



18th 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), and based on the resolution adopted by the Management Board on 20 February 2012, the Management Board hereby convenes

18th regular Shareholders Assembly, in Ljubljana, on 30 March 2012 at 1 PM at the company headquarters at 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 KPMG Slovenija, 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., Request by the shareholder UniCredit Banka Slovenija, d.d., for the convocation of extraordinary general meeting, and withdrawal of the request for the convocation of an extraordinary general meeting, Report on the reasons for the omission of the pre-emptive right 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 2011 and Supervisory Board Report of the company Poslovni sistem Mercator, d.d. is also an integral part of the material for the 18th regular Shareholders Assembly and was announced today, on 28 February 2012, on SEOnet under the category Annual report.

Poslovni sistem Mercator, d.d.,
Management Board



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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 20 February 2012, resolution by the company Supervisory Board dated 27 February 2012, and the request by the shareholder UniCredit Banka Slovenija, d.d., dated 18 January 2012, the Management Board hereby convenes the

**18th regular Shareholders Assembly
to take place in Ljubljana, on 30 March 2012 at 1 PM
at the company headquarters, 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 Report on the results of Annual Report review and audit for the business year 2011; information on the compensation and rewards of the members of managerial and supervisory bodies; allocation of distributable profit, dividend payment; and granting discharge to the Management Board and the Supervisory Board

RESOLUTION PROPOSAL:

1. Distributable profit, amounting to EUR 28,820,308.30 as at 31 December 2011, shall be allocated as follows:

a) a part of the distributable profit in the amount of EUR 16,944,124.50 shall be allocated for dividend payment in the amount of EUR 4.50 gross per ordinary share;

b) the remaining part of the distributable profit in the amount of EUR 11,876,183.80 EUR shall remain unallocated.



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Dividends shall be paid out in cash in 60 days after the resolution is adopted, to those shareholders who are duly registered with the KDD – Central Clearing Corporation, as at 4 April 2012.

2. The Shareholders Assembly grants discharge to the company Supervisory Board for the fiscal year 2011.

3. The Shareholders Assembly grants discharge to the company Management Board for the fiscal year 2011.

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

The proposal on the allocation of distributable profit takes the following aspects into consideration: current balance of retained earnings; structure of financing sources, amount of equity, solvency and liquidity; company development capacity; and current and future macroeconomic circumstances that point to aggravation of the economic conditions and a possibility of another recession. The proposal to grant discharge includes confirmation and approval of the work of the Management Board and Supervisory Board in the 2011 fiscal year.

3. Change in the wording of the company Articles of Association due to the authorization to the Management Board to increase the company share capital - approved capital

RESOLUTION PROPOSAL:

Article 48 of the company Articles of Association shall be amended so that the wording of the said Article after the amendment is as follows:

"The Management Board is authorized to increase the share capital of the company, subject to consent by the Supervisory Board, within the period of five years from the day the amendment to the Articles of Association as adopted at the 18th Shareholders Assembly held on 30 March 2012, into the court register, in one turn or in several turns, by up to EUR 31,425,702.90, which represents 20 percent of the company share capital as at the day the resolution on such amendment to the Articles of Association is adopted, by issuing new shares in exchange for contributions (approved capital). The Management Board shall also be authorized to omit the pre-emptive right of the current shareholders to subscribe the newly issued shares, subject to the following conditions:

- the newly issued shares are used to acquire shares or shareholdings in other companies, or business assets within strategic alliances and combinations;*
- omission of pre-emptive right is approved by the company Supervisory Board;*
- prior to the issue of new shares, the company Management Board shall inform the shareholders of the reasons for the emission and reasons for omission of the pre-emptive right; these explanations shall be published on the stock market information dissemination system;*
- independent financial consultant shall issue a positive opinion on the fairness and justifiability of the issue of new shares from the aspect of the shareholders and the company, and the Management Board shall inform the shareholders with*



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such opinion by an announcement in the stock market information dissemination system no later than in 30 days after the agreement on the issue of new shares. Decisions regarding the contents of the rights based on the shares, and other conditions for the issue of shares, shall be made by the company Management Board, subject to approval or consent by the Supervisory Board. The Supervisory Board shall be authorized to change and align the company Articles of Association with the increase in share capital carried out based on a valid decision by the Management Board to increase the share capital and issue new company shares based on approved capital."

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

Current authorization to the Management Board to increase the share capital based on approved capital, granted at the 13th regular Shareholders Assembly in 2007, will expire in this year. Therefore, a new authorization to the Management Board is proposed for the following five-year period. The authorization will allow the Management Board to respond to any needs for financing of strategic business combinations by issuing additional share capital, subject to approval by the Supervisory Board. A detailed report on the reasons for the omission of the pre-emptive right is a constituent part of the materials for the Shareholders Assembly.

4. Change in number of Supervisory Board members

RESOLUTION PROPOSAL:

A change in number of Supervisory Board members is made; Supervisory Board now consists of 10 members.

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

In accordance with Articles of Association the Supervisory Board of Poslovni sistem Mercator, d.d., consists of 12 members. The number of members is determined by the Supervisory Board. One of the representatives of shareholders in the company Supervisory Board resigned in December last year from the position of the Supervisory Board member. Therefore the Supervisory Board does not work in full set. Due to the fact that to most Supervisory Board members their terms expire next year, the Supervisory Board proposes that till the elections of new Supervisory Board members no new member is elected. The Supervisory Board proposes that the number of members is decreased from 12 members to 10 members, which is in compliance with Articles of Association.



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5. Appointment of a certified auditing company for the year 2012

RESOLUTION PROPOSAL:

The auditing company KPMG Slovenija, podjetje za revidiranje, d.o.o., Železna cesta 8a, Ljubljana, shall be appointed as the company auditor for 2012.

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

The auditing company proposed for appointment has the relevant experience in auditing in the field of business activities in which the company is engaged, as well as references both in Slovenia and abroad. Furthermore, it has provided auditing services for the Mercator Group in the last five years. In 2012, the key auditing partner within the same auditing company shall be replaced in order to comply with section 18.3 of the Corporate Governance Code which provides that the company shall replace its key auditing partner within the same auditing company at least once per every five years.

6. Appointment of a special auditor to review particular transactions of the company

RESOLUTION regarding the presentation of information, on which the Assembly shall not vote:

The Shareholders Assembly shall be presented the Report on the Review Engagement (Engagement to Conduct Agreed-Upon Procedures) by the auditor KPMG Slovenija, d.o.o., on the review of the management of transactions and activities regarding the takeover intent and takeover bid for the acquisition of all shares of the company Pivovarna Laško, d.d., by the company Mercator, d.d., dated 17 February 2012, which provides the following concluding factual finding:

"The Management Board of the company Mercator, d.d., acted in accordance with the principle of consistent compliance with both internal and external legal and formal rules and regulations for business conduct and activities within their powers and authorizations in all stages of the reviewed takeover procedure. The Management Board has shown appropriate level of diligence in the pursuit of the interests of the company and its shareholders from the aspect of evaluating the strategic suitability, economic justifiability, and viability of the project, its expected financial and accounting effects on company operations, and identification, consideration, and management of the risks pertaining to the execution of such procedure. The Management Board also communicated in a transparent manner with the public, providing relevant information via the SEOnet stock exchange information system in compliance with the relevant rules and stock market regulations."

RESOLUTION PROPOSAL:

The Shareholders Assembly shall appoint the company ERNST & YOUNG Revizija, poslovno svetovanje, d.o.o, Dunajska cesta 111, 1000 Ljubljana, as the auditor to review the management of company transactions and activities. The special auditor shall review the management of all company transactions pertaining to the company's intent to announce a takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., Trubarjeva ulica 28, 3270 Laško, with the symbols PILR and PILH, and



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pertaining to the takeover bid for the said shares, in the period of the last five years before the day this resolution is adopted; furthermore, the auditor shall review the takeover intent and the takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., with the symbols PILR and PILH. In reviewing the said transactions, the special auditor shall review in particular the compliance and appropriateness of the decision (from a legal-formal aspect, aspect of economic justifiability and economic benefit or viability) to announce a takeover intent and a takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., with the symbols PILR in PILH; the execution (from the aspect of transparency, economic justifiability and economic benefit or viability) of the announcement of the takeover intent and the takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., with the symbols PILR in PILH; and the impact of the takeover intent and takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., with the symbols PILR in PILH on the company operations and performance (from the aspect of economic benefit and viability, the aspect of risk exposure and risk management, and the financial and accounting aspect).

Pursuant to the provision of the Article 320 of the ZGD-1, the special auditor shall prepare a written report on the findings of the special audit and present the auditor's position or view of all transactions specified in this Shareholders Assembly resolution.

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

Pursuant to the provision of the Article 318, Paragraph 1, of the Companies Act (ZGD-1), the shareholder UniCredit Banka Slovenija, d.d., requested 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 it believes 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., the shareholder UniCredit Banka Slovenija, d.d., agreed that decision on this matter not be made in an extraordinary general meeting, but rather at a regular Shareholders Assembly.

Position of the Management Board and Supervisory Board regarding the resolution proposed by the shareholder: Upon receiving the request from the shareholder, the Management Board of the company Mercator, d.d., immediately decided to commission from the auditor KPMG Slovenija, d.o.o., a review of particular transactions and activities in accordance with the contents of the proposal by the shareholder UniCredit Banka Slovenija, d.d., as presented above. Since UniCredit Banka Slovenija, d.d., is one of the major financial partners of the Mercator Group and since any doubt as to whether the company Management Board is managing the company in a prudent and diligent way or whether the Management Board is aware of all the risks involved in their decisions, particularly in these highly challenging economic conditions, could erode the trust between the company and its financial partners and other stakeholders, the Management Board felt it would be reasonable to conduct the requested review immediately and present it to the shareholders. If the Shareholders Assembly appointed a special auditor to review these transactions at their regular meeting this year, the shareholders would only be able to discuss the



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report, pursuant to the relevant legislation, at their following regular meeting, i.e. in 2013. The Auditor's report is a constituent part of the documentation for the Shareholders Assembly and shall be available to all shareholders. The resolution regarding the presentation of information as proposed by the Management Board and the Supervisory Board is a part of their position. In view of the Management Board and the Supervisory Board, this renders unnecessary another audit, especially given the fact that the takeover bid was not announced. Therefore, they do not agree with the proposed resolution and propose to the shareholders not to support the proposed resolution by the shareholder UniCredit Banka Slovenija, d.d.

7. Presentation of the company report on the activities to support the process of sale of the majority block of shares of the company Poslovni sistem Mercator, d.d.

RESOLUTION regarding the presentation of information, on which the Assembly shall not vote or decide:

The Shareholders Assembly shall be presented the company report on the activities to support the process of sale of the majority block of shares of the company Poslovni sistem Mercator, d.d., by the Consortium of Sellers.

Explanation summary for agenda item as announced in the Shareholders Assembly documentation:

At the Shareholders Assembly, the company Management Board shall present orally the activities conducted to support the process of sale of the majority block of shares of the company Poslovni sistem Mercator, d.d.

The resolutions to items 2 and 3, as well as the resolutions regarding the presentation of information to items 6 and 7, are proposed by the Management Board and the Supervisory Board; resolution to item 1 is proposed by the Management Board; resolutions to items 4 and 5 are proposed by the Supervisory Board; resolution to item 6 is proposed by the Shareholder UniCredit Banka Slovenija, d.d.



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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 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 (five percent) 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 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 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 individual ; in case of legal persons, such documents shall include the handwritten signature of the company representative as well as the seal of the legal 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.

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).



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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 March 26th 2012, and who are registered as shareholders in the central register of dematerialized securities as at COB (close of business) of March 26th 2012. 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 session, 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 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 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 individual; in case of legal persons, such documents shall include the handwritten signature of the company representative as well as the seal of the legal 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 revoke the power of attorney 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 power of attorney; in addition, statutory representatives shall also be required to present an extract from the judicial or business register.

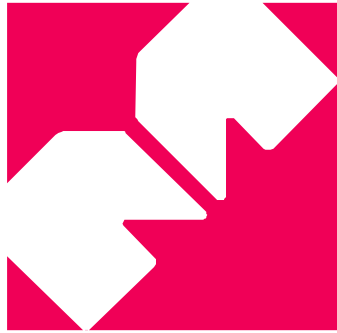
As at the day of Shareholders Assembly convocation, the company has 3,765,361 ordinary registered no par value shares. Pursuant to the relevant legislation, each ordinary share carries one vote for its owner at the Shareholders Assembly. As at the day of Shareholders Assembly convocation, the company 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 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
Žiga Debeljak

Supervisory Board Chairman
Robert Šega



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MATERIALS

for the 18th regular Shareholders Assembly of the company
Mercator, d.d.



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 6
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. Documents pertaining to item seven of the agenda	page 14
VIII. Information for the shareholders	page 15
1. Total number of shares and voting rights as at the day of Shareholders Assembly convocation	page 15
2. Information on additional items of the agenda	page 15
3. Information on shareholder proposals.....	page 15
4. Information on shareholder rights to information	page 16
5. Attendance conditions and assertion of voting rights	page 16

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. Report on the reasons for the omission of the pre-emptive right
3. Draft consolidated version of the Articles of Association
4. Request by the shareholder UniCredit Banka Slovenija, d.d., for the convocation of extraordinary general meeting, and withdrawal of the request for the convocation of an extraordinary general meeting
5. Report of factual findings by KPMG Slovenija, d.o.o. – 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.
6. Convocation of the Shareholders Assembly
7. Attendance form
8. Proxy form



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Documents pertaining to item 1 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, 27 February 2012

Management Board President:
Žiga Debeljak



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Documents pertaining to item 2 of the agenda:

PRESENTATION OF ANNUAL REPORT AND THE SUPERVISORY BOARD REPORT ON THE RESULTS OF ANNUAL REPORT REVIEW AND AUDIT FOR THE FISCAL YEAR 2011; INFORMATION ON THE COMPENSATION AND REWARDS OF THE MEMBERS OF MANAGERIAL AND SUPERVISORY BODIES; ALLOCATION OF DISTRIBUTABLE PROFIT, DIVIDEND PAYMENT; AND GRANTING DISCHARGE 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:

1. Distributable profit, amounting to EUR 28,820,308.30 as at 31 December 2011, shall be allocated as follows:

a) a part of the distributable profit in the amount of EUR 16,944,124.50 shall be allocated for dividend payment in the amount of EUR 4.50 gross per ordinary share;

b) the remaining part of the distributable profit in the amount of EUR 11,876,183.80 shall remain unallocated.

Dividends shall be paid out in cash in 60 days after the resolution is adopted, to those shareholders who are duly registered with the KDD – Central Clearing Corporation, as at 4 April 2012.

2. The Shareholders Assembly grants discharge to the company Supervisory Board for the fiscal year 2011.

3. The Shareholders Assembly grants discharge to the company Management Board for the fiscal year 2011.

Explanation:

Pursuant to Article 294 of the Companies Act (ZGD-1) and Article 17 of the Articles of Association, the Shareholders Assembly shall vote on the allocation of distributable profit simultaneously with voting on whether discharge is to be granted to the members of the Management Board and Supervisory Board. According to the said Act, discussion on the discharge shall be related to the discussion on the allocation of distributable profit; to facilitate the decision-making process, the Management Board shall present to the Shareholders Assembly the Annual Report and the Supervisory Board's Report on the results of the Annual Report audit/review. Furthermore, the Article referred to above provides that the Management Board shall inform the shareholders at the Shareholders Assembly when deciding on the allocation of distributable profit, about the compensation and rewards



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received by the members of the managerial and supervisory bodies in the company and its subsidiaries in the previous business year. This information shall also be disclosed in the Annual Report.

Considering these provisions, the Annual Report for the fiscal year 2011 and Supervisory Board Report on the confirmation of 2011 Annual Report shall be presented and discussed at the Assembly within the same item of the agenda, before the discussion of allocation of distributable profit and before granting discharge. Furthermore, the Management Board shall inform the Shareholders Assembly about the compensation and rewards received in the 2011 fiscal year by the members of the managerial and supervisory bodies for performance of their duties. As these topics are mutually related, it is quite reasonable to discuss them together.

In their proposal on the allocation of distributable profit, the Management Board and the Supervisory Board took the following aspects into consideration: current balance of retained earnings; structure of financing sources, amount of equity, solvency and liquidity; company development capacity; and current and future macroeconomic circumstances that point to aggravation of the economic conditions and a possibility of another recession.

The proposal to grant discharge includes confirmation and approval of the work of the Management Board and Supervisory Board in the 2011 fiscal year. This proposal shall be voted on separately for the Management Board and the Supervisory Board, pursuant to the recommendation specified in the Corporate Governance Code.

Ljubljana, 27 February 2012

Management Board President:
Žiga Debeljak

Supervisory Board Chairman:
Robert Šega

Appendix to item 2 of the agenda:

- Annual Report complete with the Corporate Governance Statement and the information on the compensation and rewards paid out to the managerial and supervisory bodies, and written Supervisory Board Report.



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Documents pertaining to item 3 of the agenda:

CHANGE IN THE WORDING OF THE COMPANY ARTICLES OF ASSOCIATION DUE TO THE AUTHORIZATION TO THE MANAGEMENT BOARD TO INCREASE THE COMPANY SHARE CAPITAL – AUTHORISED CAPITAL

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

Resolution:

Article 48 of the company Articles of Association shall be amended so that the wording of the said Article after the amendment is as follows:

"The Management Board is authorized to increase the share capital of the company, subject to consent by the Supervisory Board, within the period of five years from the day the amendment to the Articles of Association as adopted at the 18th Shareholders Assembly held on 30 March 2012, into the court register, in one turn or in several turns, by up to EUR 31,425,702.90, which represents 20 percent of the company share capital as at the day the resolution on such amendment to the Articles of Association is adopted, by issuing new shares in exchange for contributions (approved capital). The Management Board shall also be authorized to omit the pre-emptive right of the current shareholders to subscribe the newly issued shares, subject to the following conditions:

- the newly issued shares are used to acquire shares or shareholdings in other companies, or business assets within strategic alliances and combinations;*
- omission of pre-emptive right is approved by the company Supervisory Board;*
- prior to the issue of new shares, the company Management Board shall inform the shareholders of the reasons for the emission and reasons for omission of the pre-emptive right; these explanations shall be published on the stock market information dissemination system;*
- independent financial consultant shall issue a positive opinion on the fairness and justifiability of the issue of new shares from the aspect of the shareholders and the company, and the Management Board shall inform the shareholders with such opinion by an announcement in the stock market information dissemination system no later than in 30 days after the agreement on the issue of new shares.*

Decisions regarding the contents of the rights based on the shares, and other conditions for the issue of shares, shall be made by the company Management Board, subject to approval or consent by the Supervisory Board. The Supervisory Board shall be authorized to change and align the company Articles of Association with the increase in share capital carried out based on a valid decision by the Management Board to increase the share capital and issue new company shares based on approved capital."



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Explanation:

Current authorization to the Management Board to increase the share capital based on approved capital, granted at the 13th regular Shareholders Assembly in 2007, will expire in this year. Therefore, a new authorization to the Management Board is proposed for the following five-year period. The authorization will allow the Management Board to respond promptly, subject to consent by the Supervisory Board, within five years, to any requirements of the company for new capital whenever the situation in the market is the most favourable in this regard. In such cases, it will be possible to increase the company share capital by up to EUR 31,425,702.90, which represents 20 percent of the company share capital as at the day of the Shareholders Assembly.

