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FACULTY OF ECONOMICS AND ADMINISTRATIVE SCIENCES

BUSINESS DEPARTMANT

GRADUATION PROJECT

COMPARATIVE FINANCIAL STATEMENT ANALYSES of MARSHALL and ÇBS

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ABSTRACT

Financial measures are often used to rank corporate performance. Growth in sales, return to stockholders, profit margins, return on equity are measures of financial performance that can be determined by analyzing a company's financial statements. Financial statements include a wealth of important information that is useful to investors, creditors, and other external users. In this project, we take a closer look at how information in the financial statements can be combined, analyzed, and used to support many important financial decisions.

The aim of the study is to analyse the financial statements' Çbs and Marshall for last five years (1998 to 2002) and compare the current performance with past performance of Çbs and Marshall. These companies produce many kinds of painting products, such as internal and external paints, wood preserves and etc... This financial statement analyses information enable us to understand the companies position in to the painting market.

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INTRODUCTION

This project focuses on financial statement analysis, which means using financial statement data to assess a company. Sources of information about companies, the objectives of financial statement analysis, and methods for evaluating financial statements are covered. The majority of the project deals with ratios and how to understand the financial statements as prepared under GAAP. Disclosure practices have evolved with the specific purpose of providing information to investors, creditors, managers, suppliers, customers anyone who wants to know about a companies financial position or prospects. The project concentrated on how information is collected, aggregated, and disclosed. We have frequently provided ratios and other tools of analysis and have demonstrated how the information might aid in making decisions. In this project we integrate prior material and discuss additional tools for analyzing and evaluating the company's financial position.[1]

In today's economy, investment capital is always on the move. Through organized capital markets such as the Istanbul Stock Exchange, investors each say shift billions of investment Turkish Liras among different companies, industries, and nations. Capital flows to those areas in which investors expect to earn the greatest returns with the least risk. How do investors forecast risk and potential returns? By analyzing accounting information for a specific company in the context of its unique industry setting. The goal of accounting is to provide economic decision makers with useful information. The financial statements generated through the accounting process are designed to assist users in identifying key relationships and trends.

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[1] Charles Horngren, Gary Sundem and John Elliott; Introduction to Financial Accounting; 5th ed.; New Jersey: Prentice-Hall International Editions; 1993.

The financial statements of most publicly owned companies are classified and are presented in comparative form. Often, the word "consolidated" appears in the headings of the statement. Users of financial statements should have a clear understanding of these terms.

Most business organizations prepare classified financial statements, meaning that items with certain characteristics are placed together in a group, or classification. The purpose of these classifications is to develop useful subtotals that will assist users of the statements in their analyses. In comparative financial statements, the financial statements amounts for several years appear side by side in vertical columns. This assists investors in identifying and evaluating significant changes and trends.[2]

The internal and external painting sector has very good market in Turkey. So, there are many companies in painting market. Because, the painting is everywhere. For example; on houses' walls, on furnitures, on cars and etc... But, several companies have better position than other companies in competitive painting market.

Çbs and Marshall paint manufacturing companies are rooted and old companies in Turkey. These companies are private companies and their stocks are traded in Istanbul Stock Exchange. We think that Çbs and Marshall are leaders in painting market in Turkey. So, we chose Çbs and Marshall paint manufacturing companies. And in this study, we will analyze financial statement of Çbs and Marshall for last five years (1998 to 2002) and compare the current performance of both of them and compare with together. At the end of these processes, we can see easily that which company has got best financial position.

We have conducted the analysis of Çbs and Marshall in five stages.

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[2] R.Meigs, J.Williams, S.Haka, M.Bettner ; Accounting; 11th ed.; USA; Mc Graw Hill, 1999; p.610.

The historical backgrounds of Marshall and Çbs are in first stage.

We have been given general information of financial statements in second stage. These information definitions and explanations balance sheet, income statement, statement of stockholders' equity and statement of cash flow.

Some very important tools of analyzing financial position of a company is in third stage. These tools are component percentage (vertical analysis), trend percentage (horizontal analysis), TL. and percentage changes and ratio analysis.

The fourth stage includes financial statement analysis of Marshall and Çbs. We will see their financial performance with tools of analyzing.

In the fifth stage limitation of the project will be explained.

And final stage is conclusions and recommendations.

I. HISTORICAL BACKGROUNDS of MARSHALL and ÇBS.

1.1. Historical Background of Marshall.

A production plant established in Topkapı-Maltepe in the year 1954... dealing in paint production on a 2000 m2 area with only 20 personnel and hardly supplied 20 KW mains power.

At the outset of 1967, construction of a new plant started in Gebze-Kaynarca, near the Marmara sea at 65 km east of Istanbul which was commissioned with full capacity in 1972.

Today, Marshall Boya ve Vernik Sanayii A.Ş. is one of the leading paint manufacturers of Turkey with its extended product range and increased production capacity supported by the licenses granted, know-how agreements and technological improvements.

Marshall has become a distinguished company among its rivals through the importance it places on the human and training besides the considerable investments wade on environment-friendly paint technology and the Environmental Management System applied. Being the permanent pioneer in developing new technologies, Marshall has merged with Akzo Nobel, the world's leading paint manufacturing company through the transfer of shares in July 1998.[3]

1.2. Historical Background of Çbs.

A modest hardware dealer in 1943's Fener Haliç in Istanbul is the foundation store of today's Çbs. Çbs Paint and Chemistry Industries Co. started with the establishment of a construction painting facility on a land of 1.5 acres near Alibeyköy stream in 1953-54. An extension project had been developed with the purchase of a new 2 acres land, two years

[3] www.marshallboya.com

later. In 1958 turpentine which is produced by using raw resin distillation plant was established. In 1962, based on the license agreement with ICI and depending on the project provided by ICI, Belco car paint plant was established. Polyester resin production started at synthetic resin plants which was established in 1964-65. With the establishment of Printing Ink factory in 1971, the production of any kind of printing inks started under the license agreement with famous German company Hostmann Steinberg. We have lost Recep Çavuşoğlu founder and member of board of directors of Çbs group on 19.02.1979 at 21:50 eternally. Alibeyköy plant reaching certain level of technology and capacity with gradual organizations were narrow anymore for a growing Çbs. Çbs founders and directors realizing this situation believed in the necessity of a major investment and enterprise. Towards this purpose they initiated the projection of modern and integrated factory which will be established in Çayırova in 1977. Construction of first facilities started in 1978 by the end of 1979 the move from Alibeyköy to construction paint facilities was ended with the beginning of production of construction paints. In 1987,Mikrotaş Micronised Powders and Polyester recent facilities started. In 1998, Indısturial and Automative dye facilities started operating. The establishment of Çayırova facilities was completed with the establishment and movement of Çbs Pirintaş Printing İnks Co. to Çayırova in 1989. Bye the end of 1993, first long–term credit in this industry was provided with the credit agreement signed with IFC for $15.000.000. On the date 30.03.1994 with the technology transferred from ICI and franchising agreement, Çbs Auto Paint Co. which produces Dye, Varnish, Resin and Polimerization products was established. On 15.04.1994 with the partnership of Çbs Holding, Japan Shinto Co. Ltd. And Japan Itochu Corporation. Çbs Shinto Co. was established which is the first partnership with foreign companies is operating in dye and chemical products. On 28.04.1995 Çbs İmporlant Export Co. which operates in production, export, import of printing ink, microised powders and any kind of paints, was established.

On the date 15.01.1996, Çbs Industrial and Automotive, ship and yachting paints, varnish, resin and polymerization products was established. 01.04.1996 a technical license agreement was signed with Nippon Paint Co. Ltd./ Japan to serve automative sector on the issues of acrylic first layer and varnish system, solid last layer, priming coat. 09.07.1998, a technical license agreement was signed with Nippon Bee Chemical Co. Ltd. To serve automotive industry on issue of plastic parts painting. 28.04.1995, 30% share of Çbs whose recorded capital ceiling was 1Trillion TL. And capital was 520Billion TL. was opened for public. 05.04.1996, 40% share of Çbs whose recorded capital ceiling was 570Billion TL. And capital was 95Billion TL. was opened for public.[4]

[4] www.cbs.com.tr

II. FINANCIAL STATEMENTS.

Financial statements are designed to assist users in identifying key relationship and trends. The financial statement of most publicly owned companies are "classified", and are presented in "comparative form". Often, the word "con-solidated" appears in the headings of the statements. Users of financial statements should have a clear understanding of these terms.

Most business organizations prepare classified financial statements, meaning that items with certain characteristics are placed together in a or "classification". The purpose of these classifications is to develop useful subtotals which will assist users of the statements in their analyses. These classification and subtotals are standardized throughout most American businesses, a practice which assists decision makers in comparing the financial statements of different companies.[5]

Investors who purchase a company's stock expect that they will receive dividends and that the stock's value will increase. Creditors make loans with the expectation of receiving interest and principal. Both groups bear the risk that they will not receive their expected returns. They use financial statement analysis to (1) predicted the amount of expected returns, and (2) assess the risks associated with those returns.[6]

2.1. Balance Sheet.

The purpose of a balance sheet is to show the financial position of a business entity at a specific date. Every business prepares a balance sheet at the end of the year, and many companies prepare one at the end of each quarter.

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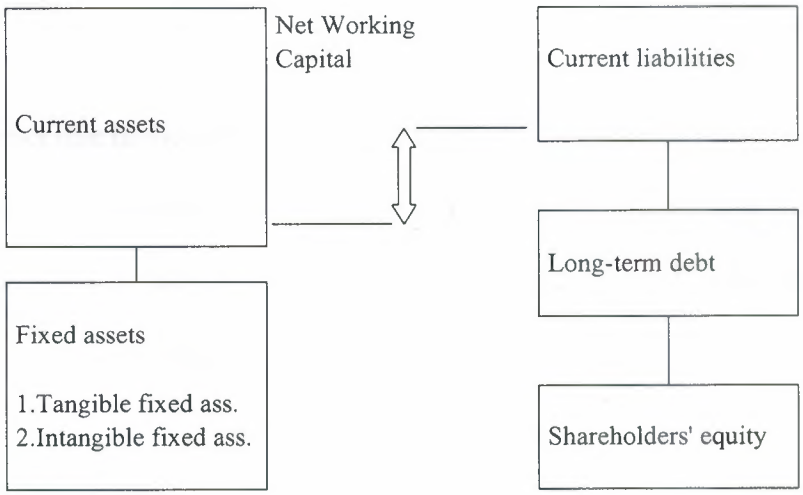
[5] Meigs&Meigs, Bettner, Whittington; Financial Accounting; 9th ed.;USA; Mc Graw Hill,1998; p.256.
[6] Walter T. Harrison, Jr. Charles T. Horngren; Financial Accounting; 3rd ed.; USA; Prentice-Hall,1999; p.646.

A balance sheet consists of a listing of the assets, the liabilities, and the owner's equity of a business. The balance sheet date is important, as the financial position of a business may change quickly. A balance sheet is most useful if it is relatively recent.[7]

Table 1. shows how the balance sheet is constructed.

Table 1. The balance sheet. Left side: total value of assets. Right side: total value of liabilities and shareholders' equity.



2.1.1. Assets.

Assets are classified as either current or fixed. A fixed asset is one that has a relatively long life. Fixed assets can either be tangible, such as a truck or a computer, or intangible, such as a trademark or patent. A current asset has a life of less than one year. This means that the asset will normally convert to cash within 12 months. For example inventory would normally be purchased and sold within a year and its thus classified as a current asset. Obviously, cash

[7] Meigs&Meigs, Bettner, Whittington; Financial Accounting; 9th ed.;USA; Mc Graw Hill,1998; p.14.

itself is a current asset. Accounts receivable (money owed to the firm by its customers) is also a current asset.

2.1.2. Liabilities.

The firm's liabilities are the first thing listed on the right-hand side of the balance sheet. These are classified as either current or long-term. Current liabilities, like current assets, have a life of less than one year (measuring they must be paid within the year), and they year are listed before long-term liabilities. Accounts payable (money the firm owes to its suppliers) is one example of a current liability.

A dept that is not due in the coming year is classified as a long-term liability. A loan that the firm will pay off in five years is one such long term debt. Firms borrow over the long term from a variety of sources. We will tend to use the terms bond and bondholders generically to refer to long-term debt and long-term creditors, respectively.[8]

2.1.3. Owners' Equity.

The owners' equity in a corporation is called stockholders' equity. In the following discussion, we will use the broader term "owners' equity" because the concepts being presented are equally applicable to the ownership equity in corporations, partnerships, and sole proprietorships.

Owners' equity represents the owners' claim to the assets of the business. Because creditors' claims have legal priority over those of the owners, owners' equity is a residual amount. Owners are entitled to "what's left" after the claims of creditors have been satisfied

[8] Ross, Westerfield, Jordan; Essentials of Corporate Finance; 2nd ed.; USA; ; Mc Graw Hill,1999; p.24 to 25.

in full. Therefore, owners' equity is always equal to total assets minus total liabilities.[9] (Table2.)

Increases in owner's equity; The owner's equity in a business comes from two sources. These are investments of cash or other assets by the owner, and earning from profitable operation of the business.

Decreases in owner's equity; Decreases in owner's equity also are caused in two ways. These are withdrawals of cash or other assets by the owner and losses from unprofitable operation of the business.

Table 2.1.

Total Assets = Total Liabilities + Total Owners' Equity

2.2. Income Statement.

The income statement is a separate representation of the company's revenue and expense transactions for the year. It is particularly important for the company's owners, creditors, and other interested parties to understand the income statement. Ultimately the company will succeed or fail based on its ability to earn revenue in excess of its expenses are important sources of cash flows for the enterprise. Revenue are increased in the company's assets from its profit-directed activities, they result in positive cash flows. Similarly, expenses are decreases in the company's assets from its profit-directed activities, and they result in negative cash flows. Net income is the difference between the two. Should a company find

[9] Meigs&Meigs, Bettner, Whittington; Financial Accounting; 9th ed.;USA; Mc Graw Hill,1998; p.17.

itself in the undesirable situation of having expenses greater than revenues, we call the difference a net loss.

2.2.1. Net Income.

As previously noted, net income is an increase in owner's equity resulting from the profitable operation of the business. Net income does not consist of any cash or any other specific assets. Rather, net income is a computation of the overall effects of many business transactions on owner's equity. (Table 3.)

2.2.2. Revenue.

Revenue is the price of goods sold and services rendered during a given accounting period. Earning revenue causes owner's equity to increase. When a business renders services or sells merchandise to its customers, it usually receives cash or acquires an accounting receivable from the customer. Inflow of cash and receivables from customers increases the total assets of the company; on the other side of the accounting equation, the liabilities do not change, but owner's equity increases to match the increase in total assets. Thus revenue is the gross increase in owner's equity resulting from operation of the business.

