



2002

HIT GROUP  
Annual Report

# Introduction

Once the course is known, steps become more decisive.  
Decisions can be bolder when backed by know-how. The  
team is stronger when confidence prevails among its  
members. People with vision weave a bond with the  
future. Each day anew.

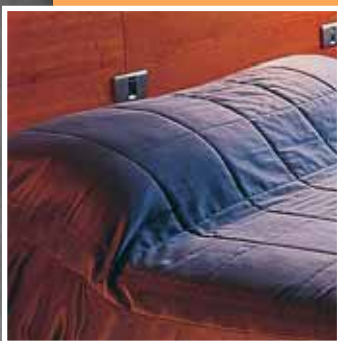
We travel in order to meet people. Away from home in new destinations we find our different home. A glance at the receptionist is enough for him to reach for the numbered key to your favourite suite. The porter has already taken care of the travel clothes. Relaxing, even after the most arduous journey.







Equal doesn't mean the same. On each occasion light selects a different angle to enter. The hotel maid expertly draws the curtains and tames the afternoon rays of sunlight in your hotel room. Complementary chocolate on the pillow of my temporary accommodation reveals someone is thinking about me. I sense the closeness.



Smell. One of the most heightened senses. Perception, recognition. It distinguishes with ease and recalls to memory. It inscribes impressions in harmony with taste. Augmented with the judgement of a critical ear. Only experts know how to combine flavour with appearance, scent with anticipation. An art worthy of admiration.









The throng dictates the tempo of life. Time freezes images selectively. The unusually folded napkin, the understanding look of the waiter, professional flourish when pouring sparkling wine - all homely while being highly distinctive. Flavour embraces the room.





Knowledge enriches you when you yield to it. Many occupy a room so as to leave it with new insights. A stress-free conference. The technique is working. Someone behind the podium has ensured we can feel sure of ourselves. Positive energy flows.





The sound was truly special. The croupiers spin the roulette one more time. An unforgettable evening. Everything under control. I quietly continue with the game. To my greatest win. The casino atmosphere perpetuates the moment. Impressions remain vibrant.



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## With an ear for new business dimensions

With a clear vision of development, defined strategic goals and an ear for current events the company HIT is following its planned paths. We integrate companies in the system that permit capital generation and spread risks and dangers through the synergistic effects of capital connections. Each of HIT's subsidiary and associated companies has its own mission corresponding to the vision and mission of the parent company. Yet one more guideline unites us: entrepreneurial creativity and a proactive approach. With such organisation, the parent company HIT is internationalising its core programme while developing those parallel and auxiliary programmes, for which independent development is justifiable both organisationally and economically.

Our vision also formed the basis of our joint projects with affiliates Onix and Daimond in Sarajevo, Bonaire, Montenegro and Macedonia. Before the end of 2002, HIT, by exchanging shares with Onix, took over a majority stake in the company HTP Gorenjka. We were confronted with challenges that open new business dimensions for the HIT Group.

All affiliated companies, with the exception of HIT Netherlands Antilles, are undergoing a cycle of development with a constant growth in turnover and improvements in the quality of their services. They are also adapting to the specific needs of local markets where they operate. Because the companies abroad are still in the start-up phase, more visible results - also financial - are still ahead of us, and we can justifiably expect profits and capital generation in the years to come.

The HIT Group is working together to implement diverse projects. Some of them include utilising the excellent know-how of our staff and signify a penetration into completely new markets for suppliers of equipment and technological expertise in the field of gaming tourism. We realise the risks of these technologically complex projects, yet we anticipate with confidence that they will yield positive results for the affiliated companies in Slovenia and abroad.

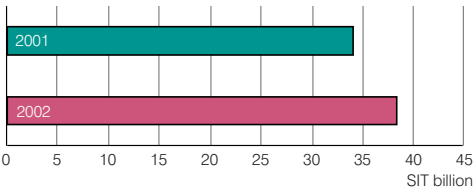
Our attention also applies, of course, to investments in Slovenia. Through collaboration within the Group and forming alliances with other companies in Slovenia we are planning joint investments in gaming tourism at different locations: in Kobarid, Šentilj and Gornja Radgona, while not neglecting the Goriška region. We will expand services in our most successful gaming and entertainment centres in Nova Gorica, and integrate the Šempeter location more closely into the comprehensive mix of our services and products. Goriška remains a destination with potential that will be further augmented in the future with the entry of Slovenia into the European Union and the Schengen area.

At the Group level, HIT will run a strategic development policy, manage macro-organisation and strategic finance, direct financial potential to priority strategic projects, ensure recruitment and development of employees at the strategic level, organise and manage strategic marketing, and ensure efficiency, recognition and cohesion of the Group through a code of practice and quality standards.

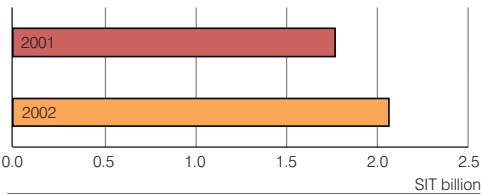
**Branko Tomažič**  
President of the Management Board and CEO

# A. HIT Group

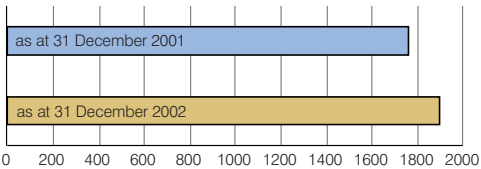
Annual Report for the year ended 31 December 2002



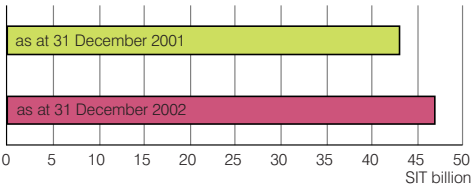
Gross operating yield



Net profit



Number of employees at year end



Balance sheet total at year end

## 1. Financial performance

- SIT 38 billion in gross operating yield
- SIT 2 billion in net profit
- EUR 156 million in gross gaming revenues
- SIT 5.6 billion in gross revenues from F&B and rooms
- more than SIT 7 billion invested in tangible and intangible assets
- 1.5 million visitors to our casinos
- 1,856 employees as at 31 December 2002
- 8.2% return on equity

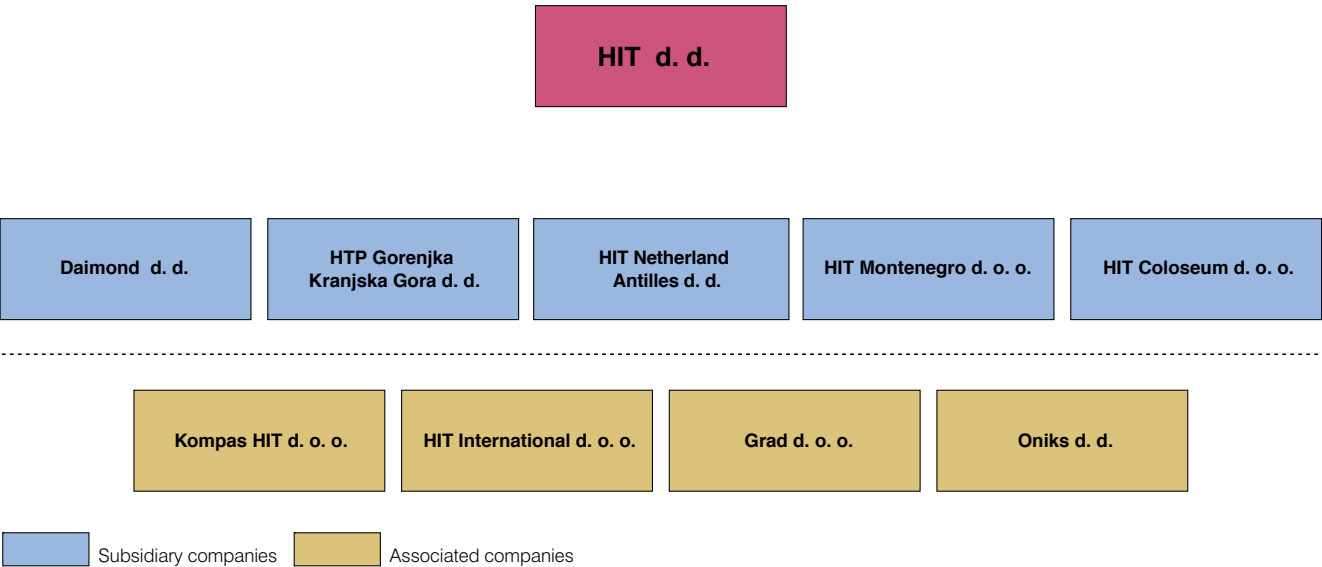
## 2. Structure of the Group and profiles of related companies

### 2.1 Structure of the Group

As at 31 December 2001 and 2002, HIT d.d., as the ultimate controlling company, compiled the consolidated annual reports for the Group companies. As at 31 December 2002, **HIT d.d.** controlled the following companies: **Daimond d.d.**, **HTP Gorenjka Kranjska Gora d.d.**, **HIT Netherlands Antilles N.V.**, **HIT Montenegro d.o.o.**, **HIT Coloseum d.o.o.** and **Grad d.o.o.** Its associated companies became **HIT International d.o.o.**, **Skopje, Macedonia** and **Kompas HIT d.o.o.**, **Moscow, Russian Federation**.