The Management Board would also be authorized to omit the pre-emptive right of the existing shareholders, but only if the newly issued shares are used to acquire shares or interest in other companies or assets in the context of strategic business combinations. Thus, the company would be allowed to use the newly issued shares as a source of financing for the acquisition of new shareholdings in other companies or other property if it was found that such acquisition served the interest and benefit of the company in compliance with its business interests. The resolution proposal expressly states that the Management Board shall also be required to obtain Supervisory Board approval for the omission of the pre-emptive right, and to obtain a positive opinion by an independent financial consultant regarding the protection of the interests of the shareholders and the company. The Management Board shall also inform the shareholders about the increase in share capital and the specific reasons for the omission of the pre-emptive right, by a public announcement on the SEOnet stock exchange information system. This will further ensure that the company would only be able to increase the share capital without consideration of the pre-emptive right if such increase was conducted with the purpose of pursuit of the goals described, and at the same time if the shareholders sustained no damage whatsoever. If these conditions or other provisions of the relevant legislation are not met, the Management Board shall not have the right to omit the pre-emptive right. The reasons for omission of the pre-emptive right are also explained in further detail in the Management Board's Report which is a constituent part of this documentation.

Pursuant to the provision of the Article 353, Paragraph two of the Companies Act, an authorization to the Management Board to increase the share capital shall require a change in the company Articles of Association, which is also considered in the proposed resolution as it also proposes a new wording for Article 48 of the Articles of Association. The proposed resolution shall be adopted with a 3/4 majority of the share capital represented at the Assembly.

Ljubljana, 27 February 2012

Management Board President:
Žiga Debeljak

Supervisory Board Chairman:
Robert Šega



Mercator

Appendix to item 3 of the agenda:

- Report on the reasons for the omission of the pre-emptive right
- Draft consolidated copy of the Articles of Association



Mercator

Documents pertaining to item 4 of the agenda

CHANGE IN THE NUMBER OF SUPERVISORY BOARD MEMBERS

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

Resolution:

A change in number of Supervisory Board members is made; Supervisory Board consists of 10 members.

Explanation:

Pursuant to Article 31 of the Articles of Association of the company the number of members of Supervisory Board is determined by Shareholder Assembly. Hereby the Shareholder Assembly has to take into account that the number of members shall not be greater than twelve. On the 16th regular Shareholder Assembly dated 13 July 2010 it was determined that the Supervisory Board consist of 12 members, of which only half is named by Shareholder Assembly and the remaining by Workers Council.

Due to resignation, the term of one of the Supervisory Board members representing the interests of the shareholders was terminated on 20 December 2011. Therefore the Supervisory Board is currently not operating in its complete composition. Hereby the Supervisory Board proposes, due to ending of term for most members in the next year, that a new member is not appointed until the election of new members of Supervisory Board, rather the number of Supervisory Board members is reduced from 12 to 10, which is consistent with Articles of Association.

Ljubljana, 27 February 2012

Supervisory Board Chairman:
Robert Šega



Mercator

Documents pertaining to item 5 of the agenda

APPOINTMENT OF A CERTIFIED AUDITING COMPANY FOR THE YEAR 2012

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 KPMG Slovenija, podjetje za revidiranje, d.o.o., Železna cesta 8a, Ljubljana, shall be appointed as the company auditor for 2012.

Explanation:

Pursuant to Articles 297.a and 280 of the Companies Act (ZGD-1) and the Auditing Act, the Supervisory Board, based on a proposal by the Audit Committee, hereby proposes to the Shareholders Assembly the auditing company KPMG Slovenija, podjetje za revidiranje, d.o.o., Železna cesta 8a, Ljubljana, for appointment as the company auditor. The auditing company proposed for appointment has the relevant experience in auditing in the field of business activities in which the company is engaged, as well as references both in Slovenia and abroad. Furthermore, it has provided auditing services for the Mercator Group in the last five years. In 2012, the key auditing partner within the same auditing company shall be replaced in order to comply with section 18.3 of the Corporate Governance Code which provides that the company shall replace its key auditing partner within the same auditing company at least once per every five years.

Ljubljana, 27 February 2012

Supervisory Board Chairman:
Robert Šega



Mercator

Documents pertaining to item 6 of the agenda

APPOINTMENT OF A SPECIAL AUDITOR TO REVIEW PARTICULAR TRANSACTIONS OF THE COMPANY

1. RESOLUTION regarding the presentation of information, on which the Assembly shall not vote:

The Shareholders Assembly shall be presented the Report on the Review Engagement (Engagement to Conduct Agreed-Upon Procedures) by the auditor KPMG Slovenija, d.o.o., on the review of the management of transactions and activities regarding the takeover intent and takeover bid for the acquisition of all shares of the company Pivovarna Laško, d.d., by the company Mercator, d.d., dated 17 February 2012, which provides the following concluding factual finding:

"The Management Board of the company Mercator, d.d., acted in accordance with the principle of consistent compliance with both internal and external legal and formal rules and regulations for business conduct and activities within their powers and authorizations in all stages of the reviewed takeover procedure. The Management Board has shown appropriate level of diligence in the pursuit of the interests of the company and its shareholders from the aspect of evaluating the strategic suitability, economic justifiability, and viability of the project, its expected financial and accounting effects on company operations, and identification, consideration, and management of the risks pertaining to the execution of such procedure. The Management Board also communicated in a transparent manner with the public, providing relevant information via the SEOnet stock exchange information system in compliance with the relevant rules and stock market regulations."

2. The shareholder UniCredit Banka Slovenija, d.d., hereby proposes to the Shareholders Assembly of the company MERCATOR, d.d., to adopt the following

Resolution:

The Shareholders Assembly shall appoint the company ERNST & YOUNG Revizija, poslovno svetovanje, d.o.o, Dunajska cesta 111, 1000 Ljubljana, as the auditor to review the management of company transactions and activities. The special auditor shall review the management of all company transactions pertaining to the company's intent to announce a takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., Trubarjeva ulica 28, 3270 Laško, with the symbols PILR and PILH, and pertaining to the takeover bid for the said shares, in the period of the last five years before the day this resolution is adopted; furthermore, the auditor shall review the takeover intent and the takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., with the symbols PILR and PILH. In reviewing the said transactions, the special auditor shall review in particular the compliance and appropriateness of the decision (from a legal-formal aspect, aspect of economic justifiability and economic benefit or viability) to announce a takeover intent and a takeover bid for the shares of the issuer



Mercator

PIVOVARNA LAŠKO, d.d., with the symbols PILR in PILH; the execution (from the aspect of transparency, economic justifiability and economic benefit or viability) of the announcement of the takeover intent and the takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., with the symbols PILR in PILH; and the impact of the takeover intent and takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., with the symbols PILR in PILH on the company operations and performance (from the aspect of economic benefit and viability, the aspect of risk exposure and risk management, and the financial and accounting aspect).

Pursuant to the provision of the Article 320 of the ZGD-1, the special auditor shall prepare a written report on the findings of the special audit and present the auditor's position or view of all transactions specified in this Shareholders Assembly resolution.

Explanation:

Pursuant to the provision of the Article 318, Paragraph 1, of the Companies Act (ZGD-1), the shareholders UniCredit Banka Slovenija, d.d., requested the convocation of an extraordinary general meeting (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 believe 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., the shareholder UniCredit Banka Slovenija, d.d., agreed that decision on this matter not be made in an extraordinary general meeting, but rather at a regular Shareholders Assembly. The shareholder UniCredit Banka Slovenija, d.d., also presented an explanation to their resolution proposal, which is a constituent part of the documentation for the Shareholders Assembly, as an Appendix.

Position of the Management Board and Supervisory Board regarding the resolution proposed by the shareholder:

Upon receiving the request from the shareholder, the Management Board of the company Mercator, d.d., immediately decided to commission from the auditor KPMG Slovenija, d.o.o., a review of particular transactions and activities in accordance with the contents of the proposal by the shareholder UniCredit Banka Slovenija, d.d., as presented above. Since UniCredit Banka Slovenija, d.d., is one of major financial partners of the Mercator Group and since any doubt as to whether the company Management Board is managing the company in a prudent and diligent way or whether the Management Board is aware of all the risks involved in their decisions, particularly in these highly challenging economic conditions, could erode the trust between the company and its financial partners and other stakeholders, the Management Board felt it would be reasonable to conduct the requested review of business conduct immediately and present it to the shareholders. If the Shareholders Assembly only appointed a special auditor to review these transactions at their



Mercator

regular meeting this year, the shareholders would only be able to discuss the report, pursuant to the relevant legislation, at their following regular meeting, i.e. in 2013. The Auditor's report is a constituent part of the documentation for the Shareholders Assembly and it shall be available to all shareholders. It presents the finding that the Management Board of the company Mercator, d.d., has shown appropriate level of diligence in the pursuit of the interests of the company and its shareholders from the aspect of evaluating the strategic suitability, economic justifiability, and viability of the project, its expected financial and accounting effects on company operations, and identification, consideration, and management of the risks pertaining to the execution of such procedure. The resolution regarding the presentation of information as proposed by the Management Board and the Supervisory Board is a part of their position. In view of the Management Board and the Supervisory Board, this renders unnecessary another audit, especially given the fact that the takeover bid was not announced. Therefore, they do not agree with the proposed resolution and propose to the shareholders not to support the proposed resolution by the shareholder UniCredit Banka Slovenija, d.d.

Ljubljana, 27 February 2012

Shareholder UniCredit Banka Slovenija, d.d.

Appendices to item 6 of the agenda:

- Request by the shareholder UniCredit Banka Slovenija, d.d., for the convocation of extraordinary general meeting, complete with the proposed resolution and explanation, and the withdrawal of the request for the convocation of an extraordinary general meeting
- Report of factual findings by KPMG Slovenija, d.o.o. – 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.



Mercator

Documents pertaining to item 7 of the agenda:

PRESENTATION OF THE COMPANY REPORT ON THE ACTIVITIES TO SUPPORT THE PROCESS OF SALE OF THE MAJORITY BLOCK OF SHARES OF THE COMPANY POSLOVNI SISTEM MERCATOR, D.D.

RESOLUTION regarding the presentation of information, on which the Assembly shall not vote:

The Shareholders Assembly shall be presented the company report on the activities to support the process of sale of the majority block of shares of the company Poslovni sistem Mercator, d.d., by the Consortium of Sellers.

Explanation:

At the Shareholders Assembly, the company Management Board shall present orally the activities conducted to support the process of sale of the majority block of shares of the company Poslovni sistem Mercator, d.d.

Ljubljana, 27 February 2012

Management Board President:
Žiga Debeljak

Supervisory Board Chairman:
Robert Šega



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 (five percent) 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 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 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 person, 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.



Mercator

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

- if 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 (five percent) 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 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 damage 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 performance 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 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 26 March 2012, and who are registered as shareholders in the central register of dematerialized securities as at COB (close of business) of 26 March 2012. The application shall be submitted by regular mail to the address Mercator, d.d., Dunajska cesta 107, Ljubljana,



Mercator

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 Dunajska cesta 107, Ljubljana (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 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 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 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
Žiga Debeljak

Supervisory Board Chairman
Robert Šega

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 18th 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 18th Shareholders Assembly of the company MERCATOR, d.d., convened for 30 March 2012, 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 18th 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 18th Shareholders Assembly of the company MERCATOR, d.d., convened for 30 March 2012 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.*



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TRANSLATION OF
THE ORIGINAL DOCUMENT

Poslovni sistem Mercator, d.d.

Engagement to conduct agreed-upon procedures regarding the takeover intent and the takeover bid for all shares of the company Pivovarna Laško, d.d., by the company Mercator, d.d.

REPORT OF FACTUAL

17 February 2012

Terms and abbreviations

SMA	Securities Market Agency
OAM	Officially appointed mechanism for central storage of regulated information
EUR	Euro
HORECA	Syllabic abbreviation for the sector that includes establishments serving food products (food and beverage) - »Hotel/Restaurant/Café«
KDD	Central Securities Clearing Corporation, d.d.
KPMG	KPMG Slovenija, d.o.o.
MGMBC	Mercator Group Management Board Council
MELR	Symbol for 3,765,361 ordinary shares of the company Poslovni sistem Mercator, d.d. (also the trading symbol at the Ljubljana Stock Exchange)
Mercator, d.d.	Poslovni sistem Mercator, d.d., Dunajska cesta 107, 1000 Ljubljana
SB	Supervisory Board
PILH	Symbol for 169,567 ordinary shares of the company Pivovarna Laško, d.d., managed by D.S.U., d.o.o., Ljubljana, which are reserved for restitution beneficiaries.
PILR	Symbol for 8,578,085 ordinary shares of the company Pivovarna Laško, d.d.
Pivovarna Laško	Pivovarna Laško, d.d.
PWC	PriceWaterhouseCoopers d.o.o.
RS	Republic of Slovenia
SEOnet	Information portal of the Ljubljana Stock Exchange
CPO	Ministry of Economy, Competition Protection Office of the Republic of Slovenia
ZPOmK-1	Prevention of Restriction of Competition Act (OJ RS No. 36/2008, 40/2009, 26/2011)
ZPre-1	Takeovers Act (OJ RS No. 79/2006, 67/2007, (100/2007 amend.), 1/2008, 68/2008, 35/2011, 55/2011, 105/2011)
ZTFI	Financial Instruments Market Act (OJ RS No. 67/2007, (100/2007 amend.))
ZTVP-1	Securities Market Act (OJ RS No. 56/1999, No. 52/2002-ZJA, 108/2003, 117/2003, 16/2004, 86/2004, 123/2004, (11/2006 amend.), 26/2005-UPB1, 13/2006, 28/2006, 51/2006-UPB2, 67/2007-ZTFI (100/2007 amend.))
ZZLPPO	Act Concluding Ownership Transformation and Privatisation of Legal Entities Owned by the Development Corporation of Slovenia (OJ RS, No. 30/1998, 67/1998, 72/1998, 12/1999, 16/1999, 50/1999-ZPSPID, 6/2000, 12/2001, 79/2001, 80/2004-ZUARLPP)

Table of contents

1	Report summary	1
2	Subject, purpose, procedures, limitations, and report on the review engagement	4
2.1	Subject of the review engagement	4
2.2	Review procedures	4
2.3	Limitations to the review	4
2.4	Report on the review engagement regarding the management of transactions and activities	5
3	Basis for the review of transactions and activities	6
3.1	External regulations	6
3.1.1	Takeovers Act (ZPre-1)	6
3.1.2	Prevention of Restriction of Competition Act (ZPOmK-1)	6
3.1.3	Financial Instruments Market Act (ZTFI)	6
3.1.4	Act Concluding Ownership Transformation and Privatisation of Legal Entities Owned by the Development Corporation of Slovenia (ZZLPPO)	7
3.1.5	Rules and Regulations of the Ljubljana Stock Exchange	7
3.1.6	Rules and Regulations of the Central Securities Clearing Corporation	8
3.1.7	Corporate Governance Code	8
3.2	Internal regulations	8
3.2.1	Mercator Group Corporate Governance Policy	8
3.2.2	Management Board of the company Mercator, d.d.	9
3.2.3	Mercator Group Management Board Council (MGMBC)	9
3.2.4	Supervisory Board of the company Mercator, d.d.	10
3.2.5	Mercator Group Strategy	10
4	Review engagement regarding the takeover intent and the takeover bid for all shares of the company Pivovarna Laško, d.d.	13
4.1	Event timeline	13
4.2	Review of the management process regarding the transactions and activities	14
4.2.1	Strategic consideration of the possibility of a takeover	15
4.2.2	A more detailed analysis of the opportunity	15
4.2.3	Announcement of the takeover intent	17
4.2.4	Occurrence of new facts ensuing the convocation of the Pivovarna Laško, d.d., Shareholders Assembly	18
4.2.5	Activities for the announcement of the takeover bid	20
4.2.6	Final decision to terminate the procedure	25
5	Conclusion	30

1 Report summary

Pursuant to the agreement between the company Poslovni sistem Mercator, d.d., as the commissioning party, and the company KPMG Slovenija, d.o.o., as the service provider, signed on January 26th 2012, we conducted the agreed-upon procedures regarding the review of the management of business transactions and activities pertaining to the intent of the company Mercator, d.d., to announce a takeover bid for all shares of the issuer Pivovarna Laško, d.d., with the symbols PILR and PILH, and to the takeover bid for the said shares, and regarding the review of the takeover intent and the takeover bid, from the following aspects:

- the aspect of adopting the decision to announce a takeover intent and a takeover bid (from legal and formal aspect, from the aspect of transparency, and from the aspect of economic justifiability and viability);
- the aspect of the effect of the takeover intent and the takeover bid on company operations (from the aspect of economic justifiability and viability, the aspect of risk exposure and risk management, and the financial and accounting aspect).

The review engagement regarding the management of said transactions and activities was conducted based on the available documentation and interviews with the relevant responsible persons.

Our work was conducted pursuant to the International Standard on Related Services ISRS 4400 which pertains to engagements to perform agreed-upon procedures regarding financial information.

Engagement to perform agreed-upon procedures regarding the management of transactions and activities pertaining to the takeover intent and takeover bid for all shares of the company Pivovarna Laško, d.d., by the company Mercator, d.d., included the following procedures:

1. We have studied the documentation on management of transactions and activities pertaining to the announcement of the takeover intent for Pivovarna Laško, d.d., and compared it to effective internal regulations. Upon this basis, we reviewed the formal compliance of the management of the takeover procedure with the framework of the rules and regulations on the management of the company Mercator, d.d., and the Mercator Group.
2. We have studied the documentation on the management of transactions and activities pertaining to the execution of the takeover procedures and compared it to effective external regulations. Upon this basis, we reviewed the formal compliance of the management of the takeover procedure with the framework of the legislation regulating the mergers and acquisitions, trade with financial instruments, competition protection, and transparency of procedures.
3. We have studied the documentation resulting from the cooperation of internal and external financial and legal experts in the process of preparation for specifying the takeover bid, and reviewed whether the decisions by the managerial bodies at the company Mercator, d.d., regarding the announcement of the takeover intent and the management of subsequent takeover procedures were in fact based on the analyses, reports, and legal opinions obtained, from the aspect of economic justifiability and viability, risk exposure, risk management, and financial effects.
4. We have received and examined the documentation on management of transactions and activities pertaining to the adoption of the decision to carry on with the procedure of the takeover of the target company, compared it to the effective internal rules and regulations, and reviewed upon this basis the formal compliance of the activities carried out with the specified framework of the operations of the company Mercator, d.d., and the Mercator Group.

