of private tourist rooms
55.204 Mountain refuges and youth hostels
55.209 Other short-stay accommodation
55.300 Camping grounds, recreational vehicle parks and trailer parks
55.900 Student and other accommodation
56.101 Restaurants and inns
56.102 Snack bars and similar
56.103 Sweetshops and coffee-houses
56.104 Provisory food-serving stands
56.105 Tourist farm houses without lodging
56.210 Event catering activities
56.290 Other food service activities
56.300 Beverage serving activities
58.110 Book publishing
58.120 Publishing of directories and mailing lists
58.130 Publishing of newspapers
58.140 Publishing of journals and periodicals
58.190 Other publishing activities
58.210 Publishing of computer games
58.290 Other software publishing
59.200 Sound recording and music publishing activities
60.100 Radio broadcasting
60.200 Television programming and broadcasting activities
62.010 Computer programming activities
62.020 Computer consultancy activities
62.030 Computer facilities management activities
62.090 Other information technology and computer service activities
63.110 Data processing, hosting and related activities
63.120 Web portals
63.990 Other information service activities not elsewhere classified
64.190 Other monetary intermediation
64.200 Activities of holding companies
64.300 Trusts, funds and similar financial entities
64.910 Financial leasing
64.920 Other credit granting
64.990 Other financial service activities, except insurance and pension funding not elsewhere classified
66.110 Administration of financial markets
66.120 Security and commodity contracts brokerage
66.190 Other activities auxiliary to financial services, except insurance and pension funding
66.300 Fund management activities
68.100 Buying and selling of own real estate
68.200 Renting and operating of own or leased real estate
68.320 Management of real estate on a fee or contract basis"
69.101 Legal representation
69.103 Other legal activities
69.200 Accounting, bookkeeping and auditing activities; tax consultancy
70.100 Activities of head offices
70.210 Public relation and communication activities
70.220 Business and other management consultancy activities
71.111 Architectural planning
71.112 Landscape architecture, urban and other planning
71.121 Geo-engineering and related activities
71.129 Other engineering activities and related technical consultancy
71.200 Technical testing and analysis
72.110 Research and experimental development on biotechnology

72.190 Other research and experimental development on natural sciences and engineering

72.200 Research and experimental development on social sciences and humanities

73.110 Advertising agencies

73.120 Media representation

73.200 Market research and public opinion polling

74.100 Specialized design activities

74.200 Photographic activities

74.300 Translation and interpretation activities

74.900 Other professional, scientific and technical activities not elsewhere classified

77.110 Renting and leasing of cars and light motor vehicles

77.120 Renting and leasing of trucks

77.210 Renting and leasing of recreational and sports goods

77.220 Renting of video tapes and disks

77.290 Renting and leasing of other personal and household goods

77.310 Renting and leasing of agricultural machinery and equipment

77.320 Renting and leasing of construction and civil engineering machinery and equipment

77.330 Renting and leasing of office machinery and equipment (including computers)

77.340 Renting and leasing of water transport equipment

77.350 Renting and leasing of air transport equipment

77.390 Renting and leasing of other machinery, equipment and tangible goods not elsewhere classified

77.400 Leasing of intellectual property and similar products, except copyrighted works

78.100 Activities of employment placement agencies

78.200 Temporary employment agency activities

78.300 Other human resources provision

79.110 Travel agency activities

79.120 Tour operator activities

79.900 Other reservation service and related activities

80.100 Private security activities

80.200 Security systems service activities

80.300 Investigation activities

81.210 General cleaning of buildings

81.220 Other building and industrial cleaning activities

81.290 Other cleaning activities

81.300 Landscape service activities

82.110 Combined office administrative service activities

82.190 Photocopying, document preparation and other specialized office support activities

82.200 Activities of call centers

82.300 Organization of conventions and trade shows

82.910 Activities of collection agencies and credit bureaus

82.920 Packaging activities

82.990 Other business support service activities not elsewhere classified

85.320 Technical and vocational secondary education

85.510 Sports and recreation education

85.520 Cultural education

85.590 Other education not elsewhere classified

85.600 Educational support activities

90.010 Performing arts

90.020 Support activities to performing arts

93.110 Operation of sports facilities

93.120 Activities of sport clubs

93.190 Other sports activities

93.299 Other amusement and recreation activities not elsewhere classified

95.110 Repair of computers and peripheral equipment

95.120 Repair of communication equipment

95.210 Repair of consumer electronics

- 95.220 Repair of household appliances and home and garden equipment
- 95.230 Repair of footwear and leather goods
- 95.250 Repair of watches, clocks and jewellery
- 95.290 Repair of other personal and household goods
- 96.010 Washing and (dry-) cleaning of textile and fur products