2.2.3. Expenses.

Expenses are the costs of the goods and services used up in the process of earning revenue. Examples include the cost of employees' salaries, advertising, rent, utilities, and the gradual wearing-out (depreciation) of such assets as buildings, automobiles, and office equipment. All these costs are necessary to attract and serve customers and thereby earn revenue. Expenses are often called the "cost of doing business", that is, the cost of the various activities necessary to carry on a business.

An expense always causes a decrease in owner's equity. The related changes in the accounting equation can be either (1) a decrease in assets, or (2) an increase in liabilities. An expense reduces assets if payment occurs at the time that the expense is incurred. If the expense will not be paid until later, as, for example, the purchase of advertising services on account, the recording of the expense will be accompanied by an increase in liabilities.[10]

Table 2.2.

Net Income = Revenue - Expenses

2.3. Statement Of Stockholders' Equity.

Statement of stockholders' equity is more comprehensive than a statement of retained earnings. It is formatted in a manner similar to a statement of retained earnings but with columns for each element of stockholders' equity thus reports the changes in all categories of equity during the period.

The top line of the statement shows the beginning balance in each stockholders equity account. All of the transactions affecting these accounts during the year then are listed in summary form. Along with related changes in the balance of specific stockholders' equity account. The bottom line of the statement shows the ending balance in each stockholders' equity account and should agree with the amounts shown in the year-end balance sheet. It presents a more complete description of the transactions affecting the stockholders' equity.

[10] R.F. Meigs, J.R. Williams, S.F. Haka, M.S. Bettner; Accounting; 11th ed.;USA; Mc Graw Hill,1999.

2.4. Statement Of Cash Flow.

To examine the statement of cash flows, we return to the discussion with which we began the chapter. Managers engage in three basic activities: They finance the organization to obtain the funds needed to invest in assets and operate the company. The statement of cash flow is organized around these three activities.

Each of the three main categories of cash flow includes cash receipts and cash payments. Cash receipts are positive amounts with no signs. Cash payments are negative amounts indicated by parentheses.

2.4.1. Operating Activities.

Operating activities create revenues and expenses in the entity's major line of business. Therefore, operating activities affect the income statement, which reports the accrual-basis effects of operating activities. The statement of cash flows reports their impact on cash. The largest cash inflow from operations is the collection of cash from customers. Smaller inflows are receipts of interest on loans and dividends on stock investments. The operating cash outflows include payments to suppliers and to employees and payments for interest and taxes.

2.4.2. Investing Activities.

Investing activities increase and decrease the long-term assets available to the business. A purchase or sale of plant asset such as land, a building, or equipment is an investing activity, as is the purchase or sale of an investment in the stock or bonds of another company. Investing activities on the statement of cash flows include more than the buying and selling of assets that are classified as investments on the balance sheet. Making a loan is an investing

activity because the loan creates a receivable for the lender, and collecting on the loan is also reported as an investing activity on the statement of cash flows.

2.4.3. Financing Activities.

Financing activities obtain from investors and creditors the cash needed to launch and sustain the business. Financing activities include issuing stock, borrowing money by issuing notes and bonds payable, buying or selling treasury stock, and making payments to the stockholders-dividends and purchases of treasury stock. Payments to the creditors include principal payments only. The payment of interest is an operating activity.[11]

[11] S.Ross,R.Westerfield,B.Jordan; Fundamentals of Corporate Finance; 4th ed.;USA; Mc Graw Hill,1998

III. RESEARCH METHODOLOGY.

3.1. Tools of Analysis.

In financial statement analysis we have some tools for analyze companies. These tools are dollar and percentage changes, trend percentages, component percentages, ratios. When we make these analyses we take help from financial books, accounting books, and some web sites such as www.ise.org and etc."

3.1.1. Dollar and Percentage Changes.

The dollar amount of change from year to year is significant, and expressing the change in percentage terms adds perspective.

The dollar amount of any change is the difference between the amount for a comparison year and the amount for a base year. The percentage change is computed by dividing the amount of the dollar change between years by the amount for the base year.

3.1.2. Trend Percentages (Horizontal Analysis).

The changes in financial statement items from a base year to following years are often expressed as trend percentages to show the extend and direction of change. Two steps are necessary to compute trend percentages. First, a base year is selected and each item in the financial statements for the base year is given a weight of 100%. The second step is to express each item in the financial statements for following years as a percentage of its base-year amount. This computation consist of dividing an item such as sales in the years after the base year by the amount of sales in the base year.

3.1.3. Component Percentages (Vertical Analysis).

Component percentages indicate the relative size of each item included in a total. For example, each item on a balance sheet could be expressed of total assets. This shows quickly the relative importance of each type of asset as well as the relative amount of financing obtained from current creditors, long-term creditors, and stock-holders. By computing computing component percentages for several successive balance sheets, we can see which items are increasing in importance and which are becoming less significant.

3.1.4. Ratios.

A ratio is a simple mathematical expression of the relationship of one item to another. Every percentage may be viewed as a ratio—that is, one number expressed as a percentage of another.

Ratios are particularly important in understanding financial statements because they permit us to compare information from one financial statement with information from another financial statement. For example, we might compare net income (taken from the income statement) with total assets (taken from the balance sheet) to see how effectively management is using available resources. For a ratio to be useful, however, the two amounts being compared must be logically related. In subsequent sections of this chapter, we will make extensive use of ratios in better understanding important dimensions of an enterprise's financial activities.[12]

Ratios are used for measures of short-term liquidity, measures of long-term credit risk, measures of profitability and measures for evaluating the current market price of common stock.

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[12] R.Meigs, J.Williams, S.Haka, M.Bettner ; Accounting; 11th ed.; USA; Mc Graw Hill, 1999; p.611-614.

3.1.4.1. Measures of Short-Term Liquidity.

Liquidity Ratios measure the firm's ability to fulfill short-term commitments out of its liquid assets. Assets are "liquid" if they are either cash or relatively easy to convert into cash. Short-term creditors are generally very interested in the liquidity ratios. Liquidity ratios include; "current ratio, quick ratio, working capital, receivables turnover rate, days to collects average accounts receivables, inventory turnover rate, days to sell average inventory, free cash flow and operating cycle"[13]

Current ratio; A measure of short-term debt-paying ability.

$$\boxed{Current\ Ratio = Current\ Assets \div Current\ Liabilities}$$

Quick ratio; A measure of short-term debt-paying ability.

$$\boxed{Quick\ Ratio = Quick\ Assets \div Current\ Liabilities}$$

Working capital; A measure of short-term debt-paying ability.

$$\boxed{Working\ Capital = Current\ Assets - Current\ Liabilities}$$

Receivables turnover rate; Indicates how quickly receivables are collected.

$$\boxed{Receivables\ Turnover\ Rate = Net\ Sales \div Average\ Accounts\ Receivables}$$

Days to collect average accounts receivable; Indicate in days quickly receivables are collected.

$$\boxed{Days\ to\ collect\ Average\ Accounts\ Receivable = 365\ Days \div Receivable\ Turnover\ Rate}$$

[13] Lawrence D.Schall, Charles W. Haley, Introduction to financial management, 6th ed.

Inventory turnover rate; Indicates How quickly inventory sells.

$$\boxed{Inventory\ Turnover\ Rate = Cost\ of\ Goods\ Sold \div Average\ Inventory}$$

Days to sell the average inventory; Indicates in days how quickly inventory.

$$\boxed{Days\ to\ Sell\ the\ Average\ Inventory = 365\ Days \div Inventory\ Turnover\ Rate}$$

Operating cycle; Indicates in days how quickly inventory converts into cash.

$$\boxed{Free\ Cash\ Flow = Net\ Cash\ from\ Oper.\ Act. - Cash\ Used\ for\ Inves.\ Act.\ and\ Dividends.}$$

3.1.4.2. Measures of Long-Term Credit Risk.

Long-term solvency ratios measure the ability of the enterprise to survive over a long period of time. Long-time creditors and stockholders are interested in a company's long-run solvency, particularly its ability to pay interest as it comes due and to repay the face value of the dept at maturity. This part includes; "dept ratio and interest coverage ratio".

Debt ratio, percentage of assets financed by creditors; Indicates relative size of the equity position.

$$\boxed{Debt\ Ratio = Total\ Liabilities \div Total\ Assets}$$

Interest coverage ratio; Indıcator of a company's ability to meet its interest payment obligations.

$$\boxed{Interest\ Coverage\ Ratio = Operating\ Income \div Annual\ Interest\ Expense}$$

3.1.4.3. Measures of Profitability.

Profitability ratios measure the success of the firm in earning a net return on sales or on investment. Since profit is the ultimate of the firm, poor performance here indicates a basic failure that, if not corrected, would probably result in the firm's going out of business. Measures of profitability include; "percentage changes, gross profit rate, operating expense ratio, operating income, net income as a percentage of net sales, earnings per share, return on assets, return on investment, return on equity and return on common stockholders' equity".

Percentage changes; that is, in net sales and net income; The rate at which a key measure is increasing or decreasing; the "growth rate".

$$\% \text{ Changes in net sales , net income} = \$ \text{ Amount of Chan.} \div \text{Fin. Sta. Amount in Earlier year}$$

Gross profit rate; A measure of the profitability of the company's products.

$$\text{Gross Profit Rate} = \text{Dollar Gross Profit} \div \text{Net Sales}$$

Operating expense ratio; A measure of the profitability to control expenses.

$$\text{Operating Expense Ratio} = \text{Operating Expenses} \div \text{Net Sales}$$

Operating income; The profitability of a company's "basic" business activities.

$$\text{Operating Income} = \text{Gross Profit - Operating Expenses}$$

Net income as a percentage of net sales; An indicator of management's ability to control costs.

$$\text{Net income as a\% of net sales} = \text{Net Income} \div \text{Net Sales}$$

Earnings per share; Net income applicable to each share of common stock.

Earnings Per Share = (Net Income-Preferred Div.) ÷ Avr.No of Common Shares Outstanding

Return on assets; A measure of the productivity of assets, regardless of how the assets are financed.

Return on Assets = Operating Income ÷ Average Total Assets

Return on equity; The rate of return earned on the stockholders' equity in the business.

Return on Equity = Net Income ÷ Average Total Equity

Return on common stockholders' equity; The rate of return earned on the common stockholders' equity (appropriate when company has both common and preferred stock).

Return on Common Stock. Equity = (Net Income-Preferred Div.) ÷Avr. Common Stock.Equity

3.1.4.4. Measures of for Evaluating the Current Market Price of Common Stock.

We use that "price-earnings ratio, dividend yield and book value per share" for evaluating the current market price of common stock.[14]

[14] R.Meigs, J.Williams, S.Haka, M.Bettner ; Accounting; 11th ed.; USA; Mc Graw Hill, 1999; p.610.

Price-earnings ratio; A measure of investors' expectations about the companys' future prospects.

$$\boxed{Price\text{-}earnings\ Ratio = Current\ StockPrice \div Earnings\ per\ Share}$$

Dividend yield; Dividends expressed as a rate of return on the market price of the stock.

$$\boxed{DividendYield = Annual\ Dividend \div Current\ Stock\ Price}$$

Book value per share; The recorded value of net assets underlying each share of common stock.

$$\boxed{Book\ Value\ Per\ Share = Common\ Stock.Equity \div Shares\ of\ Common\ Stock\ Outstanding}$$ [15]

[15] R.Meigs, J.Williams, S.Haka, M.Bettner ; Accounting; 11th ed.; USA; Mc Graw Hill, 1999; p.645-646.

IV. FINANCIAL STATEMENT ANALYSIS of MARSHALL AND ÇBS.

4.1. Financial Statement Analysis of Marshall.

4.1.1. Component Percentages (Vertical Analysis) for Marshall.

Component percentages (vertical analysis) indicate the relative size of each item as a percentage of gross sales in the income statement. During the calculation of component percentage; net sales, cost of goods sold, operating expense and net income have been taken as a percentage of gross sales.

Table 4.1.

	1998	1999	2000	2001	2002
Gross Sales	37,311,784	56,131,727	85,890,966	105,397,545	187,476,606
Sales Deduction (-)	(7,141,590)	(12,955,858)	(22,255,493)	(27,755,906)	(71,064,297)
Net Sales	30,170,196	43,175,869	63,635,473	77,641,639	116,412,309
Cost of Good Sold (-)	(17,761,218)	(21,252,153)	(32,395,990)	(46,522,660)	(60,368,269)
Gross Profit or Loss	12,408,977	21,923,716	31,239,483	31,118,979	56,044,040
Operating Expenses (-)	(9,738,615)	(14,112,867)	(20,649,271)	(26,810,005)	(44,382,626)
Profits or Losses from Main Operations	2,670,362	7,810,849	10,590,212	4,308,974	11,661,414
Incomes and Profits from Other Operations	1,940,782	4,640,127	5,572,681	10,166,124	8,657,799
Expenses and Losses from Other Operations (-)	(393,139)	(814,000)	(2,423,139)	(1,580,618)	(1,637,828)
Financial Expenses (-)	(2,433,172)	(3,970,900)	(1,855,166)	(8,632,218)	(9,031,168)
Operating Profits or Losses	1,784,833	7,666,076	11,884,588	4,262,262	9,650,217
Extraordinary Incomes and Profits	764,449	323,688	1,745,12	909,401	928,751
Extraordinary Expenses and Losses (-)	(326,545)	(206,282)	(672,759)	(2,110,430)	(514,899)
Income Before Taxation	2,222,737	7,783,482	12,956,941	3,061,233	10,064,069
Taxation and Other Legal Liabilities (-)	(1,138,840)	(3,276,360)	(4,548,753)	(1,252,374)	(5,042,650)
Net Income or Loss	1,083,897	4,507,122	8,408,188	1,808,859	5,021,419

(Million TL.)

	1998	1999	2000	2001	2002
Gross Sales	100%	100%	100%	100%	100%
Sales Deduction (-)	(19.14%)	(23.08%)	(25.91%)	(26.91%)	(37.91%)
Net Sales	80.85%	76.92%	74.09%	73.67%	62.09%
Cost of Good Sold (-)	(47.60%)	(37.87%)	(37.72%)	(44.14%)	(32.20%)
Gross Profit or Loss	33.26%	39.06%	36.37%	29.53%	29.89%
Operating Expenses (-)	(26.10%)	(25.14%)	(24.04%)	(25.44%)	(23.67%)
Profits or Losses from Main Operations	7.16%	13.92%	12.33%	4.09%	6.22%
Incomes and Profits from Other Operations	5.20%	8.27%	6.49%	9.65%	4.62%
Expenses and Losses from Other Operations (-)	(1.05%)	(1.45%)	(2.82%)	(1.50%)	(0.87%)
Financial Expenses (-)	(6.52%)	(7.07%)	(2.16%)	(8.19%)	(4.82%)
Operating Profits or Losses	4.78%	13.66%	13.84%	4.04%	5.15%
Extraordinary Incomes and Profits	2.05%	0.58%	2.03%	0.86%	0.49%
Extraordinary Expenses and Losses (-)	(0.88%)	(0.37%)	(0.78%)	(2.00%)	(0.27%)
Income Before Taxation	5.96%	13.87%	15.09%	2.90%	5.37%
Taxation and Other Legal Liabilities (-)	(3.05%)	(5.84%)	(5.30%)	(1.19%)	(2.69%)
Net Income or Loss	2.90%	8.03%	9.79%	1.72%	2.68%

As shown in the above table that cost of goods sold have been decreased from 47.60% to 37.87% between 1998 and 1999. And also, operating expenses have been decreased from

26.10% to 25.14% between these years. Therefore, Marshall's net income increased from 2.90% to 8.03%.