The principal activities of the HIT Group are:

- casinos
- hotels and restaurants
- travel agencies
- wholesale and retail services
- leasing, etc.



## 2.2 Subsidiary companies

### 2.2.1 HTP GORENJKRA KRANJSKA GORA

**Principal activity:** hotels and tourism. HTP Gorenjka Kranjska Gora is the largest hotel and tourist company in Kranjska Gora and its environs. Its facilities are at the best locations in the region both with regard to the centre of events and range of services. The following operated within the company in 2002: HTC **Larix** (\*\*\*\*, 240 beds), Hotel **Prisank** (\*\*\*, 130 beds), **Garni** apartments (\*\*\*, 85 beds) and **Bor** restaurant. At the end of 2002, the company had 455 beds or some 27.5% of all beds in the municipality of Kranjska Gora, private rooms excluded.

In 2002, some of its owners invested additional money in the company and increased its capital by 4 per cent against 2001.

In 2002, the ownership structure of the company changed fundamentally. Onix d.d. sold its stake, while HIT d.d. and LB Maksima d.d. increased their stakes.

### 2.2.2 DAIMOND GROUP

Of all subsidiary companies, Daimond d.d. from Šempeter pri Gorici is the only other company besides HIT to prepare its own consolidated financial statements.

The Daimond Group consists of:

- 1) **the parent company:**  
Daimond, trgovina in zastopanje, d.d.,  
Šempeter pri Gorici;
- 2) **subsidiary companies:**  
Vogo Leasing d.o.o., and M.A.&L. d.o.o.; and
- 3) **associated companies:**  
Onix d.d., HIT Netherlands Antilles N.V.,  
HIT Montenegro d.o.o.,  
HIT Coliseum d.o.o.,  
HIT International d.o.o. and Vacuumtech Srl.

The principal activities of the Group:

- wholesale and retail including imports of goods and foreign exchange transactions,
- letting of own equipment, vehicles and real estate,
- agents involved in wholesale and retail of white goods, brown goods, video, TV and photo equipment, etc.

2.2.3 HIT COLOSEUM D.O.O.

**Full name and address:** HIT Coliseum, društvo sa ograničenom odgovornošću za ugostiteljstvo i turizam, d.o.o., Sarajevo, BIH.

**Principal activity:** organisation of special games of chance and restaurants. The subsidiary was formed for an indefinite period of time on the basis of articles of association, approved and adopted by the founders HIT d.d., Daimond d.d. and Onix d.d. on 18 January 2002.

The company began regular operation, i.e. organising special games of chance, on 18 July 2002. HIT Coliseum offers:

- casino: 8 gaming tables and 90 slot machines,
- F&B: self-service restaurant and à la carte restaurant with a total of 120 seats,
- entertainment programme: amphitheatre suitable for concerts, dance and fashion shows, recording, presentations and other business events.

2.2.4 HIT MONTENEGRO D.O.O.

**Full name and address:** HIT Montenegro d.o.o., Pržno, Montenegro.

**Principal activity:** organisation of special games of chance, restaurants, hotels, tourism, wellness, etc. The subsidiary was formed for an indefinite period of time on the basis of articles of association, approved and adopted by the founders HIT d.d. and Daimond d.d. on 30 November 2001.

In 2001, HIT signed a contract to purchase Hotel Maestral in Pržno in order to renovate it and open a small casino there. The company HIT Montenegro was formed at the end of 2001 to operate the casino and hotel. In the first phase of renovation, which began in March, rooms were fully renovated, as were the halls and elevators. The increased hotel accommodation capacity is now 348 beds in 171 rooms and 9 apartments. Furthermore, the hotel has an aperitif bar, a table d'hôte restaurant, cafe and bar on the beach.

In season 2002 the hotel operated from 20 July to 7 October, a total of 80 days.

According to the altered time schedule, the second phase of reconstruction and expansion should begin in 2003 and will be completed by the high season in 2004, when gaming will be included in the hotel's comprehensive range of services.

## 2.2.5 HIT NETHERLAND ANTILLES D.D.

**Full name and address:** HIT Netherland Antilles d.d., Bonaire, Netherland Antilles.

**Principal activity:** organisation of special games of chance. The subsidiary was formed for an indefinite period of time on the basis of articles of association, approved and adopted by the founders HIT d.d. and Daimond d.d. on 1 November 2001.

The already existing casino did not require much investment and HIT decided to operate it in order to get familiar with the market and obtain a starting point for future expansion in this area.

The subsidiary commenced operation in November 2001.

Casino Caribe in the heart of the Plaza Resort on the island of Bonaire in the Netherland Antilles has a useful area of 520 square metres which accommodates 95 slot machines, 7 gaming tables and a bar.

## 2.3 Associated companies

### 2.3.1 Oniks d.d., Jesenice

This associated company is also a parent company itself and prepares its own consolidated financial statements. It is mutually connected by capital with Daimond.

### 2.3.2 HIT International, d.o.o., Skopje, Makedonija

This company was acquired on the basis of a contract to increase capital of the company LAKI 7 d.o.o. (Skopje, Macedonia), between HIT, Daimond, Onix and the existing partners of LAKI 7. Under this contract, the partners increased the share capital of the company by acquiring a 20% share in it each. The principal activity of the company is organisation of special games of chance and F&B. In the future, the company is planning to offer hotel services, too.

The company began regular operation, i.e. organising special games of chance, on 16 March 2003.

### 2.3.3 Kompas HIT d.o.o., Moscow, Russian Federation

This associated company was formed for an indefinite period of time on the basis of articles of association, signed by HIT, Kompas d.d. and Aerodrom Ljubljana d.d. on 24 January 2002. Its principal activity is tourism.

### 2.3.4 Grad, Gostinstvo in turizem, d.o.o., Dobrovo

The basic activity of the associated company Grad d.o.o. is to provide F&B and tourist services. The business premises are wholly rented to the companies Okus, d.o.o., Nova Gorica and Vinoteka Brda, d.o.o.

### 3. Events

January	Perla is visited by the seven millionth guest.
April	Completion of investment in the Perla congress centre.
May	Formation of the company Kompas HIT d.o.o., Moscow, Russian Federation.
June	The company HTP Gorenjka Kranjska Gora completes the renovation of HTC Larix.
July	Start-up of the thematic Coloseum casino in Sarajevo.  Start-up of the partly renovated Hotel Maestral in Montenegro.
August	In the HIT Hotel Casino Kranjska Gora, a jackpot in the amount of EUR 1,995,469.25 (SIT 453 million) is hit.
October	The company Daimond begins investing in the expansion of the Electrocenter store in Šempeter pri Gorici, which is due for completion in the first half of 2003.
November	Formation of the company HIT International Skopje.
December	HIT becomes the owner of an 80% stake in HTP Gorenjka.  HIT obtains concessions for two casinos and two gaming salons.  HIT's casino in the Otočec Šport Hotel celebrates its 10th birthday party.

## 4. Business report

### 4.1 Introduction

In 2001, the company HIT d.d. finally became the controlling company by acquiring a majority in four companies, and for the first time prepared consolidated financial statements for the 2001 business year. In 2002, the number of subsidiary companies increased by one.

