



ANNUAL REPORT 2003  
ISKRA, d.d. AND THE ISKRA GROUP  
(summary report)

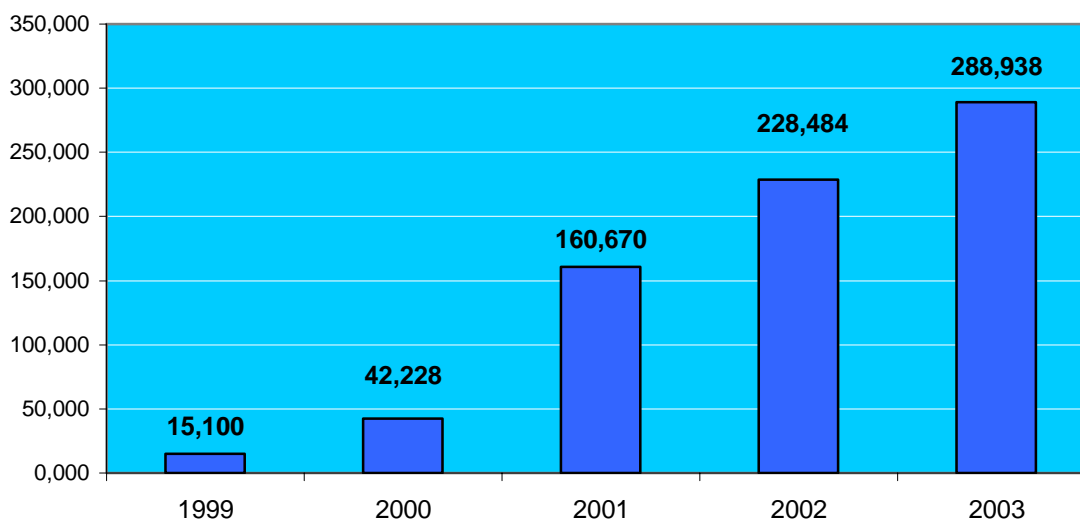


## LETTER TO THE SHAREHOLDERS

In 2003 the Management Board of Iskra, d.d. managed the company and adopted business decisions in accordance with the policies set forth in the middle-term development plan 2002 to 2006 and in the business plan 2003.

2003 was another year during which Iskra d.d. performed successfully. Its operations were in line with the adopted policies and the net profit, amounting to SIT 288.9 million, was by 26.5 % higher than in the previous year.

**ISKRA, d.d., NET PROFIT - in 000 SIT**



In 2003 Iskra, d.d. continued to restructure its investment portfolio and the companies within the Group. Iskra Tela, d.d. and Iskra SEM, d.d. ceased to operate as they were amalgamated with Iskra, d.d.. Their business operations and movable assets were taken over by the subsidiary company Eurofiltri d.o.o. which changed its name to Iskra Tela – Sem, d.o.o..

By acquiring the company Hipot P&EMS from Šentjernej and changing its name to Iskra EMS, d.o.o., Iskra, d.d. spread its activities to the field of automotive industry.

Iskra, d.d. realised the planned rationalisation of its premises and locations. At the beginning of the year Iskra Tela and Iskra Prins started to operate in newly built premises on a new location at Vič in Ljubljana. In the middle of the year a long-term solution to its problem with premises was found for the company Iskra Stikala, which had previously operated on six different locations, by moving all the company's business operations to one location at Labore in Kranj.

In 2003 Iskra, d.d. continued to renovate and update its information system which is designed to be used for the entire concern. An important project, systematic controlling as the concept of management, was introduced and implemented.

A number of other tasks covering the needs of the entire concern were implemented in 2003: harmonisation of accounting policies, cooperation in the field of marketing, unified staff records and human resources management, etc.

Operations of the companies belonging to the Iskra Group were, with a few exceptions, in accordance with their business plans. Consolidated net revenues from sales of the Iskra Group amounted to SIT 17,540 million in 2003 and were by 4.3 % higher when compared with the previous year.