VI. SHARE CAPITAL

12. Article 12 (twelve)

The share capital of the company amounts to EUR 157,128,514.53 (one hundred and fifty-seven million one hundred and twenty-eight thousand five hundred and fourteen euros 53/100) and is divided into 3.765.361 (three million seven hundred and sixty-five thousand three hundred and sixty-one) ordinary registered no-par value shares.

According to the regulations the shares are expressed in book-entry form and represent the shares of the same class within the meaning of the Companies Act (ZGD-1). All shares have been fully paid.

13. Article 13 (thirteen)

As at 1 January 1993 (the first of January one thousand nine hundred and ninety-three) the share capital of the company was divided in shares of the following marks:

1,377,575 (one million three hundred and seventy-seven thousand five hundred and seventy-five) ordinary shares marked A, serial numbers from 0,000,001 (one) to 1,377,575 (one million three hundred and seventy-seven thousand five hundred and seventy-five) of the total nominal value SIT 13,775,750,000 (thirteen billion seven hundred and seventy-five million seven hundred and fifty thousand tolar) representing 39.68% (thirty-nine point sixty-eight percent) of the total share capital;

2,094,265 (two million ninety-four thousand two hundred and sixty-five) ordinary shares marked G, serial numbers from 1,377,576 (one million three hundred and seventy-seven thousand five hundred and seventy-six) to 3,471,840 (three million four hundred and seventy-one thousand eight hundred and forty) of the total nominal value SIT 20,942,650,000 (twenty billion nine hundred and forty-two million six hundred and fifty thousand) representing 60.32 (sixty point thirty-two) % of the total share capital.

The shareholder shall not be allowed to transfer the shares marked A until 5 December 1995 (the fifth of December one thousand nine hundred and ninety-five) to any foreign legal or natural person or domestic legal person predominantly owned by a foreign legal or natural person without the Agency consent.

After this date the share marks A and G will be eliminated.

14. Article 14 (fourteen)

Ordinary shares:

- grant proportional right to management and dividend,
- are registered,
- are transferable,
- are issued in book-entry form,
- in case of the company bankruptcy or liquidation, grant the right to the payment of a proportional share from bankruptcy or liquidation assets.

15. Article 15 (fifteen)

The transfer of registered shares will be performed validly by the transfer entry in shareholder's register based on the document of payment resp. transfer or decree on succession, unless otherwise determined by a legal or executive order.

VII. COMPANY BODIES

a) SHAREHOLDERS ASSEMBLY

16. Article 16 (sixteen)

The Shareholders Assembly consists of the shareholders who assert their rights in the company affairs at the Assembly.

The Assembly may be attended and voted at only by those shareholders who register their attendance no later than at the end of the fourth day before the Shareholders Assembly, and who are entered as shareholders in the central register of dematerialized securities as at the end of the fourth day before the Assembly.

At the Assembly, the shareholders may also assert their rights arising from their shareholding via proxy. Power of attorney/authorization to the proxy shall be submitted to the company in writing and such documents shall remain in the custody of the company.

The shareholders may also appoint a proxy to represent them at the Assembly by electronic means. An authorization form for asserting the voting right via proxy is available at the company website. The authorization / power of attorney may be submitted to the company by electronic mail to the address specified in the relevant Convocation of the Shareholders Assembly, scanned into an image file and attached to the e-mail message. Such document shall include a handwritten signature of the natural person; in case of legal persons, such documents shall include the handwritten signature of the company representative as well as the stamp of the person, if applicable. The company shall have the right to check the identity of the shareholder or, the person conferring the power of attorney by e-mail, as well the authenticity of the signature.

The shareholders may also employ the method described in the previous paragraph to submit to the company any requests for additional items on the agenda and resolution proposals to the items on the agenda, including voting proposals. The company shall have the right to check the identity of the shareholder or, the proxy conferring the power of attorney by e-mail, as well the authenticity of the signature."