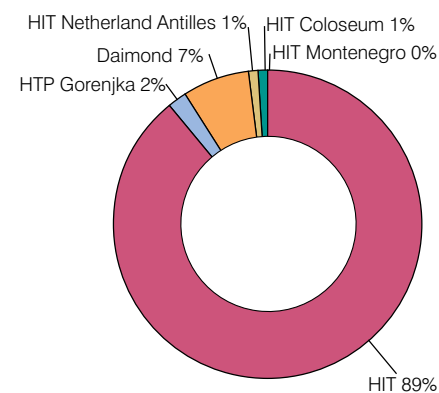
HIT formed three of its foreign subsidiaries together with its strategic partners. These companies are still in the initial phase of business and developing their markets. In 2002, the casino in Bonaire operated throughout the year, the entertainment centre in Sarajevo began to operate in the second half of July, and the hotel in Montenegro operated for only a part of the summer season - a good two months. The shorter period and incomplete range of business services had a detrimental effect on the business results of these companies, and consequently on the total results of the Group.

### 4.2 Revenues

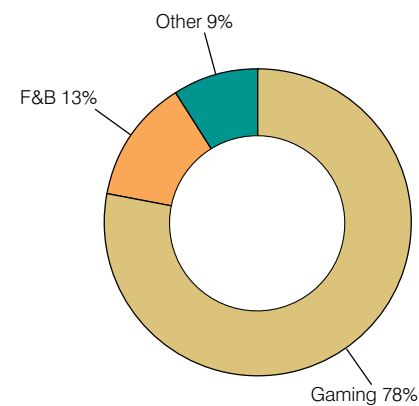
In 2002, the Group generated gross operating yield in the amount of SIT 38.4 billion. Of this amount, gross operating yield made in Slovenia totalled SIT 37.8 billion or 98.4%, while gross operating yield made abroad represented the remaining 1.6% or SIT 622.

The main business area of the Group is gaming, which is supported by other services. In 2002, net gaming revenues, i.e. gross gaming revenues less gaming tax, accounted for 78% of the Group's gross operating yield, revenues from F&B accounted for 13%, while other revenues accounted for 9%.

Total revenues of the Group in 2002, that is gross operating yield plus financial and extraordinary revenues, amounted to SIT 39.5 billion, an increase of 10% compared to the year before.



Gross operating yield of the HIT Group by Group companies



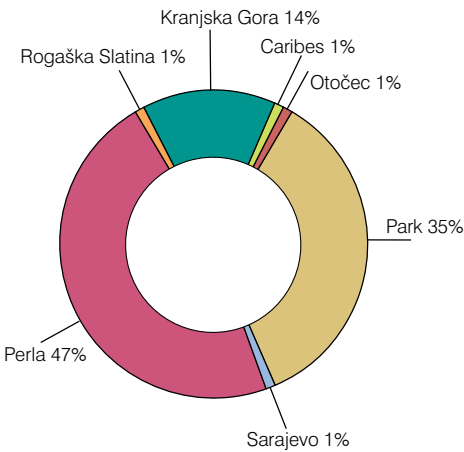
Gross operating yield of the HIT Group by business segments

4.2.1 Gaming

The principal activity of the Group are games of chance. In gaming, gross gaming revenues (that is gross operating yield plus gaming tax plus output VAT on entrance tickets) are monitored closely. In 2002, the casinos within the HIT Group generated gross revenues of EUR 156 million, 82% of which derived from the two Nova Gorica-based casinos.

For 2002, HIT casinos in Slovenia will have to pay SIT 5,274 million in **gaming tax**, SIT 39 million in **output VAT on entry tickets**, and SIT 5,619 million in **concession duties**, making a total of SIT 10.9 billion or 34.1% of the taxable base or 31.3% of gross revenues from gaming.

All casinos in the HIT Group registered **1.5 million visits** in 2002, of which 98% were in Slovenia, where HIT casinos recorded 3% fewer visits (almost 50,000) than in 2001. Visits were worse primarily in January and during the summer months. The greatest number of visitors to HIT casinos in 2002 as well came from Italy (80% of all visitors), followed by domestic guests with 9% and Austrians with 8%. The casino in Sarajevo was visited in less than half a year of operation by slightly less than 20,000 guests; the casino in Bonaire registered around 30,000 visits.

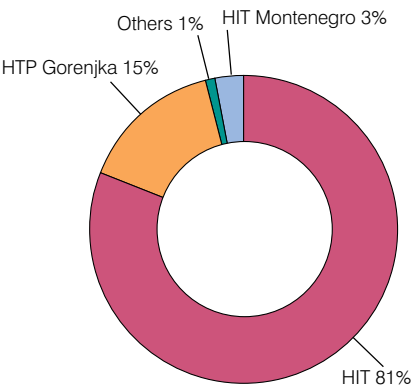


Gross gaming revenues of the HIT Group in 2002

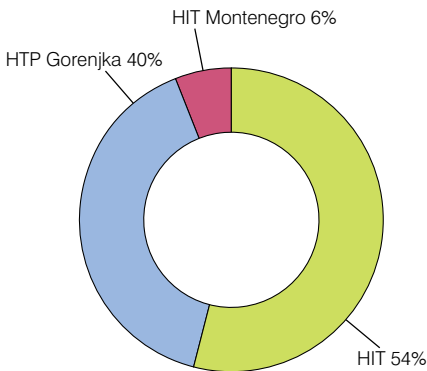
4.2.2 Food & beverage and rooms

Food & beverage and rooms as an important component of the Group's gaming and entertainment product generated gross operating yield of SIT 5.0 billion in 2002.

The Group had a capacity of 1,376 beds and registered 208,000 overnight stays. On average, hotel occupancy within HIT d.d. was 53%, within HTP Gorenjka Kranjska Gora 58%, and within Hotel Maestral in Montenegro 85%, if only its period of operation is considered.



Gross operating yield from the Group's F&B and rooms operations in 2002



Number of overnight stays for the HIT Group in 2002

#### 4.2.3 Other activities

Apart from gaming, F&B and rooms, other activities of the HIT Group are important as well, namely: trade, leasing, agency services, HIT Sports Centre, congress activities, travel agency, etc., which to a large extent support the principal activity. In 2002, the Group generated SIT 3.3 billion from other activities.

##### 4.2.3.1 Trade

Trade activities are performed by the company Daimond. They deal in electrical installation materials and equipment, consumer technical goods, as well as cosmetics and silver and gold jewellery. The company performs its business in five retail stores and at its head office. In 2002, revenues from trade activities amounted to SIT 2.3 billion.

##### 4.2.3.2 Hittours

In 2002, the Hittours travel agency, despite fierce competition and unfavourable conditions governing tourism, created 10% more than in 2001. This growth can be attributed to a more aggressive approach to market. By signing contracts on business co-operation with several companies from the Goriška region, the company increased its range of corporate services (sale of airline tickets, organised visits to trade fairs, etc.) Planned media advertising had an affect on increased sales of package tours.

##### 4.2.3.3 Leasing

Leasing operations are performed by Vogo Leasing, which offers financial and operative leasing for legal entities. Due to greater competition, business conditions worsened in 2002 and interest rates for financing leasing operations were reduced.

##### 4.2.3.4 HIT Sports Centre

In 2002, sports areas of the HIT Sports Centre were occupied 80%. In the Centre's multi-purpose hall, 14 cultural and 12 sporting events were held also with international participation.

##### 4.2.3.5 Conference and meetings services

In 2002, 16 external conference events more were held than in 2001, and the number of participants rose by 73%. This increase can be partly explained also by the new Pinta conference hall, built in May, and the completed renovation of the Perla casino.

4.3 Costs, expenses and profit

All costs and expenses of the Group amounted to SIT 37.2 billion. Net consolidated profit of the Group amounted to SIT 2,066 million or 5.2% of total revenues generated by the Group (i.e. gross operating revenues, plus financial revenues and extraordinary revenues). The consolidated net profit increased by 17.5% against 2001.

4.4 Financial indicators

Return and profitability/operating effectiveness indicators		2002
Return on equity		8.2%
Return on assets		4.6%
Net profit/Revenues		5.2%
Assets/Equity		1,86
Assets turnover		0,88
Operating effectiveness		1,06

**Return on capital**, measured as the ratio of net profit to average capital, totalled 8.2%, up 1.3 percentage points against 2001.

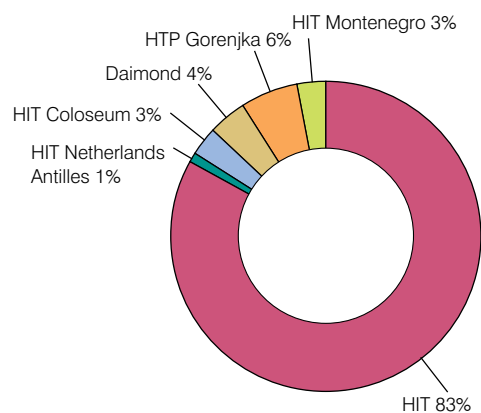
**Return on assets**, measured as the ratio of net profit to average assets, totalled 4.6%, up 0.8 percentage points against 2001.