The findings of the engagement to review the management of the transactions and activities at hand are presented in more detail later in the report. At this point, they are summarized as follows:

- With respect to item 1, it was found that the company Mercator, d.d., expressed and announced on December 22nd 2011 its takeover intent for the acquisition of the company Pivovarna Laško, d.d. Such decision to announce a takeover intent was previously adopted by the relevant managerial body of the company Mercator, d.d. – i.e. the Mercator Group Management Board Council, pursuant to the company internal rules and regulations.
- The following was found with respect to item 2:

- the announcement of the takeover intent was carried out in compliance with the provisions of the relevant effective legislation on takeovers (mergers and acquisitions) (ZPre-1), trade in financial instruments (ZTFI), and prevention of restriction of competition (ZPOmK-1);
 - the company Mercator, d.d., as the acquiring company approached after the announcement of the takeover intent the execution of all required activities pertaining to the preparation of a formal takeover bid and the prospectus, and the activities to obtain the required permits by regulatory bodies, i.e. the Securities Market Agency (permit to announce a takeover bid) and the Competition Protection Office of the Republic of Slovenia (evaluation of the notified/reported concentration and proposed corrective measures). In this regard, the company prepared all necessary decision-making documentation in the prescribed form and within the stipulated deadlines;
 - all activities conducted by the company Mercator, d.d., after the announcement of the takeover intent point to a carefully deliberated and thought-out decision, and a serious intent to materialize the takeover intent;
 - company Mercator, d.d., communicated in a transparent manner with the public, providing information via SEOnet information portal of the Ljubljana Stock Exchange.
- The following was found with respect to item 3:
- the decision to announce a takeover intent was based on analysis and evaluation of business and economic (financial) effects of such takeover and the activities following the takeover, according to which these activities would have generated positive value added for the shareholders of the company Mercator, d.d., while contributing to the pursuit of some of the Group's strategic goals. Following the announcement of the takeover intent, the company immediately engaged both in-house expert departments and third-party consultants who confirmed by in-depth study and examination that this project is viable and justifiable from a business and economic aspect, and that it is in the best interest of the company Mercator, d.d., and its shareholders;
 - considering the relevant powers and authorizations, there were no restrictions preventing the Management Board of the company Mercator, d.d., from conducting such activity or transaction;
 - the concept of the manner in which the transaction was to be effected (i.e. exchange for Mercator, d.d., stock within the limits of statutory approved capital, and minor additional financing in cash), which was focused in particular on the provision of financial sustainability of the deal, would not represent considerable additional exposure to financial risks for the company Mercator, d.d.;
 - in case of successfully completed takeover procedure, the company Mercator, d.d., would have been exposed to additional risks pertaining to the restructuring of the Pivovarna Laško Group, consistently with the previously specified starting points, of which the Management Board of the company Mercator, d.d., was aware;
 - from the aspect of comprehensive management of the risks pertaining to the takeover procedure, the Management Board of the company Mercator, d.d., was aware of such risks, actively managed them, and considered them in their decision-making on way the related deals and activities were conducted, which is last but not least evident from the fact that due to the newly arisen circumstances, the Management Board decided against announcing a takeover bid.
- The following was found with respect to item 4:
- withdrawal from the takeover bid that the company Mercator, d.d., announced on January 19th 2012 was a result of newly arisen circumstances related to the announced convocation of the Shareholders Assembly of the company Pivovarna Laško, d.d., over which the company Mercator, d.d., had no influence, but which introduced new risks into the intended transaction, which the company Mercator, d.d., could not manage or hedge to an acceptable level. These risks were related above all to possible capital increase (seasoned equity offering) at the company Pivovarna Laško, d.d., by cash contributions, by issue of new shares at a price of EUR 10 per share, and increase of share capital based on approved capital, with the price per Pivovarna Laško, d.d., share as appraised by the relevant appraiser at EUR 34, which would have affected the offered price in the takeover bid, initially examined for a price of EUR 19 per share, and the success of the takeover procedure for Pivovarna Laško, d.d.;
 - the decision to withdraw from or not to announce a takeover bid, adopted with a resolution by the Mercator Group Management Board Council at their January 19th 2012 session, was based

on the examination of risks related to the changes in circumstances referred to above. On that same day, the Supervisory Board of the company Mercator, d.d., was also informed of such decision.

Overall, based on the review engagement, we hereby find that the Management Board of the company Mercator, d.d., acted in accordance with the principle of consistent compliance with both internal and external legal and formal rules and regulations for business conduct and activities within their powers and authorizations in all stages of the reviewed takeover procedure, and that the Management Board has shown appropriate level of diligence in the pursuit of the interests of the company and its shareholders from the aspect of evaluating the strategic suitability, economic justifiability, and viability of the project, its expected financial and accounting effects on company operations, and identification, consideration, and management of the risks pertaining to the execution of such procedure. The Management Board also communicated in a transparent manner with the public, providing relevant information via the SEOnet stock exchange information system in compliance with the relevant rules and stock market regulations.

2 Subject, purpose, procedures, limitations, and report on the review engagement

2.1 Subject of the review engagement

Pursuant to the agreement between the company Poslovni sistem Mercator, d.d. (hereinafter referred to as Mercator, d.d.), as the commissioning party, and the company KPMG Slovenija, d.o.o., Železna cesta 8a, 1000 Ljubljana (hereinafter referred to as KPMG), as the service provider, signed on January 26th 2012, we conducted the agreed-upon procedures regarding the review of the management of business transactions and activities pertaining to the intent of the company Mercator, d.d., to announce a takeover bid for all shares of the issuer Pivovarna Laško, d.d., Trubarjeva ulica 28, Laško, and to the takeover bid for all shares of the issuer Pivovarna Laško, d.d., as well as regarding the review of the takeover intent and the takeover bid, from the following aspects:

- the aspect of adopting the decision to announce a takeover intent and a takeover bid for the shares of the issuer Pivovarna Laško, d.d., with symbols PILR and PILH (from legal and formal aspect, from the aspect of transparency, and from the aspect of economic justifiability and viability);
- the aspect of the effect of the takeover intent and the takeover bid on company operations (from the aspect of economic justifiability and viability, the aspect of risk exposure and risk management, and the financial and accounting aspect).

2.2 Review procedures

The following activities were conducted as a part of the agreed-upon procedures:

- we reviewed the submitted documents, records, and information;
- we obtained other publicly available information pertaining to the subject of the review;
- in order to obtain further explanations, we conducted an interview with Ms Melita Kolbezen, Senior Vice President (Management Board member) in charge of strategic finance and IT at the company Mercator, d.d., as the person responsible for coordinating the activities related to the management of the takeover procedure at hand;
- we prepared a written report on the findings and our position regarding the said transactions and activities.

2.3 Limitations to the review

Agreed-upon procedures were conducted based on the available documentation and interviews with employees and other responsible persons who could be reached during the time of the review engagement. The analyses conducted were based on the documentation and information provided by the company Mercator, d.d. In particular items of the review, we also considered publicly available documentation, especially in order to clarify particular circumstances, and to understand the entire item more easily.

The management of the company Mercator, d.d., provided for our consideration all documentation, explanations, and evidence or proofs that we requested from them during the project for the purpose of a diligent review of the management of the transactions and activities at hand.

Most information in the report is presented in EUR or, when more reasonable, in EUR thousand.

Our work was conducted pursuant to the International Standard on Related Services ISRS 4400 which pertains to engagements to perform agreed-upon procedures regarding financial information.

Because the above procedures 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 issue at hand.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

This review of management of transactions and activities was conducted by application of the same standards and legislation that would have been applied if a special audit had been conducted as requested by the Shareholders Assembly.

2.4 Report on the review engagement regarding the management of transactions and activities

Based on the agreed-upon procedures regarding the management of transactions and activities related to the takeover intent and the takeover bid by the company Mercator, d.d., for all shares of the issuer Pivovarna Laško, d.d., which were conducted between January 27th 2012 and February 17th 2012 at the premises of the company Mercator, d.d, and the company KPMG Slovenija, d.o.o., we presented the procedures conducted, documentation reviewed, and the findings of the review engagement regarding the transactions and activities at hand.

The report was developed and compiled based on the information obtained until February 14th 2012. In case new information was (had been) disclosed after this date, which affected (would have affected) the review of the events and transactions or activities, the service provider would have (would have had) no obligation to update this report.

The report of factual findings is intended exclusively for the party that commissioned the review engagement. The commissioning party is free to publicly announce the report or submit it to third parties subject to limitations specified in the agreement.

3 Basis for the review of transactions and activities

In order to review the management of transactions and activities related to the takeover intent and the takeover bid for all shares of the company Pivovarna Laško, d.d., by the company Mercator, d.d., we examined the relevant external and internal rules and regulations.

3.1 External regulations

3.1.1 Takeovers Act (ZPre-1)

The Takeovers Act specifies the obligations of the acquiring party in case of a takeover of a publicly traded company the stock of which is traded in a regulated market. These obligations include the following:

- announcement of a takeover intent;
- announcement of a takeover bid and prospectus;
- announcement of the result of the takeover bid;
- obtaining the relevant permits.

Before submitting a takeover bid, the acquiring party shall inform the Securities Market Agency, the management of the target company, and the Competition Protection Office of the Republic of Slovenia of such intent. The acquiring party shall obtain a permit and approval of the prospectus from the Securities Market Agency for the announcement of the takeover bid and for the takeover.

The procedure regarding the takeover intent is regulated by the Takeovers Act in Articles 24 through 27 which imply the legislator's intent to prevent this instrument, which involves a certain level of responsibility and certain consequences, from being abused for any manipulation in the market. If the acquiring party withdraws from a takeover intent, the acquiring party shall not be allowed to announce a new takeover bid within one year after such withdrawal, unless the acquirer obtains a withdrawal permit from the Securities Market Agency.

The acquiring party shall announce a takeover bid simultaneously with the prospectus no later than 30 day and no sooner than 10 days after announcing the takeover intent. The prospectus shall include all information required for the holders of securities to make an informed decision on whether to accept the takeover bid.

Before announcing the takeover bid, the acquiring party shall also sign an agreement with the Central Securities Clearing Corporation (Centralna klirinško depotna družba, d.d., hereinafter also referred to as KDD) on the services regarding the takeover bid, and make an advanced payment for such services. In case of a combined bid, the acquiring party shall deposit before the announcement of the takeover bid the amount of cash required to pay for all securities which the takeover bid includes on a special account with the Central Securities Clearing Corporation; furthermore, the acquiring party shall also deposit with the KDD the securities to be exchanged.

3.1.2 Prevention of Restriction of Competition Act (ZPOmK-1)

Pursuant to the Prevention of Restriction of Competition Act (hereinafter also referred to as ZPOmK-1), the acquiring parties shall, in case all legal and economic prerequisites for concentration are met, notify the Competition Protection Office of such concentration.

The concentration shall be reported to the CPO (i.e. the CPO shall be notified of the concentration) before the start of its execution, and no later than 30 days after signing the agreement, publicly announcing the bid pursuant to the Takeovers Act, or assuming control (whichever is the earliest).

The companies shall not assert any rights and obligations arising from the concentration for which notification to the CPO is mandatory, until a decision on the compliance of concentration with the rules of the competition is issued.

3.1.3 Financial Instruments Market Act (ZTFI)

Financial Instruments Market Act (hereinafter also referred to as ZTFI) stipulates that the securities offered in exchange for the stock of the target company in a takeover bid, represent an exception with regard to the obligations of announcement of prospectus pursuant to the ZTFI, and that in case of takeover bids regulated by the Takeovers Act (ZPre-1) (for which the issuer obtained a permit to announce a takeover bid), the prospectus shall be announced pursuant to the Takeovers Act.

The obligation to disclose the regulated information shall arise with the listing of the securities for trading in a regulated market. Regulated information shall mean any information that has to be disclosed by a publicly traded company or any other person requesting the listing of securities for trading in a regulated market without consent by that publicly traded company, pursuant to this Act or regulations of another member state. In cases when the publicly traded company announces a piece of regulated information, the contents of such announcement shall be presented to the Securities Market Agency and the SMA shall be informed of the manner in which the announcement is to be made.

The thresholds of significant interest shall be the share of voting rights in a particular publicly traded company belonging to an individual shareholder; they shall represent 5, 10, 15, 20, and 25 percent, 1/3, 50 percent or 75 percent of all voting rights in the publicly traded company. All shares of the publicly traded company bearing voting rights shall be considered as the basis for determining the significant interest, including treasury shares and shares for which exercising the voting right is restricted by legislation or by company Articles of Association pursuant to relevant legislation. The shareholder, holder of share options, and the person liable for reporting shall also present the notification of the change of significant interest simultaneously to the publicly traded company at hand and to the Securities Market Agency.

Pursuant to relevant legislation, the Central Securities Clearing Corporation provides custodial services regarding the takeover pursuant to the Takeovers Act (ZPre-1). Furthermore, the Act also specifies the liabilities and obligations of the Securities Market Agency in the procedures of decision-making on particular matters pursuant to the Takeovers Act (ZPre-1).

3.1.4 Act Concluding Ownership Transformation and Privatisation of Legal Entities Owned by the Development Corporation of Slovenia (ZZLPPO)

Since the takeover procedure at hand pertains to the takeover intent and takeover bid for all shares of the issuer Pivovarna Laško, d.d., which in addition to the shares with symbol PILR also include the shares with the symbol PILH intended for restitution beneficiaries and currently managed by the company D.S.U., d.o.o. (hereinafter also referred to as DSU) as the legal successor to the Development Corporation of Slovenia (Slovenska razvojna družba), we also studied the Act Concluding Ownership Transformation and Privatisation of Legal Entities Owned by the Development Corporation of Slovenia (hereinafter also referred to as ZZLPPO).

In case of rejection of a restitution claim, the assets and shares that were secured to the benefit of the restitution beneficiaries in the procedure of ownership transformation, but the transfer of such assets and shares to the restitution beneficiaries was finally rejected, these assets and shares shall become the property of Development Corporation of Slovenia. Secured shares the transfer of which to restitution (denationalization) beneficiaries was legally and finally rejected because denationalization was not possible at all shall be offered by the Development Corporation of Slovenia to shareholders or partners of a company in the ratio of their ownership shares in exchange for cash contributions. The price per share shall be determined by a certified appraiser.

Special treatment of such shares was not found in the effective regulations on takeover procedures.

Based on the Report by the company D.S.U., d.o.o., on the performance of their tasks and duties pursuant to Article 62 of the Act Concluding Ownership Transformation and Privatisation of Legal Entities Owned by the Development Corporation of Slovenia in the period from January 1st 2011 to September 30th 2011, 114 shares of Pivovarna Laško, d.d., which are already planned for transfer to their respective beneficiaries, and 136,171 shares with the symbol H were managed by the DSU as at September 30th 2011. Upon denationalization/ownership transformation, a total of 175,861 Pivovarna Laško shares were transferred to DSU.

3.1.5 Rules and Regulations of the Ljubljana Stock Exchange

Rules and Regulations of the Ljubljana Stock Exchange, d.d., Ljubljana (effective as of 2010), and Changes in Amendments to the Rules and Regulations of the Ljubljana Stock Exchange, d.d., Ljubljana (effective as of 2011), do not include any special provisions related to takeovers; from the aspect of relevance, they include provisions on the obligation to disclose information and the method of announcement of such information. Obligations of the issuers whose shares are listed for trading in the regulated stock exchange, regarding disclosure of regulated or other information, are specified by the Financial Instruments Market Act and other legislation and regulations.

Stock market transactions are defined as transactions of sale and purchase the subject of which are securities listed for trading in the stock exchange, and effected through the trading system pursuant to relevant rules. Stock market transactions may only be effected by the members of the stock market.

3.1.6 Rules and Regulations of the Central Securities Clearing Corporation

The rules of the Central Securities Clearing Corporation define the contents of the Corporation's services related to the takeover. With the agreement on takeover-related services, the KDD commits to rendering the service related to the takeover for the acquiring party, while the acquiring party is obliged to pay for such services a fee as specified in the KDD tariff. The KDD shall sign the agreement on the services related to the takeover with the acquiring party which shall inform the Securities Market Agency on the takeover intent pursuant to the Takeovers Act (ZPre-1).

The obligations of communication and notification between the KDD and the acquiring party and the contents of such communication shall be defined by the relevant rules and regulations.

3.1.7 Corporate Governance Code

The Corporate Governance Code laid down by the Ljubljana Stock Exchange in cooperation with the Managers' Association of Slovenia and Slovenian Directors' Association specifies in more detail the standards of management for public limited companies the stock of which is listed in the regulated market.

The provisions of the Code define in more detail the legislative provisions that represent the recommended practice regarding the activities and operation of the corporate bodies in public limited companies, and summarize the currently effective regulations. The provisions of the Code are intended especially to public limited companies (joint stock companies) and they have the nature of recommendations that are not legally binding unless they summarize the relevant legislation. Public limited companies listed on the stock exchange are required to publicly disclose any deviation from the provisions of the Code.

The company Poslovni sistem Mercator, d.d., publishes the statements of compliance with the Code in the Annual Report and on their website. Corporate governance is compliant with the adopted Mercator Group Corporate Governance Policy. Considering the statement published in the Annual Report for 2010, it is in compliance with the provisions of the Corporate Governance Code, with minor deviations which, however, are not relevant from the aspect of management of transactions and activities that are subject to this review engagement.

3.2 Internal regulations

3.2.1 Mercator Group Corporate Governance Policy

President of the Management Board shall represent the company without any restrictions or limitations. Members of the Management Board (senior vice presidents) are authorized for effecting contracts and other legal transactions from their respective fields of work, in compliance with the currently relevant system of authorizations as adopted by the company Management Board.

The system of authorizations specifies the powers and authorizations to conduct particular types of transactions or activities for the councils of particular fields or companies, subject to compliance with the hierarchy (first, the authorizations of the Mercator Group Management Board Council (hereinafter also referred to as MGMBC) are defined, followed by authorizations by particular operating and strategic fields and areas).

Management of transactions and activities pertaining to the takeover intent or takeover bid for all shares of the company Pivovarna Laško, d.d., by the company Mercator, d.d., which is subject to the review engagement at hand and this report, belongs in the group of transactions with financial assets and liabilities, more specifically in acquisition of shares and interests (except project-based real estate companies). With regard to these, any decisions in all cases shall be made by the MGMBC. Transfer of authorizations to lower level is not specified.

3.2.2 Management Board of the company Mercator, d.d.

The company Mercator, d.d., is managed by the Management Board which consists of the President and five members – senior vice presidents. The President of the Management Board shall propose to the Supervisory Board the appointment of other Management Board members (senior vice presidents), and the entire Management Board shall be appointed by the Supervisory Board.

The Management Board is appointed for a five-year term with unlimited possibility of re-appointment. The number of Management Board members and their respective fields of work and authorizations shall be proposed by the President of the Management Board and confirmed by the Supervisory Board by adopting the Management Board Act. The Management Board shall manage company affairs independently and with full responsibility, to the benefit of the company.

Pursuant to the Supervisory Board resolution adopted at the session held on March 30th 2010, members of the Mercator, d.d., Management Board were appointed for a five-year term beginning on January 1st 2011.

3.2.3 Mercator Group Management Board Council (MGMBC)

Mercator Group operations shall be managed (planned, coordinated, and supervised) by the Mercator Group Management Board Council (MGMBC). MGMBC members shall conduct the following activities:

- discuss and adopt/confirm the Mercator Group strategy;
- discuss and confirm the medium term and annual Business Plan of the Mercator Group, operational areas, and the company Mercator, d.d.;
- discuss and adopt/confirm the business policies of the Mercator Group and individual business areas;
- coordinate operations of operational areas and organizational parts of the Mercator Group and its subsidiaries;
- monitor and supervise the activities and operations of the Mercator Group, business areas, parent company, and subsidiaries;
- discuss and adopt reports in compliance with the requirements of corporate governance;
- discuss and adopt reports on the performance of business areas;
- adopt organizational Acts of the Mercator Group and the company Poslovni sistem Mercator, d.d.;
- adopt major business decisions pursuant to the adopted system of powers and authority;
- decide on all other issues relevant for the Mercator Group and its parent company.

Composition and activities/operation of the MGMBC shall be laid down by the Rules of Procedure for the Mercator Group Management Board Council. Pursuant to the MGMBC Rules of Procedure, MGMBC resolutions adopted at the sessions in compliance with the Rules of Procedure shall be deemed as resolutions adopted by the Management Board of the company Mercator, d.d. A particular resolution shall be deemed adopted if both of the following two conditions are met:

- at least one half of all MGMBC members present voted in favour of the proposed resolution;
- at least one half of the MGMBC members who are also members of the Mercator, d.d., Management Board, including the Chairperson of the MGMBC of the person replacing him or her, also voted in favour of the proposed resolution.

Minutes shall be kept of the progress of the sessions.

In addition to the Mercator Group Management Board Council, Councils of particular operational business areas are also active (Mercator Operations Slovenia FMCG; Mercator Operations Slovenia

Technical Consumer Goods, Wholesale, and Supplementary Activities; Mercator Operations Southeastern Europe; and Mercator Real Estate), as well as councils of strategic (corporate) business areas (strategic marketing and procurement, strategic finance and IT, and strategic HR and organization).

3.2.4 Supervisory Board of the company Mercator, d.d.

The Supervisory Board of the company Mercator, d.d., consists of up to 12 members, of which one half of the members who represent the interests of the shareholders are elected by the Shareholders Assembly. Supervisory Board members are appointed for a four-year term with the possibility of re-appointment.