In 1999 and 2000, Marshall's net income continued increasing. This reason is that operating expense had decreased from 25.14% to 24.04%. And, financial expense had decreased from 7.07% to 2.16% between these years.

Between 2000 and 2001, net income starts to decrease. Because, cost of goods sold, operating expense and financial expenses have been increased. Cost of goods sold increased from 37.72% to 44.14%, operating expense increased from 24.04% to 25.14%, financial expense increased from 2.16% to 8.19%. So, net income decreased from 9.79% to 1.72%.

Net income has been increased one more time between 2001 and 2002 and it reached 2.68% in 2002. This increase in net income is heavily resulted from 11.94% decrease in cost of goods sold from 2001 to 2002. And also, we observe that operating expense decreased from 25.44% to 23.67% and financial expense decreased from 8.19% to 4.82%.

4.1.2. Trend Percentages (Horizontal Analysis) for Marshall.

Trend percentage (horizontal analysis) is a technique for evaluating a series of financial statement data over a period of time. The trend percentages are used to show the extent and direction of change in financial statements items from a base year to following years.

As shown below the table that Marshall's net sales, cost of goods sold increase steadily each years. But net incomes have been increased between 1998 and 2000. In 2001, net income decreased to 250.8%. And net income continued increasing between 2001 and 2002.

Table 4.2.

	1998	1999	2000	2001	2002
Net Sales	30,170,196	43,175,869	63,635,473	77,641,639	116,412,309
C.O.G.S.	(17,761,218)	(21,252,153)	(32,395,990)	(46,522,660)	(60,368,269)
Gross Profit or Loss	12,408,977	21,923,716	31,239,483	31,118,979	56,044,040

(Million TL.)

	1998	1999	2000	2001	2002
Net Sales	100%	143.1%	210.9%	257.3%	385.9%
C.O.G.S.	100%	119.7%	182.4%	261.9%	339.9%
Gross Profit or Loss	100%	176.7%	251.7%	250.8%	451.6%

4.1.3. TL. and Percentage Changes for Marshall.

The TL. amount of any change is the difference between the amount for a comparison year and the amount for a base year. This analysis shows TL. and percentage changes for important item each year.

Table 4.3.

	1998	1999	1999 over 1998 amount	1999 over 1998 (%)
Net Sales	30,170,196	43,175,869	13,005,673	43.11%
Net Income	1,083,897	4,507,122	3,423,225	315.83%

(Million TL.)

	1999	2000	2000 over 1999 amount	2000 over 1999 (%)
Net Sales	43,175,869	63,635,473	20,459,604	47.39%
Net Income	4,507,122	8,408,188	3,901,066	86.55%

(Million TL.)

	2000	2001	2001 over 2000 amount	2001 over 2000 (%)
Net Sales	63,635,473	77,641,639	14,006,166	22.00%
Net Income	8,408,188	1,808,859	(6,599,329)	(79.49%)

(Million TL.)

	2001	2002	2002 over 2001 amount	2002 over 2001 (%)
Net Sales	77,641,639	116,412,309	38,770,670	49.94%
Net Income	1,808,859	5,021,419	3,212,560	177.60%

(Million TL.)

When the look at tables, the net sales have been increased 43.11% between 1998 and 1999. And also, net sales shows that 47.39% increase between 1999 and 2000. But, net sales have been increased 22.00% between 1998 and 1999. This decrease in percentage of 47.39% to 22.00% result from showing growth rate in the net sales between 2000 and 2001 which means increase the amount of sales from 1999 and 2000 was greater than the increasing regarding 2000 to 2001. When we look at 2002 over 2001 side, the net sales have been increased to 49.94%. During 1998 to 2000, the net incomes increase. But, the net income shows 79.49% decrease between 2000 and 2001. In between 2001 and 2002, the net income increase one more time and this amount have been reached 177.60%.

4.1.3. Ratio Analysis for Marshall.

Ratio analysis expresses the relationship among selected items of financial statement data. The relationship is expressed in terms of a percentage, a rate or a simple proportion. When we start doing ratio analysis, we are going to calculate three types of ratios. These are; short-term liquidity, long-term credit risk and profitability.

Table 4.4.

	1998	1999	2000	2001	2002
Current Assets	10,378,097	26,756,307	32,304,445	28,340,809	41,919,998
Current Liabilities	2,318,101	14,982,906	17,500,347	12,262,713	18,462,999
Current Ratio	4.48	1.79	1.85	2.31	2.27

Current Ratio; There is a great rate in 1998 and this is 4.48. Current ratio has been decreased 1.79 in 1999 and 1.85 in 2000. These rates are smaller than 1998's rate. Because, many bankers and other short-term creditors traditionally have believe that a company should have current ratio of at least 2 to 1 to quality as a good credit risk. In 2001 and in 2002, Marshall's current ratios are good positions (2.31 in 2001 and 2.27 in 2002).

Table 4.5.

	1998	**1999**	**2000**	**2001**	**2002**
Quick Assets	7,697,201	22,966,124	25,936,531	20,153,520	28,810,505
Current Liabilities	2,318,101	14,982,906	17,500,347	12,262,713	18,462,999
Quick Ratio	3.32	1.53	1.48	1.64	1.56

Quick Ratio; According to general believes of professional financial analysts, the quick ratio should be at least 1 to 1. When we look at Marshall's quick ratios, we see that its performance is good. Because, its quick ratios are 3.32 in 1998, 1.53 in 1999, 1.48 in 2000, 1.64 in 2001 and 1.56 in 2002.

Table 4.6.

	1998	**1999**	**2000**	**2001**	**2002**
Current Assets	10,378,097	26,756,307	32,304,445	28,340,809	41,919,998
Current Liabilities	2,318,101	14,982,906	17,500,347	12,262,713	18,462,999
Working Capital	8,059,996	11,773,401	14,804,098	16,078,096	23,456,999

Working Capital; Marshall's working capitals have been increased steadily between 1998 and 2002. Namely, Marshall has enough ability to pay short-term debt.

Table 4.7.

	1998	**1999**	**2000**	**2001**	**2002**
Net Sales	30,170,196	43,175,869	63,635,473	77,641,639	116,412,309
Avarage A/R	1,565,850.5	2,818,308.5	4,443,995	6,620,281.5	9,061,296.5
Receivable Turnover Rate	19.27	15.32	14.32	11.73	12.85

Receivable Turnover Rate; When we look at the table, we see that Marshall's receivable turnover rates have been decreased steadily between 1998 to 2001. Decreasing receivable turnover rate shows that the maturities of A/R getting longer so the company cannot recover its receivable so early. But, the receivable turnover rate has been increased and reached 12.85 in 2002.

Table 4.8.

	1998	**1999**	**2000**	**2001**	**2002**
Days	365	365	365	365	365
Receivable Turnover Rate	19.27	15.32	14.32	11.73	12.85
Days to Collect A/R	18.94	23.83	25.49	31.12	28.40

Days to collect A/R; Between the 1998 and 2001, the days to collect A/R are increasing year by year. But, this rate has been decreased to 28.40 in 2002. Therefore, the days to collect A/R have been reached to bad position than previous.

Table 4.9.

	1998	1999	2000	2001	2002
Cost of Goods Sold	17,761,218	21,252,153	32,395,990	46,522,660	60,368,269
Average Inventory	1,504,289	1,834,848	2,227,133	4,861,753.5	7,496,359.5
Inventory Turnover Rate	11.81	11.58	14.55	9.57	8.05

Inventory Turnover Rate; means how many times during a year the company sells its inventory the higher turnover rate means it can sell quicker its inventory and high rate is better for a company. We observe that the rate starts with 11.81 in 1998 and 8.05 in 2002 which means company sells its inventory slower and converts it into cash or A/R more slowly than previous years. And also the best rate is in 2000.

Table 4.10.

	1998	1999	2000	2001	2002
Days	365	365	365	365	365
Inventory Turnover Rate	11.81	11.58	14.55	9.57	8.05
Days to Sell Avr. Inventory	30.91	31.52	25.09	38.14	43.34

Days to sell average inventory; describes in how many days the company sell its inventory and convert them into cash or A/R. Days to sell average inventories have been increased a little rate from 1998 to 1999. But, this rate has been decreased to 25.09 in 2000. Days to sell average inventory continued increasing in 2001 and in 2002.

Table 4.11.

	1998	1999	2000	2001	2002
Days to Collect A/R	18.94	23.83	25.49	31.12	28.40
Days to Sell Avr. Inventory	30.91	31.52	25.09	38.14	43.34
Operating Cycle	40.85	55.35	50.58	69.26	73.74

Operating Cycle; refers to the time past to convert the inventory into cash. The operating cycle is 40.85 days in 1998. It has been increased approximately 15 days in 1999. But, it has been decreased 50.58 in 2000. And the other years it increases steadily.

Table 4.12.

	1998	1999	2000	2001	2002
Total Liabilities	7,857,512	19,178,966	20,154,197	16,231,536	23,726,013
Total Assets	18,153,444	37,076,226	19,044,338	51,617,124	75,255,596
Debt Ratio	43.28%	51.73%	41.09%	31.45%	31.53%

Debt Ratio; shows what proportion of total assets are convert by debts. So, a high rate means high debts. Marshall's debt ratio is 51.73% in 1999. Namely, there was more debt in 1999 than other years.

Table 4.13.

	1998	1999	2000	2001	2002
Turkish Liras Gross Profit	12,408,977	21,923,716	31,239,483	31,118,979	56,044,040
Net Sales	30,170,196	43,175,869	63,635,473	77,641,639	116,412,309
Gross Profit Rate	0.4113	0.5078	0.4909	0.4008	0.4814

TL. Gross Profit Rate; Gross profit rate is the expression of gross profit in terms of percentage of net sales. It measures the profitability of company the company products. The financial analysts prefer rates between 20% and 50%. According to these rates, we say that Marshall has been got gross profit rate in each year (41.13% in 1998, 50.78% in 1999, 49.09% in 2000, 40.08% in 2001 and 48.14% in 2002).

Table 4.14.

	1998	1999	2000	2001	2002
Operating Expenses	9,738,615	14,112,867	20,649,271	26,810,005	44,382,626
Net Sales	30,170,196	43,175,869	63,635,473	77,641,639	116,412,309
Operating Expenses Ratio	0.3228	0.3269	0.3245	0.3453	0.3813

Operating Expense Ratio; refers to the proportion of expenses in net sales. So, lower the ratio is lower the expenses. There is the lowest ratio in 1998 and there is highest ratio in 2002 for Marshall. According to these results, there are lower expenses in 1998 and there are higher expenses in 2002.

Table 4.15.

	1998	1999	2000	2001	2002
Net Income	1,083,897	4,507,122	8,408,188	1,808,859	5,021,419
Net Sales	30,170,196	43,175,869	63,635,473	77,641,639	116,412,309
Net Income as a % of Net Sales	3.59%	10.44%	13.21%	2.33%	4.31%

Net Income as a Percentage of Net Sales; shows what proportion of net sales is reported as net income. If, there is higher percentage, there is higher income from sales than others. Marshall's the best year is 1999, because it reached 10.44%. And also, Marshall got lowest percentage that it was 2.33%.

Table 4.16.

	1998	1999	2000	2001	2002
Operating Income	2,670,362	7,810,849	10,590,212	4,308,974	11,661,414
Average Total Assets	15,222,027	27,614,835	43,060,282	50,330,731	63,436,360
Return on Assets	0.1754	0.2828	0.2459	0.0856	0.1838

Return on Assets; are used in evaluating whether management has earned a reasonable return with the assets under its control. The general believe among the financial analysts are that 15% or more return on average total assets are successful. When we look at the table, Marshall has been exceeded target percentage, because its rates are; 17.54% in 1998, 28.28% in 1999, 24.59% in 2000, 18.38% in 2002. But, Marshall didn't only achieve target percentages in 2001 that is 8.56%.

Table 4.17.

	1998	1999	2000	2001	2002
Net Income	1,083,897	4,507,122	8,408,188	1,808,859	5,021,419
Average Total Equity	8,837,968	14,096,596	23,393,700.5	32,137,864.5	43,457,585.5
Return on Equity	0.1226	0.3197	0.3594	0.0562	0.1155

Return on Equity; is one of the profitability measures. It shows how effectively the assets are used a return of 12% or more for strong companies. When we look at table, Marshall has been exceeded target percentage, because its rates are; 12.26% in 1998, 31.97% in 1999, 35.94% in 2000. But, Marshall didn't only achieve target percentages in 2001 and 2002 that are 5.62% and 11.55%.[16]

4.2. Financial Statement Analysis of Çbs.

4.2.1. Component Percentages (Vertical Analysis) for Çbs.

Component percentages (vertical analysis) indicate the relative size of each item as a percentage of gross sales in the income statement. During the calculation of component percentage; net sales, cost of goods sold, operating expense and net income have been taken as a percentage of gross sales.

[16] The numerical information shown on the tables above are acquired from the Marshall's five-year financial statement report.

Table 4.18.

	1998	1999	2000	2001	2002
Gross Sales	23,806,760	21,746,140	28,527,115	25,631,765	32,612,233
Sales Deduction (-)	(464,698)	(161,110)	(148,735)	(1,143,156)	(575,602)
Net Sales	23,342,062	21,585,030	28,378,380	24,488,609	32,036,631
Cost of Good Sold (-)	(14,906,475)	(13,771,980)	(17,178,105)	(17,816,693)	(25,405,904)
Gross Profit or Loss	8,435,587	7,813,050	11,200,275	6,671,916	6,630,727
Operating Expenses (-)	(4,091,129)	(1,911,222)	(4,988,322)	(4,221,618)	(5,938,367)
Profits or Losses from Main Operations	4,344,458	5,901,20	6,211,953	2,450,298	692,360
Incomes and Profits from Other Operations	239,510	266,024	203,805	736,085	1,632,895
Expenses and Losses from Other Operations (-)	(546,761)	(184,102)	(544,052)	(734,244)	(1,122,310)
Financial Expenses (-)	(9,309,083)	(12,763,543)	(8,800,288)	(30,463,936)	(17,353,348)
Operating Profits or Losses	(5,271,876)	(6,779,793)	(2,928,582)	(21,011,797)	(16,140,403)
Extraordinary Incomes and Profits	2,073	5,801,634	1,703,254	2,747	1,567
Extraordinary Expenses and Losses (-)	0	(17,169)	(838)	(300)	0
Income Before Taxation	(5,269,803)	(995,328)	(1,226,166)	(28,009,350)	(16,138,836)
Taxation and Other Legal Liabilities (-)	0	0	0	0	0
Net Income or Loss	(5,269,803)	(995,328)	(1,226,166)	(28,009,350)	(16,138,836)

(Million TL.)