**Ratio profit/revenues** increased by 0.9 percentage points and amounted to 5.2%.

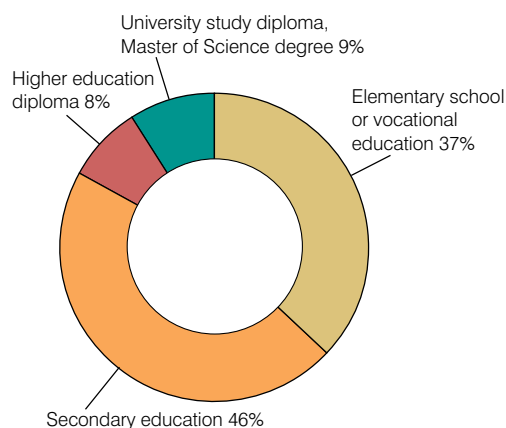
**Assets turnover ratio**, measured as the ratio of operating revenues to average assets, was 0.88.

The ratio of total assets to equity of the Group was 1.86.

**Operating effectiveness** measured as the ratio of operating revenues to operating expenses was 1.06 and did not change compared to 2001.



Number of employees of the HIT Group at year end



Educational structure of HIT Group employees at year end

## 4.5 Employees

At the end of 2002, there were 1,856 employees in the HIT Group. The increased number of employees was due to the formation of the company Coloseum and the take-over of workers from the company HIT Montenegro in April 2002 under the Contract on Acquisition of Hotel Maestral between HIT d.d. and the company Budvanska Riviera.

The company HIT realises the importance of high quality and well-trained staff, which is one of the cornerstones of the company's competitive advantage. With tools and systems developed over the years in the field of human resources development, HIT systematically monitors the success and development of employees at all levels. On the basis of the information obtained, a database of employees with development potential is built up, which is of exceptional importance, given the expansion of HIT to foreign markets.

In the field of human resources development, HIT is planning and partly implementing educational and training programmes for present and future job requirements. Great emphasis is placed on educating executives; to this end the company has formed the HIT School of Management, where HIT experts from different fields appear in the role of programme implementers. By employing this approach, the company seeks to expand the knowledge of executives at all levels, and at the same time strengthen the professional and general authority of HIT experts. In this way the company is able to meet the delineated route of its vision and strategy, which was formulated and endorsed in 2003.

HIT's policy with regard to recruiting and developing employees of affiliated companies is based on uniform standards of quality used by the parent company. Of course, the processes and procedures are sufficiently flexible to be able to adapt to different social and cultural habits of the affiliated company environments. When developing suitable employees, education and training as well as the transfer of knowledge both within the parent company and to HIT's affiliated companies play a vital role. Knowledge and standards of quality are transferred:

- by training employees from affiliated companies in the parent company; and
- by employees from the parent company providing direct on-the-job training for staff in the affiliated companies.

This transfer of knowledge, experience and standards of quality to HIT's affiliated companies ensures the efficiency and recognition of its brand name.

In 2002, the goals of education were directed chiefly to:

- acquiring the knowledge and skills required to implement the present and developmental strategic tasks of the company,
- enhancing practical knowledge necessary to perform tasks at a high quality level,
- raising the educational structure of employees (through on-the-job training), and
- obtaining potential employees from foreign labour markets (through work practice and scholarships).

HIT is concerned about the health and social welfare of its employees. Since the beginning of 1999, it has provided medical examinations to all HIT employees. It also helped design the so-called Second Pension Pillar or fund, to which the majority of employees subscribed. HIT has thus become one of the few Slovene companies that pay the highest premiums for its employees who joined the pension scheme.

#### **4.6 Investments in development projects**

In 2002, the HIT Group allocated 7.3 billion tolar for investment in tangible and intangible assets.

For **HIT d.d.**, 2002 was a very intensive year in the field of investment and development projects. Two large investment projects were completed: Casino Sarajevo and phase 1 of Hotel Casino Maestral Montenegro, in which HIT was the main investor. Both projects very highly complex because they were the first ones performed by the company abroad as part of the strategic goal of going international. Apart from investments abroad, investment tasks and development projects were also performed in Slovenia. May saw the opening of the new Pinta conference hall, signifying the final phase of renovation of the Perla gaming and entertainment centre. Among development projects, the largest in terms of funds used were the on-line project, business reorganisation by means of the R/3 system, staff scheduling, hotel reception, influencing organisational culture, and a host of others. In 2002, total investments by HIT in investment and development projects amounted to SIT 4 billion.

As part of HIT's development strategy to expand its business beyond Slovene borders, HIT purchased Hotel Maestral in Montenegro in 2001. The purchase value of this hotel and further investment by HIT in phase 1 of the project amounted to SIT 2.1 billion. To operate the hotel and casino, HIT, together with its strategic partner, formed the company **HIT Montenegro**, which invested some SIT 1.2 billion in fixed assets. According to the initial time schedule, phase 2 of the reconstruction and extension of the building should have commenced on 1 October 2002. However, due to changes in the planned investment the date was postponed to October 2003.

The company **HIT Coliseum** built the small Coliseum entertainment centre in rented premises in Skenderija. The centre comprises a casino, a restaurant and a showroom. The theme of the centre is a combination of ancient and modern Rome. The casino with pertaining services was opened in July. Investment totalled some SIT 1.5 billion.

Investments by the company **Daimond** to renovate obsolete equipment amounted to SIT 11.4 million, and those to buy land to SIT 9 million. In the third quarter of 2002, the company began to invest in the expansion of the Elektrocenter store in Šempeter pri Gorici, which is due for completion in the first half of 2003. The construction works invoiced by the end of 2002 amounted to SIT 11 million, and the estimated investment value totals some SIT 60 million.

Since 2000, the company **HTP Gorenjka Kranjska Gora** has successfully undergone business reorganisation, improved internal procedures and commenced with the strongest investment cycle out of all competitor companies in the past twenty years. In 2002, phase 2 of investment in HTC Larix, which includes general renovation of the hotel, took place. In that same year the company invested SIT 495 million in tangible and intangible assets.



# 1. Consolidated Income Statement

for the year ended 31 December 2002 (SIT in thousands)

	2002	2001
Net sales revenues	36,507,880	32,496,378
Capitalised own products and/or services	1,617,970	1,581,601
Operating revenues from revaluation and other operating revenues	318,684	123,812
<b>Gross operating yield</b>	<b>38,444,534</b>	<b>34,201,791</b>
<b>Operating expenses</b>	<b>(35,944,959)</b>	<b>(33,464,569)</b>
Costs of goods, materials and services	(12,839,981)	(10,644,717)
Cost of merchandise sold and materials used	(4,511,711)	(3,508,953)
Cost of services	(8,328,270)	(7,135,764)
Labour costs	(13,816,239)	(13,147,570)
Wages and salaries	(9,556,739)	(9,979,475)
Social security cost	(2,775,713)	(2,434,869)
Pension security cost	(1,542,543)	(918,628)
Other social security cost	(1,233,170)	(1,516,241)
Labour cost arising from revaluation	(329,287)	0
Other labour cost	(1,154,500)	(733,226)
Amortisation and depreciation expense, write-off	(3,315,457)	(2,445,475)
Amortisation of intangible fixed assets, depreciation of tangible fixed assets, and operating expenses from revaluation of tangible and intangible fixed assets	(3,120,112)	(2,338,474)
Operating expenses from revaluation of operating current assets	(195,345)	(107,001)
Other operating expenses	(5,973,282)	(7,226,807)
<b>Operating profit of loss</b>	<b>2,499,575</b>	<b>737,222</b>
<b>Financial revenues</b>	<b>857,475</b>	<b>1,126,340</b>
Financial revenues from shares	103,389	59,025
Other financial revenues from shares	103,389	59,025
Financial revenues from long- and short-term receivables	754,086	1,067,315
Interest revenues and financial revenues from receivables due from associates	7,149	0
Other interest revenues and revenues from receivables	746,937	1,067,315
<b>Financial expenses</b>	<b>(1,220,761)</b>	<b>(416,448)</b>
Financial expenses from long- and short-term investments write-off	(129,811)	(57,583)
Financial expenses from revaluation of investments in associates	(208)	(57,583)
Other financial expenses from revaluation	(129,603)	0
Interest expenses and financial expenses from other liabilities	(1,090,950)	(358,865)
Other interest expenses and expenses incurred in connection with other liabilities	(1,090,950)	(358,865)
<b>Net profit or loss from ordinary activities</b>	<b>2,136,289</b>	<b>1,447,114</b>
Extraordinary revenues	217,115	734,346
Extraordinary expenses	(32,324)	(297,481)
Extraordinary expenses less expenses from equity revaluation adjustments	(32,324)	(297,481)
<b>Profit or loss from extraordinary activities</b>	<b>184,791</b>	<b>436,865</b>
Tax on profit	(255,164)	(125,708)
<b>NET PROFIT OR LOSS FOR THE FINANCIAL YEAR</b>	<b>2,065,916</b>	<b>1,758,271</b>
<b>Whereas net profit or loss of minority shareholders</b>	<b>62,618</b>	<b>427,876</b>
<b>Whereas net profit or loss of majority shareholders</b>	<b>2,003,298</b>	<b>1,330,395</b>

Due to the introduction of new accounting standards, the financial statements for the financial year 2002 and those for the financial year 2001 are not comparable. In preparing the financial statements for the financial year 2002, comparatives were not restated, but were instead reclassified, applying the materiality rule. The 'net profit or loss' item remained unchanged.

