



Mercator

**Management Board
Mercator, d.d.**

hereby submits to the Shareholders Assembly the following

proposal of a resolution regarding the 1st item of the agenda:

the Shareholders Assembly Bodies shall be elected.

E x p l a n a t i o n

The Management Board has the authority to propose to the Shareholders Assembly the election of operative bodies, i.e. the President of the Shareholders Assembly and members of the Election Committee, who will organize voting and elections as well as make sure of the presence of a notary public.

Ljubljana, April 12th 2006

President of the Management Board
Žiga Debeljak



Mercator

**Supervisory Board and the Management Board
Mercator, d.d.**

hereby submit to the Shareholders Assembly for discussion and adoption

a proposal of the resolution regarding the 2nd item of the agenda:

1. All proposed changes and amendments of the bylaws of the incorporated public company Poslovni sistem Mercator, d.d., are confirmed and adopted.
2. Within the changes and amendments to the bylaws of the company Poslovni sistem Mercator, d.d., the Management Board is given an authorization, subject to the preceding consent of the Supervisory Board, to increase the share capital by up to 50% of the share capital that is registered on the day of the adoption of this resolution at the 12th regular Shareholders Assembly, by issuing new shares; the management may opt to do so within five years from the day of registering the changes with the Court Register, and it is given the option to omit the preemptive right to new shares.
3. Pursuant Article 694, paragraph 4 of the Companies Act – 1, the Shareholders Assembly hereby authorizes the Supervisory Board to calculate the values of share capital, which are stated in the company bylaws in Slovenian Tolars, into Euros, applying the relevant exchange rate, and that it alters the wording of the bylaws accordingly.

Explanation

1. Proposed changes and amendments to the company bylaws refer to the extension or complementation of the company operations, introduction of no-par value shares, issuing an authorization to the Management Board for capital increase from approved capital with the option to omit the preemptive right, decrease of the number of employee representatives in the Supervisory Board and a change regarding informing the shareholders with regard to everything that may be relevant for asserting their rights and fulfilling their obligations.
2. previous authorization to the Management Board for increase of share capital from approved capital that was granted by the changes and amendments to the company bylaws, adopted at the 8th regular Shareholders Assembly in 2002, was

realized for the better part; therefore, a new authorization is proposed to be granted to the Management Board for the following five-year period.

3. Article 694, paragraph 4 of the Companies Act – 1 enables the company Shareholders Assembly that is introducing the non-par value shares before the Euro adoption day or before the exchange rate is defined, to empower the Supervisory Board to transform the sums of share capital that are stated in the company bylaws in Slovenian Tolars, into Euros; the transformation is to be carried out on the day of adoption of Euro, applying the relevant exchange rate.

Ljubljana, April 12th 2006

President of the Management Board
Žiga Debeljak

President of the Supervisory Board
Robert Šega

**PROPOSAL OF
CHANGES AND AMENDMENTS
TO THE BYLAWS OF THE
INCORPORATED PUBLIC COMPANY POSLOVNI SISTEM MERCATOR (d.d.)**

The proposed changes and amendments to the bylaws of the company Poslovni sistem Mercator, d.d., are adopted by way of adopting the following changes:

1.

Article 11 which defines the company operations or field of activities, is to be complemented / extended with the following activity:

- 92.720 Other relaxation / recreational activities, d. n.

Explanation of the change:

The company saw the need to register for an additional activity.

2.

Article 12 is to be changed according to the following wording:

Company share capital amounts to SIT 35,908,440,000.00 (SIT thirty-five billion nine-hundred-and-eight million four-hundred-and-forty thousand 00/100) and it is divided into 3,590,844.00 (three million five-hundred-and-ninety thousand eight-hundred-and-forty-four) regular nominal non-par value shares.

In line with the relevant regulations, the shares are stated in non-material form and represent shares of one class pursuant Companies Act – 1. All shares have been paid for in the entire sum.

Explanation of the change:

ARTICLE 12 OF THE COMPANY BYLAWS HITHERTO:

Company share capital amounts to 35,908,440,000.00 (SIT thirty-five billion nine-hundred-and-eight million four-hundred-and-forty thousand 00/100) and it is divided into 3,590,844.00 (three million five-hundred-and-ninety thousand eight-hundred-and-forty-four) regular nominal shares with a nominal value of SIT 10,000.00 (SIT ten thousand 00/100).