	1998	1999	2000	2001	2002
Gross Sales	100%	100%	100%	100%	100%
Sales Deduction (-)	(1.95%)	(0.74%)	(0.52%)	(4.46%)	(1.76%)
Net Sales	98.04%	99.26%	99.48%	95.54%	98.24%
Cost of Good Sold (-)	(62.61%)	(63.33%)	(60.22%)	(69.51%)	(77.90%)
Gross Profit or Loss	35.43%	35.93%	39.26%	26.03%	20.33%
Operating Expenses (-)	(17.18%)	(8.79%)	(17.49%)	(16.47%)	(18.21%)
Profits or Losses from Main Operations	18.25%	27.14%	21.78%	9.56%	21.23%
Incomes and Profits from Other Operations	1.00%	1.22%	0.71%	2.87%	5.00%
Expenses and Losses from Other Operations (-)	(2.3%)	(0.85%)	(1.91%)	(2.86%)	(3.44%)
Financial Expenses (-)	(39.10%)	(58.69%)	(30.85%)	(118.85%)	(53.21%)
Operating Profits or Losses	(22.14%)	(31.18%)	(10.27%)	(81.98%)	(49.49%)
Extraordinary Incomes and Profits	0.008%	26.68%	5.97%	0.01%	0.004%
Extraordinary Expenses and Losses (-)	0.00%	0.08%	0.002%	0.001%	0.00%
Income Before Taxation	(22.14%)	(4.58%)	(4.30%)	(109.28%)	(49.49%)
Taxation and Other Legal Liabilities (-)	0.00%	0.00%	0.00%	0.00%	0.00%
Net Income or Loss	(22.14%)	(4.58%)	(4.30%)	(109.28%)	(49.49%)

These tables show us that cost of goods sold have been increased from 62.61% to 63.33% between 1998 and 1999. And, operating expenses have been decreased from 17.18% to 8.79%

between these years. And also, financial expenses have been increased from 39.10% to 58.69% in between these years. Therefore, Çbs's net loss decreased from 22.14% to 4.58%.

In 1999 and 2000, Çbs's net loss continued decreasing. This reason is that financial expense had decreased from 58.69% to 30.85%. And, cost of goods sold had decreased from 63.33% to 60.22% between these years.

We observe increase in the net loss from 2000 to 2001. Because, cost of goods sold, and financial expenses have been increased. Cost of goods sold increased from 60.22% to 69.51%, financial expenses increased from 30.85% to 118.85%. So, net loss increased from 4.30% to 109.28%. And also, this rate is the worst in the table.

Net loss has been decreased one more time between 2001 and 2002 and it reached 49.49% in 2002. This decrease in net loss is heavily resulted from 65.64% decrease in financial expenses from 2001 to 2002.

4.2.2. Trend Percentages (Horizontal Analysis) for Çbs.

Trend percentage (horizontal analysis) is a technique for evaluating a series of financial statement data over a period of time. The trend percentages are used to show the extent and direction of change in financial statements items from a base year to following years.

Table 4.19.

	1998	1999	2000	2001	2002
Net Sales	30,170,196	43,175,869	63,635,473	77,641,639	116,412,309
C.O.G.S.	(17,761,218)	(21,252,153)	(32,395,990)	(46,522,660)	(60,368,269)
Gross Profit or Loss	12,408,977	21,923,716	31,239,483	31,118,979	56,044,040

(Million TL.)

	1998	1999	2000	2001	2002
Net Sales	100%	143.1%	210.9%	257.3%	385.9%
C.O.G.S.	100%	119.7%	182.4%	261.9%	339.9%
Gross Profit or Loss	100%	176.7%	251.7%	250.8%	451.6%

We observe that Çbs's cost of goods sold increase steadily each year. But net sales have been increased between 1998 and 2000. In 2001, net sales decreased to 104.9%. And net sales continued increasing between 2001 and 2002. Gross profits have been increased between 1998 and 2000. But, gross profits have been decreasing since 2001 (79.1% in 2001 and 78.6% in 2002).

4.2.3. TL. and Percentage Changes for Çbs.

The TL. amount of any change is the difference between the amount for a comparison year and the amount for a base year. This analysis shows TL. and percentage changes for important item each year.

Table 4.20.

	1998	1999	1999 over 1998 amount	1999 over 1998 (%)
Net Sales	28,342,062	21,585,030	(1,757,032)	7.53%
Net Income or Loss	(5,269,803)	(995,328)	4,274,475	81.11%

(Million TL.)

	1999	2000	2000 over 1999 amount	2000 over 1999 (%)
Net Sales	21,585,030	28,378,380	6,793,350	31.47%
Net Income or Loss	(995,328)	(1,226,166)	(230,838)	23.19%

(Million TL.)

	2000	2001	2001 over 2000 amount	2001 over 2000 (%)
Net Sales	28,378,380	24,488,609	(3,889,771)	13.71%
Net Income or Loss	(1,226,166)	(28,009,350)	(26,783,184)	2184.3%

(Million TL.)

	2001	2002	2002 over 2001 amount	2002 over 2001 (%)
Net Sales	24,488,609	32,036,631	7,548,022	30.82%
Net Income or Loss	(28,009,350)	(16,138,836)	11,870,514	42.38%

(Million TL.)

When the look at tables, the net sales have been decreased 7.53% between 1998 and 1999. We see that, net sales increase 31.47% between 1999 and 2000. But, net sales decrease 13.71% between 2000 and 2001. And we see that, net sales increase one more time and it is 30.82%.

Net loss decreases 81.11% between 1998 and 1999. But, net loss increases one more time between 1999 and 2001. And also, it is the worst percentage from 2000 to 2001 that is 2184.3%. When we look at between 2001 and 2002, net loss increases again.

4.2.4. Ratio Analysis for Çbs.

Ratio analysis expresses the relationship among selected items of financial statement data. The relationship is expressed in terms of a percentage, a rate or a simple proportion. When we start doing ratio analysis, we are going to calculate three types of ratios. These are; short-term liquidity, long-term credit risk and profitability.

Table 4.21.

	1998	1999	2000	2001	2002
Current Assets	15,919,323	15,339,689	11,840,172	11,870,749	16,286,925
Current Liabilities	16,457,952	14,661,716	10,653,716	32,807,895	61,275,848
Current Ratio	0.97	1.05	1.11	0.36	0.27

Current Ratio; Many bankers and other short-term creditors traditionally have believe that a company should have current ratio of at least 2 to 1 to quality as a good credit risk. According to this sentence, Çbs has been achieved the target rates only in 1999 and 2000 and these are 1.05 and 1.11. Other years Çbs aren't good financial position for current ratio.

Table 4.22.

	1998	1999	2000	2001	2002
Quick Assets	12,630,540	8,704,799	3,540,218	4,439,071	9,735,338
Current Liabilities	16,457,952	14,661,716	10,653,716	32,807,895	61,275,848
Quick Ratio	0.77	0.59	0.33	0.14	0.16

Quick Ratio; According to general believes of professional financial analysts, the quick ratio should be at least 1 to 1. When we look at Çbs's quick ratios, we see that its performance is bad. Because, its quick ratios are 0.77 in 1998, 0.59 in 1999, 0.33 in 2000, 0.14 in 2001 and 0.16 in 2002.

Table 4.23.

	1998	1999	2000	2001	2002
Current Assets	15,919,323	15,339,689	11,840,172	11,870,749	16,286,925
Current Liabilities	16,457,952	14,661,716	10,653,716	32,807,895	61,275,848
Working Capital	(538,629)	677,973	1,186,856	(20,937,146)	(44,988,923)

Working Capital; Çbs's working capital has been decreased in 1998. But, its working capitals have been increased between 1999 and 2000. Çbs's working capitals have been decreasing since 2001. Therefore, Çbs hasn't enough ability to pay short-term debt in 1998, 2001 and 2002. But, it has only enough ability to pay short-term debt in 1999 and 2000.

Table 4.24.

	1998	1999	2000	2001	2002
Net Sales	23,342,062	21,585,030	28,378,380	24,488,609	32,036,631
Avarage A/R	1,623,004.5	1,996,333.5	1,415,346	534,910	1,755,347.5
Receivable Turnover Rate	14.38	10.81	20.05	45.78	18.25

Receivable Turnover Rate; When we look at the table, we see that Çbs's receivable turnover rates decrease from 1998 to 1999. Çbs achieves 20.05 and 45.78 in 2000 and 2001. But, its receivable turnover rate decreases one more time and it reaches 18.25 in 2002.

Table 4.25.

	1998	1999	2000	2001	2002
Days	365	365	365	365	365
Receivable Turnover Rate	14.38	10.81	20.05	45.78	18.25
Days to Collect A/R	25.38	33.77	18.20	7.97	20.00

Days to collect A/R; Between the 1998 and 1999, the days to collect A/R increases. But, between the 2000 and 2001 A/R decreases. It increases one more time in 2002.

Table 4.26.

	1998	**1999**	**2000**	**2001**	**2002**
Cost of Goods Sold	14,906,475	13,771,980	17,178,105	17,816,693	25,405,904
Average Inventory	2,174,752	4,456,752.5	6,936,901.5	7,053,988	5,274,843
Inventory Turnover Rate	6,85	3.09	2.48	2.53	4.82

Inventory Turnover Rate; means how many times during a year the company sells its inventory the higher turnover rate means it can sell quicker its inventory and high rate is better for a company. We observe that the rate starts with 6.85 in 1998 that this rate is the best in each year and 4.82 in 2002.

Table 4.27.

	1998	**1999**	**2000**	**2001**	**2002**
Days	365	365	365	365	365
Inventory Turnover Rate	6.85	3.09	2.48	2.53	4.82
Days to Sell Avr. Inventory	53.28	118.12	147.18	144.27	75.73

Days to sell average inventory; describes in how many days the company sell its inventory and convert than into cash or A/R. Days to sell average inventories have been increased from 1998 to 2000 that are 53.28 in 1998, 118.12 in 1999 and 147.18 in 2000. But, they have been decreasing since 2000 that are 144.27 in 2001 and 75.73 in 2002.

Table 4.28.

	1998	1999	2000	2001	2002
Days to Collect A/R	25.38	33.77	18.20	7.97	20.00
Days to Sell Avr. Inventory	53.28	118.12	147.18	144.27	75.73
Operating Cycle	78.66	151.89	165.38	152.24	95.73

Operating Cycle; refers to the time past to convert the inventory into cash. The operating cycle is 78.66 days in 1998. It has been increased from 78.66 days to 165.38 days between 1998 and 2000. But, latter years it is decreasing steadily.

Table 4.29.

	1998	1999	2000	2001	2002
Total Liabilities	16,860,940	21,898,730	21,816,509	49,821,774	70,368,548
Total Assets	17,918,036	22,254,483	14,871,337	15,817,244	20,225,182
Debt Ratio	94.10%	98.40%	146.70%	317.98%	347.93%

Debt Ratio; shows what proportion of total assets are convert by debts. So, a high rate means high debts. Çbs's debt ratio is 347.93% in 2002. Namely, there are more debts in 2002 than other years.

Table 4.30.

	1998	1999	2000	2001	2002
Turkish Liras Gross Profit	8,435,587	7,813,050	11,200,275	6,671,916	6,630,727
Net Sales	23,342,062	21,585,030	28,378,380	24,488,609	32,036,631
Gross Profit Rate	0.3614	0.3620	0.3947	0.2724	0.2070

TL. Gross Profit Rate; Gross profit rate is the expression of gross profit in terms of percentage of net sales. It measures the profitability of company the company products. The financial analysts prefer rates between 20% and 50%. According to these rates, we say that Çbs has been got gross profit rate in each year (36.14% in 1998, 36.20% in 1999, 39.47% in 2000, 27.24% in 2001 and 20.70% in 2002).

Table 4.31.

	1998	**1999**	**2000**	**2001**	**2002**
Operating Expenses	4,091,129	1,911,222	4,988,322	4,221,618	5,938,367
Net Sales	23,342,062	21,585,030	28,378,380	24,488,609	32,036,631
Operating Expenses Ratio	0.1753	0.0885	0.1758	0.1724	0.1854

Operating Expense Ratio; refers to the proportion of expenses in net sales. So, lower the ratio is lower the expenses. There is the lowest ratio in 1999 and there is highest ratio in 2002 for Çbs. According to these results, there are lower expenses in 1999 and there are higher expenses in 2002.

Table 4.32.

	1998	**1999**	**2000**	**2001**	**2002**
Net Loss	5,269,803	995,328	1,226,166	28,009,350	16,138,836
Net Sales	23,342,062	21,585,030	28,378,380	24,488,609	32,036,631
Net Loss as a % of Net Sales	22.58%	4.61%	4.32%	114.38%	50.38%

Net Income as a Percentage of Net Sales; shows what proportion of net sales is reported as net income. If, there is higher percentage, there is higher income from sales than others. But,

Çbs hasn't got net income between 1998 and 2002. So, we can say that Çbs's net loss from sales are better in 2000 than other years. And, Çbs's net loss from sales are the worst in 2001.

Table 4.33.

	1998	1999	2000	2001	2002
Operating Income	4,344,458	5,901,20	6,211,953	2,450,298	692,360
Average Total Assets	14,358,417	20,086,259.5	18,562,910	15,344,290.5	18,021,213
Return on Assets	0.3026	0.2938	0.3346	0.1597	0.0384

Return on Assets; are used in evaluating whether management has earned a reasonable return with the assets under its control. The general believe among the financial analysts are that 15% or more return on average total assets are successful. When we look at the table, Çbs has been exceeded target percentage, because its rates are; 30.26% in 1998, 29.38% in 1999, 33.46% in 2000, 15.97% in 2001. But, Çbs didn't only achieve target percentages in 2002 that is 3.84%.

Table 4.34.