The Supervisory Board shall adopt their decisions in the form of resolutions; in addition, they can act directly by reviewing and examining the documentation. Minutes shall be kept of the work 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.

Powers and authorizations of the Supervisory Board of the company Mercator, d.d., in the fields relevant for the review of the company activities and transactions at hand, include in particular the following:

- supervising the operations of the company and adopting Management Board reports;
- reviewing and examining the company ledgers and documentation;
- approving (passing consent to) Management Board resolutions when required by the legislation or the Articles of Association;
- approving the three-year development strategy and the company annual plan;
- the Supervisory Board may request at any time from the Management Board a report on any issue related to company operations and activities, which bears a significant impact on the company position.

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.

3.2.5 Mercator Group Strategy

Mercator Group's strategic policies and strategic goals for the medium term period 2011-2015 were adopted at the Mercator, d.d., Supervisory Board session held on March 30th 2010.

The Group's **vision** is defined as follows:

- To be the consumers' first choice when shopping for fast moving consumer goods and home products.

The Group's **mission** is defined as follows:

- To provide optimum value for the consumers with our service and offer of fast moving consumer goods and home products
- To provide consumers with the best possible service in a pleasant shopping environment, by offering expert support of highly motivated employees
- To provide returns for our shareholders through growth and efficient operation
- To manage our operations in a way that improves the quality of life in our social and natural environment

Following are Mercator Group's fundamental **strategic goals**:

- In our domestic market (Slovenia):
 - To retain the position of the leading fast moving consumer goods retailer
 - To consolidate the position of the second largest retailer of home products
 - To develop supplementary trade services related to our customer loyalty system
- In existing international markets (Serbia, Croatia, Bosnia and Herzegovina, Montenegro):
 - To consolidate or attain the position of the second largest fast moving consumer goods retailer

- To rank among the top three retailers of home products
- To develop supplementary trade services related to our customer loyalty system
- In new international markets (Bulgaria, Albania, Macedonia, Kosovo):
 - To rank among the top five retailers of fast moving consumer goods

Consistently with our vision and mission, Mercator Group's marketing strategy is focused on the consumers, placing them at the heart of our efforts. By providing quality offer of products, modern and pleasant shopping experience, and a range of select additional services for the customers, Mercator is looking to be their first choice.

Mercator's strategic marketing policies include four key areas:

1. providing optimum value for the consumers with the service and offer of fast moving consumer goods and home products;
2. providing consumers with the best possible service in a pleasant shopping environment, by offering expert support of highly motivated employees;
3. providing returns for the shareholders through growth and efficient operations;
4. managing the operations in a way that improves the quality of life in Mercator's social and natural environment.

On the one hand, Mercator Group's strategic goals are pursued by growth of revenue from sales of fast-moving consumer goods in both retail and wholesale (from the aspect of sales channels). On the other hand, the strategic goals are pursued within the framework of the marketing strategy, specifically by growth and development of private labels and a strong customer loyalty system.

a) Marketing strategy with focus on private label development

The changes in market circumstances can be an even bigger opportunity for the development of private labels. The growth trend in private labels is fuelled by both consumers and retailers. The consumers have grown increasingly resourceful; they expect more, they are active, and they even wish to take part in defining the offer. On the other hand, the retailers are increasingly focused on offering the consumers private label products with value added, and competitive edge relative to other players in the market as they look for long-term effects. Thus, building up a quality offer of private label products is one of the tools employed to establish a closer relationship with the consumers; hence, the offer is tailored to the consumers in terms of quality and in terms of lifestyle and needs.

Mercator is positioned in the market as a retailer catering to a broad range of consumers. In addition to providing the fast-moving consumer goods to satisfy the basic needs, Mercator is looking to develop new products that are appealing for the customers and which will present such value added or extension of the offer for them that they will be willing to buy products of this label for that reason. Hence, Mercator is planning to boost the presence of private label products in their aisles, which means that they will also have to provide the breadth of the assortment of particular product categories. Above all, the private label will include products of high quality and good price, which will cover all needs, ranging from the most fundamental ones to those more special and exquisite. Being aware that retailers' private labels are becoming formidable competitors to renowned brands in the market, they have to adjust their business practice, philosophy of operations, and organization in such way that they will no longer act merely as retailers offering their aisles for goods of other providers; rather, they have to approach the provision of the products of their own private label much like conventional manufacturers would. Consumers are the guiding principle of further development of private label products; Mercator can materialize their ambition by offering them high-quality products. In order to provide such products, careful planning of development and strategic business combinations with manufacturers is required. Quality products in the aisles guarantee consumer satisfaction.

Mercator has seen continuous growth of private label sales which is anticipated to continue in the future. Private label development opens up a special business opportunity for a retailer to differentiate the offer from other players in the market and to develop and create unique, innovative products available exclusively in Mercator stores. Thus, a long-term relation is established with the consumers.

The key advantage of integrating renowned Slovenian brands into the retailer's offer is more rapid development of domestic offer for the market and utilization of own manufacturing capacity. As a result, this motivates the development of production and improves the potential for company

operations. On the other hand, Mercator is thus offering the consumers a wider range of domestic products and consolidating their own position in the Slovenian market.

Mercator has already proven successfully that it was possible to reap synergies from a combination of a Slovenian retailer and a Slovenian manufacturer as it merged the Grosuplje Bakery with the portfolio of their private labels. Products of the Grosuplje Bakery boast high quality which has been confirmed by numerous awards. The synergies between the two companies allow further production of the bakery and a quest for new market opportunities and innovation in development of the products in the market.

b) Wholesale operations remain an important sales channel

The key target of Mercator wholesale activities is to consolidate the position of a major fast-moving consumer goods wholesaler, which also involves a specific market segment of the products from the HORECA sector (hotels, restaurants, and cafés); this also includes the network of Cash & Carry units. An essential segment of products in this activity pertains to alcoholic beverages, water, and non-alcoholic beverages (soft drinks).

Competition in the Slovenian wholesale market for HORECA products is harsh as the market features many specialized distributors, manufacturers who are also direct distributors, as well as many other local players. On the other hand, Mercator has also seen competition from the Cash & Carry stores. Customers are mostly addressed by sales representatives; some customers, however, do their shopping by claiming the goods personally at the Cash & Carry units.

In order to attain the goals laid down, any synergies either in distribution of beverages or in offering a comprehensive service to individual customers would provide positive economic effects on the operations.

Competition in the supply of HORECA customers is stringent, yet highly dispersed. It takes the form of sales representatives of wholesalers, sales representatives by manufacturers, or self-supply at Cash & Carry stores. Mercator's strategic policy in wholesale is to concentrate the distribution and supply of the HORECA sector for the manufacturers who are already selling their products through Mercator's retail network; the largest potential has been identified in beverages, an important segment for this sector. By combining the distribution for the products currently marketed by manufacturers, Mercator is looking to expand the supply of the HORECA sector, particularly in the segment of beverages – alcoholic, non-alcoholic (soft drinks), and water. Thus, distribution channels will be concentrated and the potential of own, in-house distribution will also be fully utilized. Mercator has a developed own logistics infrastructure for the supply requirements of retail units; the same logistics infrastructure could be used for supply to the HORECA sector. By combining the distribution for products of manufacturing companies, their sales will potentially increase; at the same time, the costs will be lower as Mercator improves the utilization of their own distribution capacity. Concentration of providers in this segment normally results in improved transparency of operations for the customers. By expanding the operations in the HORECA segment, development potential for private label lines in this segment is also opening up. Currently, Mercator is offering the same private label products in wholesale and in retail; in the future, improved operating efficiency and increased volume could open up the potential to develop a special line of private label products for the HORECA segment (with larger packaging units and special products, particularly in the segment of beverages).

4 Review engagement regarding the takeover intent and the takeover bid for all shares of the company Pivovarna Laško, d.d.

Since particular transactions and activities related to the takeover intent and takeover bid for all shares of the issuer Pivovarna Laško, d.d., are inseparably connected and intertwined, they shall not be presented separately, unless specifically noted otherwise, in order to provide a transparent account and to prevent redundancy of quotes hereinafter.

4.1 Event timeline

According to available information, the company Mercator, d.d., actively conducted internal and external procedures pertaining to possible takeover of the target company Pivovarna Laško, d.d., in the period from spring 2011 when the first ideas of the viability of such move were presented, until January 19th 2012 when the withdrawal from the takeover intent was publicly announced.

Following is a list of the main activities as they were conducted in succession:

- As early as in the first half of 2011, the management of the company Mercator, d.d., started to consider a potential strategic business combination with the Pivovarna Laško Group. It is evident from explanations by representatives of the company management that several internal discussions were held regarding this topic. In addition, several third-party legal (law firm Lipovec & Savnik) and financial advisers (Société Générale) were also consulted in this regard.
- In December 2011, detailed analysis of the feasibility and expected effects of such strategic project was launched. It was found in this context that this would not constitute a deviation or departure from the strategic policies laid down for the Mercator Group operations; rather, it would be an act of taking a specific business opportunity which could yield positive business and economic effects.
- On December 22nd 2011, the MGMBC adopted, based on the examination of the platforms and materials prepared, the decision to announce a takeover intent.
- On that same day, takeover intent was sent to all relevant bodies as required by the Takeovers Act – Securities Market Agency (hereinafter also referred to as SMA) and the Competition Protection Office of the Republic of Slovenia (hereinafter also referred to as the CPO) – and relevant responsible persons at the target company (Management Board and employee representatives).
- The takeover intent was publicly announced on December 23rd 2011 in the Delo daily paper and on SEOnet portal of the Ljubljana Stock Exchange.
- Pursuant to MGMBC resolutions, the announcement of the takeover intent was followed by intensive activities required to prepare a takeover bid which was scheduled to be announced no later than by January 21st 2011. Simultaneously, other activities took place that would have provided the background for the final decision on the announcement of the takeover bid.
- On December 29th 2011, the target company – Pivovarna Laško, d.d., announced the convocation of the Shareholders Assembly for January 30th 2012.
- In December and January 2012, in addition to activities pertaining to the preparation of a takeover bid and analysis of materials for the Shareholders Assembly of Pivovarna Laško, d.d., activities were conducted that were related to the preparation of the prospectus and obtaining the required permits by the relevant regulatory bodies:
 - procedure before the Securities Market Agency: this included meetings at the SMA, sending the first draft version of the takeover bid and prospectus to the takeover bid for Pivovarna Laško, d.d., by Mercator; receiving notes by the SMA (data capture from relevant appendices to the Regulation 809/2004), sending the second draft version of the takeover bid and the prospectus amended according to the notes by the SMA and other subsequently received data; receiving additional notes by the SMA; and submitting the final version of the takeover bid and prospectus;
 - preliminary application for the permit to announce a takeover bid was submitted to the SMA on January 18th 2012. However, this application did not yet include all formally required components (proof of payment of the fee and guarantee for the security/ insurance of the payment of a part of the acquisition amount in cash) with the explanation that the acquirer's (company Mercator, d.d.) Management Board and Supervisory Board would make the decision

about the announcement of a takeover bid at their sessions on January 19th 2012 when the application would have been completed with the missing elements if it had been decided that the takeover procedure were to be carried on with;

- procedure before the Competition Protection Office of the Republic of Slovenia: initial meeting was held at the CPO; subsequently, notification of concentration was filed regarding the planned takeover bid by the company Mercator, d.d., for all shares of the company Pivovarna Laško, d.d., and completion of this notification, which was followed by a follow-up meeting at the CPO, filing a request to issue a preliminary opinion or statement of CPO's position regarding the concentration at hand.
- In addition to these activities, representatives of the management of the company Mercator, d.d., held on January 17th and 18th 2012 several preliminary informal meetings with major shareholders of the target company in order to exchange the positions of the acquirer and the expectations of the current shareholders of the company Pivovarna Laško, d.d.
- On January 18th 2012, the CPO submitted to the company Mercator, d.d., a reply to their request in the issue of the reported/notified concentration.
- In order to examine and discuss the gathered analyses, appraisals, and legal opinions, and to adopt the final decision regarding the continuation of the takeover procedure, successive sessions of the MGMBC and the Supervisory Board of the company Mercator, d.d., were held on January 19th 2012.
- Considering the adopted decision not to announce a takeover bid, withdrawal of the request for the permit for a takeover bid, and a request for permit to withdraw from the takeover intent were submitted to the Securities Market Agency on January 19th 2012. Since the application for the permit for a takeover bid had not been formally completed, the senate of the Securities Market Agency had not decided on the matter by the time the request was withdrawn. Thus, the SMA issued on January 20th 2012 a resolution to stop the decision-making procedure regarding the request by the company Mercator, d.d., to issue a takeover bid permit. On January 26th 2012, the Securities Market Agency issued the decision to reject the permit for withdrawal from the takeover intent; however, Mercator, d.d., appealed via their legal representative on February 1st 2012 against such decision in order to be able to present additional explanations and notes regarding the relevant facts. As at the completion of this report, SMA response is not known yet. The final decision by the SMA in this regard is important because Article 27 of the Takeovers Act (ZPre-1) provides that if the acquiring party withdraws from a takeover intent after announcing it, the acquiring party shall not be allowed to announce a new takeover bid within one year after such withdrawal, unless the acquirer obtains a withdrawal permit from the Securities Market Agency. If the appeal of the company Mercator, d.d., is successful and such permit is issued, than such restriction will not apply.
- On January 20th 2012, the company Mercator, d.d., sent to the CPO a notification of withdrawal from the notification of concentration regarding the intended takeover bid. The company Mercator, d.d., informed the financial community and the entire interested public about the takeover intent via the Ljubljana Stock Exchange SEOnet information portal.

4.2 Review of the management process regarding the transactions and activities

As a part of the detailed review of key activities pertaining to the management of takeover procedures in the period specified in the previous chapter, it is our task to report on the findings of the detailed review from the aspect of legal and formal compliance of the management of the procedure from the aspect of transparency; from the aspect of economic justifiability and viability of the planned transactions; from the aspect of risk exposure and risk management; and from the aspect of finance and accounting. To improve the transparency, we separated the entire period at hand into several successive stages as presented below.

4.2.1 Strategic consideration of the possibility of a takeover

In May 2011, the relevant members of the company Mercator, d.d., prepared a document Strategic Business Combination with Pivovarna Laško – Starting Points for Discussion, which includes the following:

- project description;
- goals of the takeover or reasons for it (which includes the expected gains from divestment of brewery operations; securing in-house production of bottled water and non-alcoholic beverages (soft drinks) under the private label in Slovenia and in Croatia; effects of synergies in wholesale; and contribution to the stabilization of Mercator ownership);
- estimate of possible gains for the company, including assumptions and approximate evaluation according to which this could be a very interesting project in terms of economic benefits; and
- identification of relevant aspects and risks (in the field of competition protection law, problems with divestment of brewery operations, relations with the creditors of the target company, financial covenants and commitments of the company Mercator, d.d., relations with other retailers, and relations with banks that hold the stock of the company Mercator, d.d.).

In order to obtain the services of financial consulting on a broader, strategic level, the company Mercator, d.d., hired the international department for corporate and investment banking with the French banking group Société Générale. From May 2011 onwards, these consulting services also included discussions of issues related to potential takeover of Pivovarna Laško, d.d. Moreover, third-party legal advisers (from the law firm Lipovec & Savnik) were also consulted with regard to this issue in that same period, as a part of regular legal consulting.

4.2.1.1 Findings

Based on the available documentation, we conducted our work to the extent that allows us to make the following statement:

- We find that the Management Board of the company Mercator, d.d., commenced the activities related to serious examination of the possibility of a takeover of the company Pivovarna Laško, d.d., at the level of systematic and targeted strategic consideration, no later than in May 2011.
- The initial impetus for such activities came from the company Management Board and its third-party financial advisers; in consideration of the possibilities of execution of such transaction, the Management Board was driven by ambition to provide positive effects for the company shareholders (the aspect of economic viability and justifiability) – both in terms of attainment of some of the company's strategic goals (establishment of in-house production of bottled water and non-alcoholic beverages (soft drinks) in Slovenia and in Croatia; reinforcing the wholesale activities; improved profitability of the business activities) and in terms of provision of a more stable ownership structure of the company Mercator, d.d. – risk management aspect). We find that consolidation of the competitive position of the private label products and reinforced presence in the HORECA market are derived directly from the effective strategy of the Mercator Group; generating profit is the goal of any enterprise.
- At this stage, the review of the legal and formal compliance of the management of the procedure is not relevant yet (the initiative was discussed at the internal level), while the aspects of required consideration of economic justifiability and viability of the planned transaction, exposure to risks and management thereof, and attainable financial and accounting effects were certainly considered and discussed, according to the available information.

4.2.2 A more detailed analysis of the opportunity

In December 2011, the management of the company Mercator, d.d., stepped up their activities of examining the viability and feasibility of the planned transaction and commissioned from the relevant departments a more detailed analysis of the identified specific business opportunity.

In this regard, the internal document Preliminary Economic Analysis and Justification of the Strategic Project of Takeover of the Company Pivovarna Laško, d.d., by the Company Mercator was developed, based on the estimated statement of financial position of the Mercator Group as at December 31st 2011, and on the publicly available information about the operations of the company

Pivovarna Laško, d.d., (and the Group), which were mostly found in the company Annual Report for 2010 (audited information) and announced information about the operations and performance in the period January-September 2011 (non-audited information).

The study also includes a discussion of the following fields:

- key assumptions considered in the analysis;
- key effects after the completed transaction for the Mercator Group;
- financially evaluated preliminary economic analysis and verification of the financial sustainability of the transaction;
- financially evaluated key economic effects of the transaction for the Mercator Group;
- estimated value of the brewery operations, employing the dynamic method of discounted cash flows;
- estimated value of operations of the company Radenska, d.d., Radenci, employing the dynamic method of discounted cash flows.

The aspect of financial sustainability of the intended transaction was further examined in the document Preliminary Economic Analysis and Verification of the Financial Sustainability of the Transaction, which represents an executive summary of the description of the key assumptions applied and the calculated effects of the intended transaction and subsequent restructuring. Both documents share a common conclusion that the intended transaction, subject to implementation of all required subsequent measures for restructuring of the corporate group within the assumed frameworks and dimensions, presents an excellent business opportunity for Mercator, d.d. The effect of the takeover on the financial composition and compliance with financial covenants and commitments to all financial partners was analyzed separately.

As evident from the examined extract of the record of resolutions adopted at the 13th regular Shareholders Assembly of the company Mercator, d.d., resolution No. 4 allows the company Management Board, subject to prior consent by the Supervisory Board, to increase the company share capital within five years of the registration of the relevant changes to the Articles of Association into the Court Register by up to 20% of the share capital as registered as at the day the resolution is adopted by the Shareholders Assembly, by issuing new shares; in addition, the pre-emptive right of the existing shareholders may be omitted subject to certain conditions.

Based on the presented background, the Mercator Group Management Board Council (MGMBC) unanimously confirmed on December 22nd 2011 the intent to take over the company Pivovarna Laško, d.d., with the purpose of generating positive economic effects for the Mercator Group and thus to generate value for the Mercator, d.d., shareholders. This would have been attained by implementing the following measures:

- restructuring the business activities of the Pivovarna Laško Group;
- support to internationalization of sales activities of the Pivovarna Laško Group;
- provision of production capacity for manufacturing Mercator private label products;
- integrating wholesale activities, especially supply to the HORECA sector;
- optimization of management and sale/divestment of a part of the non-core (unnecessary) real property;
- divestment of activities of alcoholic and non-alcoholic beverages and media (sale to strategic buyers).

Ensuing this decision, the wording of the takeover intent was confirmed by the MGMBC, which expresses the intent of the company Mercator, d.d., to announce a takeover bid for all shares of the issuer Pivovarna Laško, d.d., and that the acquirer would at the same time notify thereof the Management Board and representatives of the employees at the target company, the Securities Market Agency, and the Competition Protection Office of the Republic of Slovenia. The announcement of the takeover bid including the prospectus (bid documentation) would follow no later than in 30 days after the announcement of the takeover intent.