## 2. Consolidated Balance Sheet

for the year ended 31 December 2002 (SIT in thousands)

	31/12/02	31/12/01
<b>Assets</b>	<b>46,802,393</b>	<b>42,491,180</b>
<b>Fixed assets</b>	<b>37,678,586</b>	<b>32,253,604</b>
Intangible fixed assets	1,946,611	583,159
Long-term deferred operating costs	110,516	220,249
Long-term industrial property rights	1,594,538	239,452
Advances for intangible fixed assets	0	3,598
Consolidated goodwill	28,211	35,264
Other intangible fixed assets	133,936	84,596
Intangible fixed assets under acquisition	79,410	0
Tangible fixed assets	28,947,923	26,601,405
Land and buildings	24,090,948	22,068,822
Land	1,595,954	1,153,739
Buildings	22,494,994	20,915,083
Plant and machinery	172,568	139,691
Other equipment	3,704,565	3,115,465
Tangible fixed assets under acquisition	979,842	1,277,427
Advances for tangible fixed assets	45,734	297,189
Tangible fixed assets under construction and manufacture	934,108	980,238
Long-term investments	6,784,052	5,069,040
Shares of minority shareholders	0	28,170
Shares in associates	1,936,373	1,190,598
Long-term loan receivables due from associates	0	0
Other long-term shares	4,501,941	3,694,281
Investment property	8,723	0
Other long-term loan receivables	337,015	155,991
Own shares	0	0
<b>Current assets</b>	<b>7,936,909</b>	<b>9,277,423</b>
Inventories	891,682	819,561
Materials	264,807	394,384
Merchandise	578,221	425,177
Advances for inventories	48,654	0
Long-term operating receivables	779,584	842,593
Other long-term operating receivables	779,584	842,593
Short-term operating receivables	2,853,683	2,857,455
Short-term trade receivables	1,003,962	1,924,637
Short-term receivables due from associates	47,471	0
Short-term receivables due from other entities	1,802,250	932,818
Short-term investments	1,011,157	3,004,733
Shares acquired for a short-term	132,915	0
Other short-term investments	878,242	3,004,733
Cash in banks, cheques and cash in hand	2,400,803	1,753,081
<b>Deferred costs (expenses) and accrued revenues</b>	<b>1,186,898</b>	<b>960,153</b>
<b>Capital and liabilities</b>	<b>46,802,393</b>	<b>42,491,180</b>
<b>Capital of majority shareholders</b>	<b>21,594,036</b>	<b>19,908,717</b>
Called-up capital	6,788,634	6,788,634
Share capital	6,788,634	6,788,634
Revenue reserves	5,385,483	4,433,633
Legal reserves	1,270,849	1,270,849
Other reserves	4,114,634	3,162,784
Retained net profit or loss from previous periods	2,146,225	1,809,711
Remaining amount of net profit or loss for the financial year	1,051,448	655,460
Equity revaluation adjustments	6,221,470	6,221,470
General equity revaluation adjustments	6,221,470	6,221,470
Specific equity revaluation adjustments	0	0
Equity adjustment arising from translation	776	(191)
<b>Capital of minority shareholders</b>	<b>3,537,799</b>	<b>5,087,365</b>
Net profit or loss for the financial year of minority shareholders	62,618	427,876
Other items of capital of minority shareholders	3,475,181	4,659,489
<b>Provisions</b>	<b>2,637,851</b>	<b>1,913,470</b>
Long-term provisions	2,637,851	1,913,470
Long-term provisions for grants	19,963	40,216
Other long-term provisions	690,646	895,198
Consolidated negative goodwill	1,927,242	978,056
<b>Financial and operating liabilities</b>	<b>17,650,884</b>	<b>14,384,707</b>
Long-term financial liabilities	7,173,559	3,755,181
Long-term financial liabilities to banks	5,148,289	3,679,281
Long-term financial liabilities to other entities	2,025,270	75,900
Long-term operating liabilities	266,584	66,757
Long-term operating liabilities to other entities	266,584	66,757
Short-term financial and operating liabilities	10,210,741	10,562,769
Short-term financial and operating liabilities to associates	290	0
Short-term financial liabilities to banks	4,065,302	3,575,676
Short-term operating liabilities arising from advances	5,445	18,294
Short-term trade payables	1,733,366	2,751,295
Short-term financial and operating liabilities to other entities	4,406,338	4,217,504
<b>Accrued costs (expenses) and deferred revenues</b>	<b>1,381,823</b>	<b>1,196,921</b>

Due to the introduction of new accounting standards, the financial statements for the financial year 2002 and those for the financial year 2001 are not comparable. In preparing the financial statements for the financial year 2002, comparatives were not restated, but were instead reclassified, applying the materiality rule. The 'net profit or loss' item remained unchanged.

### 3. Consolidated Cash Flow Statement

for the year ended 31 December 2002 (SIT in thousands)

2002

#### CASH FLOWS FROM OPERATING ACTIVITIES

<b>Inflows from operating activities</b>	<b>36,090,520</b>
Operating revenues	36,737,561
Extraordinary revenues arising from operating activities	217,115
Opening minus closing operating receivables	(557,953)
Opening minus closing deferred costs (expenses) and accrued revenues	(306,203)
<b>Outflows from operating activities</b>	<b>(31,547,829)</b>
Operating expenses, exclusive of depreciation expense and long-term provisions	(30,617,224)
Extraordinary expenses arising from operating activities	(48,864)
Income tax and other taxes not included in operating expenses	(243,463)
Closing minus opening inventories	(89,476)
Closing minus opening operating liabilities	(718,048)
Opening minus closing accrued costs (expenses) and deferred revenues	169,246
<b>Net cash from operating activities</b>	<b>4,542,691</b>

#### CASH FLOWS FROM INVESTING ACTIVITIES

<b>Inflows from investing activities</b>	<b>2,130,331</b>
Financial revenues from investing activities	824,752
Offset decrease in short-term investments	1,305,579
<b>Outflows from investing activities</b>	<b>(10,481,327)</b>
Financial expenses from investing activities	(3,926,774)
Offset increase in intangible fixed assets (without revaluation)	(1,880,554)
Offset increase in tangible fixed assets	(963,385)
Offset increase in long-term investments (without revaluation)	(3,710,614)
<b>Net cash from investing activities</b>	<b>(8,350,996)</b>

#### CASH FLOWS FROM FINANCING ACTIVITIES

<b>Inflows from financing activities</b>	<b>6,762,215</b>
Financial revenues from financing activities	1,332,568
Offset increase in capital of minority shareholders	786,725
Offset increase in long-term financial liabilities (without revaluation)	4,642,922
<b>Outflows from financing activities</b>	<b>(2,276,269)</b>
Financial expenses from financing activities (without revaluation)	(1,091,331)
Extraordinary expenses from financing activities	(105,671)
Decrease in capital of majority shareholders (excluding net loss for the financial year)	(318,946)
Offset decrease in long-term provisions	(21,510)
Offset decrease in short-term financial liabilities	(738,811)
<b>Net cash used in financing activity</b>	<b>4,485,946</b>

<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2,400,803</b>
<b>Net increase in cash and cash equivalents</b>	<b>677,641</b>
Translation differences	(29,919)
<b>Cash and cash equivalents at beginning of period</b>	<b>1,753,081</b>