	1998	1999	2000	2001	2002
Net Loss	5,269,803	995,328	1,226,166	28,009,350	16,138,836
Average Total Equity	1,788,489.5	706,424.5	3,294,709.5	20.474,851	42,073,948
Return on Equity	2.9465	1.4090	0.3722	1.3680	0.3836

Return on Equity; is one of the profitability measures. It shows how effectively the assets are used a return of 12% or more for strong companies. When we look at table, Çbs never

exceeds target percentage, because its rates are in minus. These are; (294.65%) in 1998, (140.90%) in 1999, (37.22%) in 2000, (136.80%) in 2001 and (38.36%) in 2002.[17]

[17] The numerical information shown on the tables above are acquired from the Çbs's five-year financial statement report.

V. LIMITATIONS.

We took the between 1998 and 2002 in this project. Because, Çbs's and Marshall's income statement include only these year in financial web pages.

We didn't reach some information about the annual report of these companies. Because, the some reports are included company's private policies.

There are some partial statement but they are not useful for analysis since the Turkish accounting system is entirely different from European and American accounting system. However, it becomes possible to reach the financials of the company necessary for analysis by the help of other limited resources. Such as, web pages of a few investment assistance companies.

VI. CONCLUSION AND RECOMMENDATION.

Financial statement analysis involves all the techniques employed by users of the financial statement financial statements to show important relations. Financial measures that are used in the financial statement analysis enable us to rank corporate performance.

In this project is divided into tree sections. These are, financial statement, research methodologies section and financial statement analysis of Marshall and Çbs provided us a general view of statements, tools of analysis use of these information in analyzing financial position of Marshall and Çbs.

The internal and external painting sector has very good market in Turkey. So, there are many companies in painting market. Because, the painting is everywhere. For example; on houses' walls, on furnitures, on cars and etc... But, several companies have better position than other companies in competitive painting market.

Çbs and Marshall paint manufacturing companies are rooted and old companies in Turkey. These companies are private companies and their stocks are traded in Istanbul Stock Exchange. We think that Çbs and Marshall are leaders in painting market in Turkey. So, we chose Çbs and Marshall paint manufacturing companies.

By comparing two companies, we will to understand the essence and purpose of financial statement analysis more clearly. Here to be able to look at this issue from the point of an investor, I will include comparison of Marshall with another giant competitor Çbs. The comparison part includes; component percentage (vertical analysis), trend percentage (horizontal analysis), dollar and percentage changes and ratios analysis with short-term liquidity, long-term solvency and profitability ratios.

When we look at the component percentage of both companies, Marshall is better than Çbs. Because, Marshall's net income is 2.68 %, but Çbs has got net loss in 2002 and its net loss (49.49%). When we look at financial statement analysis of Marshall and Çbs, we can see their results and reasons.

The second stage of comparison part is trend percentages. When we look at the both tables of Marshall and Çbs, we see that again Marshall is better than Çbs. According to the percentages 78.6% in 2002 for Çbs, but 451.6% in 2002 for Marshall.

The third stage of comparison part is TL. and percentage changes for Çbs and Marshall. When we look at these table, we see that Marshall has a good performance than Çbs. How did we understand these, we looked at the percentage changes of net sales and net income. In 2002 over 2001, net sales 30.82% and net income 42.38% for Çbs; net sales 49.94% and net income 177.60% for Marshall.

The last stage of comparison part is ratio analysis. As I mention before, ratio analysis include 4 parts. These are; measurement of short-term liquidity, measurement of long-term credit risk, measures of profitability measures of for evaluating the current market price of common stock.

When we look at the both tables of Marshall and Çbs for short-term liquidity, we see that Marshall has enough ability to pay short-term debt in 2002 (namely, it has got enough liquidity). Because, its ratios have been exceeded the acceptable criterias; for current ratio, 2.27, for quick ratio, 1.56 in 2002. And also, Marshall's working capital is higher than other years 23,456,999. When we look at Çbs, we cannot see same success. Its ratios are very bad; for current ratio, 0.27, for quick ratio, 0.16 and working capital (44,988,923) in 2002.

When we look at the both tables of Marshall and Çbs for long-term credit risk, we see that the percentage of total assets to total liabilities of Marshall is better than Çbs. Marshall offers less risk to long-term creditors.

And finally, When we look at the both tables of Marshall and Çbs for their profitability, we see that, Marshall is more profitable than Çbs in 2002. Because Marshall's gross profit rate is 48.14% but Çbs's gross profit rate is only 20.70 % in 2002. Operating expense ratio measures the management ability to control the expenses. Marshall's net sales are higher than Çbs for 2002. But, Çbs's operating expenses are lower than Marshall. When we compare the percentages, Çbs operating expenses ratio is better than Marshall's. But, if we see general in the ratios Marshall has more profitability position than Çbs. So, Marshall may more preferable by investors.

After all of the analysis of both companies, we have picture of which company better in mind. Marshall company achieves powerful ratios in short-term liquidity measures, long-term credit risk and profitability measures.

When we look at the Marshall, we see that liquidity ratio is very slow. If, Marshall increase the receivable turnover rate by this way to decrease the day to collect A/R. So, liquidity is increasing.

When we look at the Çbs, we see that it hasn't been reaching net incomes since 1998. If Çbs decreases particularly cost of goods sold and other expenses, it will reach net income.

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APPENDIX 1

Formun Üstü

FINANCIAL STATEMENTS (Million TL)* Of MARSHALL	1997 4.Period	1998 4.Period
I. CURRENT ASSETS	7,365,656	10,378,097
A.LIQUID ASSETS	430,828	1,429,645
1. Cash	48,485	20,732
2. Banks	381,745	1,408,913
3. Other liquid assets	598	0
B. MARKETABLE SECURITIES	1,945,935	1,565,182
1. Share stocks	0	0
2. Private sector bills, notes and bonds	0	0
3. Government bonds and Treasury bills	1,945,935	1,565,182
4. Other marketable securities	0	0
5. Provision for diminution in value of market	0	0
C. SHORT-TERM TRADE RECEIVABLES	3,333,440	4,620,735
1. Customers	1,207,488	1,924,213
2. Notes receivable	2,403,827	3,017,486
3. Deposits and guarantes given	20	20
4. Other short-term trade receivables	0	0
5. Rediscount of notes receivable (-)	-249,593	-271,820
6. Provision for doubtful receivables (-)	-28,302	-49,164
D. OTHER SHORT-TERM TRADE RECEIVABLES	42,720	81,639
1. Due from shareholders	0	14,264
2. Due from investments	0	0
3. Due from subsidiaries	0	0
4. Other short-term receivables	42,720	67,375
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
E. INVENTORIES	1,187,167	1,821,411
1. Raw materials	524,971	551,952
2. Semi-finished goods	0	0
3. Work in progress	0	0
4. Finished goods	309,027	715,997
5. Commercial goods	274,320	129,464
6. Other inventories	0	0
7. Provision for diminution in value of invent	0	0
8. Order advances given	79,849	423,998
F. OTHER CURRENT ASSETS	425,566	859,485
II. NON-CURRENT ASSETS	4,924,954	7,775,346
A. LONG-TERM TRADE RECEIVABLES	4,779	4,824
1. Customers	0	0
2. Notes receivable	0	0
3. Deposits and guarantes given	0	4,824
4. Other long-term trade receivables	0	0
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
B. OTHER LONG-TERM TRADE RECEIVABLES	0	0
1. Due from shareholders	0	0
2. Due from investments	0	0
3. Due from subsidiaries	0	0
4. Other long-term receivables	0	0
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
C. FINANCIAL ASSETS	281.255	178,147
1. Marketable securities issued by subsidiarie	0	0
2. Provision for diminution in value of market	0	0
3. Investments	128.318	1,550
4. Capital commitments to investments	0	0
5. Provision for diminution in value of invest	0	0
6. Subsidiaries	147,755	171,587
7. Capital commitments to subsidiaries (-)	0	0

8. Provision for diminution in value of subsid	0	0
9. Other non-current financial assets	5,182	5,010
D. FIXED ASSETS	4,578,661	7,510,920
1. Land	95,981	95,976
2. Land improvements	305,085	659,434
3. Buildings	2,890,297	5,170,979
4. Machinery and equipment	5,023,536	8,939,065
5. Motor vehicles	419,622	582,683
6. Furniture and fixtures	1,924,347	3,209,768
7. Other fixed assets	25,910	55,983
8. Accumulated depreciation (-)	-6,247,957	-11,524,576
9. Construction in progress	24,074	179,182
10. Order advances given	117,766	142,426
E. INTANGIBLE ASSETS	10,820	20,337
1. Establishment cost (net)	0	0
2. Rights	10,820	20,337
3. Research and development expenses	0	0
4. Other intangible assets	0	0
5. Advances gives	0	0
F. OTHER NON-CURRENT ASSETS	49,439	61,118
TOTAL ASSETS	12,290,610	18,153,444
I. CURRENT LIABILITIES	4,366,725	2,318,101
A. SHORT-TERM BORROWINGS	1,952,430	275,525
1. Bank borrowings	1,947,182	20,921
2. Principal installments and interest on long	5,248	254,604
3. Principal installments and interest on bill	0	0
4. Notes and bonds issued	0	0
5. Other short-term borrowings	0	0
B. TRADE PAYABLES	363,243	274,050
1. Suppliers	340,956	272,750
2. Notes payable	0	0
3. Deposits and guarantees received	0	0
4. Other trade payables	22,287	1,300
5. Rediscount of notes payable (-)	0	0
C. OTHER CURRENT LIABILITIES	459,287	557,306
1. Due to shareholders	19,851	5,833
2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Accrued expenses	22,372	40,192
5. Witholdings payable	195,876	197,581
6. Deferred payables to government	0	0
7. Other short-term liabilities	212,188	313,700
8. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	13,669	12,136
E. ALLOWANCE FOR PAYABLES AND EXPENSES	1,578,096	1,199,084
1. Provision for taxes	1,578,096	1,192,610
2. Provision for payables and accruels	0	6,474
II. LONG-TERM LIABILITIES	543,881	5,539,410
A. LONG-TERM BORROWINGS	0	4,624,460
1. Bank borrowings	0	4,624,460
2. Bonds issued	0	0
3. Other marketable securities issued	0	0
4. Other long-term borrowings	0	0
B. TRADE PAYABLES	0	0
1. Suppliers	0	0
2. Notes payable	0	0
3. Deposits and guarantees received	0	0
4. Other trade payables	0	0
5. Rediscount of notes payable (-)	0	0
C. OTHER LONG-TERM BORROWINGS	0	0
1. Due to shareholders	0	0
2. Due to investments	0	0

3. Due to subsidiaries	0	0
4. Deferred payables to government	0	0
5. Other long-term borrowings	0	0
6. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	0	0
E. PROVISION FOR PAYABLES AND EXPENSES	543,881	914,950
1. Provision for retirement pay	543,881	914,950
2. Provision for other payables and accruels	0	0
III. SHAREHOLDERS' EQUITY	7,380,004	10,295,932
A. SHARE CAPITAL	721,600	2,164,800
B. CAPITAL COMMITMENTS (-)	0	0
C. SHARE PREMIUM	43,129	43,129
D. REVALUATION SURPLUS	3,231,360	6,037,673
1. Revaluation surplus on fixed assets	3,231,360	6,037,673
2. Revaluation surplus on investments	0	0
3. Revaluation surplus on common stocks	0	0
E. RESERVES	1,316,489	966,433
1. Legal reserves	286,502	489,966
2. Statutory reserves	0	0
3. Special reserves	0	0
4. Extraordinary reserves	262,480	259,193
5. Cost increase fund	270	217,274
6. Fixed assets and investment sales income to	767,237	0
F. NET INCOME FOR THE PERIOD	2,067,426	1,083,897
G. LOSS FOR THE PERIOD (-)	0	0
H. PRIOR YEAR LOSSES (-)	0	0
I. PREVIOUS YEAR LOSSES (-)	0	0
1. .....year losses	0	0
2. .....year losses	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12,290,610	18,153,444
A. GROSS SALES	28,842,022	37,311,784
1. Domestic sales	27,396,164	35,276,052
2. Exports	1,375,540	1,856,925
3. Other sales	70,318	178,809
B. SALES DEDUCTIONS (-)	-6,155,879	-7,141,590
1. Sales returns (-)	-218,633	-309,432
2. Sales discounts (-)	-5,937,246	-6,832,158
3. Other deductions (-)	0	0
C. NET SALES	22,686,143	30,170,196
D. COST OF SALES (-)	-13,262,470	-17,761,218
GROSS PROFIT (LOSS)	9,423,673	12,408,977
E. OPERATING EXPENSES (-)	-5,048,783	-9,738,615
1. Research and development expenses (-)	0	0
2. Selling ana marketing expenses (-)	-3,866,725	-7,470,217
3. General and admiinistrative expenses (-)	-1,182,058	-2,268,398
PROFIT (LOSS) FROM MAIN OPERATIONS	4,374,890	2,670,362
F. INCOME AND PROFIT FROM OTHER OPERATIONS	725,837	1,940,782
1. Dividends from investments	70,384	0
2. Dividends from subsidiaries	900	1,800
3. Interest and other dividend income	214,652	879,161
4. Other operating income and profits	439,901	1,059,821
G. EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	-249,864	-393,139
H. FINANCIAL EXPENSES (-)	-1,134,898	-2,433,172
1. Short-term financial expenses	-1,130,165	-957,105
2. Long-term financial expenses	-4,733	-1,476,067
OPERATING PROFIT (LOSS)	3,715,965	1,784,833
I. EXTRAORDINARY INCOME AND PROFITS	81,624	764,449
1. Reversal of provisions	0	0

2. Prior year income and profit	0	0
3. Other extraordinary income and profit	81,624	764,449
J. EXTARORDINARY EXPENSES AND LOSSES	-152,067	-326,545
1. Idle division expenses and losses	-77,938	-77,938
2. Prior year expenses and losses	-53,770	-53,770
3. Other extraordinary expenses and losses	-194,837	-194,837
INCOME BEFORE TAXATION	3,645,522	2,222,737
K. TAXATION AND OTHER LEGAL LIABILITIES	-1,578,096	-1,138,840
NET INCOME (LOSS)	2,067,426	1,083,897