From among the companies which had been reorganised in 2002, Iskra Transmission, d.d. and Iskra Sistemi, d.d. continued to operate in line with their plans in 2003 while Iskra SSD, d.o.o. achieved a relatively high profit as it managed to rehabilitate its problems accumulated from the previous years. We consider that also the company Iskra Stikala, d.d., which reported losses in the past, operated successfully in 2003 as it achieved a small profit.

As regards operations of important companies within the concern, losses were reported by Iskra Prins, d.d. and Iskra Antene, d.o.o. The loss of Iskra Prins was above all the consequence of significant write-offs of its old, unsalable inventories and claims. The loss of Iskra Antene was, however, the consequence of its failure to respond to the changed market conditions and consumer requirements by adapting its programme and products. In line with these findings, changes of the key personnel and other adequate initial measures have already been taken in this company.

In line with its goal to establish a modern, successful concern, Iskra, d.d. continued with its activities to have one, uniform share for the entire concern. According to the balance sheet data as at 31 December 2003, the book value of the Iskra share amounted to SIT 2,039.60.

In 2003 all the companies within the concern Iskra, d.d. redesigned their 5-year development plans. Redesign of development plans for the period 2004 to 2008 was necessary due to the reorganisation of the companies in 2002 and 2003, due to changed market and other conditions for operating, and also due to Slovenia's approaching accession to the European Union.

Iskra, d.d. is planning to operate successfully and profitably in 2004 as well. It will strive to realise its main strategic development tasks set forth in the redesigned concern's development plan for the period 2004 to 2008 which have been made more concrete in its business plan for 2004. The main orientations of the concern include becoming more successful and known in Slovenia and abroad, increasing the value of the shareholders' investment and offering social security to the employees.

One of the goals set forth by Iskra, d.d. in its Development and business plan is further development and growth of the concern based on existing programs, development of new products, introduction of new programs within the concern, and acquisitions. The Management Board of Iskra, d.d. acted in line with these orientations when buying a majority shareholding in Iskra Kondenzatorji, d.d. at the beginning of 2004, thus acquiring 77.8 % of the company's shares. This new acquisition will significantly contribute to the concern in 2004 and shall have a positive impact on its image.

The Management Board of Iskra, d.d. and the management boards of the companies in the concern are well aware that development and progress are based on the factors of quality and on modern expert knowledge and that such knowledge has to be transmitted to the employees who must be motivated to gain it, and also to acquire it independently by themselves. Therefore the task of acquiring new knowledge remains to be a permanent task while implementation of this task is among our most important goals and shall contribute to the values offered by the concern to the employees. Building the system of values and adding to it is among important motivators for the employees and shall contribute to enhanced business results.

Dušan Šešok  
President of the Management Board

Ljubljana, March 2004

# **VISION, MISSION, STRATEGIC AND GLOBAL GOALS**

## **The vision and the mission**

The vision of the concern is to become a modern business system known in Europe and globally; its long-term development and growth will be ensured by swiftly adapting its companies and products to market requirements; it will operate profitably and in a manner to increase the value of the Iskra, d.d. share while it is envisaged that this share will in the future become a uniform share for all the companies within the Iskra Group.

At the end of 2001 Iskra, d.d. and all the companies belonging to the concern adopted their development plans for the period 2002 to 2006. Due to changed operating conditions Iskra's companies revised these development plans in 2003 and adapted them to the expected circumstances in the period 2004 to 2008.

## **Strategic orientations**

The strategic orientations focus on the following:

- achieving a higher degree of innovation, accelerating introduction of new and more complex products which require higher knowledge and added values,
- acting faster as regards changing the structure of knowledge and skills in favour of employees with two-year and four-year university degrees and in favour of younger management teams in the companies,
- proceeding with organisational changes and mergers between companies, to better utilise the resources and improve the economic results,
- intensifying implementation of already introduced mutual projects within the concern, especially those regarding strategic personnel, information technology and international trade.

In this respect the companies belonging to the concern Iskra and Iskra d.d. will implement the following strategic tasks:

- strategy of growth, development and restructuring of programmes,
- strategy of reducing the costs,
- strategy of managing the financial resources and restructuring the resources,
- strategy of personnel renewal,
- strategy of integrated mutual implementation.