4. Audit Report

REPORT FROM AN INDEPENDENT AUDITOR

to the owners of the company

HIT d.d. Nova Gorica

Deloitte  
& Touche

We have audited the enclosed Consolidated Balance Sheet of the company HIT Hotels, Gaming, Tourism d.d. Delpinova, Nova Gorica (hereinafter HIT d.d. Nova Gorica or "the company"), on 31st December 2001 together with the pertaining Income Statement of the business year 2001. The management of the company is responsible for the rationality of the enclosed financial statements. Our task is to express an opinion on them on the basis of the audit. We did not audit the financial statements of the subsidiary group Daimond d.d. Nova Gorica and the associated company HTP Gorenjska, d.d. Kranjska Gora, whose assets together total 7% and 10% of the Group assets of HIT d.d. Nova Gorica on 31st December 2001, as well as normal operating revenues of 7.6% of the normal operating revenues of the Group for the year just ended. Those financial statements were audited by another auditing company EOS REVIZIJA d.o.o. Ljubljana and KPMG Slovenija d.o.o. Ljubljana whose audit reports we have obtained. Our opinion, insofar as it refers to the amounts including the subsidiary group Daimond d.d. Nova Gorica and the associated group HTP Gorenjska, d.d. Kranjska Gora, is based only on the reports from the two auditing companies.

We performed the audit in accordance with basic auditing principles and international auditing standards and views. According to these principles and standards we are required to plan and conduct the audit to obtain a reasonable assurance that the financial statements do not contain important incorrect statements. The audit includes testing verification of evidence regarding the amounts and disclosures of the accounts. It also includes an assessment of the relationship between the accounting policy with the accounting standards employed in the evaluation of findings in the financial statements. We believe that our audit forms a suitable basis for our opinion on the financial statements.

According to our opinion the consolidated financial statements in the first paragraph give a fair and accurate picture of the financial position of the company HIT d.d. Nova Gorica on 31st December 2001 and the business results for the year just ended in accordance with Slovenian accounting standards.

Without expressing any reservation we would like to draw attention to explanation 1.2 of the consolidated financial statements. In the opinion of the audit of the subsidiary group Daimond, d.d., Nova Gorica - the auditors EOS REVIZIJA, d.o.o., Ljubljana and Director of the subsidiary group Daimond d.d. Nova Gorica did not substantiate the acquisition of its own shares in 2001 (31st December 2001 SIT 422,223,000 and 31st December 2000 SIT 103,059,000) by 29th March 2002.

Deloitte & Touche Auditors d.o.o. Ljubljana

Alenka Podbevšek  
Director/Partner  
Auditor

Jelka Alejček  
Auditor

Ljubljana, 28. april 2003

Deloitte  
Touche  
Tohmatsu

## **HIT Group**

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### **HIT Coloseum, d. o. o., Sarajevo, Bosnia and Hercegovina**

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Fax: + 387 33 25 08 61  
e-mail: [coloseum@hit-bih.com.ba](mailto:coloseum@hit-bih.com.ba)

C. HIT d. d.

# 1. A look ahead

## **Companies in the HIT Group ensure the implementation of HIT's comprehensive development policy.**

The diversified and independent programmes of member companies reduce risks and permit the development of an entrepreneurial initiative. This ensures a swifter and more efficient development of the parent company, and greater security in conducting business, recognition and market efficiency for all member companies. The interconnectedness of capital, programmes, business, markets and employees ensures the strength and international establishment of the HIT brand name in the increasingly aggressive globalisation process.

Within the Group, each company endeavours to achieve common goals and maximise profit. In order for the synergy created to be within the context of rational business or agreed behaviour, each company offers and utilises the services of other Group companies, thus contributing to the business efficiency of the whole HIT Group. By integrating new partners, the parent company expands its commercial influence into other spheres, where it would otherwise require too much time and too many resources to achieve goals with its own development.

In line with its development potential, market opportunities and set strategic goals, HIT d.d. will continue to encourage organic growth of the HIT Group, ensure cohesiveness, loyalty and quality, as well as systems to stimulate entrepreneurial creativity. At the same time, it will promote the emergence and independence of new programmes, and provide them with initial development support and commercial and market infrastructure.

**The entire HIT Group will attempt to provide the most and the best for those who use its services as well as its employees, the environment in which it operates, and its owners.**

Around the world tourist and gaming and entertainment activities are being increasingly developed. It seems that such development will continue for some time. The expectations of guests for a concentration of experiences and a quality range of services are ever greater, yet at the same time the content and complexity of the product keeps changing. The HIT Group companies are planning their own development in line with new trends. Tourist, gaming and entertainment centres of the HIT Group will become multiplexes of games, entertainment, hotel and F&B services, and will provide together business meetings and congresses, events, sports and wellness. The Group will design centres to enjoy rich and creative leisure time experiences, where guests will be able to choose à la carte.

## **We aren't waiting for what the future holds, but are planning it.**

The largest investments will be made in the environment where HIT is based. With investments in foreign and fiscally interesting markets, the HIT Group is becoming an international corporation. It will provide financial and programme support to the emerging pillar of technological products. New companies will be formed, in which the supreme technological know-how originating in HIT will materialise. The introduction of own system of attracting guests and encouraging them to utilise the various services offered by the HIT Group will represent a new quality of conducting business. Above all, the HIT Group seeks to jointly create a new image and appealing destinations where it operates, thereby contributing to the enhancement of the whole environment.



**Branko Tomažič**, president of the Management Board and CEO



**Silvan Križman**, member of the Management Board



**Tomica Dumančič**, member of the Management Board

## 2. Profile of the parent company

### MANAGEMENT BOARD

President and CEO:

- **Branko Tomažič**

Members:

- **Silvan Križman**, gaming and F&B
- **Niko Trošt**, finance and investment (up to 15 July 2002)
- **Tomica Dumančič**, workers director

### SUPERVISORY BOARD

- **Pavel Pirc**, chairman and representative of the capital
- **Igor Lapajne**, deputy chairman and the employees' representative
- **Darko Končan**, the government's representative
- **Peter Velkavrh**, representative of the capital
- **Črtomir Špacapan**, representative of the capital
- **Branko Brezigar**, the employees' representative up to 24 July 2002 when replaced by **Aleš Furlan**

(In January 2002, the HIT Annual General Meeting changed some provisions of the HIT Statute and appointed a new Supervisory Board, which now consists of six members.)

### OWNERSHIP STRUCTURE

Share capital:

SIT 6,788,634,000.00

Total number of shares:

6,788,634

Nominal value of each share:

SIT 1,000

**Table 1: Ordinary shares with restricted transferability (registered)**

Shareholder	No. of shares	% of capital	% of voting rights
Kapitalska družba	1,357,727	20%	33.33%
Slovene Indemnity Fund	1,357,727	20%	33.33%
Nova Gorica municipality	1,022,614	15.06%	25.11%
Šempeter-Vrtojba municipality	183,726	2.71%	4.51%
Kranjska Gora municipality	131,699	1.94%	3.23%
Rogaška Slatina municipality	11,541	0.17%	0.28%
Novo Mesto municipality	8,146	0.12%	0.20%
<b>Total</b>	<b>4,073,180</b>	<b>60%</b>	<b>100%</b>

**Table 2: Participating preference shares**

Shareholder	No. of shares	% of capital	% of voting rights
Arkada, d. d., Ljubljana	513,210	7.56%	non-voting
Koloniale, d. d., Maribor	386,986	5.70%	non-voting
NFD 1 Investicijski sklad, d. d., Ljubljana	331,962	4.89%	non-voting
Triglav steber I PID, d. d., Ljubljana	327,279	4.82%	non-voting
PID VIPA Invest, d. d., Nova Gorica	291,135	4.29%	non-voting
Others	864,882	12.74%	non-voting
<b>Total</b>	<b>2,715,454</b>	<b>40%</b>	<b>non-voting</b>

### 3. The values of corporate culture, business ethics code, personal development and efficient remuneration

In line with the special social mission of its core activity, HIT directs its endeavours to building a culture for the entire Group. The greatest emphasis is given to relations with guests and users of all its services. Special attention is devoted to building relations between companies within the Group, which incorporate a high level of professionalism in the work performed and a committedness to the implementation of common goals, as well as the awareness of belonging to the HIT Group together with building relations with the public and the environment.