According to the second resolution adopted at the same MGMBC session, it was decided that all required procedures pursuant to effective legislation be commenced regarding the takeover bid, which included engaging the third-party legal and financial consultants of relevant specialization, and appointment of one member of the Management Board (senior vice president) to be responsible for the procedures regarding the takeover bid (this role was entrusted to Ms Melita Kolbezen, Senior Vice

President in charge of Strategic Finance and IT). Ms Kolbezen was assigned the task of submitting within a reasonable period of time a specific proposal to the MGMBC for the takeover bid, complete with all required analyses and pertaining documentation for a final decision regarding the issue.

4.2.2.1 Findings

Based on the available documentation, we conducted our work to the extent that allows us to report the following findings:

- Legally and formally, pursuant to the internal rules and regulations on the management procedures, and valid authorizations, and considering the nature and scope of the intended transaction, the Management Board of the company Mercator, d.d., was not restricted with regard to the completion thereof.
- The Management Board of the company Mercator, d.d., or the company's experts conducted in December 2011 specific activities of business analysis in order to evaluate the identified business opportunity; considering the available information on the business position of the Mercator Group and the Pivovarna Laško Group, business reasons for the strategic project at hand were discussed, and the expected business and economic effects of its implementation were evaluated. Based on the analysis of economic effects of the takeover and the post-merger activities it was estimated that implementation of such activities would generate positive value added for the Mercator, d.d., shareholders, while contributing to the attainment of some of the Group's strategic goals (aspect of economic justifiability and viability).
- At the same time, this evaluation included a consideration and emphasis of the interest of the Mercator Group to reduce the risks perceived as stakeholders due to shattered stability of their ownership (i.e. the aspect of exposure of Mercator Group operations to risks and management thereof was also considered).
- The managerial body at the company Mercator, d.d. – the Mercator Group Management Board Council made a unanimous decision on December 22nd 2011 to announce a takeover intent for the takeover of the company Pivovarna Laško, d.d., and that all procedures pertaining to the takeover as required by the relevant legislation be launched at the same time. This decision included assigning and authorizing one member of the Management Board (one senior vice president) to engage third-party consultants and other service providers as required, in addition to in-house experts. The intent to obtain additional third-party opinion points to additional diligence from the aspect of evaluating economic justification and management of risks related to the takeover procedure.
- It is evident from the confirmed wording of the takeover intent that the company Mercator, d.d., expressed the intent to announce a takeover bid no later than in 30 days after announcement of the takeover intent, for all shares of the target company, and to inform of such intent the Management Board and employee representatives at the target company, as well as the relevant regulatory bodies – SMA and CPO.
- Within this stage of the procedure, we find, from the aspect of the decision to announce a takeover intent for the shares of the issuer Pivovarna Laško, d.d., that the management of the company Mercator, d.d., clearly evaluated the estimated economic justifiability and viability of the project, as well as the expected effect from the aspect of management of some of the risks to which the company is exposed. Legally and formally, the procedures were conducted in compliance with the relevant internal and external rules and regulations.

4.2.3 Announcement of the takeover intent

Takeover intent as a notification that the company Mercator, d.d., is planning to announce a takeover bid for all shares of the company Pivovarna Laško, d.d., was submitted on December 22nd 2011 to the Management Board, Works Council (Council of Employees) and both worker representatives in the Supervisory Board of the target company.

At the same time and using the same communication channels, the takeover intent was sent in the same form and with the same contents to both relevant regulatory bodies – the Securities Market Agency and the Competition Protection Office of the Republic of Slovenia.

The company Mercator, d.d., as the sender of these notifications, received from all recipients confirmed acknowledgement of receipt and confirmation on successful sending of fax messages.

The takeover intent was publicly announced on December 23rd 2011 in the Delo daily paper and in the SEOnet information system of the Ljubljana Stock Exchange.

4.2.3.1 Findings

Based on the available documentation, we conducted our work to the extent that allows us to report the following findings:

- The takeover intent with the contents as approved by the MGMBC on December 22nd 2011 at their session, in compliance with the legal and formal authority and powers of decision-making, and signed by the President of the Management Board of the company Mercator, d.d., was submitted on the same day by fax and by mail to the addresses of both bodies of regulation and to the Management Board and employee representatives at the target company. The company Mercator, d.d., obtained acknowledgement of receipt from all recipients.
- On the following day, i.e. December 23rd 2011, the takeover intent was publicly announced in the same form in the Delo daily paper and in the Ljubljana Stock Exchange information system SEOnet, which is in compliance with the relevant rules and regulations of the Ljubljana Stock Exchange from the aspect of transparency of management of the takeover procedure.
- We hereby find that the announcement of the takeover intent was carried out, from a legal and formal aspect, in compliance with the relevant Takeovers Act (ZPre-1) and Financial Instruments Market Act (ZTFI).
- A constituent part of a takeover intent is the provision or expressed intent of the acquiring party to announce the takeover bid for all shares of the target company simultaneously with the bid documentation (prospectus) no later than in 30 days and no sooner than in 10 days after the announcement of the takeover intent. The deadline for announcement of the takeover bid is legally and formally compliant with the frameworks of the permitted deadlines for the announcement of the takeover bid as specified by the Takeovers Act (ZPre-1).

4.2.4 Occurrence of new facts ensuing the convocation of the Pivovarna Laško, d.d., Shareholders Assembly

On December 29th 2011, the company Pivovarna Laško, d.d., announced the convocation of the Shareholders Assembly for January 30th 2012. This convocation is of relevance to the takeover intent because it introduced the following new elements into the takeover procedure:

- considering the announced agenda for the Shareholders Assembly, at least four items and materials related thereto are of relevance for the company Mercator, d.d., and this company's takeover intent:
 - item 2 addressing the increase of share capital by cash contributions (seasoned equity offering);
 - item 3 proposing the consent by the Shareholders Assembly to the agreements on the management and change of the Articles of Association or approved capital;
 - item 4 which also relates to the amendment of the company Articles of Association in terms of the amount of approved capital (as proposed by one of the shareholders); and
 - item 6 which included the presentation and issue of consent to the sales agreement for the shares of the company Poslovni sistem Mercator, d.d.

We have studied in detail the available materials related to the convocation of the Shareholders Assembly. Following a consideration of the above items, we find that the proposing parties (Management Board and Supervisory Board for items 2, 3, and 6, and the shareholder Kapitalaska družba, d.d., for items 4 and 6) proposed to the Shareholders Assembly to approve an increase in company share capital by up to 150%. At the same time, the company Shareholders Assembly was proposed to approve the signing of the sales agreement for the shares of the company Mercator, d.d., which would also bear considerable effect on the economics of the takeover deal in case of approval.

4.2.4.1 Findings

Based on the available documentation, we conducted our work to the extent that allows us to report the following findings:

- Convocation of the Shareholders Assembly of the company Pivovarna Laško, d.d., which was announced on December 29th 2011, i.e. after the announcement of a takeover intent by the company Mercator, d.d., introduced new or changed circumstances into the takeover procedure. The later pertains in particular to some items proposed for discussion by the Shareholders Assembly of the company Pivovarna Laško, d.d., according to the convocation.
- Particularly relevant in this regard is the proposal by the company Management Board and Supervisory Board to approve an increase in company share capital by issuing up to 8,747,652 new, ordinary, freely transferable registered no par value shares, which represents 100% of the currently existing company share capital. The price of EUR 10 per share was proposed as the emission price (issue amount). Increase in share capital would be carried out in two stages (first by the existing shareholders, followed by third parties).
- Regarding the approval of the agreement on management and control (i.e. to the establishment of a Contractual Corporate Group with the companies Pivovarna Union, d.d., and Radenska, d.d., Radenci), we find that Article 10 of each of the agreements (a separate agreement on management was signed with each of the subsidiaries) provides that third-party minority interest holders of the subsidiary shall be offered a compensation for their shares in the form of shares of the parent company (Pivovarna Laško, d.d.) at an exchange rate based on their appraised value (PILR shares) of EUR 34. Both agreements on management were signed on December 27th 2011, which means that such appraisal must have been based on current insider information that was available to the management of the said companies. This item included a proposal to the Shareholders Assembly to approve a change in the Articles of Association of the company Pivovarna Laško, d.d., which would allow increasing the share (approved) capital of the company by issuing new shares for in-kind contributions, by up to 5 % of the company share capital at the time of the adoption of the changes to the Articles of Association. Also notable is the additional provision to this resolution proposal which stipulates that the "auditor shall not be required to review the issue of shares for in-kind contributions". This introduces a circumstance which considerably increases some (especially financial) risks from the aspect of the acquiring party, to which the acquiring party was exposed after the takeover procedure had been commenced.
- Furthermore, Kapitalska družba, d.d., as the shareholder of Pivovarna Laško, d.d., proposed to amend the company Articles of Association with an additional authorization to the company Management Board to increase the company share capital within five years after the entry or registration of the amendment to the Articles of Association into the court register by up to 50% of share capital, by issuing new shares for cash contributions. Such decision by the Management Board would also require approval by the company Supervisory Board.
- From the aspect of the takeover intent at hand, the content of item 6 of the Shareholders Assembly convocation is also relevant, as it proposes a resolution that would allow the Shareholders Assembly of the company Pivovarna Laško, d.d., following the presentation of the elements or the contents of the purchase agreement for the shares of the company Poslovni sistem Mercator, d.d., to confirm the sale by Pivovarna Laško, d.d., to the company Agrokor, d.d., Zagreb, 317,498 ordinary registered shares with the symbol MELR of the issuer Mercator, d.d., which represents a 8.43-percent share of this company, at a price of EUR 221 per share. In this regard, the sales agreement at hand stipulates that the sales price may change as provided by the mechanism defined in the agreement. On January 5th 2012, the VZMD – Pan-Slovenian Shareholders Association submitted to Pivovarna Laško, d.d., a counter-proposal of the resolution proposing that the relevant body of that company decide on the sale of the shares of issuer Mercator, d.d., after the completion of all procedures regarding the takeover of the company Pivovarna Laško, d.d., by the company Mercator, d.d.
- Furthermore, we have examined the Articles of Association of the company Pivovarna Laško, d.d., which provides in Article 5 that the increase of share capital by new issue of shares shall be approved by the Shareholders Assembly with a 3/4 majority of the share capital represented at the vote; and that the current shareholders shall have the pre-emptive right to subscribe the new shares in relation to their current shares in the company share capital. Article 26 of the document specifies that the Shareholders Assembly may be convened by the company Management Board at their own initiative, at the request of the Supervisory Board, or upon written request by company

shareholders representing at least 5% of the company share capital. We find that the convocation of the Shareholders Assembly of the company Pivovarna Laško, d.d., was compliant with the provisions of Article 26 of the company Articles of Association, both regarding the parties convening the Assembly and regarding the required form of provision of documentation (agenda, proposed resolutions and relevant explanations), and with Article 35 of the Articles of Association which lays down the rules of communication with the shareholders (mandatory notification via company website and the SEOnet system of the Ljubljana Stock Exchange).

- We also find that from the aspect of the adoption of a decision on the announcement of a takeover bid for the shares of the issuer Pivovarna Laško, d.d., all above facts represent new circumstances for the acquiring party, i.e. the company Mercator, d.d., that had not been considered in prior preparations for the takeover, and which are relevant especially from the aspect of verifying the economic justifiability and viability within the planned framework, and the effect on risk exposure.

4.2.5 Activities for the announcement of the takeover bid

4.2.5.1 *Engaging third-party financial and legal consultants*

Pursuant to the resolution adopted by the MGMBC on December 22nd 2011, the company Mercator, d.d., engaged third-party consultants in addition to in-house experts, to carry on the takeover procedure. These consultants include the following:

- the company Société Générale (with which a contract had already been signed), more precisely its international department for corporate and investment banking, for the services of strategic financial consulting;
- the company KF Finance, d.o.o., for the services of financial consulting, specifically for appraisal of the value of share capital of the company Pivovarna Laško, d.d., as at September 30th 2011, and appraisal of the value of the share capital of the company Mercator, d.d., as at September 30th 2011;
- the company PriceWaterhouseCoopers, d.o.o., for the services of financial consulting, specifically for evaluating the potential effects of the restructuring of the Laško Group;
- the company Schönherr Rechtsanwälte GmbH for the services of legal consulting in the form of a review of the draft agreement on the sale of shares of the company Poslovni sistem Mercator, d.d., from the aspect of sellers (which Pivovarna Laško, d.d., is in this process), and for consulting on competition protection legislation;
- law firm Lipovec & Savnik for the service of legal consulting on execution of such transaction, should it occur, and for preparation of a legal opinion on the risks pertaining to further procedure of a takeover of Pivovarna Laško, d.d., following the occurrence of the new facts;
- the company Factor banka, d.d., for the services of execution of the takeover bid pursuant to the relevant takeover (M&A) legislation.

The company Mercator, d.d., signed with the said service providers individual service agreements, except for companies Société Générale, Schönherr Rechtsanwälte GmbH, and law firm Lipovec & Savnik, who provided their services pertaining to the management of the takeover procedure based on the existing contracts and agreements. For both law firms, the respective agreements loosely specify the terms and conditions of cooperation; specific services are then ordered successively subject to requirements.

Furthermore, the company Mercator, d.d., commenced the process of obtaining offers from qualified companies for an opinion on the fairness of the transaction; the procedure was concluded in the stage of selection of the offer by the company BDO EOS svetovanje, d.o.o., as the most appropriate bidder; however, due to the premature termination of the takeover procedure, an agreement with the service provider was not signed.

Following is a presentation of the key elements of the agreements signed on the provision of services.

4.2.5.2 *Agreements with third-party service providers*

Agreement on the appraisal of the value of the companies Pivovarna Laško, d.d., and Mercator, d.d.

On January 4th 2012, the company Mercator, d.d., signed with the company KF Finance, družba za cenitve in finančno svetovanje, d.o.o., to perform the following services:

- appraise the value of 100-percent shareholding of the company Pivovarna Laško, d.d., as at September 30th 2011, for the purpose of acquisition in the takeover procedure at market and liquidation value;
- appraisal of the value of 100-percent shareholding of the company Mercator, d.d., as at September 30th 2011, for the purpose of defining the market value of shares offered as payment/in exchange for the shares of the target company.

Consulting service agreement

On January 9th 2012, the company Poslovni sistem Mercator, d.d., signed with the company PriceWaterhouseCoopers, d.o.o., an agreement to provide consulting services regarding the potential takeover of the Pivovarna Laško Group, in order to identify the restructuring potentials and synergies between the Pivovarna Laško Group and Mercator. More specifically, the services included the following:

- detailing the most appropriate scenario of restructuring the Pivovarna Laško Group;
- evaluation of potential effects of restructuring of this Group according to the selected scenario;
- analysis of benefits, weaknesses, and restrictions from the aspect of generation of value for the Mercator Group.

Agreement on provision of services regarding the takeover bid for the shares pursuant to the Takeovers Act

On January 12th 2012, the company Mercator, d.d., signed with Factor banka, d.d., an agreement on the provision of services related to the announcement and execution of the takeover bid in relation to KDD (Central Securities Clearing Corporation) and the shareholders of the target company, pursuant to the provisions of the relevant legislation (ZPre-1) and KDD Rules and Regulations.

These services were not rendered.

Offer for providing an opinion on the fairness of transaction

The subject of this offer was the provision of an opinion on the fairness (justification) of the transaction related to the takeover of the company Pivovarna Laško, d.d., from the aspect of the company Mercator, d.d., and its shareholders.

The agreement on the provision of these services was not signed and the services were not rendered.

Agreement on provision of legal services, signed with the law firm Schönherr Rechtsanwälte GmbH

On January 27th 2009, the company Poslovni sistem Mercator, d.d., signed with the company Schönherr Rechtsanwälte GmbH, Tuchlauben 17, Vienna, an agreement to provide the services of legal consulting, especially in the field of competition protection and competition law.

The examination of the problems at hand, pertaining to the takeover of the company Pivovarna Laško, d.d., the company Mercator, d.d., engaged the company Schönherr Rechtsanwälte GmbH, to study the effects of the Agreement to purchase Mercator shares between the company Agrokor, d.d., as the buyer, and the consortium of sellers, on the consortium of sellers (because the company Pivovarna Laško, d.d., as the target company in the takeover procedure at hand is also a member of this consortium); at the same time, services of this company were enlisted to deal with the issues pertaining to protection of competition.

Agreement on provision of legal services, signed with the law firm Lipovec & Savnik

On October 23rd 2009, the Company Mercator, d.d., signed an umbrella agreement on legal consulting services with the law firm Lipovec & Savnik. During the takeover procedure for the target company Pivovarna Laško, d.d., this company was engaged to provide legal support to the transaction and to examine the new facts that arose with regard to the effects of the agreement on the sale of Mercator shares between the company Agrokor, d.d., as the buyer and a consortium of sellers, on the consortium of sellers.

4.2.5.3 *Preparing a draft takeover bid and prospectus*

Following the announcement of the takeover intent, the company Mercator, d.d., approached the preparation of relevant takeover bid and prospectus as laid down by the relevant legislation dealing with mergers and acquisitions (takeovers) and trading with financial instruments. In the course of these efforts, the acquiring company actively consulted the relevant regulatory bodies.

4.2.5.4 *Procedure to obtain approval/permit for the takeover bid by the Securities Market Agency*

The procedure of preparing the relevant documentation to obtain all required permits and approvals involved active collaboration of the responsible Management Board members (senior vice presidents) and their third-party consultants with the representatives of the Securities Market Agency, in order to obtain relevant information for quality preparation of the takeover bid and as a result to formally obtain the permit/approval for the takeover bid. Through this process, the final form of the takeover bid was defined.

On January 18th 2012, Mercator, d.d., addressed to the Securities Market Agency a formal request for approval of the takeover bid; however, the request did not include all formally required elements. The request lacked the proof of payment for the fee, and guarantee as security for the payment of the part of the acquisition amount to be paid in cash. Since some conditions were not met, the senate of the Securities Market Agency did not discuss the request for takeover bid approval. Along with the request, the company Mercator, d.d., informed the SMA that the final decision on further procedure had not yet been adopted because the Management Board and the Supervisory Board of the acquiring party would make the final decision on the announcement of the takeover bid at their sessions to be held on January 19th 2012; however, due to the short deadlines, the procedure is being carried on with nevertheless. Furthermore, it was explained to the Securities Market Agency that in case of a decision to proceed with the takeover procedure, the request would be completed with the missing elements; in the opposite case, it would be withdrawn.

4.2.5.5 *Procedure to obtain approval/permit for the takeover bid by the Competition Protection Office*

It is evident from the documentation reviewed and explanations provided that concurrently with the procedures before the Securities Market Agency, the procedures before the Competition Protection Office of the Republic of Slovenia were also in progress, as of December 23rd 2011.

On January 9th 2012, Mercator, d.d., sent to the CPO a notification of concentration regarding the intended takeover bid; however, the notification (or application) did not include all required information (as these were still being gathered); thus, Mercator, d.d., completed the application on January 13th 2012.

On January 16th 2012, representatives of the company Mercator, d.d., met with the representatives of the CPO. On the same day, a request for preliminary opinion was submitted to the CPO, i.e. for CPO's position regarding the concentration at hand. In the letter, the company Mercator, d.d., expressed their position regarding the proposed commitments.

CPO formally replied to the said request on January 18th 2012. Essentially, their position was that pursuant to the provisions of the Prevention of Restriction of Competition Act (ZPOmK-1), corrective measures are proposed by the notifying parties in both stages of the procedure and that therefore, the CPO cannot oppose the decision of the company Mercator, d.d., regarding the commitments proposed in the process of review of the notified/reported concentration of the companies Mercator, d.d., and Pivovarna Laško, d.d.