## **Orientations regarding the programmes**

The concern Iskra will continue to develop the following fields of programmes:

- the field of automatisation,
- the field of telecommunications,
- the field of appliances and components,
- the field of trade and other services,
- new programmes within the concern and new acquisitions.

It is envisaged that the fastest growth will be achieved in the field of telecommunications and the slowest growth in trade and other services. The above stated policies and goals will, together with new programmes and new acquisitions, contribute to further enhancing the image of Iskra as a company active in the field of electrical and electronic industries.

## ISKRA, d.d. and THE ISKRA GROUP KEY ACHIEVEMENTS

The net profit achieved by Iskra, d.d. in 2003 amounted to SIT 288,938 thousand and was by 26.5 % higher than in the previous year.

In 2003 Iskra operated in line with its development and business plans and noted significant moves forward. Its activities focused on implementing the priority tasks set forth in order to establish a modern concern.

Key achievements of Iskra, d.d. are highlighted below:

ISKRA, d.d., in 000 SIT	Year	Year	Index
<b>FINANCIAL HIGHLIGHTS</b>	2003	2002	03/02
Net sales revenues	318,295	287,254	111
Net profit	288,938	228,484	126
Investment in fixed assets	291,537	412,166	71
Tangible fixed assets	1,757,975	541,789	324
Long-term financial investments	12,535,313	13,867,468	90
Capital	13,804,043	13,382,287	103
Net return on equity, in %	2.1	1.7	124
Net earning per share, in SIT	42.69	34.09	125
Book value of the share, in SIT	2,039.60	1,996.90	102

Key achievements of the Iskra Group:

THE ISKRA GROUP, in 000 SIT	Year	Year	Index
<b>FINANCIAL HIGHLIGHTS</b>	2003	2002	03/02
Net sales revenues	16,890,706	16,814,007	100
Tangible fixed assets	10,516,051	9,442,836	111
Long-term financial investments	3,039,173	2,947,253	103
Capital	15,152,032	15,427,900	98

## MARKETING AND SALES

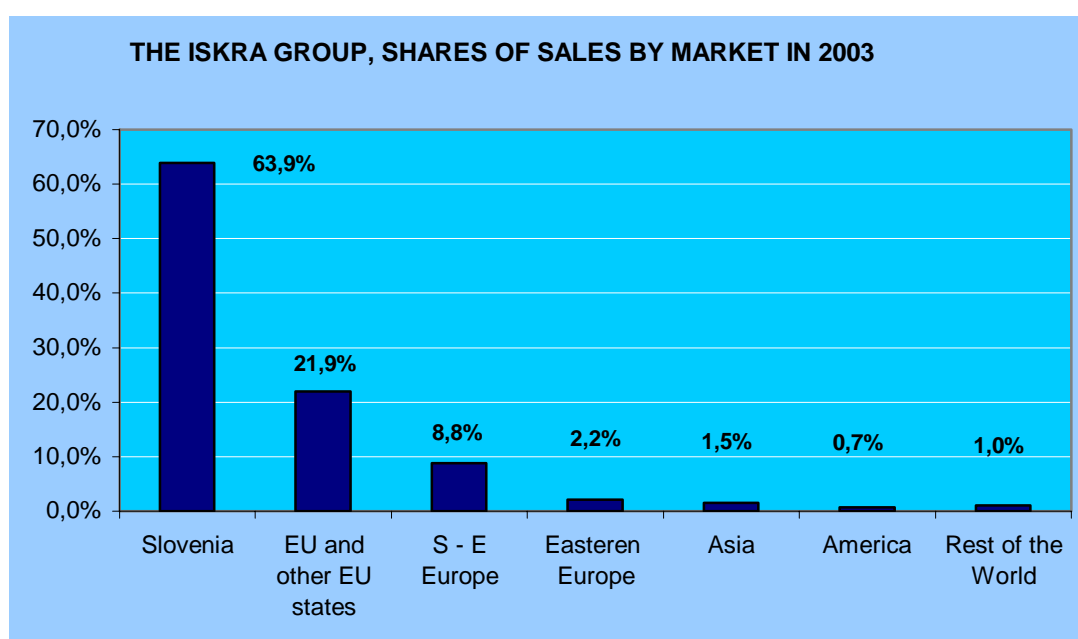
In 2003 Iskra, d.d. realised SIT 318,295 thousand in terms of net revenues from sales; all these revenues were realised on the domestic market.