Formun Altı

Formun Üstü

FINANCIAL STATEMENTS (Million TL)* Of MARSHALL	1999 4.Period	2000 4.Period
I. CURRENT ASSETS	26,756,307	32,304,445
A.LIQUID ASSETS	817,649	5,704,998
1. Cash	43,948	41,589
2. Banks	147,930	4,535,309
3. Other liquid assets	625,771	1,128,100
B. MARKETABLE SECURITIES	11,385,604	3,131,017
1. Share stocks	0	0
2. Private sector bills, notes and bonds	0	0
3. Government bonds and Treasury bills	11,385,604	3,131,017
4. Other marketable securities	0	0
5. Provision for diminution in value of market	0	0
C. SHORT-TERM TRADE RECEIVABLES	10,599,329	16,775,071
1. Customers	3,712,404	5,175,586
2. Notes receivable	8,161,466	14,228,919
3. Deposits and guarantes given	20	0
4. Other short-term trade receivables	26,659	22,544
5. Rediscount of notes receivable (-)	-770,101	-1,731,824
6. Provision for doubtful receivables (-)	-531,119	-920,154
D. OTHER SHORT-TERM TRADE RECEIVABLES	163,542	325,445
1. Due from shareholders	118,687	156,539
2. Due from investments	0	0
3. Due from subsidiaries	0	0
4. Other short-term receivables	44,855	168,906
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
E. INVENTORIES	1,848,285	2,605,981
1. Raw materials	547,340	549,264
2. Semi-finished goods	0	0
3. Work in progress	0	0
4. Finished goods	1,054,334	1,249,780
5. Commercial goods	131,705	565,587
6. Other inventories	0	0
7. Provision for diminution in value of invent	0	0
8. Order advances given	114,906	241,350
F. OTHER CURRENT ASSETS	1,941,898	3,761,933
II. NON-CURRENT ASSETS	10,319,919	16,739,893
A. LONG-TERM TRADE RECEIVABLES	4,824	103,010
1. Customers	0	0
2. Notes receivable	0	241,895
3. Deposits and guarantes given	4,824	4,959
4. Other long-term trade receivables	0	0
5. Rediscount of notes receivable (-)	0	-143,844
6. Provision for doubtful receivables (-)	0	0
B. OTHER LONG-TERM TRADE RECEIVABLES	0	0
1. Due from shareholders	0	0
2. Due from investments	0	0
3. Due from subsidiaries	0	0
4. Other long-term receivables	0	0
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
C. FINANCIAL ASSETS	72,302	23,587
1. Marketable securities issued by subsidiarie	0	0
2. Provision for diminution in value of market	0	0
3. Investments	1,550	1,550
4. Capital commitments to investments	0	0
5. Provision for diminution in value of invest	0	0
6. Subsidiaries	171,587	122,872
7. Capital commitments to subsidiaries (-)	0	0

8. Provision for diminution in value of subsid	-105,845	-105,845
9. Other non-current financial assets	5,010	5,010
D. FIXED ASSETS	10,220,742	16,560,881
1. Land	95,976	95,976
2. Land improvements	1,068,230	1,775,336
3. Buildings	8,053,191	12,778,287
4. Machinery and equipment	14,024,883	22,793,907
5. Motor vehicles	852,085	1,595,166
6. Furniture and fixtures	5,249,385	9,646,068
7. Other fixed assets	40,928	27,220
8. Accumulated depreciation (-)	-19,233,922	-32,687,337
9. Construction in progress	0	261,979
10. Order advances given	69,986	274,279
E. INTANGIBLE ASSETS	22,051	52,415
1. Establishment cost (net)	0	0
2. Rights	22,051	52,415
3. Research and development expenses	0	0
4. Other intangible assets	0	0
5. Advances gives	0	0
F. OTHER NON-CURRENT ASSETS	0	0
TOTAL ASSETS	37,076,226	49,044,338
I. CURRENT LIABILITIES	14,982,906	17,500,347
A. SHORT-TERM BORROWINGS	7,878,384	7,569,056
1. Bank borrowings	12,717	4,274,063
2. Principal installments and interest on long	7,865,667	3,294,993
3. Principal installments and interest on bill	0	0
4. Notes and bonds issued	0	0
5. Other short-term borrowings	0	0
B. TRADE PAYABLES	1,203,100	1,498,076
1. Suppliers	622,426	1,222,732
2. Notes payable	0	0
3. Deposits and guarantees received	0	0
4. Other trade payables	580,674	275,344
5. Rediscount of notes payable (-)	0	0
C. OTHER CURRENT LIABILITIES	2,602,067	3,723,520
1. Due to shareholders	25,392	13,718
2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Accrued expenses	98,673	0
5. Witholdings payable	1,966,442	755,420
6. Deferred payables to government	0	2,547,780
7. Other short-term liabilities	511,560	406,602
8. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	22,995	27,367
E. ALLOWANCE FOR PAYABLES AND EXPENSES	3,276,360	4,682,328
1. Provision for taxes	3,276,360	4,548,753
2. Provision for payables and accruels	0	133,575
II. LONG-TERM LIABILITIES	4,196,060	2,653,850
A. LONG-TERM BORROWINGS	2,667,877	0
1. Bank borrowings	2,667,877	0
2. Bonds issued	0	0
3. Other marketable securities issued	0	0
4. Other long-term borrowings	0	0
B. TRADE PAYABLES	0	0
1. Suppliers	0	0
2. Notes payable	0	0
3. Deposits and guarantees received	0	0
4. Other trade payables	0	0
5. Rediscount of notes payable (-)	0	0
C. OTHER LONG-TERM BORROWINGS	0	0
1. Due to shareholders	0	0
2. Due to investments	0	0

3. Due to subsidiaries	0	0
4. Deferred payables to government	0	0
5. Other long-term borrowings	0	0
6. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	0	0
E. PROVISION FOR PAYABLES AND EXPENSES	1,528,183	2,653,850
1. Provision for retirement pay	1,528,183	2,653,850
2. Provision for other payables and accruels	0	0
III. SHAREHOLDERS' EQUITY	17,897,260	28,890,141
A. SHARE CAPITAL	2,164,800	2,164,800
B. CAPITAL COMMITMENTS (-)	0	0
C. SHARE PREMIUM	43,129	43,129
D. REVALUATION SURPLUS	9,663,158	15,129,494
1. Revaluation surplus on fixed assets	9,663,158	15,129,494
2. Revaluation surplus on investments	0	0
3. Revaluation surplus on common stocks	0	0
E. RESERVES	1,519,051	3,144,530
1. Legal reserves	654,402	1,146,721
2. Statutory reserves	0	0
3. Special reserves	0	0
4. Extraordinary reserves	647,375	1,622,998
5. Cost increase fund	217,274	374,811
6. Fixed assets and investment sales income to	0	0
F. NET INCOME FOR THE PERIOD	4,507,122	8,408,188
G. LOSS FOR THE PERIOD (-)	0	0
H. PRIOR YEAR LOSSES (-)	0	0
I. PREVIOUS YEAR LOSSES (-)	0	0
1. .....year losses	0	0
2. .....year losses	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	37,076,226	49,044,338
A. GROSS SALES	56,131,727	85,890,966
1. Domestic sales	53,480,994	81,356,568
2. Exports	2,474,367	3,933,220
3. Other sales	176,366	601,178
B. SALES DEDUCTIONS (-)	-12,955,858	-22,255,493
1. Sales returns (-)	-536,173	-1,124,350
2. Sales discounts (-)	-12,419,685	-21,131,143
3. Other deductions (-)	0	0
C. NET SALES	43,175,869	63,635,473
D. COST OF SALES (-)	-21,252,153	-32,395,990
GROSS PROFIT (LOSS)	21,923,716	31,239,483
E. OPERATING EXPENSES (-)	-14,112,867	-20,649,271
1. Research and development expenses (-)	-193,152	-326,370
2. Selling ana marketing expenses (-)	-9,855,594	-15,410,028
3. General and admiinistrative expenses (-)	-4,064,121	-4,912,873
PROFIT (LOSS) FROM MAIN OPERATIONS	7,810,849	10,590,212
F. INCOME AND PROFIT FROM OTHER OPERATIONS	4,640,127	5,572,681
1. Dividends from investments	0	0
2. Dividends from subsidiaries	0	0
3. Interest and other dividend income	3,042,136	3,467,129
4. Other operating income and profits	1,597,991	2,105,552
G. EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	-814,000	-2,423,139
H. FINANCIAL EXPENSES (-)	-3,970,900	-1,855,166
1. Short-term financial expenses	-2,887,362	-1,855,166
2. Long-term financial expenses	-1,083,538	0
OPERATING PROFIT (LOSS)	7,666,076	11,884,588
I. EXTRAORDINARY INCOME AND PROFITS	323,688	1,745,112
1. Reversal of provisions	0	0

2. Prior year income and profit	0	0
3. Other extraordinary income and profit	323,688	1,745,112
J. EXTARORDINARY EXPENSES AND LOSSES	-206,282	-672,759
1. Idle division expenses and losses	-392	-361,344
2. Prior year expenses and losses	0	0
3. Other extraordinary expenses and losses	-205,890	-311,415
INCOME BEFORE TAXATION	7,783,482	12,956,941
K. TAXATION AND OTHER LEGAL LIABILITIES	-3,276,360	-4,548,753
NET INCOME (LOSS)	4,507,122	8,408,188

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FINANCIAL STATEMENTS (Million TL)* Of MARSHALL	2001 4.Period	2002 4.Period
I. CURRENT ASSETS	28,340,809	41,919,998
A.LIQUID ASSETS	1,304,423	388,369
1. Cash	58,416	61,416
2. Banks	525,313	280,592
3. Other liquid assets	720,694	46,361
B. MARKETABLE SECURITIES	0	0
1. Share stocks	0	0
2. Private sector bills, notes and bonds	0	0
3. Government bonds and Treasury bills	0	0
4. Other marketable securities	0	0
5. Provision for diminution in value of market	0	0
C. SHORT-TERM TRADE RECEIVABLES	18,463,444	28,181,318
1. Customers	8,064,977	10,057,616
2. Notes receivable	12,270,255	23,615,223
3. Deposits and guarantes given	0	0
4. Other short-term trade receivables	0	0
5. Rediscount of notes receivable (-)	-1,062,248	-4,377,730
6. Provision for doubtful receivables (-)	-809,540	-1,113,791
D. OTHER SHORT-TERM TRADE RECEIVABLES	385,653	240,818
1. Due from shareholders	212,997	0
2. Due from investments	0	0
3. Due from subsidiaries	73,105	81,500
4. Other short-term receivables	99,551	159,318
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
E. INVENTORIES	7,117,526	7,875,193
1. Raw materials	1,221,460	1,232,359
2. Semi-finished goods	357,957	368,206
3. Work in progress	0	0
4. Finished goods	2,768,771	4,794,729
5. Commercial goods	955,495	1,268,291
6. Other inventories	0	0
7. Provision for diminution in value of invent	0	0
8. Order advances given	1,813,843	211,608
F. OTHER CURRENT ASSETS	1,069,763	5,234,300
II. NON-CURRENT ASSETS	23,276,315	33,335,598
A. LONG-TERM TRADE RECEIVABLES	75,607	29,881
1. Customers	0	0
2. Notes receivable	141,803	41,711
3. Deposits and guarantes given	4,959	4,913
4. Other long-term trade receivables	0	0
5. Rediscount of notes receivable (-)	0	-16,743
6. Provision for doubtful receivables (-)	-71,155	0
B. OTHER LONG-TERM TRADE RECEIVABLES	0	0
1. Due from shareholders	0	0
2. Due from investments	0	0
3. Due from subsidiaries	0	0
4. Other long-term receivables	0	0
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
C. FINANCIAL ASSETS	23,587	22,037
1. Marketable securities issued by subsidiarie	0	0
2. Provision for diminution in value of market	0	0
3. Investments	1,550	0
4. Capital commitments to investments	0	0
5. Provision for diminution in value of invest	0	0
6. Subsidiaries	17,027	17,027
7. Capital commitments to subsidiaries (-)	0	0

8. Provision for diminution in value of subsid	0	0
9. Other non-current financial assets	5,010	5,010
D. FIXED ASSETS	23,056,640	32,808,696
1. Land	105,476	185,476
2. Land improvements	2,822,750	4,575,340
3. Buildings	20,159,142	32,160,880
4. Machinery and equipment	36,152,646	58,225,811
5. Motor vehicles	2,339,035	2,128,845
6. Furniture and fixtures	15,144,533	24,649,519
7. Other fixed assets	20,477	42,697
8. Accumulated depreciation (-)	-53,993,600	-89,438,294
9. Construction in progress	0	0
10. Order advances given	306,181	278,422
E. INTANGIBLE ASSETS	120,481	474,984
1. Establishment cost (net)	0	0
2. Rights	120,481	474,984
3. Research and development expenses	0	0
4. Other intangible assets	0	0
5. Advances gives	0	0
F. OTHER NON-CURRENT ASSETS	0	0
TOTAL ASSETS	51,617,124	75,255,596
I. CURRENT LIABILITIES	12,262,713	18,462,999
A. SHORT-TERM BORROWINGS	6,567,787	5,733,590
1. Bank borrowings	121,344	5,733,590
2. Principal installments and interest on long	6,446,443	0
3. Principal installments and interest on bill	0	0
4. Notes and bonds issued	0	0
5. Other short-term borrowings	0	0
B. TRADE PAYABLES	1,512,433	2,902,536
1. Suppliers	1,512,426	2,902,529
2. Notes payable	0	0
3. Deposits and guarantees received	0	0
4. Other trade payables	7	7
5. Rediscount of notes payable (-)	0	0
C. OTHER CURRENT LIABILITIES	2,746,644	4,189,902
1. Due to shareholders	187,039	438,393
2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Accrued expenses	5,026	9,317
5. Witholdings payable	672,782	1,308,019
6. Deferred payables to government	680,493	680,493
7. Other short-term liabilities	1,201,304	1,753,680
8. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	36,792	35,794
E. ALLOWANCE FOR PAYABLES AND EXPENSES	1,399,057	5,601,177
1. Provision for taxes	1,252,374	5,042,650
2. Provision for payables and accruels	146,683	558,527
II. LONG-TERM LIABILITIES	3,968,823	5,263,014
A. LONG-TERM BORROWINGS	0	0
1. Bank borrowings	0	0
2. Bonds issued	0	0
3. Other marketable securities issued	0	0
4. Other long-term borrowings	0	0
B. TRADE PAYABLES	0	0
1. Suppliers	0	0
2. Notes payable	0	0
3. Deposits and guarantees received	0	0
4. Other trade payables	0	0
5. Rediscount of notes payable (-)	0	0
C. OTHER LONG-TERM BORROWINGS	0	0
1. Due to shareholders	0	0