4.2.5.6 *Identification and evaluation of potential effects of restructuring of the Pivovarna Laško Group*

On January 16th 2012, the consulting company PriceWaterhouseCoopers, d.o.o., completed the final analysis of potential effects of restructuring of the Pivovarna Laško Group for Mercator, d.d. It was found in the study that following the takeover of the Pivovarna Laško Group, Mercator, d.d., would have had to restructure the acquired corporate group both at the operating and at the financial level.

The analysis included financial evaluation of the attainable effects of restructuring of the Pivovarna Laško Group; in addition, the key market risks, institutional risks, legal risks, political risks, and social risks related to the takeover and restructuring of the Pivovarna Laško Group were examined.

4.2.5.7 Report on the estimated value of share capital of the company Pivovarna Laško, d.d.

The company KF Finance, d.o.o., appraised for Mercator, d.d., as the commissioning party, the value of the company Pivovarna Laško, d.d. (final report was issued on January 15th 2012). In doing so, the methods of present value of expected free cash flow (with a weight of 75%) and the method of comparable listed companies (with a weight of 25% in the final appraisal) were employed, considering the purpose and subject of the appraisal. The subject of the appraisal was 100-percent shareholding (interest) in the appraised company.

Considering the presented assumptions, the certified appraiser evaluated that the market share of 100-percent interest in the share capital of the company Pivovarna Laško, d.d., as at September 30th 2011 (for the purpose of setting an appropriate price for the takeover bid) was at EUR 19 per share.

4.2.5.8 Report on the estimated value of share capital of the company Mercator, d.d.

In order to define an appropriate price for the takeover bid, the certified appraiser from the consulting company KF Finance, d.o.o., conducted for Mercator, d.d., as the commissioning party, an appraisal of Mercator, d.d. (in this case, too, the final report was released on January 15th 2012). Considering the purpose and subject of the appraisal, the method of present value of expected free cash flow was employed as the most reliable one. Appraisal of the value of the company is based on the assumption of going concern and profit maximization. The subject of the appraisal was a minority shareholding (interest) in the appraised company.

4.2.5.9 Economic analysis and verification of the strategic project of the takeover of the company Pivovarna Laško, d.d., by the company Mercator, d.d.

In the document "Economic Analysis and Verification of the Strategic Project of Takeover of the Company Pivovarna Laško by the Company Mercator" released in January 2012, the company Mercator, d.d., updated the preliminary analysis of the same issue dated from December 2011. The starting points of the analysis or the verification of the strategic project as an act of seizing a specific business opportunity which does not represent a departure or deviation of Mercator Group operations from the planned strategic policies, and the implementation of which could generate positive business and economic effects for the Group, are as follows:

- consolidating of the operations of own core activities and improving the competitiveness in the Slovenian and Croatian market;
- realization of non-recurring gains through restructuring and divestment of some parts of the operations of the Pivovarna Laško Group within a period of a few years;
- elimination of the key element of ownership instability of the company Mercator, d.d. (due to its exacting financial position, the company Pivovarna Laško, d.d., holding a significant minority interest in Mercator, is repeatedly a key initiator of the procedures for divestment of significant blocks of Mercator shares).

The said ambitions underline the interest of the Mercator Group in the takeover of Pivovarna Laško, d.d., as this would boost the Group's overall value through positive effects on the current operations, through non-recurring (one-off) extra gains, and through mitigation of risks for the stakeholders on the account of improved stability of the ownership.

It is also of considerable importance that individual shareholders of the target company have expressed the intent on several occasions to divest their shareholdings (including a joint divestment by forming a consortium of sellers holding a majority block of shares), which means that from this aspect, the prospects of takeover were realistic.

The study at hand also includes an analysis of the takeover of the company Pivovarna Laško, d.d., and the effects on the property and liabilities of the Mercator Group. In this regard, the following key assumptions were considered:

- assessment of key categories of financial position and performance of the Pivovarna Laško Group shall be used for the analysis, along with the estimate and the business plan of the Mercator Group for the years 2011 and 2012;
- in order to carry out the takeover, the company Mercator, d.d., shall use the available approved capital, and, if required, cash payment in the framework of a combined offer; the value of the share of the target company shall be evaluated against the starting appraisal by a certified appraiser, based on the market value with added control premium;
- in 2012 and 2013, operations of the Pivovarna Laško Group shall be restructured and non-strategic operations shall be divested (in this regard, the conclusions of the study "Potential Effects of Restructuring of the Pivovarna Laško Group" dated January 16th 2012 were considered).

The economic analysis of the effects of takeover and subsequent restructuring was discussed in detail from the aspect of attainable economic and financial effects of the evaluated activity in two stages: 1) takeover of the Pivovarna Laško Group by the Mercator Group and consolidation of operations; and 2) post-merger activities.

According to overall results of the in-depth analysis of the strategic project of takeover of Pivovarna Laško, d.d., effects for the company Mercator, d.d., and its shareholders would be positive, based on which the conclusion was made that considering the positive business effects and positive economic (financial) effects, including the compliance with the adopted financial covenants and commitments in all stages of the procedure, this is an economically justifiable and viable project which is in the best interest of the company Mercator, d.d.

4.2.5.10 Findings

Based on the available documentation, we conducted our work to the extent that allows us to report the following findings:

- As a part of the preparations for the announcement of the takeover bid, the company Mercator, d.d., engaged third-party financial consultants to provide in-depth evaluation of the economic justifiability and viability, expected financial and accounting effects, and the risks involved. These consultants were to evaluate the potential effects of the restructuring of the Pivovarna Laško Group (synergies) and to prepare an appraisal of the value of the acquiring and target company for the purpose of setting an appropriate price for the takeover bid.
- The study of attainable synergies included a two-stage approach to the restructuring of the Group. The first stage would include restructuring of the manufacturing and publishing activity; the second stage would include resolving the issue of other non-strategic investments in the Group. This involved the identification of the main leverage of restructuring at the operating level and at the financial level; in addition, the attainable economic effects of the restructuring of the Pivovarna Laško Group were evaluated. In this evaluation, conservative appraisals from the PWC study were considered. At the same time, the key risks for the company Mercator, d.d., were identified from the aspect of feasibility and viability of the proposed measures.
- Considering the purpose and subject of the appraisal, the appraiser for the companies Mercator, d.d., and Pivovarna Laško, d.d., employed the method of present value of expected free cash flow; for the target company, the method of comparable listed companies was additionally employed. In case of the acquiring company, the subject of appraisal was a minority interest; in case of the target company, the value of 100-percent of share capital was appraised. We find that given the purpose of the appraisal, appropriate standards of appraisal and evaluation were employed.
- In-house experts from Mercator, d.d., used the findings of these appraisals and the study to complete and specify in more detail the approach to evaluation of the effects of the takeover of the company Pivovarna Laško, d.d., on the property and liabilities of the Mercator Group, which is included in the document "Economic analysis and verification of the strategic project of the takeover of the company Pivovarna Laško by the company Mercator", which was completed after the commissioned third-party studies were obtained (i.e. between January 16th and 18th 2012). Findings of the third-party studies confirmed the conclusions of in-house experts in this regard.
- Based on detailed examination of the business opportunity from the aspects of economic justifiability and viability (including in the context of strategic policies of the company or the corporate group), risk management, and expected financial and accounting effects on the operations of the company Mercator, d.d., positive business effects were clearly identified and

positive economic (financial) effects were evaluated, based on which it was found that this is an economically justifiable and viable project which is in the best interest of the company Mercator, d.d., and its shareholders. Furthermore, the analytical process considered the effects on the financial-accounting results of the operations of the company Mercator, d.d. In this regard, it was found that successful completion of the takeover and restructuring of the target company as planned would lead to compliance with the effective commitments and covenants of the company Mercator, d.d., to their current financial partners.

- From the aspect of risk management, we find that the Management Board of the company Mercator, d.d., was aware of the risks pertaining to the takeover procedure and that these risks were accounted for in their decisions regarding the management of the transactions and activities related thereto.
- From the aspect of formal and legal compliance of the management of the takeover procedure with the provisions of the effective legislation regulating the mergers and acquisitions (takeovers) of enterprises (Takeovers Act ZPre-1), trade in financial instruments (Financial Instruments Market Act ZTFI), and prevention of restriction of competition (ZPOmK-1), we find that the company Mercator, d.d., as the acquiring company, commenced the required activities regarding the preparation of a formal takeover bid and prospectus, and obtaining of required permits and approvals by regulatory bodies, i.e. Securities Market Agency (permit for announcement of the takeover bid) and Competition Protection Office of the Republic of Slovenia (review of notified concentration and proposed corrective measures). To this end, active communication took place in January 2012 between the acquiring company and both said institutions, including preparation and coordination of materials in the mandatory form, which were largely completed by January 19th 2012, i.e. by the time the sessions of the MGMB and Mercator, d.d., Supervisory Board took place to decide on further progress of the takeover procedure.

4.2.6 Final decision to terminate the procedure

As noted in the previous chapter, the company Mercator, d.d., as the acquiring party, engaged third-party consultants to prepare the following studies or legal opinions as a part of the preparation for the announcement of the takeover bid within the mandatory deadline:

- review of the draft agreement on the sale of shares of the company Mercator, d.d., to the company Agrokor, d.d., from the aspect of sellers, since the company Pivovarna Laško, d.d., as the target company is also a seller of the shares of the company Mercator, d.d., and a member of the consortium of sellers;
- examination of the risks of further procedure of takeover of Pivovarna Laško, d.d., pursuant to the takeover legislation, following the occurrence of new facts.

Following are the conclusions of these legal opinions which notably affected the decision of the managerial bodies at the acquiring company regarding the further progress of the takeover procedure.

4.2.6.1 *Legal review of the draft agreement on the sale of the Mercator, d.d., shares*

Legal opinion on the review and evaluation of the agreement to sell the Mercator shares from the aspect of sellers was prepared by the company Schönherr Rechtsanwälte GmbH who in their report dated January 5th 2012 find that the examined agreement deviates from standard agreements in the field of international transactions, and that it is detrimental to the sellers based on several examined criteria; this also pertains to Pivovarna Laško, d.d., as one of the sellers.

4.2.6.2 *Legal opinion on the risks related to further progress of the procedure to take over the company Pivovarna Laško, d.d., following the occurrence of new facts*

The risks of carrying on with the procedure of taking over the company Pivovarna Laško, d.d., pursuant to the Takeovers Act (ZPre-1), following the occurrence of new facts, are addressed and examined by the legal opinion by the attorney at law Mr Branko Lipovec, dated January 18th 2012. In the report, the author states that following the occurrence of new facts which arose with the announcement of the convocation of the Shareholders Assembly of the company Pivovarna Laško, d.d., all legal risks arising from potentially adopted resolutions by the Shareholders Assembly of

Pivovarna Laško, d.d. (within items 2, 3, 4, and 6 of the agenda as proposed in the Shareholders Assembly convocation), could not be realistically hedged or eliminated.

The difference between the acquisition price per share offered and the price of Pivovarna Laško, d.d., share according to the internal appraisal, additionally represents an economic risk.

According to a third-party legal advisor, further progress of the procedure would not be reasonable due to changed circumstances in terms of contents and costs; it would not be compliant with the standard of diligent, responsible and fair manager; it would not serve the benefit of the company Mercator, d.d., and it could be seen as attempt to mislead the interested public and as a market manipulation.

Therefore, the third-party (independent) legal advisor presented a report advising Mercator, d.d., to withdraw from the intended transaction.

4.2.6.3 Adoption of the decision regarding further progress of the takeover procedure

At their session held on January 19th 2012, the Mercator Group Management Board Council (MGMBC) was presented the final versions of the analyses and reports regarding the takeover of the company Pivovarna Laško, d.d.

Based on the examination of the findings and conclusions of these analyses and reports, it was found that the new facts as established following the convocation of the Shareholders Assembly of the company Pivovarna Laško, d.d., introduce new legal risks that cannot be effectively eliminated or hedged before or during the takeover procedure, and that these risks affect the prospects of success of the takeover bid.

Based on these facts, the Mercator Group Management Board Council adopted at that session the decision that the company Mercator, d.d., would not further pursue the takeover of the company Pivovarna Laško, d.d. Nevertheless, the Management Board still finds, based on the favourable results of the economic analysis, that the project is of business interest to Mercator and that, subject to certain conditions, it could generate positive value for the company and its shareholders. Therefore, the company will re-examine the viability and feasibility of the project after one year, subject to appropriate circumstances.

Management Board of the company Mercator, d.d., prepared a presentation of the project of the takeover of the company Pivovarna Laško, d.d., for the Supervisory Board session which took place after the MGMBC session on January 19th 2012, complete with a presentation and the reasons for the takeover decision, among which the following were particularly emphasized:

- positive business and economic effects;
- positive synergies and restructuring effects;
- main leverage of restructuring and evaluated effects of the restructuring;
- effect of the completed transaction;
- evaluation of the generated value and positive effects for the Mercator, d.d., shareholders.

At the same time, the Supervisory Board was presented the decision that the company would not announce a takeover bid, with explanation based on the obtained legal opinion.

At their session held on January 19th 2012, the Supervisory Board of the company Mercator, d.d., adopted a resolution that they were informed "of the presentation, business explanation, and economic analysis of the strategic project of takeover of the company Pivovarna Laško, d.d., and of the appraisal of the companies Pivovarna Laško, d.d., and the company Mercator, d.d.," as well as with the fact that "the Management Board adopted at their session held on January 19th 2012 the decision that due to the newly arisen facts which came about following the convocation of the Shareholders Assembly of the company Pivovarna Laško, d.d., after the announcement of the takeover intent, and the related legal risks which would not be possible to effectively eliminate or hedge before or during the progress of the takeover, and risks regarding the prospects of success of the takeover bid considering the known economic background and starting points, the takeover of the company Pivovarna Laško, d.d., shall not be carried out." The Supervisory Board was also informed about the legal opinion on this issue.

Based on the facts noted above (and announced by the company or presented in a special public announcement), the company Mercator, d.d., announced on that same day (i.e. on January 19th

2012) on the SEOnet information portal of the Ljubljana Stock Exchange that it would not announce a takeover bid for the shares of the company Pivovarna Laško, d.d.

4.2.6.4 *Withdrawal of the applications or requests for the permit/approval for the announcement of the takeover bid and review of the notified concentration*

As a result, Mercator, d.d., submitted on January 19th 2012 to the Securities Market Agency a withdrawal of the request for the approval to announce a takeover bid, and a request for approval for withdrawal from the takeover intent, in which Mercator states that the takeover intent was announced on December 22nd 2011 and that the procedure of the takeover of Pivovarna Laško, d.d., was launched, and that on December 29th 2011 the Management Board of the latter convened the Shareholders Assembly of the company Pivovarna Laško, d.d., for which an agenda was proposed which in certain parts introduces legal risks for the company Mercator, d.d., as the acquiring company/party, which did not exist at the time of the announcement of the takeover intent; these risks include the following:

- increase of share capital by cash contributions (item 2 of the Shareholders Assembly agenda) by which the company share capital could be increased by up to 100% (i.e. it could be doubled); capital increase was proposed by issue of new shares at a price of EUR 10 per share (which is nearly half of the intended offered price per share). Since the time frame of the proposed two-round capital increase could exceed the final deadline for the adoption of offer, the company Mercator, d.d., would not be in a position to anticipate the amount of shares of the company Pivovarna Laško, d.d., which would be required for a successful takeover and as a result, it could not anticipate the required takeover amount. In addition, Mercator, d.d., specifies in the takeover bid the takeover threshold based on the old (or current) number of shares; thus, it would be possible for the takeover bid to be successful, yet Mercator would still not attain absolute majority in the ownership structure of the target company.
- Items 3 and 4 which pertain to the increase of share capital from approved capital, represent risks that are already described in the previous section. As a part of item 3, fair value of one share of Pivovarna Laško, d.d., was also reported, as appraised by a certified expert, at EUR 34 per share. Thus, Mercator, d.d., states in the withdrawal of the request that the said appraisal also represents a new fact as it affects the price offered in the takeover bid and the very prospects of the success of the takeover procedure for the company Pivovarna Laško, d.d. Based on the appraisal conducted for Mercator, d.d., by the certified appraiser, the value of one share of the company Pivovarna Laško, d.d., is EUR 19.
- Item 6, pertaining to the approval to the agreement on the sale of shares of the company Mercator, d.d. Based on the legal opinions obtained by two law firms, signing of the agreement on the sale of the company Mercator, d.d., would be detrimental to both companies (the acquiring party and the target company) and it would present a risk for the property of the company Pivovarna Laško, d.d. Upon this basis, the takeover of the company Pivovarna Laško, d.d., no longer meets the expectations and requirements of the company Mercator, d.d.

On January 20th 2012, the Securities Market Agency, based on the fact that the application/request was not completed with all required elements (i.e. payment of fee and presenting a guarantee as insurance for the payment of the part of the acquisition price to be paid out in cash), and based on the withdrawal of the request by the acquiring party, decided to terminate the procedure regarding the decision on the request by the company Mercator, d.d., for a permit/approval for the takeover bid for the shares of the company Pivovarna Laško, d.d. As a result, the company Mercator, d.d., was ordered to pay administrative fee for the withdrawal of the request, which the company paid on January 24th 2012 (as evident from the relevant receipt). On January 26th 2012, the Securities Market Agency furthermore issued a decision that the request by the company Mercator, d.d., for the approval to withdraw from the takeover intent, shall be rejected, based on the position that the reasons stated by the company Mercator, d.d., in the request for approval to withdraw from the takeover intent, were already known at the time of the convocation of the Shareholders Assembly, i.e. on December 29th 2011, and that no changes in this regard took place in the period until January 19th 2012 as the Shareholders Assembly of the company Pivovarna Laško, d.d. had not taken place by then. In order to present additional explanations regarding the application of material law and the establishment of actual state of affairs, the company Mercator, d.d., appealed via their legal representative against the SMA decision on February 1st 2012. By the time this report was completed, the SMA decision regarding the appeal had not yet been known; if it is granted and

approval for withdrawal from the takeover intent is issued, this would mean that the company Mercator, d.d., would avoid the implications of restriction to re-launch the takeover procedure for the company Pivovarna Laško, d.d., within the period of one year, due to the provisions of the relevant takeover legislation.

On January 20th 2012, the company Mercator, d.d., submitted to the Competition Protection Office by land mail and by electronic mail an official request to withdraw the notification of concentration regarding the intended takeover bid by the company Mercator, d.d., for all shares of the issuer Pivovarna Laško, d.d., with the explanation that the company Management Board adopted at the session held on January 19th 2012 the resolution not to announce the takeover bid despite the economic and business appeal of such transaction.