Marketing is an independent business function of subsidiary companies which take the initiative and responsibility for successful sales of their products and services. Most of the net revenues from sales were realised on the basis of marketing activities carried out by subsidiary companies either on their own, through specialised agencies outside the Iskra system, or within Iskra.

In line with Iskra's goal to establish itself as a company which sells complex solutions produced by its subsidiary companies, the project of joint marketing through the subsidiary Iskra Prins, d.d. continued to be carried out in 2003.

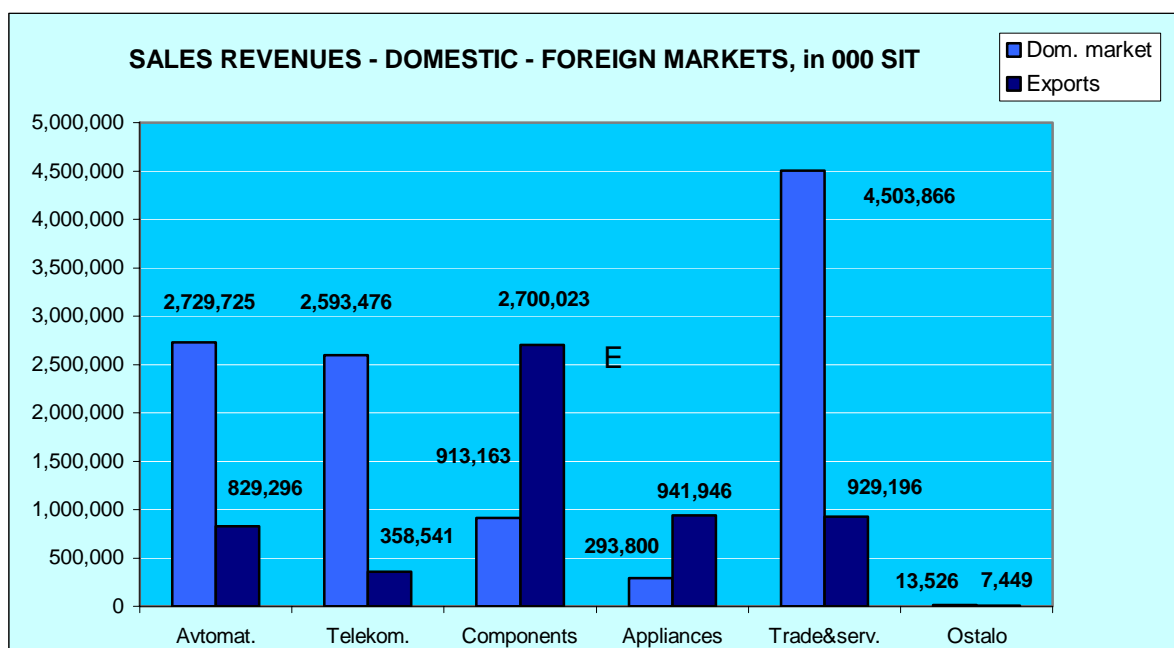
In 2003 the following structure of sales by market - area was realised by the Iskra Group:

<b>THE ISKRA GROUP, in 000 SIT, in %</b>	Net revenues	Net revenues	Share
<i>PRODAJA V LETU 2003 PO TRGIH</i>	2003	2002	2003
Slovenia	10,791,495	10,098,960	63.9%
South-eastern Europe	1,483,666	1,657,334	8.8%
Eastern Europe	365,583	431,223	2.2%
EU and other European states	3,703,036	3,877,480	21.9%
Asia	252,300	373,006	1.5%
America	121,292	95,930	0.7%
Rest of the world	173,334	280,074	1.0%
<b>TOTAL</b>	<b>16,890,706</b>	<b>16,814,007</b>	<b>100.0%</b>



Subsidiary companies achieved the following net sales revenues in the domestic and foreign markets in 2003:

THE ISKRA GROUP, 2003, in 000, in % NET REVENUES - DOMESTIC - FOREIGN MARKETS	Net revenues	Net revenues	Total revenues	Share
	- domestic market	- foreign markets	from sales	for.markets %
Automatisation	2,729,725	829,296	3,559,021	23.3%
Telecommunications	2,593,476	358,541	2,952,017	12.1%
Components and component parts	913,163	2,700,023	3,613,186	74.7%
Appliances	293,800	941,946	1,235,746	76.2%
Trade and other services	4,503,866	929,196	5,433,062	17.1%
Other	13,526	7,449	20,975	35.5%
<b>TOTAL</b>	<b>11,047,556</b>	<b>5,766,451</b>	<b>16,814,007</b>	<b>34.3%</b>

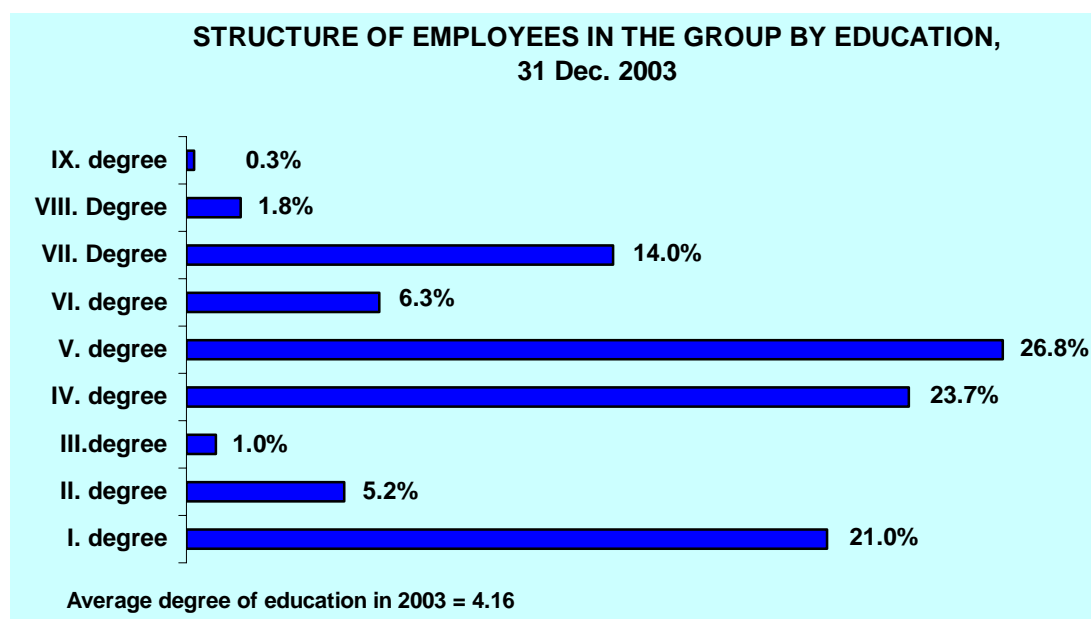


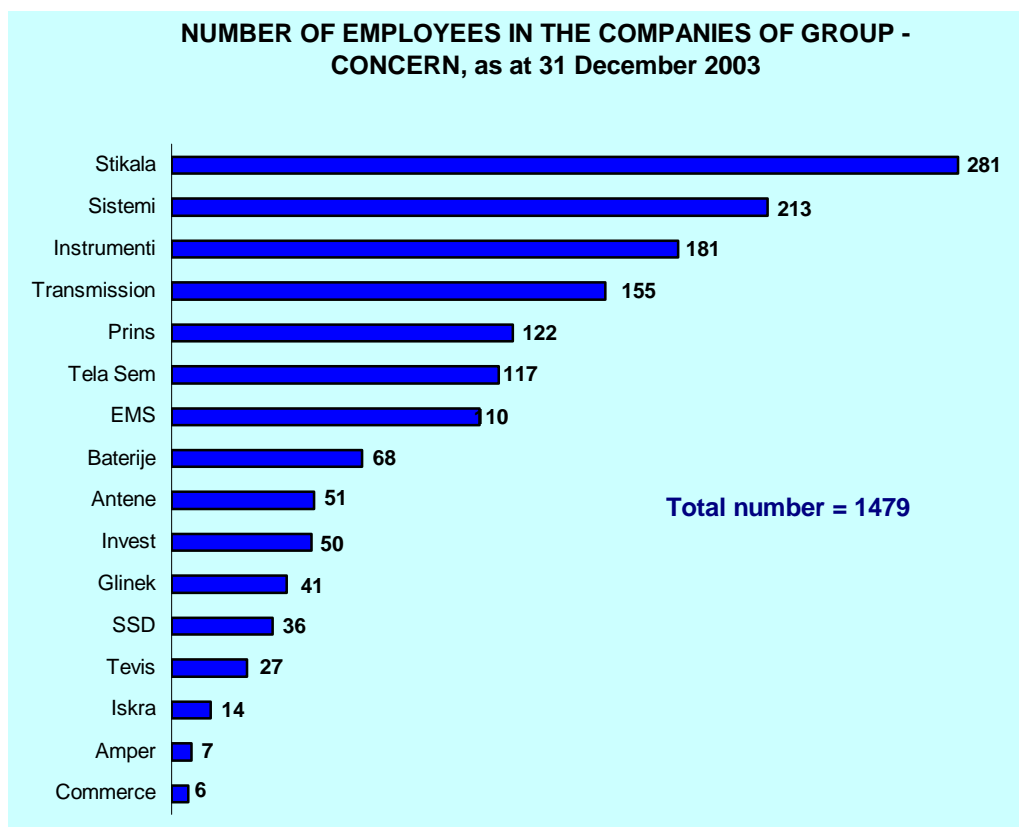
## HUMAN RESOURCES MANAGEMENT

Based on the conclusion that knowledge and skills of employees will be the key factor contributing to implementing the tasks outlined in the development plans of the concern Iskra and its subsidiary companies, activities were undertaken in the year 2003 to realise tasks set forth by the concern in the project Development and human resources management (HRM). This is designed to be a long-term project and is not meant to replace the usual every day process of education and training of employees at work. The project is managed and co-ordinated for Iskra by an agency specialised in human resources, TEVIS - Agencija za kadre, d.o.o.

Average number of employees in the core companies of the Group was 1,437 in 2003.

THE ISKRA GROUP	Degree of school education									
	Employees	Total	I.	II.	III.	IV.	V.	VI.	VII.	VIII.