All companies in the Group endeavour in all activities to create a sense of well-being among guests. As far as their core business is concerned, they take special care of their responsible attitude towards gaming. Planned investment is made in education and training of employees to have a project team approach in development work. By doing so, they seek to achieve mutual integration, the transfer and enhancement of knowledge and responsibility for the results achieved. Employees of individual companies are expected to be responsible towards themselves and to the environment as well, a public behaviour of which the companies and the whole HIT Group can take pride. The Group and individual companies also support and encourage the efforts of their employees to be creative and to develop personally, support the development of professional, cordial relations with guests and responsibility for results, and award flexibility, innovation and entrepreneurship. They expect honesty and loyalty to both the company and the HIT Group and devotion to achieving the set goals.

Employees, too, realise that only through successful work, growth and development of the company and the Group as a whole, and by generating a profit can they achieve stability and job security as well as personal development.

## 4. Relations with the broader social environment

The companies in the HIT Group are aware of their broader social mission. Their regular businesses already contribute a great deal to the economic strength of the environment in which they operate. Moreover, their human resources and additional funding encourage the tourist, educational, research, cultural, entrepreneurial and sporting development of their environments. In this way, they contribute a significant share to creating social wealth, and build their corporate culture, enhance the environment, strengthen their reputation, establish positive recognition and augment business success.

Professional expertise is invested by the Group companies in creating newly emerging development programmes, which might have a decisive effect on the intellectual and consequentially on the economic image of the region where they operate. They believe that the environment can be substantially better exploited when combining intellectual and financial capital to encourage its development rather than simply contributing sponsorship funds to unproductive ends. For this reason, the business policy of the HIT Group chiefly aims at supporting the environment development programme, given the possibilities available.

In 2002, the Group encouraged the development of the environment in the field of tourism, education, research, culture, entrepreneurship and sport in all regions where it operates.

## 5. Institutional conditions for conducting business

Gaming operates in a specific social and legislative environment, which is why corporate development initiatives require a broader social and political consensus. Other tourism services, too, give a characteristic impression to the region, and Group companies are endeavouring to make it as positive as can be. Because the principal activity of Group companies is gaming, corporate development does not depend only on business initiatives, but also on the broader social interest and understanding of this activity, which is reflected in gaming legislation.

Within the context of the strategic development of Slovene tourism, gaming was proclaimed as one of the three priority products. However, in order for this to become reality, the legislative and fiscal environment has to change accordingly. The present fiscal policy with progressive tax rates restricts the development of large businesses and supports the emergence of a larger number of small service providers. The granting of numerous concessions for gaming salons supports the development of gaming services intended for guests from the local environment, but it does not stimulate the development of services for guests from other countries. At HIT, the conviction prevails that a policy of export-oriented gaming tourism is the right one. This service actually creates positive multiplicative macroeconomic effects and has a positive influence on the social environment.

## 6. Competition

The company HIT has successfully developed a gaming and entertainment product, which is attractive to guests from neighbouring jurisdictions. HIT's product, located in Slovenia, attracts the largest number of guests from environments in which its most important competitors operate. Recently these have strongly developed and have great development plans in the near future as well. Furthermore, in the years to come one can expect a change in legislation in our most important market that would enable the development of even more competition. In order for HIT to prevent a sharp fall in the number of visits, which could occur with the appearance of new competition, the company is hastily preparing a programme and investment response aimed at concentrating diverse experiences. Guests must receive the most pleasant experiences for their money per time and space.

In the important Slovene tourist destination of Kranjska Gora, HIT (which runs the Kranjska Gora gaming and entertainment centre and hotels of the company HTP Gorenjka Kranjska Gora) is becoming an important co-designer of tourist, gaming, entertainment and wellness services. Its new programmes and investments are aimed at encouraging healthy competition in the environment, which would appreciably raise the reputation and increase the appeal of Kranjska Gora. The HIT Group is building the appeal of the entire tourist region to compete more easily and successfully with its rich services against neighbouring countries.

In Sarajevo, the affiliated company Coliseum offered the market a completely new concept of a gaming and entertainment centre. The offer was well received in the environment and the company is acknowledged both by guests and the social and political environment due to the principles of a well-regulated business. Apart from the programme itself, these business principles represent a long-term competitive advantage. The company will further build upon the distinctive characteristics of its services, thus ensuring a competitive advantage also by implementing the standards required by HIT of its employees and in business. The company anticipates that this will further increase interest in its services even in this as yet still restrained environment.

Although in Montenegro the company HIT Montenegro has still not finished investing in the planned tourist and entertainment complex, the one-year business of Hotel Maestral has established the positive image of HIT's hotel services. The planned comprehensive range of services, including hotel, gaming and entertainment activities, conference and wellness services, and a holiday programme (including the location along a beautiful beach) will provide a clear advantage over direct competitors in the vicinity. For the company's business, it is essential that other local providers of hotel and other tourist services raise the quality of their services as soon as possible.



# 1. Income Statement

for the year ended 31 December 2002 (SIT in thousands)

	2002	2001
Net sales revenues	32,850,333	30,613,584
Capitalised own products and/or services	1,344,957	1,316,588
Operating revenues from revaluation and other operating revenues	45,446	123,812
<b>Gross operating yield</b>	<b>34,240,736</b>	<b>32,053,984</b>
<b>Operating expenses</b>	<b>(31,763,537)</b>	<b>(31,360,423)</b>
Cost of goods, materials and services	(10,228,040)	(9,479,574)
Cost of merchandise sold and materials used	(2,258,259)	(2,248,276)
Cost of services	(7,969,781)	(7,231,298)
Labour cost	(12,859,078)	(12,477,184)
Wages and salaries		
Social security cost	(2,653,785)	(2,341,409)
Pension security cost	(1,222,607)	(883,367)
Other social security cost	(1,431,178)	(1,458,042)
Labour cost arising from revaluation	(329,287)	0
Other labour cost	(960,999)	(630,156)
Amortisation and depreciation expense, write-off	(2,750,887)	(2,196,608)
Amortisation of intangible fixed assets, depreciation of tangible fixed assets, and operating expenses from revaluation of tangible and intangible fixed assets	(2,740,390)	(2,142,575)
Operating expenses from revaluation of operating current assets	(10,497)	(54,033)
Other operating expenses	(5,925,532)	(7,207,057)
<b>Operating profit or loss</b>	<b>2,477,199</b>	<b>693,561</b>
<b>Financial revenues</b>	<b>408,607</b>	<b>992,197</b>
Financial revenues from shares	71,297	45,154
Other financial revenues from shares	71,297	45,154
Financial revenues from long and short-term receivables	337,310	947,043
Interest revenues and revenues from receivables due from group enterprises	25,344	139
Other interest revenues and revenues from receivables	311,966	946,904
<b>Financial expenses</b>	<b>(955,815)</b>	<b>(414,657)</b>
Financial expenses from long- and short-term investments write-off	(104,349)	(21,052)
Financial expenses from revaluation of investments in group enterprises	(65,335)	0
Other financial expenses from revaluation	(39,014)	(21,052)
Interest expenses and financial expenses from other liabilities	(851,466)	(393,605)
Other interest expenses and expenses incurred in connection with other liabilities	(851,466)	(393,605)
<b>Net profit or loss from ordinary activities</b>	<b>1,929,991</b>	<b>1,271,101</b>
Extraordinary revenues	128,228	167,553
Extraordinary expenses	(33,563)	(90,783)
Extraordinary expenses less expenses from equity revaluation adjustments	(33,563)	(90,783)
<b>Profit or loss from extraordinary activities</b>	<b>94,665</b>	<b>76,770</b>
Tax on profit	(120,955)	0
<b>NET PROFIT OR LOSS FOR THE FINANCIAL YEAR</b>	<b>1,903,701</b>	<b>1,347,871</b>

Due to the introduction of new accounting standards, the financial statements for the financial year 2002 and those for the financial year 2001 are not comparable. In preparing the financial statements for the financial year 2002, comparatives were not restated, but were instead reclassified, applying the materiality rule. The 'net profit or loss' item remained unchanged.