In line with the relevant regulations, the shares are stated in non-material form and represent shares of one class pursuant Article 178 of the Companies Act. All shares have been paid for in the entire sum.

On April 4th 2006, the National Assembly adopted the Companies Act – 1 which includes a chapter on transitional and final provisions regarding the transformation of nominal values of shares and share capital of incorporated public companies, and

the transition to Euro in incorporated public companies. These provisions are comprised in Articles 693 to 695.

In order to facilitate the transition to Euro, the new Companies Act – 1 allows the introduction of non-par value shares, which can substitute the previous system of shares with a nominal sum.

Paragraph four of the Article 694 contains a particularly important provision which defines the manner in which the non-par values may be introduced before the day of Euro adoption or before the exchange rate is set.

In this regards, the following two procedures or two decisions must be differentiated, which are however mutually connected:

1. the decision to introduce (accept) non-par value shares and
2. transition or transformation of share capital to Euro.

Pursuant Article 172 of the Companies Act – 1, the type of shares is an obligatory part of the company bylaws. If a company holds non-par value shares, the number of shares must be defined in the bylaws; if there are several classes of shares, each class and the number of shares issued within it must also be defined.

Thus, the company may introduce the non-par value shares by changing the company bylaws, where the transformation of one type of shares to the other is defined, i.e. the transformation of shares with nominal value (par value shares) to non-par value shares. Both types of shares may not be present in a company simultaneously.

Regarding the introduction of non-par value shares it is essential not to interfere with or in any way change the relations between the shareholders. Therefore, a proposal is submitted, that the company should have the same number of shares as hitherto. The number of shares thus remains the same.

In case of harmonization of share capital with Euro, when the company already has non-par value shares, there is a difference, as in other cases of harmonization. If the company already has non-par value shares, the second paragraph of Article 693 already applies. If the company does not yet have non-par value shares on the day the Euro is adopted, the transformation method that is defined in the first paragraph of Article 693 shall apply. This means automatic transformation or calculation, and at the same time, leveling the liabilities in the balance sheet, either by increasing the share capital from company assets or by appropriate reallocation of surpluses to other categories of equity. For this reason alone it is also technically more sensible for the company to introduce non-par value shares on the day of adoption of Euro, when only the company share capital is transformed by applying the set exchange rate and no further changes in the liabilities of the balance sheet are necessary, which would mean reallocation of equity categories.

3.

Article 31 is to be changed according to the following wording:

The company has a Supervisory Board which consists of nine (9) members. Two thirds of members that represent the interests of shareholders are elected by the Shareholders Assembly.

Supervisory Board member that represents employees shall represent the interest of all employees within the authorizations of the Supervisory Board, pursuant a special Act and these bylaws.

Explanation of the change:

ARTICLE 31 OF THE BYLAWS HITHERTO:

The company has a Supervisory Board which consists of twelve (12) members. One half of members that represent the interests of shareholders are elected by the Shareholders Assembly.

The number of the Supervisory Board members is defined by Shareholders Assembly by the Act of election of the new Supervisory Board.

Supervisory Board member that represents employees shall represent the interest of all employees within the authorizations granted to the Supervisory Board, pursuant a special Act and these bylaws.

Number of employee representatives in the Supervisory Board is decreased from one half to one third.

4.

Article 31 is to be changed according to the following wording:

The management may, subject to previous consent by the Supervisory board, increase the share capital by 50% of the existing share capital, by issuing new shares; the management my opt to do so within five years from the day of registering the changes adopted at the 12th regular Shareholders Assembly with the Court Register, and it is given the option to omit the preemptive right to new shares.

Explanation of the resolution:

ARTICLE 48 OF THE COMPANY BYLAWS HITHERTO:

The management may, subject to previous consent by the Supervisory board, increase the share capital by 20% of the existing share capital, by issuing new shares; the management my opt to do so within five years from the day of registering the changes adopted at the 8th regular Shareholders Assembly with the Court Register, and it is given the option to omit the preemptive right to new shares.

Consent from the previous paragraph is granted if no less than tri quarters of Supervisory Board Members that represent shareholders interests vote in its favor.

New shares may also be issued to employees of the parent company and subsidiaries.

Previous authorization to the Management Board for increase of share capital from approved capital that was granted by the changes and amendments to the company bylaws, adopted at the 8th regular Shareholders Assembly in 2002, was realized for the better part; therefore, a new authorization is proposed to be granted to the Management Board for the following five-year period.