4.2.6.5 *Factual findings*

Based on the available documentation, we conducted our work to the extent that allows us to report the following findings:

- Due to the newly arisen facts, the company Mercator, d.d., as a part of the preparations to announce a takeover bid, actively commenced an in-depth evaluation of exposure and the risks related to these facts. In this context, various third-party experts were engaged to provide two legal opinions pertaining to the review of the draft agreement on the sale of the shares of the company Mercator, d.d., to the company Agrokor, d.d., from the aspect of the sellers (because the company Pivovarna Laško, d.d., as the target company in the takeover procedure at hand is also a member of the consortium of sellers of the shares of the acquiring company), and to the identification and evaluation of risks pertaining to further progress of the takeover procedure subject to consideration of the newly arisen facts which occurred after the announcement of the takeover intent, with the announcement of the convocation of the Shareholders Assembly of the target company.
- It follows from the legal review of the risks of further progress of the takeover procedure for the target company Pivovarna Laško, d.d., after the occurrence of the new facts related to the convocation of the Shareholders Assembly of the target company, that it is not realistically possible to eliminate or hedge all legal risks related to potential adoption of the resolutions by the Shareholders Assembly of Pivovarna Laško, d.d., especially those pertaining to capital increase (seasoned equity offering), increase in approved capital, and confirmation of the sale of the shares of the company Mercator, d.d. The established difference between the acquisition price per share offered and the price of Pivovarna Laško, d.d., share according to the internal appraisal, additionally represents an economic risk. For these reasons, the third-party legal consultants find that further progress of the takeover procedure in these changed circumstances would be unreasonable in terms of costs and contents, and therefore not compliant with the standard of diligent, responsible, and fair manager, as it would involve an uncontrollable or unmanageable exposure of the company Mercator, d.d., to risks, and it could also be seen as attempt to mislead the interested public or as a market manipulation. Therefore, it was recommended that Mercator, d.d., withdraw from the announcement of a takeover bid.
- At their session held on January 19th 2012, the Mercator Group Management Board Council (MGMBC) was presented the final versions of the analyses and legal opinions regarding the takeover procedure. Based on the examination thereof, the MGMBC decided that due to the legal risks which cannot be effectively eliminated or hedged before or during the takeover procedure, the success of the takeover bid could not be guaranteed in compliance with the acquirer's goals. For this reason, a decision was adopted that the takeover of the company Pivovarna Laško, d.d., would not be carried out in the given circumstances, despite the business and economic potential and appeal of such deal.
- The legal opinion on the risks related to further progress of the takeover procedure and the decision of the MGMBC was also presented to the Supervisory Board of the company Mercator, d.d., at their session held on January 19th 2012. The company Mercator, d.d., informed on the same day via the SEOnet information portal of the Ljubljana Stock Exchange the interested public of such decision.
- At the same time, Mercator, d.d., submitted on January 19th 2012 to the Securities Market Agency a withdrawal of the request for the approval to announce a takeover bid, and a request for approval for withdrawal from the takeover intent; on January 20th 2012, a request to withdraw the

notification of concentration regarding the intended takeover bid was submitted to the Competition Protection Office.

- The Securities Market Agency decided on January 20th 2012 to terminate the procedure regarding the decision-making on the request by the company Mercator, d.d., to issue a permit for the takeover bid for the shares of the company Pivovarna Laško, d.d. On January 26th 2012, the Securities Market Agency additionally decided that the request to issue the consent for withdrawal from the takeover intent shall be rejected; the company Mercator, d.d., appealed against such decision on February 1st 2012. In this regard, the proceedings are not completed yet, which means, that it is still not decided whether the company Mercator, d.d., due to the provisions of the effective takeover (M&A) legislation, will be allowed to launch another takeover procedure for the company Pivovarna Laško, d.d., sooner than within one year. Except for this, the takeover procedure examined in this report bears no other legal consequences.
- We find the following:
 - the managerial bodies of the company Mercator, d.d., complied from the legal and formal aspect with the procedures as laid down by the effective takeover (M&A) and other relevant legislation;
 - the decisions regarding the announcement of the takeover bid were based on in-depth study of the business opportunity at hand from all relevant aspects (such as financial-economic justification and viability; exposure to risk, and risk management);
 - from the aspect of transparency, the company Mercator, d.d., as the acquiring party, communicated in a transparent manner with the public pursuant to the effective rules and regulations, providing information about the key steps in the takeover procedure at hand in terms of contents and progress of the proceedings.

5 Conclusion

Pursuant to the agreement between the company Poslovni sistem Mercator, d.d., as the commissioning party, and the company KPMG Slovenija, d.o.o., as the service provider, signed on January 26th 2012, we conducted the agreed-upon procedures regarding the review of the management of business transactions and activities pertaining to the takeover intent and the takeover bid to acquire all shares of the company Pivovarna Laško, d.d., with symbols PILR and PILH, by the company Mercator, d.d., from the following aspects:

- the aspect of adopting the decision to announce a takeover intent and a takeover bid for the shares of the issuer Pivovarna Laško, d.d. (from legal-formal aspect, the aspect of transparency, and the aspect of economic justifiability and viability); and
- the aspect of the effect of the takeover intent on company operations (from the aspect of economic justifiability and viability, the aspect of risk exposure and risk management, and the financial and accounting aspect).

The review engagement regarding the management of said transactions and activities was conducted based on the available documentation and interviews with the relevant responsible persons. The report was developed and compiled based on the information obtained until February 14th 2012. We wish to note that in case new information was (had been) disclosed after this date, which affected (would have affected) the review of the events and transactions or activities, the service provider would have (would have had) no obligation to update this report.

Our work was conducted pursuant to the International Standard on Related Services ISRS 4400 which pertains to engagements to perform agreed-upon procedures regarding financial information.

Following is a summary of the procedures conducted:

1. We have received and studied the documentation on the management of transactions and activities pertaining to the announcement of the takeover intent for Pivovarna Laško, d.d., and compared it to effective internal regulations. Upon this basis, we reviewed the formal compliance of the management of the takeover procedure with the framework of the rules and regulations on the management of the company Mercator, d.d., and the Mercator Group.
2. We have received and studied the documentation on the management of transactions and activities pertaining to the execution of the takeover procedures and compared it to effective external regulations. Upon this basis, we reviewed the compliance of the management of the takeover procedure with the framework of the legislation regulating the mergers and acquisitions, trade with financial instruments and competition protection.
3. We have obtained and studied the documentation resulting from the cooperation of internal and external financial and legal experts in the process of preparation for specifying the takeover intent and takeover bid, and reviewed whether the decisions by the managerial bodies at the company Mercator, d.d., regarding the announcement of the takeover intent and the management of subsequent takeover procedures were in fact based on the relevant analyses, reports, and legal opinions, from the aspect of economic justifiability and viability, risk exposure, risk management, and financial effects.
4. We have received and examined the documentation on management of transactions and activities pertaining to the adoption of the decision to carry on with the procedure of the takeover of the target company, compared it to the effective internal rules and regulations, and reviewed upon this basis the formal compliance of the activities carried out with the specified framework of the operations of the company Mercator, d.d., and the Mercator Group.

The findings of the review are presented in detail in sections from 4.2.1 to 4.2.6 of the Report and they are summarized as follows:

- With respect to item 1, it was found that the company Mercator, d.d., expressed on December 22nd 2011 its takeover intent for the acquisition of the company Pivovarna Laško, d.d. Such decision to announce a takeover intent was previously adopted by the relevant managerial body of the company Mercator, d.d. – i.e. the Mercator Group Management Board Council, pursuant to the company internal rules and regulations.

- The following was found with respect to item 2:
 - the announcement of the takeover intent was carried out in compliance with the provisions of the relevant effective legislation on takeovers (mergers and acquisitions) (ZPre-1), trade in financial instruments (ZTFI), and prevention of restriction of competition (ZPOMK-1);
 - the company Mercator, d.d., as the acquiring company approached after the announcement of the takeover intent the execution of all required activities pertaining to the preparation of a formal takeover bid and the prospectus, and the activities to obtain the required permits by regulatory bodies, i.e. the Securities Market Agency (permit to announce a takeover bid) and the Competition Protection Office of the Republic of Slovenia (evaluation of the notified/reported concentration and proposed corrective measures). To this end, active communication took place starting late in December 2011 between the acquiring company and both said institutions, including preparation and coordination of materials in the mandatory form, which were largely completed by the time the decision to terminate the further progress of the takeover procedure was adopted.
 - all activities conducted by the company Mercator, d.d., after the announcement of the takeover intent point to a carefully deliberated and thought-out decision, and a serious intent to materialize the takeover intent with due diligence;
- The following was found with respect to item 3:
 - the decision to adopt the takeover intent was based on careful and diligent analysis and evaluation of business and economic (financial) effects of such takeover and the activities following the takeover, according to which these activities would have generated positive value added for the shareholders of the company Mercator, d.d., while contributing to the pursuit of some of the Group's strategic goals. Following the announcement of the takeover intent, the company immediately engaged both in-house expert departments and third-party consultants who confirmed by in-depth study and examination that this project is viable and justifiable from a business and economic aspect, and that it is in the best interest of the company Mercator, d.d., and its shareholders;
 - the concept of the manner in which the transaction was to be effected would not represent considerable additional exposure to financial risks for the company Mercator, d.d., nor would it threaten the compliance with the adopted financial covenants and commitments in relation to creditors;
 - in case of successfully completed takeover procedure, the company Mercator, d.d., would have been exposed to some market, institutional, legal, political, and social risks pertaining to the restructuring of the Pivovarna Laško Group, consistently with the previously specified starting points, of which the Management Board of the company Mercator, d.d., was aware and which the Management Board considered in their decisions.
- The following was found with respect to item 4:
 - withdrawal from the takeover bid that the company Mercator, d.d., announced on January 19th 2012 was a result of newly arisen circumstances that occurred with the announced convocation of the Shareholders Assembly of the company Pivovarna Laško, d.d., over which the company Mercator, d.d., had no influence, but which introduced new risks into the intended transaction, which the company Mercator, d.d., could not manage or hedge to an acceptable level;
 - the decision to withdraw from or not to announce a takeover bid was adopted with a resolution by the Mercator Group Management Board Council based on the examination of risks related to the changes in circumstances referred to above; the Supervisory Board of the company Mercator, d.d., was informed of this decision.

Overall, based on the review engagement, we hereby find that the Management Board of the company Mercator, d.d., acted in accordance with the principle of consistent compliance with both internal and external legal and formal rules and regulations for business conduct and activities within their powers and authorizations in all stages of the reviewed takeover procedure, and that the Management Board has shown appropriate level of diligence in the pursuit of the interests of the company and its shareholders from the aspect of evaluating the strategic suitability, economic justifiability, and viability of the project, its expected financial and accounting effects on company operations, and identification, consideration, and management of the risks pertaining to the execution of such procedure. The Management Board also communicated in a transparent manner with the public, providing relevant

information via the SEOnet stock exchange information system in compliance with the relevant rules and stock market regulations.

Because the procedures conducted 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 issue at hand.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

KPMG Slovenija, podjetje za revidiranje, d.o.o.

[signed]

Sonja Žnidarčič, MA, BA Econ.
partner

[signed]

Marjan Mahnič, BA Econ.
partner and director

Ljubljana, February 17th 2012

Appendix 1: List of documentation received

- Management Board Act of Poslovni Sistem Mercator, d.d., No. ST-01-0004 v-4, adopted at the 5th session of the Supervisory Board on March 30th 2010 (valid as of January 1st 2011).
- Wording of the takeover intent. Mercator, d.d., December 22nd 2011.
- Letter to the CPO on the urgency to complete the review of compliance of the notified concentration as soon as possible. Mercator, d.d., January 16th 2012.
- Letter to the CPO regarding the completion of the notification of concentration regarding the intended takeover bid by the company PS Mercator, d.d., for all shares of the issuer Pivovarna Laško, d.d. Mercator, January 13th 2012
- Letter to the CPO regarding the notification of concentration regarding the intended takeover bid by the company Mercator, d.d., for all shares of the issuer Pivovarna Laško, d.d. Mercator, January 9th 2012
- Economic analysis and verification of the strategic project of the takeover of the company Pivovarna Laško by the company Mercator. Mercator, d.d., January 2012.
- Electronic message addressed to the Management Board of Mercator, d.d., regarding the confirmation of mutual cooperation in the discussions of possible takeover of Pivovarna Laško, d.d. Herve Motel, Société Générale, Corporate & Investment Banking, Puteaux, January 25th 2012.
- Letter to the CPO regarding the withdrawal of the notification of concentration regarding the intended takeover bid by the company Mercator, d.d., for all shares of the issuer Pivovarna Laško, d.d. Mercator, d.d., January 23rd 2012 (complete with a print of electronic receipt/confirmation of receipt of the message by the recipient).
- Documentation for the Supervisory Board session: Presentation of the project of takeover of the company Pivovarna Laško, d.d., to the Supervisory Board. Mercator, d.d., January 19th 2012.
- Public announcement (announcement by the company Mercator, d.d., in the SEOnet information portal of the Ljubljana Stock Exchange). Mercator, d.d., December 23rd 2011.
- Excerpt from the record of Shareholders Assembly resolutions of the company Mercator, d.d. (pages 3 and 4). Date not indicated.
- Annual report 2010. Pivovarna Laško, d.d., June 2011.
- Mercator, d.d. – Report on the estimated value of share capital as at September 30th 2011. KF Finance d.o.o., January 15th 2012.
- Certificate by a Notary Public pursuant to Article 332/1 of the Companies act ZGD-1 No. SV 509/2011 (certificate that the consolidated text of the Articles of Association of the public limited company Pivovarna Laško, d.d., is indeed true to the resolution adopted by the company Shareholders Assembly on June 24th 2011). Notary Public Katja Fink, June 24th 2011.
- Form for notification of concentration of undertakings – consolidated text, non-confidential version (submitted to the CPO). Mercator, d.d., January 13th 2012.
- Form for notification of concentration of undertakings – consolidated text, confidential version (submitted to the CPO). Mercator, d.d., January 13th 2012.
- Form for notification of concentration of undertakings, non-confidential version (submitted to the SMA). Mercator, d.d., January 9th 2012.
- Form for notification of concentration of undertakings, confidential version (submitted to the SMA). Mercator, d.d., January 9th 2012.
- Reply to the request by Mercator, d.d., for CPO's position regarding the permissibility of the intended conduct of the company Mercator regarding the notified concentration. CPO, January 18th 2012.
- Decision to reject the request by the company Mercator, d.d., to issue an approval of the withdrawal from the takeover bid. SMA, January 26th 2012.
- Pivovarna Laško, d.d. – Report on the estimated value of share capital as at September 30th 2011. KF Finance d.o.o., January 15th 2012.

- Business Report for the Period January – September 2011. Pivovarna Laško, d.d. (Management Board), November 24th 2011.
- Agreement on Management and Organization of Contractual Corporate Group. Pivovarna Laško, d.d., and Radenska, d.d., Radenci, December 27th 2011.
- Agreement on Management and Organization of Contractual Corporate Group. Pivovarna Laško, d.d., and Pivovarna Union, d.d., December 27th 2011.
- Report by the company D.S.U., d.o.o., on the performance of tasks and duties pursuant to Article 62 of the Act Concluding Ownership Transformation and Privatisation of Legal Entities Owned by the Development Corporation of Slovenia (ZZLPPO) in the period from January 1st 2011 to September 30th 2011. D.S.U., d.o.o., 2011.
- Potential effects of the restructuring of the Pivovarna Laško Group. Final Report. PriceWaterhouseCoopers, d.o.o., January 16th 2012
- Receipt of payment of fees to the SMA account. Abanka Vipa d.d., January 24th 2012.
- Acknowledgement of receipt from the Post of Slovenia on the receipt of the printed copy of the takeover intent sent to the Securities Market Agency of the Republic of Slovenia. Delivered to recipient on December 23rd 2012.
- Acknowledgement of receipt from the Post of Slovenia on the receipt of the printed copy of the takeover intent sent to the Competition Protection Office of the Republic of Slovenia. Delivered to recipient on December 23rd 2012.
- Acknowledgement of receipt from the Post of Slovenia on the receipt of the printed copy of the takeover intent sent to the Management Board of Pivovarna Laško. Delivered to recipient on December 23rd 2012.
- Acknowledgement of receipt from the Post of Slovenia on the receipt of the printed copy of the takeover intent sent to the Works Council (Council of Employees) of Pivovarna Laško. Delivered to recipient on December 23rd 2012.
- Acknowledgement of receipt from the Post of Slovenia on the receipt of the printed copy of the takeover intent sent to the worker representative (Mrs) in the Supervisory Board of Pivovarna Laško. Delivered to recipient on December 23rd 2012.
- Acknowledgement of receipt from the Post of Slovenia on the receipt of the printed copy of the takeover intent sent to the worker representative (Mr) in the Supervisory Board of Pivovarna Laško. Delivered to recipient on December 23rd 2012.
- Rules and Regulations of the Ljubljana Stock Exchange, d.d. Ljubljana (OJ RS No. 88/2010).
- Rules and Regulations of KDD – Central Securities Clearing Corporation, d.d., (OJ RS No. 137/2004).
- Legal opinion: Memo – Agreement for the sale and purchase of shares in Mercator. Schönherr Rechtsanwälte GmbH, January 5th 2012.
- Legal opinion: Risks pertaining to further progress of the procedure of takeover of Pivovarna Laško, d.d., pursuant to the Takeovers Act (ZPre-1), following the occurrence of new facts. January 18th 2012.
- Resolution proposal regarding the increase of share capital by cash contributions (capital increase). Pivovarna Laško, d.d. (Management Board and Supervisory Board), December 29th 2011.
- Resolution proposal regarding the presentation and approval by the Shareholders Assembly to the Agreement on the sale of shares of Poslovni sistem Mercator, d.d. Pivovarna Laško, d.d. (Management Board and Supervisory Board), December 29th 2011.
- Resolution proposal regarding the approval by the Shareholders Assembly to the management agreements and change in Articles of Association (approved capital). Pivovarna Laško, d.d. (Management Board and Supervisory Board), December 29th 2011.
- Resolution proposal regarding the amendment of the company Articles of Association (approved capital) – request by the Kapitalska družba, d.d., dated December 20th 2011. Pivovarna Laško, d.d. (Management Board and Supervisory Board), December 29th 2011.

- Resolution proposal regarding the rescheduling of financial liabilities. Pivovarna Laško, d.d. (Management Board and Supervisory Board), December 29th 2011.
- Preliminary economic analysis and verification of the financial sustainability of the transaction. Mercator, d.d., date not indicated.
- Preliminary economic analysis and verification of the strategic project of the takeover of the company Pivovarna Laško by the company Mercator. Mercator, d.d., December 2011.
- Takeover intent for the acquisition of all shares of the company Pivovarna Laško, d.d. (announcement by the company Mercator, d.d., in the SEOnet information portal of the Ljubljana Stock Exchange). Mercator, d.d., December 23rd 2011.
- Takeover intent, published in the Delo daily paper. Mercator, d.d., publication date not indicated.
- Takeover intent, sent to the Securities Market Agency by fax (with an acknowledgement of receipt). Mercator, d.d., December 22nd 2011.
- Takeover intent, sent to Pivovarna Laško, d.d. – to the worker representative (Mrs.) in the company Supervisory Board by fax (with an acknowledgement of receipt). Mercator, d.d., December 22nd 2011.
- Takeover intent, sent to Pivovarna Laško, d.d. – to the worker representative (Mr.) in the company Supervisory Board by fax (with an acknowledgement of receipt). Mercator, d.d., December 22nd 2011.
- Takeover intent, sent to Pivovarna Laško, d.d. – to the Works Council (Council of Employees) by fax (with an acknowledgement of receipt). Mercator, d.d., December 22nd 2011.
- Takeover intent, sent to Pivovarna Laško, d.d. – to the Management Board by fax (with an acknowledgement of receipt). Mercator, d.d., December 22nd 2011.
- Takeover intent, sent to the Competition Protection Office of the Republic of Slovenia by fax (with an acknowledgement of receipt). Mercator, d.d., December 22nd 2011.
- Takeover bid complete with prospectus for the acquisition of the target company Pivovarna Laško, d.d. (final draft document in which only the reference to ID of permit/approval by the SMA is missing). Mercator, d.d., January 21st 2012.
- Takeover bid complete with prospectus for the acquisition of the target company Pivovarna Laško, d.d. (final document draft). Mercator, d.d., January 21st 2012.
- Decision on the fee charged for the discussion of the request for withdrawal from the takeover bid. SMA, January 20th 2012.
- Decision to terminate the process of decision-making regarding the request by the company Mercator, d.d., to issue an approval for the takeover bid for the target company Pivovarna Laško, d.d. SMA, January 20th 2012.
- Resolutions of the 17th session of the Supervisory Board of the company Poslovni sistem Mercator, d.d., regarding the takeover bid for the shares of Pivovarna Laško, d.d. (announcement by the company Mercator, d.d., in the SEOnet information portal of the Ljubljana Stock Exchange). Mercator, d.d., January 19th 2012.
- Convocation of the Shareholders Assembly. Pivovarna Laško, d.d. (Management Board and Supervisory Board), December 29th 2011.
- Website of the company Mercator, d.d., available at the following address: <http://www.mercator.si/si/o-podjetju/>.
- Change and counter-proposal to item 6 of the agenda of the 19th Shareholders Assembly of Pivovarna Laško, d.d. Ljubljana Stock Exchange – SEOnet, January 2012.
- Changes and amendments to the Rules and Regulations of the Ljubljana Stock Exchange, d.d., Ljubljana (OJ RS No. 89/2011).
- Changes and amendments to the Rules and Regulations of KDD – Central Securities Clearing Corporation, d.d., (OJ RS No. 115/2007 and 37/2010).
- Articles of Association of the public limited company Pivovarna Laško, d.d. – consolidated text. Pivovarna Laško, d.d., June 24th 2011.