17. Article 17 (seventeen)

The Shareholders Assembly decides on:

1. In relation to the Management Board:

- it can express a no confidence vote to the president and (or) member(s) of the Management Board;
- decides on granting discharge to the Management Board or to an individual Member of the Management Board;
- exceptionally it can decide on business management issues, if required by the Management Board,

2. In relation to the Supervisory Board:

- it elects and discharges members of the Supervisory Board representing the interests of shareholders;
- it decides on assigning a discharge paper to the Supervisory Board or to an individual member of the Management Board;
- decides on the amount of attendance fees or other compensations and rewards for the services of Supervisory Board members;

3. In relation to the annual report and performance:
 - it decides on the adoption of the annual report if the Supervisory Board has not approved the annual report or in case that Management Board and the Supervisory Board have ceded the decision on annual report adoption to the Shareholders Assembly.
 - it decides on profit distribution according to the proposal of Management Board and the Supervisory Board;
4. In relation to the Articles of Association:
 - it decides on amendments to the Articles of Association.
5. With regard to share capital and shares:
 - it decides on measures for capital increase and decrease.
6. In relation to the status changes:
 - it decides on company dissolution and status changes (merger, affiliation, splitting, change of company form).
7. In relation to operations auditing:
 - it decides on auditor appointment.
8. On other matters according to the law and these Articles of Association.

For the adoption of decision the majority of shareholders' votes cast (simple majority) is necessary, with the exception of decisions referring to the change of Articles of Association, share capital, status changes, exclusion of priority right at new share emission, discharge and in other matters determined by the law or the Articles of Association when a three-quarter or a larger majority (qualified majority) is necessary for the adoption of a decision.

18. Article 18 (eighteen)

The Shareholders Assembly shall be convened in all cases provided by law or the Articles of Association, or when such convocation is deemed to benefit the company.

The Shareholders Assembly shall, as a rule, be convened by the Management Board; alternatively, it may be convened by the Supervisory Board.

The Shareholders Assembly shall be convened when this is requested from the Management Board by shareholders whose combined shares amount to one twentieth of the total share capital. In such case, the request for convocation shall be submitted complete with agenda, resolution proposal for each proposed item on the agenda on which the Shareholders Assembly should vote, or an explanation of the agenda item if no resolution is adopted with regard to a particular agenda item; all proposals should be submitted in writing. If the Shareholders Assembly is not convened no later than in two months from the receipt of the request, the shareholders who filed the request may request from the relevant court to authorize them to convene the Shareholders Assembly.

19. Article 19 (nineteen)

Convocation of the Shareholders Assembly, including the contents stipulated by the relevant regulations and legislation, shall be publicly announced at least 30 days before the day of the Shareholders Assembly in the Delo daily paper, on the company's website, and in other way when required by relevant regulations or legislation."

20. Article 20 (twenty)

As a rule the Shareholders Assembly holds a session in the company seat, but it can also be held at any other place determined by the convener.

The Shareholders Assembly is conducted by the president elected by shareholders among them upon the proposal of the convener.

21. Article 21 (twenty-one)

At the Assembly, a list of all shareholders present or represented, and their representatives, shall be compiled. The list shall include first and last name, residence, and the number of shares for each of the attendants.

The list shall be compiled based on the submitted attendance applications or powers of attorney, and based on the statement of record from the central register of dematerialized securities.

The list, signed by the Management Board President, shall be made available for viewing to the attendants before the vote; or, the attendants shall be allowed to view the list on an electronic medium.

22. Article 22 (twenty-two)

The Shareholders Assembly decisions are effective if shareholders with voting rights representing at least fifteen percent of the represented share capital are present (the first summons).

In the summons it is determined when the repeated meeting will take place if at the first summons the quorum is not reached. At the repeated session the Shareholders Assembly decisions are effective notwithstanding the amount of the represented share capital (the second summons).

b) MANAGEMENT

23. Article 23 (twenty-three)

The company is directed by the Management Board for the benefit of the company, independently and on its own responsibility.

The Management Board is constituted of the president and members. Upon proposal of the president of the Management Board, their number, sphere of work and authorizations are determined by the Supervisory Board of the company with the Management Act.

The Management Board President and each member of the Management Board individually and unlimitedly represent the company.

24. Article 24 (twenty-four)

A member of the Management Board can be a person who, besides legal conditions, fulfils the conditions determined by the Supervisory Board of the company.

25. Article 25 (twenty-five)

The Management Board adopts decisions as a rule unanimously, otherwise by ordinary majority of all the members where each member owns one vote. In case of an equal number of votes, the vote of the Supervisory Board Chairperson shall decide.