5.

First paragraph of Article 53 is to be changed according to the following wording:

Company share capital may be decreased in accordance with proceedings stated in the Companies Act – 1.

Explanation of the resolution:

FIRST PARAGRAPH OF ARTICLE 53 HITHERTO:

Share capital may be decreased:

- *by decreasing the nominal share value;*
- *by merging shares if the lowest nominal value of a share cannot be further decreased;*
- *by withdrawing the shares.*

Upon the introduction of non-par value shares, all provisions of the company bylaws that define shares with a nominal value (par-value shares) or otherwise refer to the nominal value of share or the total nominal value of all shares, must be changed accordingly. In this particular case, this means changing Articles 12 and 53, as the latter defines a decrease of share capital by decreasing the nominal value of shares or by merging the shares.

6.

Article 65 is to be changed according to the following wording:

The company shall inform the shareholders about convening the Shareholders Assembly in the Delo daily paper, while all other information relevant for asserting shareholder rights will be submitted in the obligatory electronic form.

Explanation of the resolution:

ARTICLE 65 OF THE COMPANY BYLAWS HITHERTO:

The company shall submit any information relevant for asserting shareholder rights and fulfilling their obligations in the Delo daily paper and electronically.

With regard to informing the shareholders, the company decided that only information about convening the Shareholders Assembly be announced in the Delo daily paper, while the shareholders will be informed of all other affairs only electronically.

Ljubljana, April 12th 2006

President of the Management Board
Žiga Debeljak

President of the Supervisory Board
Robert Šega



Mercator

**Supervisory Board and Management Board
Mercator, d.d.**

hereby submits to the Shareholders Assembly for discussion and adoption

a proposal for resolution on the 3rd item of the agenda:

a) Adoption of the resolution on allocation of the distributable profit and payment of dividends

1. Distributable profit as at December 31st 2005 in the amount of SIT 2,127,778,929.87 is to be allocated as follows:
 - Part of the distributable net profit in the amount of SIT 2,113,660,800.00 deriving from undistributed profit for the year 2005 shall be allocated for the payment of dividends in gross amount of SIT 600.00 per ordinary share;
 - Remaining portion of the distributable net profit for the year 2005 in the amount of SIT 14,118,129.87 shall be allocated to other reserves from profit.
2. Dividends shall be paid out in cash within 30 days after the adoption of the resolution, to those shareholders that will be registered as owners of shares with the KDD – Central Clearing and Depository Agency on May 22th 2006.

b) Issuing a discharge to the Supervisory Board

Shareholders Assembly is giving a discharge to the company Supervisory Board for the business year 2005.

c) Issuing a discharge to the Management Board

Shareholders Assembly is giving a discharge to the company Management Board for the business year 2005.

E x p l a n a t i o n

Pursuant Article 274.a of the Companies Act, the company Supervisory Board discussed and adopted at its meeting on April 11th 2006 the audited Annual Report for 2005. Pursuant provision of Articles 282 and 282.a of the Companies Act, the

Shareholders Assembly decides on the allocation of distributable profit and on the discharge of Management and Supervisory Board.

Management and Supervisory Board have submitted a proposal for resolution on the allocation of distributable profit for the year 2005, which considers the long-term development policy of the Mercator Group, stated in its strategic plan; the proposed sum of dividend per share corresponds to the company dividend policy.

Ljubljana, April 12th 2006

President of the Management Board
Žiga Debeljak

President of the Supervisory Board
Robert Šega



Mercator

**Supervisory Board and Management Board
Mercator, d.d.**

hereby submits to the Shareholders Assembly for discussion and adoption

a proposal for resolution on the 4th item of the agenda:

a) Apprising the Shareholders Assembly of the purchase of own shares (treasury shares)

The Shareholder Assembly is apprised that on December 31st 2005, the company held 68,076 own shares that were purchased at the average price of SIT 18,376.16 per share.

b) Authorization to the Management Board for acquiring and disposal of own (treasury) shares

Shareholders Assembly hereby grants the authorization to acquire and dispose of own shares as follows:

1. The authorization to acquire own shares is granted for the period of 18 months, starting with the day the authorization is issued/granted.
2. The authorization applies for acquiring own shares up to a maximum of 359,084 shares, which is 10% of the company share capital and includes the own shares that the company already holds on the day this authorization is granted.
3. The purchase price of these shares may not exceed the average of daily prices per share on the Ljubljana Stock Exchange in the last full calendar month before the acquisition of shares, by more than 5%.
4. The company may acquire own shares only in organized capital market.
5. The own shares that were acquired by application of this authorization and the own shares that were acquired previously, may be used by the company for the following purpose, under the following conditions:
 - to exchange them for ownership stakes in other companies, subject to previous consent by the company Supervisory Board, or
 - for potential sale to a strategic partner, subject to previous consent by the company Supervisory Board.
6. The price at which the company disposes of own (treasury) shares should not be lower than their average purchase price or lower than average price per share on the Ljubljana Stock Exchange in the last full calendar month before the day of their disposal.

7. Upon the disposal of own (treasury) shares, the preemptive right is omitted, if the shares are disposed of for purposes and under conditions, stated herein.
8. The Management shall inform the Shareholders of any disposal of own shares at the first regular Shareholders Assembly to follow the date of disposal; furthermore, the Management shall also submit an opinion by an independent finance advisor on the fairness or justification of the disposal from the viewpoint of the shareholders and the company.

E x p l a n a t i o n

In 2005, the company acquired 2,864 own shares with the total value of SIT 98,109 thousand, in order to exchange them for shares of holders of minority interest in the companies Mercator-Goriška, d.d., and Živila Kranj, d.d. In order to comply with the obligation towards the shareholders of merged companies Mercator-Goriška, d.d., and Živila Kranj, d.d., the company responded to the appeal by the Central Securities Clearing and Depositary Agency (KDD), d.d. and deposited before the share exchange with this agency a maximum quantity of shares and cash, required to carry out the merger. On the day of exchange, 76 shares less were required than deposited. Thus, after the merger had been accomplished, the Central Clearing Agency returned the shares to the company Poslovni sistem Mercator, d.d. The shareholders that did not hold such number of shares of the acquired companies that they could receive the entire payment in shares of the parent company, were paid the difference in cash.

The company also acquired 68,000 shares for the sum of SIT 1,248,372 thousand from Zavarovalnica Triglav (Triglav Insurance company), d.d., based on the agreement on forward purchase/sale of non-materialized shares from 2000.

At the end of 2005, the company holds 68,076 own (treasury) shares, for which the provisions for treasury shares have been allocated in the sum of SIT 1,250,975 thousand.

Ljubljana, April 12th 2006

President of the Management Board
Žiga Debeljak

President of the Supervisory Board
Robert Šega

Report on the reasons for proposal on complete omission of the preemptive right at disposal of own (treasury) shares

A proposal is submitted to the Shareholders Assembly to issue an authorization to the company for acquiring and disposing of own (treasury) shares. In line with the proposed authorization, the company may only acquire own shares in an organized capital market, which means that pursuant the provisions of the Companies Act, the preemptive right at acquiring own shares is not omitted. The proposal suggests however a complete omission of the preemptive right at disposal of own shares.

The reason for a total omission of the preemptive right at disposal of own shares is the intended use of own or treasury shares. Following the proposal, the company only use the own shares to exchange them for stakes in other companies or for sale to a potential strategic partner. In such case, the shares would always be used or sold to previously defined investors, according to their intended use; therefore, a total omission of the preemptive right is proposed. Without the omission of preemptive right, own shares could not be used for the intended purpose.

Every disposal of own shares for proposed purposes is subject to consent by the Supervisory Board. Apart from that, disposal should be reported to the Shareholders Assembly and the first Assembly following the disposal; the Assembly should also be submitted an opinion by an independent finance advisor on the fairness or justification of the transaction carried out, from the viewpoint of the shareholders and the company (the so-called *fairness option*).

Since establishing strategic partnerships is in line with strategic policies of the Mercator Group in the following medium-term period, we hereby propose to the Shareholders Assembly to accept the authorization to the company for acquiring and disposing of own (treasury) shares, in the submitted form.

Ljubljana, April 12th 2006

President of the Management Board
Žiga Debeljak



Mercator

**Supervisory Board
Mercator, d.d.**

hereby submits to the Shareholders Assembly for discussion and adoption

a proposal for resolution on the 5th item of the agenda:

a) Termination of office of a Supervisory Board member

It is established that on April 12th 2006, Mr. Gorazd Čuk resigned as the member of the Supervisory Board.

b) Appointment of a new Supervisory Board member

Mr. Srečko Kenda is appointed as the new member of the Supervisory Board; his office begins on the day of appointment and shall expire on October 30th 2009.