2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Deferred payables to government	0	0
5. Other long-term borrowings	0	0
6. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	0	0
E. PROVISION FOR PAYABLES AND EXPENSES	3,968,823	5,263,014
1. Provision for retirement pay	3,968,823	5,263,014
2. Provision for other payables and accruels	0	0
III. SHAREHOLDERS' EQUITY	35,385,588	51,529,583
A. SHARE CAPITAL	2,164,800	2,164,800
B. CAPITAL COMMITMENTS (-)	0	0
C. SHARE PREMIUM	43,129	43,129
D. REVALUATION SURPLUS	23,503,525	36,274,129
1. Revaluation surplus on fixed assets	23,503,525	36,274,129
2. Revaluation surplus on investments	0	0
3. Revaluation surplus on common stocks	0	0
E. RESERVES	7,865,275	8,026,106
1. Legal reserves	1,558,033	1,709,855
2. Statutory reserves	0	0
3. Special reserves	0	0
4. Extraordinary reserves	5,844,784	5,661,421
5. Cost increase fund	462,458	654,830
6. Fixed assets and investment sales income to	0	0
F. NET INCOME FOR THE PERIOD	1,808,859	5,021,419
G. LOSS FOR THE PERIOD (-)	0	0
H. PRIOR YEAR LOSSES (-)	0	0
I. PREVIOUS YEAR LOSSES (-)	0	0
1. .....year losses	0	0
2. .....year losses	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	51,617,124	75,255,596
A. GROSS SALES	105,397,545	187,476,606
1. Domestic sales	93,412,245	174,667,220
2. Exports	10,352,893	12,172,159
3. Other sales	1,632,407	637,227
B. SALES DEDUCTIONS (-)	-27,755,906	-71,064,297
1. Sales returns (-)	-4,807,286	-8,579,574
2. Sales discounts (-)	-22,948,620	-62,484,723
3. Other deductions (-)	0	0
C. NET SALES	77,641,639	116,412,309
D. COST OF SALES (-)	-46,522,660	-60,368,269
GROSS PROFIT (LOSS)	31,118,979	56,044,040
E. OPERATING EXPENSES (-)	-26,810,005	-44,382,626
1. Research and development expenses (-)	-483,732	-827,572
2. Selling ana marketing expenses (-)	-18,695,303	-29,817,299
3. General and admiinistrative expenses (-)	-7,630,970	-13,737,755
PROFIT (LOSS) FROM MAIN OPERATIONS	4,308,974	11,661,414
F. INCOME AND PROFIT FROM OTHER OPERATIONS	10,166,124	8,657,799
1. Dividends from investments	0	0
2. Dividends from subsidiaries	0	0
3. Interest and other dividend income	2,757,333	76,400
4. Other operating income and profits	7,408,791	8,581,399
G. EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	-1,580,618	-1,637,828
H. FINANCIAL EXPENSES (-)	-8,632,218	-9,031,168
1. Short-term financial expenses	-7,164,734	-9,031,168
2. Long-term financial expenses	-1,467,484	0
OPERATING PROFIT (LOSS)	4,262,262	9,650,217
I. EXTRAORDINARY INCOME AND PROFITS	909,401	928,751

1. Reversal of provisions	541,156	0
2. Prior year income and profit	0	0
3. Other extraordinary income and profit	368,245	928,751
J. EXTARORDINARY EXPENSES AND LOSSES	-2,110,430	-514,899
1. Idle division expenses and losses	-627,900	0
2. Prior year expenses and losses	0	0
3. Other extraordinary expenses and losses	-1,482,530	-514,899
INCOME BEFORE TAXATION	3,061,233	10,064,069
K. TAXATION AND OTHER LEGAL LIABILITIES	-1,252,374	-5,042,650
NET INCOME (LOSS)	1,808,859	5,021,419

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APPENDIX 2

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FINANCIAL STATEMENTS (Million TL)* Of ÇBS	1997 4.Period	1998 4.Period
I. CURRENT ASSETS	6,904,295	15,919,323
A.LIQUID ASSETS	114,469	467,639
1. Cash	1,986	2,751
2. Banks	142,425	464,802
3. Other liquid assets	58	86
B. MARKETABLE SECURITIES	0	0
1. Share stocks	0	0
2. Private sector bills, notes and bonds	0	0
3. Government bonds and Treasury bills	0	0
4. Other marketable securities	0	0
5. Provision for diminution in value of market	0	0
C. SHORT-TERM TRADE RECEIVABLES	5,037,572	6,375,257
1. Customers	1,966,322	1,279,687
2. Notes receivable	3,071,955	5,092,276
3. Deposits and guarantes given	0	0
4. Other short-term trade receivables	321	7,048
5. Rediscount of notes receivable (-)	-705	-30
6. Provision for doubtful receivables (-)	-3,724	-3,724
D. OTHER SHORT-TERM TRADE RECEIVABLES	0	5,787,644
1. Due from shareholders	0	0
2. Due from investments	0	0
3. Due from subsidiaries	0	5,985,719
4. Other short-term receivables	0	0
5. Rediscount of notes receivable (-)	0	-198,075
6. Provision for doubtful receivables (-)	0	0
E. INVENTORIES	1,534,230	2,815,230
1. Raw materials	590,883	1,037,903
2. Semi-finished goods	83,053	222,904
3. Work in progress	0	0
4. Finished goods	815,937	1,323,427
5. Commercial goods	37,272	206,862
6. Other inventories	633	744
7. Provision for diminution in value of invent	0	0
8. Order advances given	6,496	23,390
F. OTHER CURRENT ASSETS	187,980	473,553
II. NON-CURRENT ASSETS	3,894,504	1,998,713
A. LONG-TERM TRADE RECEIVABLES	327	394
1. Customers	0	0
2. Notes receivable	0	0
3. Deposits and guarantes given	327	394
4. Other long-term trade receivables	0	0
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
B. OTHER LONG-TERM TRADE RECEIVABLES	0	0
1. Due from shareholders	0	0
2. Due from investments	0	0
3. Due from subsidiaries	0	0
4. Other long-term receivables	0	0
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
C. FINANCIAL ASSETS	6,090	10,989
1. Marketable securities issued by subsidiarie	0	0
2. Provision for diminution in value of market	0	0
3. Investments	0	0
4. Capital commitments to investments	0	0
5. Provision for diminution in value of invest	0	0
6. Subsidiaries	0	4,870
7. Capital commitments to subsidiaries (-)	0	0

8. Provision for diminution in value of subsid	0	0
9. Other non-current financial assets	6,090	6,119
D. FIXED ASSETS	3,390,192	1,496,275
1. Land	1,310,558	0
2. Land improvements	44,660	44,660
3. Buildings	776,574	8,000
4. Machinery and equipment	1,334,154	1,576,387
5. Motor vehicles	15,195	15,195
6. Furniture and fixtures	75,639	83,014
7. Other fixed assets	977	1,043
8. Accumulated depreciation (-)	-168,503	-232,024
9. Construction in progress	171	0
10. Order advances given	767	0
E. INTANGIBLE ASSETS	11,568	6,030
1. Establishment cost (net)	11,568	6,030
2. Rights	0	0
3. Research and development expenses	0	0
4. Other intangible assets	0	0
5. Advances gives	0	0
F. OTHER NON-CURRENT ASSETS	486,327	485,025
TOTAL ASSETS	10,798,799	17,918,036
I. CURRENT LIABILITIES	8,070,902	16,457,952
A. SHORT-TERM BORROWINGS	4,268,086	8,431,806
1. Bank borrowings	3,960,961	8,431,806
2. Principal installments and interest on long	307,125	0
3. Principal installments and interest on bill	0	0
4. Notes and bonds issued	0	0
5. Other short-term borrowings	0	0
B. TRADE PAYABLES	3,122,857	5,291,682
1. Suppliers	2,317,607	4,702,837
2. Notes payable	1,020,792	631,234
3. Deposits and guarantees received	0	0
4. Other trade payables	0	0
5. Rediscount of notes payable (-)	-215,542	-42,389
C. OTHER CURRENT LIABILITIES	540,057	1,890,904
1. Due to shareholders	1,324	1,182
2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Accrued expenses	2,306	40,266
5. Witholdings payable	209,481	63,873
6. Deferred payables to government	9,917	60,973
7. Other short-term liabilities	317,029	1,724,610
8. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	1,426	152,956
E. ALLOWANCE FOR PAYABLES AND EXPENSES	138,476	690,604
1. Provision for taxes	10,146	0
2. Provision for payables and accruels	128,330	690,604
II. LONG-TERM LIABILITIES	208,014	402,988
A. LONG-TERM BORROWINGS	10	10
1. Bank borrowings	10	10
2. Bonds issued	0	0
3. Other marketable securities issued	0	0
4. Other long-term borrowings	0	0
B. TRADE PAYABLES	0	0
1. Suppliers	0	0
2. Notes payable	0	0
3. Deposits and guarantees received	0	0
4. Other trade payables	0	0
5. Rediscount of notes payable (-)	0	0
C. OTHER LONG-TERM BORROWINGS	7,003	0
1. Due to shareholders	0	0

2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Deferred payables to government	7,003	0
5. Other long-term borrowings	0	0
6. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	0	0
E. PROVISION FOR PAYABLES AND EXPENSES	201,001	402,978
1. Provision for retirement pay	201,001	402,978
2. Provision for other payables and accruels	0	0
III. SHAREHOLDERS' EQUITY	2,519,883	1,057,096
A. SHARE CAPITAL	520,000	520,000
B. CAPITAL COMMITMENTS (-)	0	0
C. SHARE PREMIUM	88,802	88,802
D. REVALUATION SURPLUS	62,746	13,524
1. Revaluation surplus on fixed assets	61,925	12,703
2. Revaluation surplus on investments	821	821
3. Revaluation surplus on common stocks	0	0
E. RESERVES	3,385,851	7,242,089
1. Legal reserves	64,208	64,208
2. Statutory reserves	0	0
3. Special reserves	3,204,808	1,239,409
4. Extraordinary reserves	116,835	116,835
5. Cost increase fund	0	0
6. Fixed assets and investment sales income to	0	5,821,637
F. NET INCOME FOR THE PERIOD	82,864	0
G. LOSS FOR THE PERIOD (-)	0	-5,269,803
H. PRIOR YEAR LOSSES (-)	0	0
I. PREVIOUS YEAR LOSSES (-)	-1,620,380	-1,537,516
1. .....year losses	-1,620,380	-1,537,516
2. .....year losses	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,798,799	17,918,036
A. GROSS SALES	14,574,639	23,806,760
1. Domestic sales	12,101,462	19,410,162
2. Exports	2,404,425	4,365,802
3. Other sales	68,752	30,796
B. SALES DEDUCTIONS (-)	-56,108	-464,698
1. Sales returns (-)	-46,886	-431,492
2. Sales discounts (-)	-9,222	-33,206
3. Other deductions (-)	0	0
C. NET SALES	14,518,531	23,342,062
D. COST OF SALES (-)	-8,306,316	-14,906,475
GROSS PROFIT (LOSS)	6,212,215	8,435,587
E. OPERATING EXPENSES (-)	-1,870,204	-4,091,129
1. Research and development expenses (-)	-57,536	-103,075
2. Selling ana marketing expenses (-)	-1,462,500	-3,304,069
3. General and admiinistrative expenses (-)	-350,168	-683,985
PROFIT (LOSS) FROM MAIN OPERATIONS	4,342,011	4,344,458
F. INCOME AND PROFIT FROM OTHER OPERATIONS	293,292	239,510
1. Dividends from investments	1,040	0
2. Dividends from subsidiaries	0	0
3. Interest and other dividend income	281,936	154,889
4. Other operating income and profits	10,316	84,621
G. EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	-63,802	-546,761
H. FINANCIAL EXPENSES (-)	-4,479,432	-9,309,083
1. Short-term financial expenses	-4,144,496	-9,207,379
2. Long-term financial expenses	-334,936	-101,704
OPERATING PROFIT (LOSS)	92,069	-5,271,876
I. EXTRAORDINARY INCOME AND PROFITS	948	2,073

1. Reversal of provisions	0	0
2. Prior year income and profit	128	425
3. Other extraordinary income and profit	820	1,648
J. EXTARORDINARY EXPENSES AND LOSSES	-7	0
1. Idle division expenses and losses	0	0
2. Prior year expenses and losses	-7	0
3. Other extraordinary expenses and losses	0	0
INCOME BEFORE TAXATION	93,010	-5,269,803
K. TAXATION AND OTHER LEGAL LIABILITIES	-10,146	0
NET INCOME (LOSS)	82,864	-5,269,803

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FINANCIAL STATEMENTS (Million TL)* Of ÇBS	1999 4.Period	2000 4.Period
I. CURRENT ASSETS	15,339,689	11,840,172
A.LIQUID ASSETS	276,934	344,251
1. Cash	80	170
2. Banks	276,791	343,966
3. Other liquid assets	63	115
B. MARKETABLE SECURITIES	0	0
1. Share stocks	0	0
2. Private sector bills, notes and bonds	0	0
3. Government bonds and Treasury bills	0	0
4. Other marketable securities	0	0
5. Provision for diminution in value of market	0	0
C. SHORT-TERM TRADE RECEIVABLES	4,130,983	3,137,260
1. Customers	2,712,980	117,712
2. Notes receivable	1,494,691	3,379,829
3. Deposits and guarantes given	0	0
4. Other short-term trade receivables	2,283	175,588
5. Rediscount of notes receivable (-)	-76,688	-360,281
6. Provision for doubtful receivables (-)	-2,283	-175,588
D. OTHER SHORT-TERM TRADE RECEIVABLES	4,296,882	58,707
1. Due from shareholders	0	0
2. Due from investments	0	0
3. Due from subsidiaries	4,296,882	0
4. Other short-term receivables	0	58,707
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
E. INVENTORIES	6,098,275	7,775,528
1. Raw materials	2,023,176	2,875,580
2. Semi-finished goods	157,074	248,434
3. Work in progress	0	0
4. Finished goods	3,767,061	4,606,036
5. Commercial goods	51,944	45,478
6. Other inventories	0	0
7. Provision for diminution in value of invent	0	0
8. Order advances given	99,020	0
F. OTHER CURRENT ASSETS	536,615	524,426
II. NON-CURRENT ASSETS	6,914,794	3,031,165
A. LONG-TERM TRADE RECEIVABLES	394	428
1. Customers	0	0
2. Notes receivable	0	0
3. Deposits and guarantes given	394	428
4. Other long-term trade receivables	0	0
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
B. OTHER LONG-TERM TRADE RECEIVABLES	0	0
1. Due from shareholders	0	0
2. Due from investments	0	0
3. Due from subsidiaries	0	0
4. Other long-term receivables	0	0
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
C. FINANCIAL ASSETS	1,631,167	2,841,119
1. Marketable securities issued by subsidiarie	0	0
2. Provision for diminution in value of market	0	0
3. Investments	119	2,835,000
4. Capital commitments to investments	0	0
5. Provision for diminution in value of invest	0	0