26. Article 26 (twenty-six)

In capacity of an advisory body the Management Board summons a conference of directors of all group companies with intention to obtain their opinions on all important questions of business, development and current policy it is preparing and to determine the way of decisions realization.

27. Article 27 (twenty-seven)

The president and the member of the Management Board are nominated by the Supervisory Board, the latter on proposal of the president of the Management Board for the 5-year period with the possibility of unlimited repeated nomination.

The repeated nomination must not be performed earlier than one year prior to the term expiry.

The Supervisory Board may dismiss a particular member or the president of the Management Board in case a major violation of his obligations is established, or that he is not capable of business management, or else, he is dismissed if Shareholders Assembly expresses a no confidence vote , except in case when no confidence vote has been expressed without founded reasons, or if other economic and business reasons are involved (major changes in shareholders' structure, reorganization, new product introduction, larger activity change, etc.).

The President, or a member of the Management Board, is not entitled to any compensation in the first three cases form the above paragraphs of this article, in case of dismissal for economic or business reasons; however, he is entitled to the compensation determined by the Agreement on managing function execution.

28. Article 28 (twenty-eight)

The Management Board of the company:

1. In the field of management:

- it determines a three-year development strategy and the annual plan of the company;
- it manages the company.

2. In acting for and representing:

- it acts for and represents the company and is responsible for the legality of the work;

3. Competences and responsibilities in relation to the Shareholders Assembly:

- it realizes decisions adopted by the Shareholders Assembly and prepares measures on its request;
- it summons or convenes the Shareholders Assembly;
- in agenda announcement, together with the Supervisory Board, it submits proposals of decisions for each agenda item upon which the Shareholders Assembly should decide (except in members of the Supervisory Board votes and in appointment of an auditor);

- at the Shareholders Assembly it informs the shareholders on company matters which are the subject of the agenda;
 - it enforces the nullity of a Shareholders Assembly decision.
4. Competences and responsibilities in relation to the Supervisory Board:
- it reports to the Supervisory Board on planned business policy, profitability of the company, operating, turnover, financial situation, on business operations which can significantly influence the profitability and solvency and on all other questions concerning the operations of the company and its associated companies;
 - it presents to the Supervisory Board the annual report drawn up within two months after the end of a business year;
 - it can demand that the president summons the Supervisory Board session.
5. In relation to the performance
- it prepares the proposal on the allocation of distributable profit;
 - it can pay out interim dividend which must not exceed a 50 percent amount remaining from the foreseen profit after creation of reserves and not more than 50 percent profit from the previous year; payment must be granted by the Supervisory Board;
6. In relation to the announcement of data and notifications of the company:
- it decides which data are important for shareholders and must, therefore, be published;
 - it cares for announcement of all the necessary data in the company magazine and of those important for the public.
7. It presents to the court all the necessary data for entry in the court register.
8. With regard to share capital and shares:
- it can increase the share capital according to these Articles of Association
9. In relation to group companies;
- it nominates representatives of the Poslovni sistem Mercator, d.d. for the sessions of group companies Shareholders Assemblies;
 - it gives instructions to representatives of the Poslovni sistem Mercator, d.d. in bodies of group companies;
 - in group companies where Poslovni sistem Mercator d.d. is the only shareholder or partner it performs the founder's function;
 - it defines criteria for concluding contracts, salary levels and other earnings for members of the Boards of Management of group companies.
10. It performs other tasks in accordance with the law and these Articles of Association.

29. Article 29 (twenty-nine)

The amount of profit belonging to each member of the company's Management Board is determined by the Supervisory Board on the basis of the Shareholders Assembly's decision.

30. Article 30 (thirty)

A member of the Management Board must act in managing business with the concern of a conscientious and honest economist; protect business secret of the company and Poslovni sistem Mercator, d.d.; and respect the clauses of loyalty and restraint of trade.

c) SUPERVISORY BOARD

31. Article 31 (thirty-one)

The company has a Supervisory Board consisting of nine (9) members, of which three (3) are worker representatives.

All six (6) Supervisory Board members representing shareholders shall be elected by the Shareholders Assembly; worker representatives shall be appointed by the Workers Council pursuant to the special legislation; the company shall be informed about the appointment of Supervisory Board members by the Workers Council.