Annual average	1.437	302.1	74.4	13.8	340.6	384.6	90.9	201.2	25.7	3.7





## **FUTURE DEVELOPMENT**

In 2003 Iskra, d.d. and all important companies within the concern - the Iskra Group - renewed their development plans which had been prepared in 2001 for the period 2002 to 2006.

These renewed development plans for 2004 to 2008 set forth the key strategic business orientations, priority goals and ways to achieve these goals.

Iskra, d.d. will continue to work on its key tasks and above all on establishing a modern and efficient concern which will be better known at home and abroad. Thus Iskra plans that the Group's sales will averagely grow by 7.5 % annually in real terms and that the net profit achieved in 2008 will be by more than twice higher than in 2003. In their development plans Iskra, d.d. and the concern Iskra did not quantify new acquisitions which Iskra intends to realise in the future and which will have a significant impact on the development and growth of the parent company Iskra and on the entire Iskra Group.

The goals:

GLOBAL GOALS OF ISKRA, d.d. AND THE GROUP		Measure	Plan 2008
1.	Average annual growth of sales in real terms	%	7.5
2.	Profitability of sales	%	> 3.2
3.	Investment in development - from net sales revenues	%	> 5,6
4.	Labour costs in net sales revenues	%	32.2
5.	Sales revenues/ assets	ratio	1.31
6.	Sales revenues/capital	ratio	2.17
7.	Share of capital in resources	%	56.8
8.	Return on equity	%	> 7.0
9.	Added value per employee	€	34,640
10.	Labour costs per employee	€	24,500