6. Subsidiaries	5,782,541	0
7. Capital commitments to subsidiaries (-)	-4,157,612	0
8. Provision for diminution in value of subsid	0	0
9. Other non-current financial assets	6,119	6,119
D. FIXED ASSETS	4,801,298	165,607
1. Land	0	0
2. Land improvements	44,660	44,660
3. Buildings	29,425	3,200
4. Machinery and equipment	4,775,821	459,386
5. Motor vehicles	49,279	5,690
6. Furniture and fixtures	212,817	48,536
7. Other fixed assets	1,043	1,043
8. Accumulated depreciation (-)	-311,747	-397,881
9. Construction in progress	0	973
10. Order advances given	0	0
E. INTANGIBLE ASSETS	493	17,567
1. Establishment cost (net)	493	17,567
2. Rights	0	0
3. Research and development expenses	0	0
4. Other intangible assets	0	0
5. Advances gives	0	0
F. OTHER NON-CURRENT ASSETS	481,442	6,444
TOTAL ASSETS	22,254,483	14,871,337
I. CURRENT LIABILITIES	14,661,716	10,653,316
A. SHORT-TERM BORROWINGS	4,535,236	5,065,675
1. Bank borrowings	4,048,208	1,945,807
2. Principal installments and interest on long	487,028	3,119,868
3. Principal installments and interest on bill	0	0
4. Notes and bonds issued	0	0
5. Other short-term borrowings	0	0
B. TRADE PAYABLES	3,583,186	2,704,997
1. Suppliers	3,081,927	1,486,647
2. Notes payable	507,986	1,239,387
3. Deposits and guarantees received	0	0
4. Other trade payables	0	0
5. Rediscount of notes payable (-)	-6,727	-21,037
C. OTHER CURRENT LIABILITIES	4,330,351	2,391,812
1. Due to shareholders	1,143	1,072
2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Accrued expenses	128,660	140,623
5. Witholdings payable	218,205	315,641
6. Deferred payables to government	195,879	480,080
7. Other short-term liabilities	3,786,464	1,454,396
8. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	89,242	20,572
E. ALLOWANCE FOR PAYABLES AND EXPENSES	2,123,701	470,260
1. Provision for taxes	0	0
2. Provision for payables and accruels	2,123,701	470,260
II. LONG-TERM LIABILITIES	7,237,014	11,163,193
A. LONG-TERM BORROWINGS	6,754,584	10,454,772
1. Bank borrowings	6,754,584	10,454,772
2. Bonds issued	0	0
3. Other marketable securities issued	0	0
4. Other long-term borrowings	0	0
B. TRADE PAYABLES	0	0
1. Suppliers	0	0
2. Notes payable	0	0
3. Deposits and guarantees received	0	0
4. Other trade payables	0	0

5. Rediscount of notes payable (-)	0	0
C. OTHER LONG-TERM BORROWINGS	0	0
1. Due to shareholders	0	0
2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Deferred payables to government	0	0
5. Other long-term borrowings	0	0
6. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	0	0
E. PROVISION FOR PAYABLES AND EXPENSES	482,430	708,421
1. Provision for retirement pay	482,430	708,421
2. Provision for other payables and accruels	0	0
III. SHAREHOLDERS' EQUITY	355,753	-6,945,172
A. SHARE CAPITAL	520,000	2,600,000
B. CAPITAL COMMITMENTS (-)	0	0
C. SHARE PREMIUM	88,802	0
D. REVALUATION SURPLUS	12,976	0
1. Revaluation surplus on fixed assets	12,155	0
2. Revaluation surplus on investments	821	0
3. Revaluation surplus on common stocks	0	0
E. RESERVES	7,536,622	4,028,711
1. Legal reserves	64,208	64,208
2. Statutory reserves	0	0
3. Special reserves	5,606,162	145
4. Extraordinary reserves	116,835	0
5. Cost increase fund	0	0
6. Fixed assets and investment sales income to	1,749,417	3,964,358
F. NET INCOME FOR THE PERIOD	0	0
G. LOSS FOR THE PERIOD (-)	-995,328	-1,226,166
H. PRIOR YEAR LOSSES (-)	0	0
I. PREVIOUS YEAR LOSSES (-)	0	-12,347,717
1. .....year losses	-1,537,516	-12,347,717
2. .....year losses	-5,269,803	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	22,254,483	14,871,337
A. GROSS SALES	21,746,140	28,527,115
1. Domestic sales	19,856,790	25,940,476
2. Exports	1,607,460	2,586,639
3. Other sales	281,890	0
B. SALES DEDUCTIONS (-)	-161,110	-148,735
1. Sales returns (-)	-47,019	-128,459
2. Sales discounts (-)	-114,091	-20,276
3. Other deductions (-)	0	0
C. NET SALES	21,585,030	28,378,380
D. COST OF SALES (-)	-13,771,980	-17,178,105
GROSS PROFIT (LOSS)	7,813,050	11,200,275
E. OPERATING EXPENSES (-)	-1,911,222	-4,988,322
1. Research and development expenses (-)	-158,789	-322,104
2. Selling ana marketing expenses (-)	-870,543	-3,469,130
3. General and admiinistrative expenses (-)	-881,890	-1,197,088
PROFIT (LOSS) FROM MAIN OPERATIONS	5,901,828	6,211,953
F. INCOME AND PROFIT FROM OTHER OPERATIONS	266,024	203,805
1. Dividends from investments	0	0
2. Dividends from subsidiaries	1,472	0
3. Interest and other dividend income	176,628	44,869
4. Other operating income and profits	87,924	158,936
G. EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	-184,102	-544,052
H. FINANCIAL EXPENSES (-)	-12,763,543	-8,800,288
1. Short-term financial expenses	-11,771,391	-3,645,046

2. Long-term financial expenses	-992,152	-5,155,242
OPERATING PROFIT (LOSS)	-6,779,793	-2,928,582
I. EXTRAORDINARY INCOME AND PROFITS	5,801,634	1,703,254
1. Reversal of provisions	0	0
2. Prior year income and profit	200,988	150,470
3. Other extraordinary income and profit	5,600,646	1,552,784
J. EXTARORDINARY EXPENSES AND LOSSES	-17,169	-838
1. Idle division expenses and losses	0	0
2. Prior year expenses and losses	-17,169	-838
3. Other extraordinary expenses and losses	0	0
INCOME BEFORE TAXATION	-995,328	-1,226,166
K. TAXATION AND OTHER LEGAL LIABILITIES	0	0
NET INCOME (LOSS)	-995,328	-1,226,166

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FINANCIAL STATEMENTS (Million TL)* Of ÇBS	2001 4.Period	2002 4.Period
I. CURRENT ASSETS	11,870,749	16,286,925
A.LIQUID ASSETS	125,952	38,253
1. Cash	40	819
2. Banks	125,893	37,404
3. Other liquid assets	19	30
B. MARKETABLE SECURITIES	0	0
1. Share stocks	0	0
2. Private sector bills, notes and bonds	0	0
3. Government bonds and Treasury bills	0	0
4. Other marketable securities	0	0
5. Provision for diminution in value of market	0	0
C. SHORT-TERM TRADE RECEIVABLES	4,303,445	9,647,017
1. Customers	952,108	2,558,587
2. Notes receivable	3,940,393	8,131,297
3. Deposits and guarantes given	0	0
4. Other short-term trade receivables	161,718	156,696
5. Rediscount of notes receivable (-)	-589,056	-1,042,867
6. Provision for doubtful receivables (-)	-161,718	-156,696
D. OTHER SHORT-TERM TRADE RECEIVABLES	9,674	50,068
1. Due from shareholders	0	0
2. Due from investments	0	0
3. Due from subsidiaries	0	0
4. Other short-term receivables	9,674	50,068
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
E. INVENTORIES	6,332,448	4,217,238
1. Raw materials	4,615,380	3,532,675
2. Semi-finished goods	185,106	179,009
3. Work in progress	0	0
4. Finished goods	1,500,796	480,392
5. Commercial goods	24,231	25,162
6. Other inventories	0	0
7. Provision for diminution in value of invent	0	0
8. Order advances given	6,935	0
F. OTHER CURRENT ASSETS	1,099,230	2,334,349
II. NON-CURRENT ASSETS	3,946,495	3,938,257
A. LONG-TERM TRADE RECEIVABLES	538	67,841
1. Customers	0	0
2. Notes receivable	0	0
3. Deposits and guarantes given	538	67,841
4. Other long-term trade receivables	0	0
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
B. OTHER LONG-TERM TRADE RECEIVABLES	0	0
1. Due from shareholders	0	0
2. Due from investments	0	0
3. Due from subsidiaries	0	0
4. Other long-term receivables	0	0
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
C. FINANCIAL ASSETS	3,817,119	3,817,119
1. Marketable securities issued by subsidiarie	0	0
2. Provision for diminution in value of market	0	0
3. Investments	3,785,000	3,785,000
4. Capital commitments to investments	0	0
5. Provision for diminution in value of invest	0	0
6. Subsidiaries	0	0
7. Capital commitments to subsidiaries (-)	0	0

8. Provision for diminution in value of subsid	0	0
9. Other non-current financial assets	32,119	32,119
D. FIXED ASSETS	105,461	37,936
1. Land	0	0
2. Land improvements	45,999	45,999
3. Buildings	3,200	3,200
4. Machinery and equipment	467,256	467,256
5. Motor vehicles	5,690	5,280
6. Furniture and fixtures	55,200	56,197
7. Other fixed assets	1,043	1,043
8. Accumulated depreciation (-)	-472,927	-541,039
9. Construction in progress	0	0
10. Order advances given	0	0
E. INTANGIBLE ASSETS	19,081	13,213
1. Establishment cost (net)	19,081	13,213
2. Rights	0	0
3. Research and development expenses	0	0
4. Other intangible assets	0	0
5. Advances gives	0	0
F. OTHER NON-CURRENT ASSETS	4,296	2,148
TOTAL ASSETS	15,817,244	20,225,182
I. CURRENT LIABILITIES	32,807,895	61,275,848
A. SHORT-TERM BORROWINGS	15,896,642	32,574,786
1. Bank borrowings	3,275,832	6,864,571
2. Principal installments and interest on long	12,620,810	25,710,215
3. Principal installments and interest on bill	0	0
4. Notes and bonds issued	0	0
5. Other short-term borrowings	0	0
B. TRADE PAYABLES	4,857,601	9,999,284
1. Suppliers	3,846,669	8,845,320
2. Notes payable	1,029,061	1,238,634
3. Deposits and guarantees received	0	0
4. Other trade payables	0	0
5. Rediscount of notes payable (-)	-18,129	-84,670
C. OTHER CURRENT LIABILITIES	8,653,221	10,964,213
1. Due to shareholders	567	567
2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Accrued expenses	382,548	406,105
5. Witholdings payable	556,680	1,013,712
6. Deferred payables to government	436,519	438,786
7. Other short-term liabilities	7,276,907	9,105,043
8. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	211,482	955,485
E. ALLOWANCE FOR PAYABLES AND EXPENSES	3,188,949	6,782,080
1. Provision for taxes	0	0
2. Provision for payables and accruels	3,188,949	6,782,080
II. LONG-TERM LIABILITIES	17,013,879	9,092,700
A. LONG-TERM BORROWINGS	15,999,494	7,720,117
1. Bank borrowings	15,999,494	7,720,117
2. Bonds issued	0	0
3. Other marketable securities issued	0	0
4. Other long-term borrowings	0	0
B. TRADE PAYABLES	0	0
1. Suppliers	0	0
2. Notes payable	0	0
3. Deposits and guarantees received	0	0
4. Other trade payables	0	0
5. Rediscount of notes payable (-)	0	0
C. OTHER LONG-TERM BORROWINGS	165,099	138,248
1. Due to shareholders	0	0

2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Deferred payables to government	0	0
5. Other long-term borrowings	165,099	138,248
6. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	0	0
E. PROVISION FOR PAYABLES AND EXPENSES	849,286	1,234,335
1. Provision for retirement pay	849,286	1,234,335
2. Provision for other payables and accruels	0	0
III. SHAREHOLDERS' EQUITY	-34,004,530	-50,143,366
A. SHARE CAPITAL	6,564,350	6,564,350
B. CAPITAL COMMITMENTS (-)	0	0
C. SHARE PREMIUM	0	0
D. REVALUATION SURPLUS	950,000	950,000
1. Revaluation surplus on fixed assets	0	0
2. Revaluation surplus on investments	950,000	950,000
3. Revaluation surplus on common stocks	0	0
E. RESERVES	64,353	64,353
1. Legal reserves	64,208	64,208
2. Statutory reserves	0	0
3. Special reserves	145	145
4. Extraordinary reserves	0	0
5. Cost increase fund	0	0
6. Fixed assets and investment sales income to	0	0
F. NET INCOME FOR THE PERIOD	0	0
G. LOSS FOR THE PERIOD (-)	-28,009,350	-16,138,836
H. PRIOR YEAR LOSSES (-)	0	0
I. PREVIOUS YEAR LOSSES (-)	-13,573,883	-41,583,233
1. .....year losses	-13,573,883	-28,009,350
2. .....year losses	0	-13,573,883
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	15,817,244	20,225,182
A. GROSS SALES	25,631,765	32,612,233
1. Domestic sales	21,063,360	27,654,660
2. Exports	4,568,405	4,957,573
3. Other sales	0	0
B. SALES DEDUCTIONS (-)	-1,143,156	-575,602
1. Sales returns (-)	-994,877	-439,240
2. Sales discounts (-)	-148,279	-136,362
3. Other deductions (-)	0	0
C. NET SALES	24,488,609	32,036,631
D. COST OF SALES (-)	-17,816,693	-25,405,904
GROSS PROFIT (LOSS)	6,671,916	6,630,727
E. OPERATING EXPENSES (-)	-4,221,618	-5,938,367
1. Research and development expenses (-)	-361,242	-398,453
2. Selling ana marketing expenses (-)	-2,073,730	-3,300,223
3. General and admiinistrative expenses (-)	-1,786,646	-2,239,691
PROFIT (LOSS) FROM MAIN OPERATIONS	2,450,298	692,360
F. INCOME AND PROFIT FROM OTHER OPERATIONS	736,085	1,632,895
1. Dividends from investments	469	950
2. Dividends from subsidiaries	0	0
3. Interest and other dividend income	590,359	1,419,457
4. Other operating income and profits	145,257	212,488
G. EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	-734,244	-1,112,310
H. FINANCIAL EXPENSES (-)	-30,463,936	-17,353,348
1. Short-term financial expenses	-6,829,281	-7,230,929
2. Long-term financial expenses	-23,634,655	-10,122,419
OPERATING PROFIT (LOSS)	-28,011,797	-16,140,403
I. EXTRAORDINARY INCOME AND PROFITS	2,747	1,567

1. Reversal of provisions	0	0
2. Prior year income and profit	0	0
3. Other extraordinary income and profit	2,747	1,567
J. EXTARORDINARY EXPENSES AND LOSSES	-300	0
1. Idle division expenses and losses	0	0
2. Prior year expenses and losses	-300	0
3. Other extraordinary expenses and losses	0	0
INCOME BEFORE TAXATION	-28,009,350	-16,138,836
K. TAXATION AND OTHER LEGAL LIABILITIES	0	0
NET INCOME (LOSS)	-28,009,350	-16,138,836

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