## 2. Balance Sheet

for the year ended 31 December 2002 (SIT in thousands)

	31/12/02	31/12/01
<b>Assets</b>	<b>36,487,392</b>	<b>32,631,637</b>
<b>Fixed assets</b>	<b>30,162,658</b>	<b>26,128,093</b>
Intangible fixed assets	334,334	508,911
Long-term deferred operating costs	0	187,087
Long-term industrial property rights	334,334	318,226
Advances for intangible fixed assets	0	3,598
Tangible fixed assets	23,337,277	22,024,523
Land and buildings	19,905,238	18,118,719
Land	1,332,886	858,801
Buildings	18,572,352	17,259,918
Other equipment	2,509,200	2,661,623
Tangible fixed assets under construction	922,839	1,244,181
Advances for tangible fixed assets	29,088	278,622
Tangible fixed assets under construction and manufacture	893,751	965,559
Long-term investments	6,491,047	3,594,659
Shares in group enterprises	2,013,251	469,808
Long-term loan receivables due from group enterprises	863,502	0
Shares in associates	356,059	651,198
Long-term loan receivables due from associates	0	0
Other long-term shares	3,096,219	2,317,662
Other long-term loan receivables	162,016	155,991
Own shares		
<b>Current assets</b>	<b>5,116,712</b>	<b>5,560,690</b>
Inventories	219,643	377,722
Materials	211,784	372,103
Merchandise	7,859	5,619
Short-term operating receivables	1,931,449	1,919,876
Short-term trade receivables	169,468	169,083
Short-term receivables due from group enterprises	1,276,825	1,046,786
Short-term receivables due from associates	45,015	0
Short-term receivables due from other entities	440,141	704,007
Short-term investments	956,223	1,684,326
Short-term loans to group enterprises	475,550	22,585
Shares in other entities	480,673	1,661,741
Cash in banks, cheques and cash in hand	2,009,397	1,578,766
<b>Deferred costs (expenses) and accrued revenues</b>	<b>1,208,022</b>	<b>942,854</b>
<b>Capital and liabilities</b>	<b>36,487,392</b>	<b>32,631,637</b>
<b>Capital</b>	<b>21,637,973</b>	<b>19,927,384</b>
Called-up capital	6,788,634	6,788,634
Share capital	6,788,634	6,788,634
Revenue reserves	5,385,483	4,433,633
Legal reserves	1,270,849	1,270,849
Other reserves	4,114,634	3,162,784
Retained net profit or loss from previous periods	2,164,700	1,809,711
Remaining amount of net profit or loss for the financial year	951,851	673,936
Equity revaluation adjustments	6,347,305	6,221,470
General equity revaluation adjustments	6,221,471	6,221,470
Specific equity revaluation adjustments	125,834	0
<b>Provisions</b>	<b>1,257</b>	<b>0</b>
Other provisions	1,257	0
<b>Financial and operating liabilities</b>	<b>13,514,143</b>	<b>11,560,534</b>
Long-term financial and operating liabilities	6,265,813	3,285,358
Long-term financial liabilities to banks	4,010,913	3,271,039
Long-term financial and operating liabilities to group enterprises	0	8,639
Long-term financial and operating liabilities to other entities	2,254,900	5,680
Short-term financial and operating liabilities	7,248,330	8,275,176
Short-term financial liabilities to banks	2,150,415	2,410,541
Short-term operating liabilities arising from advances	0	370
Short-term trade payables	650,344	1,860,651
Short-term financial and operating liabilities to group enterprises	227,811	1,504
Short-term financial and operating liabilities to other entities	4,219,760	4,002,110
<b>Accrued costs (expenses) and deferred revenues</b>	<b>1,334,019</b>	<b>1,143,719</b>
<b>Off-balance sheet items</b>	<b>166,353</b>	<b>21,598</b>
Off-balance sheet liabilities	166,353	21,598

Due to the introduction of new accounting standards, the financial statements for the financial year 2002 and those for the financial year 2001 are not comparable. In preparing the financial statements for the financial year 2002, comparatives were not restated, but were instead reclassified, applying the materiality rule. The 'net profit or loss' item remained unchanged.

### 3. Cash Flow Statement

for the year ended 31 December 2002 (SIT in thousands)

	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Inflows from operating activities</b>	<b>32,555,282</b>	<b>32,978,663</b>
Operating revenues	32,711,030	33,213,735
Extraordinary revenues arising from operating activities	128,228	0
Opening minus closing operating receivables	(18,811)	(235,072)
Opening minus closing deferred costs (expenses) and accrued revenues	(265,168)	0
<b>Outflows from operating activities</b>	<b>(27,704,554)</b>	<b>(29,121,919)</b>
Operating expenses, exclusive of depreciation expense and long-term provisions	(27,055,860)	(29,735,588)
Extraordinary expenses arising from operating activities	(33,563)	
Income tax and other taxes not included in operating expenses	(120,955)	(29,793)
Closing minus opening inventories	158,079	643,462
Opening minus closing operating liabilities	(755,548)	
Opening minus closing accrued costs (expenses) and deferred revenues	103,293	
<b>Net cash from operating activities</b>	<b>4,850,728</b>	<b>3,856,744</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Inflows from investing activities</b>	<b>479,574</b>	<b>(251,538)</b>
Financial revenues from investing activities (without revaluation)	408,607	0
Offset decrease in intangible fixed assets	70,967	(251,538)
<b>Outflows from investing activities</b>	<b>(6,090,111)</b>	<b>(6,909,664)</b>
Offset increase in tangible fixed assets (without revaluation)	(3,949,534)	(5,957,038)
Offset increase in long-term investments (without revaluation)	(2,840,911)	(1,259,701)
Offset increase in short-term investments (without revaluation)	700,334	307,075
<b>Net cash from investing activities</b>	<b>(5,610,537)</b>	<b>(7,161,202)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Inflows from financing activities</b>	<b>2,465,204</b>	<b>3,538,688</b>
Increase in capital (without net profit)	0	0
Offset increase in long-term provisions (without revaluation)	0	1,947,413
Offset increase in long-term financial liabilities (without revaluation)	2,725,330	1,719,675
Offset increase in short-term financial liabilities (without revaluation)	(260,126)	(128,400)
<b>Outflows from financing activities</b>	<b>(1,274,761)</b>	<b>(81,032)</b>
Financial expenses from financing activities (without revaluation)	(955,815)	0
Decrease in capital (excluding net loss for the financial year)	(318,946)	(81,032)
<b>Net cash used in financing activity</b>	<b>1,190,443</b>	<b>3,457,656</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2,009,397</b>	<b>1,578,766</b>
<b>Net increase in cash and cash equivalents</b>	<b>430,631</b>	<b>153,198</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,578,766</b>	<b>1,425,568</b>


Due to the introduction of new accounting standards, the financial statements for the financial year 2002 and those for the financial year 2001 are not comparable. In preparing the financial statements for the financial year 2002, comparatives were not restated, but were instead reclassified, applying the materiality rule. The 'net profit or loss' item remained unchanged.

#### 4. Accumulated profit or loss

for the year ended 31 December 2002 (SIT in thousands)

	2002
Net profit or loss for the financial year	1,903,701
Retained net profit or loss from previous periods	2,164,701
Release of revenue reserves (legal, for own shares and statutory) according to a resolution by the Management Board and Supervisory Board	0
Allocation to revenue reserves according to a resolution of the Management Board and Supervisory Board	(951,850)
<b>Accumulated profit or loss</b>	<b>3,116,552</b>

## 5. Audit Report



**REPORT FROM AN INDEPENDENT AUDITOR**  
  
**to the owners of the company**  
  
**HIT d.d. Nova Gorica**

We have audited the Balance Sheet of the company HIT Hotels, Gaming, Tourism d.d. Delpinova 7a, Nova Gorica (hereinafter HIT d.d., Nova Gorica or "the company"), on 31st December 2001 and 2000 together with the pertaining Income Statement and Cash Flow Statement for the business year just ended. We have also read the business report of the company. The mentioned financial statements are shown on pages 3 to 48. The management of the company is responsible for producing these financial statements. Our task is to express our opinion on them on the basis of the audit.

We performed the audit in accordance with basic auditing principles and international auditing standards and views. According to these principles and standards we are required to plan and conduct the audit to obtain a reasonable assurance that the financial accounts do not contain important incorrect statements. The audit includes a test verification of evidence regarding the amounts and disclosures in the accounts. It also includes an assessment of the correlation between the accounting policy with the accounting standards employed and an evaluation of findings in the financial statements. We believe that our audit forms a suitable basis for our opinion on the financial statements.


According to our opinion the financial statements cited in the first paragraph give in all important aspects an accurate and honest picture of the financial position of the company HIT d.d., Nova Gorica on 31st December 2001 and 2000 and the business results and cash flows for the year just ended, in conformity with Slovene accounting standards. The business report by the Board of Directors corresponds to the audited financial statements.

**Deloitte & Touche Auditors d.o.o., Ljubljana**

Alenka Podbevšek  
Director/Partner  
Auditor

Jelka Blejec  
Auditor

Ljubljana, 28. april 2003



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