## BALANCE SHEET OF ISKRA, d.d.

ISKRA, d.d.	31.12.2003	31.12.2002
BALANCE SHEET AS OF 31 DEC. 2003	in 000 SIT	in 000 SIT
<b>ASSETS</b>	16,721,635	16,781,483
<b>A. FIXED ASSETS</b>	14,297,802	14,413,442
<b>I. Intangible fixed assets</b>	4,514	4,184
3. Long-term industrial property rights	4,514	4,184
<b>II. Tangible fixed assets</b>	1,757,975	541,789
1. Land and buildings	1,738,056	146,363
a) Land	278,224	288
b) Buildings	1,459,832	146,075
3. Other appliances and equipment	19,919	1,005
4. Fixed assets in the process of acquisition	0	380,421
b) Tangible fixed assets under construction	0	380,421
<b>III. Long term investments</b>	12,535,313	13,867,469
1. Shares in group enterprises	9,828,316	11,300,943
3. Shares in associates	2,273,619	2,171,220
5. Other long-term shares	429,716	390,133
7. Own shares	3,662	1,172
<b>B. CURRENT ASSETS</b>	2,412,561	2,361,918
<b>II. Operating receivables</b>	1,997,501	2,172,707
a) Long-term operating receivables	595,322	1,023,463
2. from group enterprises	595,322	1,023,463
b) short-term operating receivables	1,402,179	1,149,238
1. from buyers	64,693	25,336
2. from group enterprises	1,316,559	1,060,526
3. from associates	13,633	9,188
4. from others	7,294	54,158
<b>III. Short-term investments</b>	322,760	136,482
1. Short-term shares in group enterprises	317,717	116,759
4. Short-term financial investments in others	5,043	19,723
<b>IV. Cash in banks, cheques and cash in hand</b>	92,300	52,735
<b>C. DEFERRED COSTS AND ACCRUED REVENUES</b>	11,272	6,123
<b>Off-balance sheet assets</b>	1,646,664	1,952,872

ISKRA, d.d.	31.12.2003	31.12.2002
BALANCE SHEET AS OF 31 DEC. 2003	in 000 SIT	in 000 SIT
<b>LIABILITIES</b>	16,721,635	16,781,483
<b>A. CAPITAL</b>	13,804,043	13,382,286
<b>I. Called-up capital</b>	6,768,038	6,701,580
1. Share capital	6,768,038	6,701,580
<b>II. Capital reserves</b>	2,068,119	2,001,761
<b>III. Retained profit</b>	275,513	0
2. Reserves for own shares	52,059	
4. Other reserves	223,454	0
<b>IV. Retained net profit</b>	228,486	223,453
<b>V. Net profit for the business year</b>	236,879	228,484
<b>VI. Equity revaluation adjustments</b>	4,227,008	4,227,008
1. General equity revaluation adjustments	4,227,008	4,227,008
<b>B. PROVISIONS</b>	25,208	0
3. Other provisions	25,208	0
<b>C. FINANCIAL AND OPERATING LIABILITIES</b>	2,890,727	3,398,437
<b>a) Long-term financial and operating liabilities</b>	993,754	1,117,822
2. Long-term financial liabilities to banks	324,666	445,198
6. Long-term financial liabilities to group enterprises	667,504	475,530
8. Other long-term financial and operating liabilities	1,584	197,094
<b>b) Short-term financial and operating liabilities</b>	1,896,973	2,280,615
2. Short-term financial liabilities to banks	789,529	489,439
3. Short-term oper. liabilities due to advances	519	530
4. Short-term oper. liabilities to suppliers	20,952	44,992
6. Short-term fin. and oper. liabilities to group enterprises	533,740	1,386,095
8. Other short-term financial and operating liabilities	552,234	360,089
<b>D. ACCRUED COSTS AND DEFERRED REVENUES</b>	1,657	760
<b>Off-balance sheet items</b>	1,646,664	1,952,872