32. Article 32 (thirty-two)

Supervisory Board members are appointed for a term of four years and they are eligible for re-election.

The Management Board must immediately announce each replacement of members of the Supervisory Board and enter the change in the register.

33. Article 33 (thirty-three)

Supervisory Board Chairperson and his or her deputy shall be appointed by the Supervisory Board members, among the members representing the interest of the shareholders. The deputy shall have the same powers and authorizations as the Chairperson during the latter's absence.

The president of the Supervisory Board performs primarily the following tasks:

- he conducts and summons sessions of the Supervisory Board,
- he signs minutes of the sessions of the Supervisory Board,
- he represents the company against members of the Management Board meaning he signs contracts with members of the Management Board.

34. Article 34 (thirty-four)

The Supervisory Board adopts its resolutions in sessions in the form of decisions, but it can also function directly while supervising and controlling documentation.

The Minutes must be kept on work of the Supervisory Board.

The Supervisory Board can nominate one or more commissions with intention to prepare proposals of decisions and to care for their realization. A Committee may not decide on issues within the responsibility of the Supervisory Board.

The Supervisory Board may authorize experts or consultants to analyze particular expert issues; these experts or consultants may also be invited to attend the Supervisory Board session.

35. Article 35 (thirty-five)

The Shareholders Assembly may prematurely dismiss the Supervisory Board members:

- on their own request,
- if they are no more capable of performing their functions,
- if they perform their functions in a careless and harmful way,

- for other reasons which are important for the company business.

For a decision on discharge at least three-quarter majority of cast votes is necessary.

36. Article 36 (thirty-six)

The Supervisory Board has especially the following competences:

1. In relation to the Management Board:

- it supervises the company business and adopts reports of the Management Board;
- it supervises and controls the books and documents of the company
- it gives consent to decisions of the Management Board when requested by the law and these Articles of Association;
- it gives consent to the three-year development strategy and to the annual plan of the company;
- it can at any time request from the Management Board a report on any question connected to the company business which has an important influence on company position;
- it appoints, discharges resp. dismisses the president and members of the Management Board ;
- it determines earnings of members of the Management Board of the company;
- it gives consent to members of the Management Board for performing gainful activity in the field of company operation and grants loans to members of the Management Board and procurators;
- give consent to the Management Board decisions regarding the subscription for shares in the share capital or in voting rights, or other acquisition and control, either by founding, increase or decrease of share capital, acquisition/purchase or otherwise, in a single transaction or more, in another legal entity/person, if such share represents 25 (twenty-five) percent or more of the share capital or voting rights in such legal person or if the acquisition price (or consideration) to be paid for such share exceeds EUR 5,000,000 (five million) or the equivalent thereof in any other currency as per the average rate of the Bank of Slovenia a at the day of the decision;
- give consent to the Management Board decisions to increase or decrease the company share in the share capital or voting rights of another person/entity, in a single transactions or several transactions, which increase or decrease the company shareholdings in the share capital or voting rights in such person by 10 (ten) percentage points or more;
- give consent to the Management Board decisions to sell, transfer, lease, or to have in any other way on disposal company real estate portfolio, acquisition or lease thereof, if the value of such property exceeds EUR 5,000,000 (five million) or the equivalent amount in any other currency as per the average rate of the Bank of Slovenia as at the day of the decision.

2. In relation to the Shareholders Assembly:

- it can summon a Shareholders Assembly;
- it submits to the Shareholders Assembly the report on the results of annual report audit and, together with the Management Board, the proposal for distributable profit utilization;
- it creates opinion to the report of the Management Board on relations with group companies and submits it to the Shareholders Assembly;
- it prepares together with the Management Board (and alone for elections of members of the Supervisory Board and auditor) a proposal for decisions in the agenda announcement for each agenda point, upon which the Shareholders Assembly should decide.

3. In connection to the annual report:

- it approves the annual report and prepares the report on the audit of the annual report.

4. In connection to the relations between the Supervisory Board and the company:
 - it approves contracts between a member of the Supervisory Board and the company
5. In connection with the Articles of Association of the company:
 - it conforms their wording to the valid decisions of the Shareholders Assembly.

The Supervisory Board further decides on all other matters according to the law, these Articles of Association and general acts of the company.

37. Article 37 (thirty-seven)

As a rule, a session of the Supervisory Board is convened by the president of the Supervisory Board at his judgement, but he must convene it immediately on the initiative of a member of the Supervisory Board or the Management Board. A session must take place in two weeks after the summons.