- Articles of Association of the public limited company Poslovni sistem Mercator – consolidated text. Mercator, d.d., July 13th 2010.
- Strategic business combination with Pivovarna Laško – starting points for discussion. Internal documentation: Mercator, d.d., May 2011.
- Appeal against the decision by the Securities Market Agency No. 40201-19/2001-11 dated January 26th 2012. Mercator, d.d. (via legal representative), February 1st 2012.
- Withdrawal of the request to issue an approval/permit for the takeover bid and request for approval on the withdrawal from the takeover intent (addressed to SMA). Mercator, d.d., January 19th 2012.
- Video footage (report) from the Shareholders Assembly of Pivovarna Laško, d.d. – press release/public announcement. Pan-Slovenian Shareholders Association, January 30th 2012.
- Request for permit for a takeover bid (addressed to the Securities Market Agency). Mercator, d.d., January 18th 2012.
- Prevention of Restriction of Competition Act (ZPOmK-1, OJ RS No. 36/2008, 40/2009, 26/2011).
- Takeovers Act (ZPre-1, OJ RS No. 79/2006, 67/2007, (100/2007 amend.), 1/2008, 68/2008, 35/2011, 55/2011, 105/2011).
- Financial Instruments Market Act (ZTFI, OJ RS No. 67/2007, (100/2007 amend.)).
- Securities Market Act (ZTVP-1, OJ RS No. 56/1999, No. 52/2002-ZJA, 108/2003, 117/2003, 16/2004, 86/2004, 123/2004, (11/2006 amend.), 26/2005-UPB1, 13/2006, 28/2006, 51/2006-UPB2, 67/2007-ZTFI (100/2007 amend.)).
- Act Concluding Ownership Transformation and Privatisation of Legal Entities Owned by the Development Corporation of Slovenia (ZZLPPO, OJ RS, No. 30/1998, 67/1998, 72/1998, 12/1999, 16/1999, 50/1999-ZPSPID, 6/2000, 12/2001, 79/2001, 80/2004-ZUARLPP).
- Minutes from the 3rd meeting of MGMBC (2012). Mercator, d.d., January 19th 2012.
- Minutes from the 3rd meeting of MGMBC (2011). Mercator, d.d., December 22nd 2011.

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POSLOVNI SISTEM MERCATOR, d.d.
Management Board
Dunajska cesta 107
1000 LJUBLJANA

Ljubljana, on this January 18th 2012

SUBJECT: Request for convocation of Shareholders Assembly of the company POSLOVNI SISTEM MERCATOR, d.d.

Pursuant to Article 295, Paragraph 3, of the Companies Act (hereinafter referred to as ZGD-1), UNICREDIT BANKA SLOVENIJA d.d., Šmartinska cesta 140, 1000 Ljubljana, holder of 301,437 ordinary registered shares of the company POSLOVNI SISTEM MERCATOR, d.d. (hereinafter referred to as the Company), with the symbol MELR, representing a total of 8.01 percent of the company share capital, requests that the company's Management Board convenes the Shareholders Assembly with the following agenda:

1. Opening of the Shareholders Assembly and appointment of the Shareholders' Assembly chairperson
2. Appointment of a special auditor to review particular transactions of the company

RESOLUTION PROPOSALS AND EXPLANATION THEREOF

The shareholder UNICREDIT BANKA SLOVENIJA, d.d., proposes the following resolutions for agenda items 1 and 2:

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

Resolution proposal to agenda item 1:

"Mr. Aleš Rojs, attorney at law, shall be appointed chairman of the Shareholders Assembly." (or as proposed by the Management Board)

Explanation:

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 Management Board or by the party convening the Assembly.

2. Appointment of a special auditor to review particular transactions of the company

Resolution proposal to agenda item 3:

"The Shareholders Assembly shall appoint the company ERNST & YOUNG Revizija, poslovno svetovanje, d.o.o., Dunajska cesta 111, 1000 Ljubljana, as the auditor to review the management of particular company transactions. The special auditor shall review the management of all company transactions pertaining to the company's intent to announce a takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., Trubarjeva ulica 28, 3270 Laško, with the symbols PILR and PILH, and pertaining to the takeover bid for the said shares, in the period of the last five years before the day this resolution is adopted; furthermore, the

auditor shall review the takeover intent and the takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., with the symbols PILR and PILH. In reviewing the said transactions, the special auditor shall review in particular the compliance and appropriateness of the decision (from a legal-formal aspect, aspect of economic justifiability and economic benefit or viability) to announce a takeover intent and a takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., with the symbols PILR in PILH; the execution (from the aspect of transparency, economic justifiability and economic benefit or viability) of the announcement of the takeover intent and the takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., with the symbols PILR in PILH; and the impact of the takeover intent and takeover bid for the shares of the issuer PIVOVARNA LAŠKO, d.d., with the symbols PILR in PILH on the company operations and performance (from the aspect of economic benefit and viability, the aspect of risk exposure and risk management, and the financial and accounting aspect).

Pursuant to the provision of the Article 320 of the ZGD-1, the special auditor shall prepare a written report on the findings of the special audit and present the auditor's position or view of all transactions specified in this Shareholders Assembly resolution."

Explanation:

Pursuant to Article 318, Paragraph 1 of the ZGD-1, company shareholders may appoint, subject to such proposal being upheld by the ordinary majority of the vote, a special auditor to review the management of individual company transactions in the last five years. The shareholders request 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 believe 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 as a prudent and diligent manager, which could be detrimental to the company; and which could expose the company to excessive risk.

As a company shareholder, UNICREDIT BANKA SLOVENIJA, d.d., requests that the company Management Board convene the Shareholders Assembly immediately.

Yours faithfully,

UNICREDIT BANKA SLOVENIJA, d.d.

[stamp]

[signed]

.....
First and last name: Rok Rozman
Company name: Authorized representative /
Officer with statutory power

[signed]

.....
First and last name: France Arhar
Company name: Management Board
President



15-02-2012

Poslovni sistem Mercator, d.d.
President of the Management Board
Mr Žiga Debeljak
Dunajska cesta 107
1113 Ljubljana

Mercator, d.d.
Received on: 14/02/2012
No.:61

Ljubljana, 10 February 2012

Dear President of the Management Board Mr Debeljak, Dear Senior Vice Presidents Ms Vera Aljančič Falež and Ms Melita Kolbezen,

We extend our gratitude for your letter which we have received on 6 February this year, as well as for your business cooperation to date.

Based on the discussion held during our Management Board session on 7 February 2012, we hereby inform you that we have made the following decisions:

- we insist on our request on the appointment of a special auditor to review the individual transactions and activities of the company Poslovni sistem Mercator, d.d.;
- and we agree with your proposal to discuss our request at the regular Shareholders Assembly which is to be convened for no later than 13 April this year. You are kindly asked to immediately inform us in writing of the convocation of the Shareholders Assembly.

Yours sincerely,

[signed]

Janko Medja, MBA

Management Board member

[signed]

Dr. France Arhar

President of the Management
Board

Pursuant to Article 337, Paragraph 4 of the Companies Act (hereinafter referred to as *ZGD-1*), the Management Board of the company POSLOVNI SISTEM MERCATOR, d.d , Dunajska cesta 107, Ljubljana (hereinafter referred to as the company), hereby submits the following

Report on the reasons for the proposal of full omission of pre-emptive right in case of increase of share capital based on approved capital

The company Management Board and Supervisory Board proposed to the Shareholders Assembly to issue an authorization based on which the Management Board may, subject to consent by the Supervisory Board, increase the share capital of the company in the period of five years from the day the changes to the Articles of Association are registered in the court register, in a single turn or in several turns, by a maximum of EUR 31,425,702.90, which represents 20% of the company share capital. Adoption of such resolution by the Shareholders Assembly would not necessarily result in an increase of the share capital, nor would it affect the number of shares already issued. The decision to increase the share capital pursuant to this resolution would be left to the Management Board in order to allow the possibility of instant response to requirement for fresh capital whenever market conditions would be the most favourable in this respect.

The Management Board would also be authorized to omit the pre-emptive right of the existing shareholders, but only if the newly issued shares are used to acquire shares or interest in other companies or assets in the context of strategic business combinations. Thus, the company would be allowed to use the newly issued shares as a source of financing for the acquisition of new shareholdings in other companies or other property if it was found that such acquisition served the interest and benefit of the company in compliance with its business interests. If the newly issued shares were used as described, it would not be possible to grant the pre-emptive right and apply the principle of equal position of shareholders, as in such cases the shares could only be acquired by previously known persons – holders of property who would be able to provide the company the relevant shares or interests, or strategic partners with whom business relations and cooperation would thus be reinforced, if and when this would be in the best interest and to the benefit of the company.

It is expressly stated in the resolution proposal that in order to omit the pre-emptive right, the Management Board shall also be required to obtain consent by the company Supervisory Board, as well as inform the shareholders about the increase in share capital and the specific reasons for the omission of the pre-emptive right, directly before the issue of new shares, by a public announcement on the SEOnet stock exchange information system. Furthermore, the Management Board shall obtain a positive opinion by an independent financial consultant regarding the fairness and justifiability of the increase of share capital from the aspect of shareholder and company interests; this opinion shall also be announced on SEOnet. This will further ensure that the company would only be able to increase the share capital without consideration of the pre-emptive right if such increase was conducted with the purpose of pursuit of the goals described, and at the same time if the shareholders sustained no damage whatsoever. If these conditions or other provisions of the relevant legislation are not met, the Management Board shall not have the right to omit the pre-emptive right.

Full omission of the pre-emptive right in the manners specified in the authorization proposed to the Shareholders Assembly is in the best economic interest of the company. At the same time, the authorization lays down the conditions and procedures that ensure the protection of the interests of all shareholders. For that reason, we believe that omission of the pre-emptive right of the current shareholders is materially justifiable as only thus will we be able to attain the goal that is objectively in the best interest of the company.

An authorization for the increase of share capital based on approved capital with similar contents was already granted to the Management Board at the 13th regular Shareholders Assembly in 2007, for a period of five years. As this period will expire this summer, a new authorization is proposed.

Ljubljana, 27 February 2012

Management Board President:
Žiga Debeljak

POSLOVNI SISTEM MERCATOR, d.d.

ARTICLES OF ASSOCIATION
OF
POSLOVNI SISTEM MERCATOR, d.d.

On the basis of the Companies Act (Official Gazette of the RS Nos. 30/93, 29/94 and 82/94) the General Meeting of the company POSLOVNI SISTEM MERCATOR, d.d., on the 30 May 1995 (the thirtieth of May one thousand nine hundred and ninety-five) adopted the Articles of Association of the joint-stock company Poslovni sistem Mercator, d.d., while at the 1st (first) General Meeting of Poslovni sistem Mercator, d.d. upon entry of the company ownership transformation in the Court Register on 23 November 1995 (the twenty-third of November one thousand nine hundred and ninety-five), at the 2nd (second) meeting on 19 December 1996 (the nineteenth of December one thousand nine hundred and ninety-six), at the 3rd (third) meeting on 20 June 1997 (the twentieth of June one thousand nine hundred and ninety-seven), at the 4th (fourth) meeting on 17 November 1998 (the seventeenth of November one thousand nine hundred and ninety-eight), at the 8th (eighth) meeting on 31 May 2002 (the thirty-first of May two thousand and two), at the 13th (thirteenth) meeting on 27 June 2007 (the twenty-seventh of May two thousand and seven), at the 16th (sixteenth) Shareholders Assembly on 13 July 2010 (the thirteenth of July two thousand ten), and at the 18th (eighteenth) Shareholders Assembly on 30 March 2012 (the thirtieth of March two thousand twelve), changes and amendments thereto were adopted so that the consolidated text is as follows:

ARTICLES OF ASSOCIATION
OF THE JOINT-STOCK COMPANY
POSLOVNI SISTEM MERCATOR, D.D.

I. GENERAL PROVISIONS

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 of balance profit use

- relations in the group,
- company dissolution,
- business secret,
- rules and other company acts,
- informing of shareholders,
- transitional and final provisions.

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 General Meeting 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 (fourty) % 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).

Article 3 (three)

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

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.

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

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

Article 7 (seven)

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

Shortened 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), logo - grey (pantone 425).

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.

Article 8 (eight)

The seat of the company is in Ljubljana.

IV. REPRESENTATION

Article 9 (nine)

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

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

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 tobacco
- 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, excluding veterinary
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 Processing and preserving of fruit and vegetables not elsewhere classified
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 Printing not elsewhere classified
18.140 Binding and related services
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 not elsewhere classified
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 not elsewhere classified
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 not elsewhere classified
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 Shipping 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
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 jewelry
95.290	Repair of other personal and household goods
96.010	Washing and (dry-) cleaning of textile and fur products

VI. SHARE CAPITAL

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 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.

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)% 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 is not 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.

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 bankrupt's resp. liquidation assets.

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) GENERAL MEETING

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 has 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.

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 has 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."

Article 17 (seventeen)

The General Meeting 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 General Meeting.
 - 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. In relation to the share capital and shares:
 - it decides on measures for capital increase and decrease, which are not within the competence of the Management Board and of the Supervisory Board according to these Articles of Association.

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, expressing of no confidence vote to the Management Board, discharge and question of business management, 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.

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.

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."

Article 20 (twenty)

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

The General Meeting is conducted by the president elected by shareholders among them upon the proposal of the convener.

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.

Article 22 (twenty-two)

The General Meeting 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 General Meeting decisions are effective notwithstanding the amount of the represented share capital (the second summons).

b) MANAGEMENT

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.

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.

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 equal vote number, the vote of the president is decisive.

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.

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 General Meeting 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 from 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.

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 General Meeting:

- it realizes decisions adopted by the General Meeting and prepares measures on its request;
- it summons the General Meeting;
- in agenda announcement, together with the Supervisory Board, it gives proposals of decisions for each agenda point upon which the General Meeting should decide (except in members of the Supervisory Board votes and in appointment of an auditor);
- at the General Meeting it informs the shareholders on company matters which are the subject of the agenda;
- it enforces the nullity of a General Meeting 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 balance profit utilization;
- 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. In relation 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 General Meetings;
- 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.

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 General Meeting's decision.

Article 30 (thirty)

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

c) SUPERVISORY BOARD

Article 31 (thirty- one)

The company has a Supervisory Board consisting of up to 12 (twelve) members. One half of the Members representing shareholders' interests is elected by the General Meeting.

A number of members of the Supervisory Board is determined by the General Meeting by the Supervisory Board Election Act.

A member of the Supervisory Board, who represents workers, acts in the interest of all workers within competences of the Supervisory Board in accordance with the special law and these Articles of Association.

Article 32 (thirty- two)

Members of the Supervisory Board are elected for a four-year period and can be re-elected.

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

Article 33 (thirty- three)

The president of the Supervisory Board and his deputy are appointed by members of the Supervisory Board among members representing shareholders' interests. The deputy has authorities of the president if the president is restrained.

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.

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 commission cannot decide on questions which are within the Supervisory Board competence.

The Supervisory Board can authorize experts resp. officers who are also invited to the session for analysing professional questions.

Article 35 (thirty- five)

The General Meeting can discharge members of the Supervisory Board elected by the General Meeting, before the expiry of the term:

- 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.

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;

2. In relation to the General Meeting:

- it can summon a General Meeting;
- it submits to the General Meeting the report on the results of annual report audit and, together with the Management Board, the proposal for balance profit utilization; - it creates opinion to the report of the Management Board on relations with group companies and submits it to the General Meeting;
- 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 General Meeting 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 General Meeting.

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

Article 37 (thirty- seven)

As a rule, a session of the Supervisory Board is convened by the president of the Supervisory Board at his judgment, 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 must be convened at least once quarterly, while it must be convened obligatorily once in a half- 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.

Article 38 (thirty- seven)

The Supervisory Board has a quorum if at least a half of members is present at deciding.

The adoption of decisions of the Supervisory Board in writing, by phone, by cable or by similar technical means is admissible only with agreement of all the members of the Supervisory Board.

For the validity of decision of the Supervisory Board, the majority of cast votes is necessary. In the event of equality of votes, the vote of the president shall be decisive.

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.

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. Payment should be appropriate given the tasks and duties of the Supervisory Board Members and given the company's financial position. 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."

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

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.

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

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 General Meeting 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.

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 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.

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

Article 46 (forty-six)

The General Meeting 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.

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 General Meeting 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) Authorized capital

Article 48 (forty-eight)

The Management Board is authorized to increase the share capital of the company, subject to consent by the Supervisory Board, within the period of five years from the day the amendment to the Articles of Association as adopted at the 18th Shareholders Assembly held on 30 March 2012, into the court register, in one turn or in several turns, by up to EUR 31,425,702.90, which represents 20 percent of the company share capital as at the day the resolution on such amendment to the Articles of Association is adopted, by issuing new shares in exchange for contributions (approved capital). The Management Board shall also be authorized to omit the pre-emptive right of the current shareholders to subscribe the newly issued shares, subject to the following conditions:

- the newly issued shares are used to acquire shares or shareholdings in other companies, or business assets within strategic alliances and combinations;
- omission of pre-emptive right is approved by the company Supervisory Board;
- prior to the issue of new shares, the company Management Board shall inform the shareholders of the reasons for the emission and reasons for omission of the pre-emptive right; these explanations shall be published on the stock market information dissemination system;
- independent financial consultant shall issue a positive opinion on the fairness and justifiability of the issue of new shares from the aspect of the shareholders and the company, and the Management Board shall inform the shareholders with such opinion by an announcement in the stock market information dissemination system no later than in 30 days after the agreement on the issue of new shares.

Decisions regarding the contents of the rights based on the shares, and other conditions for the issue of shares, shall be made by the company Management Board, subject to approval or consent by the Supervisory Board. The Supervisory Board shall be authorized to change and

align the company Articles of Association with the increase in share capital carried out based on a valid decision by the Management Board to increase the share capital and issue new company shares based on approved capital.

d) Increase of share capital from the company assets

Article 49 (forty-nine)

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

The decision from the paragraph one hereof is adopted in the same way as the decision on increase of share capital with investments.

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

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.

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.

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

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 BALANCE PROFIT

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 of balance profit. The balance profit can be used for:

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

The General Meeting can bring a resolution on balance profit utilization, determining that balance 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

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.

Article 56 (fifty-six)

Decisions of the General Meeting, 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.

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.

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.

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.

Article 60 (sixty)

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

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

Article 62 (sixty-two)

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

XIV. BUSINESS SECRET

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

Article 64 (sixty-four)

Besides the Articles of Association, the company acts are as follows:

- collective contract,
- the rules

- rules of procedure,
- organization guidelines.
 - working instructions
 - 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

Article 65

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

Article 66

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 and supplements as of 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 as of 6 February 1990 (the sixth of February one thousand nine hundred and ninety) with amendments and supplements as of 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) cease to be valid.

Article 67

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).