## INCOME STATEMENT OF ISKRA, d.d.

ISKRA, d.d.	2003	2002
INCOME STATEMENT	in 000 SIT	in 000 SIT
1. NET SALES REVENUES	318,295	287,254
4. OTHER OPERATING REVENUES	674,536	29,821
5. COSTS OF GOODS, MATERIALS AND SERVICES	238,546	150,963
a) Purchase value of sold goods and materials and costs of materials used	6,856	7,671
b) Costs of services	231,690	143,292
6. LABOUR COSTS	166,583	145,075
a) Wages and salaries	121,691	106,629
b) Social security cost	22,740	19,948
- pension insurance cost	13,896	12,181
c) Other labour costs	22,152	18,499
7. WRITE-OFFS	35,071	17,664
a) Depreciation and other operating expenses from revaluation of intangible and tangible fixed assets	26,484	11,761
b) Operating expenses from revaluation of operating current .....assets	8,587	5,903
8. OTHER OPERATING EXPENSES	2,511	2,040
9. FINANCIAL REVENUES FROM SHARES	533,449	502,515
a) Financial revenues from shares in group enterprises	355,782	364,059
b) Financial revenues from shares in associates	177,621	138,456
c) Other financial revenues from shares	46	0
10. FINANCIAL REVENUES FROM LONG-TERM CLAIMS	56,829	178,335
a) Fin. rev. from long-term receivables from group enterprises	47,841	178,335
c) Other financial revenues from long-term receivables	8,988	0
11. FINANCIAL REVENUES FORM SHORT-TERM CLAIMS	37,781	14,409
a) Financial revenues from interest and short-term receivables from group enterprises	33,879	11,205
c) Other financial revenues from interest and short-term receivables	3,902	3,204

ISKRA, d.d., in 000 SIT INCOME STATEMENT	2003	2002
	in 000 SIT	in 000 SIT
12. FINANCIAL EXPENSES FOR WRITE-OFFS OF LONG- AND SHORT-TERM INVESTMENTS	622,531	139,432
a) Financial expenses from revaluation of investments in group enterprises	515,766	99,790
b) Financial expenses from revaluation of investments in associates	91,765	38,134
c) Other financial expenses from revaluation of investments	15,000	1,508
13. INTEREST EXP. AND FIN. EXP. FOR OTHER LIABILITIES	265,792	341,139
a) Interest expenses and expenses in connection with other liabilities to group enterprises	146,022	14,757
c) Other interest expenses and exp. due to other liabilities	119,770	199,382
15. NET PROFIT FROM ORDINARY ACTIVITIES	289,856	216,021
16. EXTRAORDINARY REVENUES	159	16,707
17. EXTRAORDINARY EXPENSES	1,077	4,244
a) Extraordinary exp. less equity revaluation adjustments	1,077	4,244
18. NET PROFIT FROM EXTRAORDINARY ACTIVITIES	-918	12,463
19. TAX ON PROFIT	0	0
21. NET PROFIT FOR THE FINANCIAL YEAR	288,938	228,484

## OPERATIONS THROUGH INDICATORS AND RATIOS

ISKRA, d.d., in 000 SIT	Year	Year
INDICATORS	2003	2002
<b>PROFITABILITY INDICATORS</b>		
Net return on assets (ROA)	0.018	0.014
Net return on equity (ROE)	0.021	0.017
<b>FINANCIAL STATE INDICATORS</b>		
Equity capital financing state	82.6%	79.7%
Long-term financing state	88.7%	86.4%
Debt financing state	17.7%	20.2%
<b>INVESTMENT STATE INDICATORS</b>		
Operating fixed assets rate	10.5%	3.2%
Long-term assets rate	87.3%	92.0%
Operating current assets rate	14.5%	14.1%
<b>HORIZONTAL FINANCIAL STRUCTURE INDICATORS</b>		
Immediate ratio	0.049	0.023
Quick ratio	0.935	0.587
Current ratio	1.111	0.587
<b>EFFICIENCY INDICATORS</b>		
Operating efficiency ratio	2.243	1.004
Total efficiency ratio	1.231	1.285
<b>PRODUCTIVITY INDICATORS</b>		
Revenues per employee based on hours (in 000 SIT)	113,123	83,458
Sales revenues per employee based on hours (in 000 SIT)	22,212	22,096
Labour costs per employee based on hours (in 000 SIT)	11,625	11,160