If the president does not accept the initiative, a member or the Management Board themselves can convene the Supervisory Board and propose the agenda.

As a rule, the Supervisory Board shall be convened at least once per quarter and no less than once per every half of each year.

The sessions of the Supervisory Board are attended by the members of the Supervisory Board, the Management Board and the invited experts and referees.

38. Article 38 (thirty-seven)

The presence of at least one half of Supervisory Board members is required in any decision-making in order to constitute quorum.

Supervisory Board resolutions may be adopted in writing, by telephone, telegraph, or by using similar technology, only if all Supervisory Board members agree to such method.

In order to adopt a decision and for the Supervisory Board decision to be valid, majority of the votes cast is required. In case of an equal number of votes, the vote of the Supervisory Board Chairperson shall decide.

A member of the Supervisory Board does not participate in deciding on matters which concern him, but this is not valid for the elections of the president of the Supervisory Board and his deputy.

39. Article 39 (thirty-nine)

Supervisory Board members may be compensated or rewarded for their services; such compensation and rewards shall be voted on by the Shareholders Assembly. The amount of payment must be in an appropriate ratio relative to the tasks of the Supervisory Board members and the company's financial status. Members of any Supervisory Board committees shall be compensated with one half of the monthly amount received by the Supervisory Board members, as well as attendance fee and the right to claim remuneration of costs in the same amount that applies for the work of the Supervisory Board."

40. Article 40 (forty)

Members of the Management Board must act in managing business with concern of conscientious and honest economist and must protect business secret of the company.

The provisions of these Articles of Association on protection of business secret and on restraint of trade for the Management Board are analogously used also for members of the Supervisory Board.

VIII. RESTRAINT OF TRADE / NON-COMPETE CLAUSE

41. Article 41 (forty-one)

Members of the Management Board and members of the Supervisory Board as well as procurators are not allowed to participate as partners of the unlimited liability company, as general partners in limited partnership, partners and managers of the limited liability company, as members of the Management Board and the Supervisory Board and the procurators, and also not as workers in any other company or as an entrepreneur with the activity which is or could be in competitive relation to the activity of Poslovni sistem Mercator, d.d.

Only the Supervisory Board of Poslovni sistem Mercator, d.d., can define conditions on which the persons from the paragraph one hereof are allowed to participate in a competitive company.

42. Article 42 (forty-two)

Without the consent of the Supervisory Board, members of the Management Board are not allowed to carry out any gainful activity in the field of the company activity, and are also not allowed to conclude deals for their own or third-party account which would have negative influence on the interests of the company resp. Poslovni sistem Mercator, d.d.

IX. MEASURES FOR INCREASE OF SHARE CAPITAL

a) Increase of share capital by stakes

43. Article 43 (forty-three)

The increase of share capital by stakes can only be performed by the issue of new shares. The increase of share capital is decided by the Shareholders Assembly with three-quarters of votes at decision making of represented share capital.

The share capital cannot be increased as long as the former stakes are not fully paid, unless only an insignificant part remained unpaid. The share capital can be increased also by actual investments.

In case the share subscriber gets in arrears with the payment of money contributions, he is obliged to pay default interest which is 10 percentage points higher than the legal ones.

44. Article 44 (forty-four)

The former shareholders have, in proportion to their shares in share capital, a preferential right to subscription of new shares. A term for realization of this right is at least 14 (fourteen) days. The Management Board must announce the issue amount of new shares and the term from the above paragraph.

A preferential right can be fully or partially excluded only by decision on increase of share capital. In this case, besides legal requirements, the three-quarter majority is necessary for decision at decision making of represented share capital.

45. Article 45 (forty-five)

The Management Board and the president of the Supervisory Board must file the decision on increase of share capital for entry in the register.

The increase of share capital enters into force as of the date of entry in the register.

New shares must not be issued prior to the entry of decision on increase of share capital in the register.

b) Conditional increase of share capital

46. Article 46 (forty-six)

The Shareholders Assembly can adopt the decision on conditional increase of share capital only for:

1. exercising the right of holders of convertible bonds for shares or realization of the preferential right to the purchase of new shares,
2. preparation of merger of several companies, or in order to ensure compensation for dismissal to shareholders in connection with company's status change, when the compensation for dismissal can according to the law stipulations be ensured in shares;
3. exercising the company workers' rights to the receipt of new shares from profit and to ensure the optional entitlement of purchasing the shares provided by the company to the members of Management Board, Supervisory Board and to the employees of the company and of the associated companies.