E x p l a n a t i o n

On April 12th 2006, Mr. Gorazd Čuk resigned as the member of the company Supervisory Board. Supervisory Board has established there was one vacant post for a shareholder representative in the company Supervisory Board.

Pursuant Article 36 of the Bylaws of the company Poslovni sistem Mercator, d.d., the Supervisory Board has decided to propose to the Shareholder Assembly the election of a substitute member of the Supervisory Board. The candidate Mr. Srečko Kenda submitted his written consent to his nomination and a statement that his appointment would not breach the provision of the Companies Act – 1.

Mr. Srečko Kenda is employed as a member of the Management Board of the Company Istrabenz, d.d., Koper. In 1990, he was awarded the title Master of Economics. He holds a stock broker's license and a license to be a member of a management board of Stock-brokerage companies and asset management companies. During his career, he worked at High School of Economics in Koper, in Banka Koper, and since 1994, in Istrabenz where he started as an assistant to the Chief Financial Officer, and became a member of the management board in 2001.

We believe that based on his previous work experience, Mr. Srečko Kenda has acquired the knowledge and experience about the operations of commercial banks and a large part of central banking operations, asset management, investment policy, ensuring company and group liquidity, as well as designing finance policy for the group and the company.

The Supervisory Board believes that the proposed candidate, given his professional experience, will perform successfully the duties of the member of the Supervisory Board and that he will consider company's goals in his decisions.

Ljubljana, April 12th 2006

President of the Management Board
Žiga Debeljak



Mercator

**Supervisory Board
Mercator, d.d.**

hereby submits to the Shareholders Assembly for discussion and adoption

a proposal for resolution on the 6th item of the agenda:

The auditing company PricewaterhouseCoopers, d.o.o., Ljubljana, is selected as the company auditor for 2006.

E x p l a n a t i o n

PricewaterhouseCoopers is an internationally renowned auditing company, a part of which is also the company PricewaterhouseCoopers, d.o.o., Ljubljana.

PricewaterhouseCoopers has been a partner of the Mercator Group for several years; the company has detailed knowledge about the Mercator Group, has a highly professional attitude and offers comprehensive service in all markets of our operations.

In order to reexamine the competitiveness, a call for tender of auditing services for the Mercator Group was sent on March 29th 2006 to four most reputable auditing companies in Slovenia. All companies responded with their respective offers in timely manner, by April 3rd 2006. The main characteristics of the offers are summarized in the table below. After a diligent examination of the offers, we propose to assign the company PricewaterhouseCoopers, d.o.o., for this year as well.

Criterion / company	PricewaterhouseCoopers	KPMG	Ernst & Young	Deloitte
service price	290.000	326.260	300.000	330.000
- Slovenia	190.400	219.060		229.500
- abroad	99.600	107.200		100.500
service accomplishment deadline	last week in March	last week in March	last week in March	last week in March or sooner if requested
Associated auditing companies in foreign markets	YES	YES	YES – except for Macedonia	YES
appropriate auditing coordination for companies in all markets	YES	YES	YES	YES
Team	Francois Mattelaer, partner, Vida Lebar, project head, authorized auditor, Janja Ovsenik, responsible for taxation issues, Martin Ojsteršek, responsible for IT system auditing	Marjan Mahnič, partner – performing the audit of Mercator, d.d. ad the Mercator Group, Boris Drobnič, partner – performing the audit of subsidiaries in Slovenia and coordination in foreign markets, Vera Menard, authorized auditor, Jovita Ažman, authorized auditor, Svetozar Marolt, authorized auditor, Milena Škufca Šimnic, authorized auditor, Srečko Kodrič, authorized auditor	Janez Uranič, director and partner, Lidija Šinkovec, authorized auditor, Janez Hostnik, authorized auditor, Nataša Lah, authorized auditor, Mateja Repušič, auditor	dr. Yuri Sidorovich – auditing partner in charge; Lidija Jezernik, authorized auditor in charge, Nada Drobnič, experienced revenue service employee and authorized auditor, Blanka Vezjak, M.S., expert in IFRS and authorized auditor

Ljubljana, April 12th 2006

President of the Supervisory Board
Robert Šega