The nominal amount of conditionally increased share capital must not exceed one half of capital existing at the moment of decision making.

Provisions of these Articles of Association on pre-emptive right to the purchase of new shares shall apply mutatis mutandis also to convertible bonds. A pre-emptive right is exercised by a written statement, issued in duplicate, pursuant to the law.

47. Article 47 (forty-seven)

For validity of the decision on conditional increase of share capital the majority of at least three quarters of the represented share capital is necessary at decision making.

In the Shareholders Assembly decision on conditional increase of capital it must be precisely determined for which intention the share capital is being conditionally increased, who are

the beneficiaries of conditional increase of share capital and the issue amount or the scales for calculation of this amount.

Shares can be issued only after the entry of decision on conditional increase of share capital in the court register.

By share issue the share capital is increased.

c) Approved capital

48. Article 48 (forty-eight)

REMOVED

d) Increase of share capital from the company assets

49. Article 49 (forty-nine)

The Shareholders Assembly can decide for the share capital to be increased by transformation of other items of its own capital into the share capital.

The resolution from the paragraph one hereof shall be adopted in the same way as the resolution on increase of share capital with contributions.

The decision on increase can be passed after approval of the annual report for the last business year.

50. Article 50 (fifty)

Unless otherwise determined in the decision on increase, new shares participate in profit of complete business year in which the decision on increase of share capital has been passed.

51. Article 51 (fifty-one)

The items of its own capital which are transformed into share capital must be stated in the last balance sheet or in the interim balance sheet.

The transformation of other own capital items into the share capital is not permitted in case that the balance of sheet representing the basis for transformation states net loss transfer or net loss for a separate year.

52. Article 52 (fifty-two)

As of the date of registration of the decision on increase of capital from the company assets the new shares are considered to be fully paid and can actually be issued.

After the entry of the decision on increase of share capital in the register, the Management Board is obliged to announce immediately the invitation to shareholders to take over their new shares.

The invitation must contain all the data and the warning as determined by the law.

X. MEASURES FOR DECREASE OF SHARE CAPITAL

53. Article 53 (fifty-three)

The share capital can be decreased:

- by combining the shares, if the minimum issue amount of the shares after the decrease in share capital fails to reach the lowest corresponding value (market value) allowed.
- by withdrawing the shares.

For validity of the decision on decrease of share capital the majority of at least three quarters of the represented share capital is necessary at decision making.

In the decision it shall be determined why the share capital is decreased and the way of share capital decrease.

With the entry of the decision on share capital decrease in the register, the share capital is decreased. The decision shall be announced.

XI. UTILIZATION OF DISTRIBUTABLE PROFIT

54. Article 54 (fifty-four)

A business year of the company is a calendar year.

In drawing up the annual report the Management Board should propose the utilization or allocation of distributable profit.

The distributable profit can be used for:

- payment to shareholders,
- formation of other reserves from the profit,
- payment to the members of Management Board.

The Shareholders Assembly can bring a resolution on balance profit utilization, determining that distributable profit will not be distributed to shareholders, but transferred into the next period as the transferred profit, so that the entire or part of the balance profit remains undistributed.

Shareholders' shares in profit are determined in proportion to corresponding amounts of shares.

XII. RELATIONS IN THE GROUP

55. Article 55 (fifty-five)

Relations in the group mean the actual dependence of group companies on the controlling company. The latter under unified management controls the affiliated companies.

A group company is autonomous in organizing its business and other functions and is independent in entering marketing business relations following its business interests within the obligatory instructions for the unified management.

56. Article 56 (fifty-six)

Decisions of the Shareholders Assembly, the Supervisory Board and the Group Management Board, are considered as obligatory instructions for unified management, unless it is explicitly determined in an individual decision that they are not binding.

57. Article 57 (fifty-seven)

Group companies are organized and managed on the basis of obligatory instructions determined by the group bodies according to the law.

58. Article 58 (fifty-eight)

Poslovni sistem Mercator, d.d. as the controlling company of the group must not exercise its influence to induce a group company to carry out a legal business harmful to itself, or to do or to waive something to its disadvantage, unless the controlling company should compensate the damage.

If the company carries out a legal business harmful to itself, or does or waives something to its disadvantage, the Management Board of the group company must evaluate the detrimental effect of its action and the height of the loss at the latest in 30 days from the conclusion of business resp. services or waiver of a legal act according to instruction of the group, and present a report in writing to the Management Board and the Supervisory Board of the group. If within this period the Management Board of the group company evaluates the detrimental effect of its action, but cannot estimate the loss, it is obliged to do it at the latest within one year from the conclusion of business resp. service or waiver of a legal act, otherwise it cannot claim the loss compensation.

The Management Board and the Supervisory Board must state the findings in 3 months, and at the latest in the annual report, and if the loss occurred, how it will be compensated.

Loss compensation must be settled already during the year and at the latest until the end of the business year in which the group company presented in writing to the group the height of the loss, whereas the group must secure the priority for this compensation and its source.

If the group does not compensate the loss until the end of the business year, a group company holds a compensation claim against the group. Besides the group company also the shareholders and the company creditors hold a compensation claim, regardless of the loss they have suffered through the company detriment.

59. Article 59 (fifty-nine)

Beside the annual report, the Group Management Board must prepare the report on relations in the group in the sense of this paragraph for the previous business year.

60. Article 60 (sixty)

All the goods, rights and benefits deriving from their membership in the group are accessible to group companies on equal conditions.

61. Article 61 (sixty-one)

Group companies, in accordance with the corporate graphic image, design their name by putting the word MERCATOR in the first place followed by the company name. All parts of the company name must be equal as regards the design and size of letters, and there is a - (dash) between the parts.

The Management Board can exceptionally determine that an individual group company does not design its company name as defined in the above paragraph hereof.

XIII. COMPANY DISSOLUTION

62. Article 62 (sixty-two)

A company is dissolved for reasons and according to procedure determined by the law.

XIV. BUSINESS SECRET

63. Article 63 (sixty-three)

On proposal of the Management Board the Supervisory Board of the company, with written decision, determines:

- which company data are considered as business secret,
- the circle of persons who must protect the company business secret,
- by whom and how the confidential data are preserved,
- deciding on time and the way how the confidential data are communicated to other persons,
- the responsibility of persons who are obliged to protect the confidential data.

XV. RULES AND OTHER COMPANY ACTS

64. Article 64 (sixty-four)

In addition to the Articles of Association, the company acts include the following: collective labour agreement, rules and regulations, rules of procedure, organization guidelines, working instructions, and other general acts.

These acts can be company acts or Group acts in the sense of Article 56 (fifty-six) of the Articles of Association.

XVI. INFORMING OF SHAREHOLDERS

65. Article 65 (sixty-five)

The company informs shareholders on all matters important for realization of their rights and liabilities in the daily newspaper Delo and in electronic form.

XVII. TRANSITIONAL AND FINAL PROVISIONS

66. Article 66 (sixty-six)

As of the date of implementation of these Articles of Association the Agreement on foundation of Poslovni sistem Mercator, d.d., Ljubljana as of 27 December 1989 (the twenty-seventh of December one thousand nine hundred and eighty-nine) with amendments dated 23 May 1990 (the twenty-third of May one thousand nine hundred and ninety), 4 October 1991 (the fourth of October one thousand nine hundred and ninety-one), 28 February 1992 (the twenty-eighth of February one thousand nine hundred and ninety-two) and 25 February 1993 (the twenty-fifth of February one thousand nine hundred and ninety-three), and Articles of Association of Poslovni sistem Mercator, d.d., Ljubljana dated 6 February 1990 (the sixth of February one thousand nine hundred and ninety) with amendments dated 23 May 1990 (the twenty-third of May one thousand nine hundred and ninety), 4 October 1991 (the fourth of October one thousand nine hundred and ninety-one), 28 February 1992 (the twenty-eighth of February one thousand nine hundred and ninety-two) and 25 February 1993 (the twenty-fifth of February one thousand nine hundred and ninety-three) shall cease to be valid.

67. Article 67 (sixty-seven)

As of the date of entry in the court register the company takes over all assets, rights and liabilities of the hitherto company named Poslovni sistem Mercator, d.d., Ljubljana with seat in Ljubljana, Dunajska 107 (one hundred and seven, registered in the court register under the registration entry No. 1/2785/00 (one slash two thousand seven hundred and eighty-five slash zero zero) as of 29 December 1989 (the twenty-ninth of December one thousand nine hundred and eighty-nine).