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FINANCIAL SATATEMENT ANALYSIS OF EFES PİLSEN AND TUBORG

Submitted by

ÖZLEM DEMİRCİ – 960067

Submitted to

Dr. MEHMET AĞA

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ABSTRACT

Analyzing financial statements is quite important for all organizations all around the world. All companies need these analyses to see their performances, if they are performing good or bad. The creditors need these analyses in order to see if the company is worth to give credit or if they are risky business and finally investors need these analyses to see the performance of the company they invested or to decide if the company is worth to invest.

The aim of this study is to analyze the financial statements of both Tuborg and Efes Pilsen companies, which trade in the brewing sector between the years 1999-2003 and decide which company is in a stronger position in the market.

From those analysis which was conducted the general conclusion that came out was that in year 2002 Tuborg was in a better position and Efes Pilsen had achieved better performance in 2003 and became more powerful and strong company in the market.

INTRODUCTION

The company's in the today's economy is trading globally and therefore they should make investment to whole world in order to be competitive and remain solvent in the market.

With the investment they make they take the share from all around the world and this investment make them to remain solvent with minimum risk, and be more profitable.

The aim of this is analyzing financial statements. The financial statement analysis shows how powerful is the company. It measures the internal parts of the company policies, strategies and policies for development.

Financial statements helps the investors to see the position of their company in which they are making investments also shows the creditors the position if they want to finance that company if they have any risks or not.

The detailed information about the company is obtained by calculating and evaluating the financial ratios. Financial ratios are the tools of analyzing the financial statements, and gives answers to any question regarding company performance.

This study aims to analyze the financial statements of Efes Pilsen and Tuborg for the last five years (1999-2003) and compare current performances with the past performances of the both companies.

Both Efes Pilsen is a Turkish company which has a powerful position in the Turkish brewery market and also trades globally.

Tuborg is originally a Denmark product and have joint venture in Turkey which has a powerful place in the Turkey's brewery market.

Both company's trade in the IMKB and informations used in this analysis are gathered from IMKB's web site.

The financial statement analysis of both companies is conducted under five stages.
The first part includes the background information of both Efes Pilsen and Tuborg.

In the second part, some definitions and approaches used in the financial statements are included. Balance Sheet, Income Statement, Statement of Stockholders Equity and Statement of Cash Flow are explained in detail in this part.

In the third part the tools which are used in analyzing the financial statements such as Trend Percentages Changes (horizontal analysis), Dollar and Percentage Changes Component Percentages (vertical analysis) and also Ratio Analysis are also explained in detail.

In the forth part the applications of all analysis is conducted, such as application of horizontal analysis, vertical analysis, ratio analysis, and dollar and percentage changes.

Finally in the fifth part the limitations which was faced when conducting the analysis took place and also the conclusions and recommendation can be seen there, which will help to understand the financial analysis more easily.

I. HISTORICAL BACKGROUNDS

1.1. Historical Background of Efes Pilsen

In 1969, Efes Pilsen was established as a brand of Anadolu Group, and the production had started in İstanbul and İzmir. Since then Efes Pilsen was the most drinking beer whole around Turkey.

Efes Pilsen is firstly becoming a brand in whole world. We are serving the taste of the Anadolu beer to English people, American people and to many more countries.

The chronological order of Efes Pilsen history;

1969- The firs factory was established in İstanbul by the Erciyas and Ege Biracılık.

1969- The factory in Izmir was established.

1971- Tabes ve Besicilik San ve Tic Aş. was established in Bilecik to provide the company hob they needed.

1973- Afyon Maltı Extract Factory was established in order to provide the beer factory the Maltı extract they needed for their production.

1977- Another factory in Adana.

1985- Anadolu Biracılık Malt ve Gıda San Aş, which has the largest production capacity in the whole world concerning with the producing of Malt Extract was established in Konya.

1986- The first tin beer was produced in the Izmir Factory.

1993- The first light beer in Turkey was produced.

1993- Efes Extra was produced for the market which require more harder beer.

1995- A new factory was established in Ankara.

1996- All packages were changed to be more healthy and safety.

1998- Lüleburgaz Beer Factory joint the group.

1998- Efes Dark was produced.

1999- 5lt production had started.

2000- All factories were jointed and formed Anadolu Efes.

2000- Miller Genuine Draft was joint to family.

2002- Beck joint to family.

1.2. Historical Background of Tuborg

Türk Tuborg ve Malt Sanayi Aş, was a joint venture was formed in year 1967 in Izmir by the Turkish investor Yaşar Holding and Tuborg Breweries.

The production had started in year 1969 by Türk Tuborg with the first private label "Tuborg", and started to sell it in the Turkey market.

In 2001, Carlsberg Breweries bought the shares of the Türk Tuborg and since then the company become the worlds no 1 in the brewery sector and started to trade in more than 140 countries and their production capacity enlarged as well.

The company has approximately 36 tons of Malt Extract and 300 million liters of beer production capacity in a year.

The company sells its products under the brands of; Carlsberg, Tuborg Gold, Tuborg Pilsener, Troy and Venus.

Türk Tuborg both trades in the Turkey and around the world.

Bimpas Aş., distributes the whole products of Turk Tuborg to all places around the Turkey which has 708 people working in the company.

II. FINANCIAL STATEMENTS

Financial statements from the basis for understanding the financial position of a business firm and for assessing its historical and prospective financial performance.
Financial statements have the capability of presenting clear representations of a firm's financial health, leading to informed business decisions.

There are four types of financial position, -assets, liabilities and stockholders' equity, -of a firm on a particular date, such as end of quarter or a year. The income statement presents the results of operations revenues, expenses and net profit or loss per share, for accounting period.
Statement of Stockholders' Equity shows the changes in all stockholders equity during the year.

The statement of cash flow provides information about the cash inflows and outflows from operating, financing and investing activities during an accounting period(Fraser, Ormiston,1994).

2.1. BALANCE SHEET

It balance sheet (or statement of financial position) presents the financial positions a business enterprise on a specific date. A balance sheet providence a historical summary of the following elements as defined by the Financial Accounting Standards Board. (FASB, Stamford, 1982) Assets, liabilities and owners equity. A balance sheet is basically a historical statement, because it shows the cumulative effect of part transactions or events.(Mosich, A. 1989)

The account balances on balance sheet must balance; that is, the total of assets must be equal to the sum of liabilities and stockholders equity. (Fraser, Orminston, 2001).

2.1.1. ASSETS

Assets are the resources of a business entity acquired in market transactions. Included are some cost factors that have been incurred which can reasonably be expected to benefit future periods.(Bierman, Drebin, 1979).

The future cash flows may come directly as the asset is converted into cash (collection of receivables) or indirectly as the asset is used in operating the business to create other assets that result in positive future cash flows (building and land used to manufacture a product of sale). Assets may have a definite physical form such as building, machinery, or an inventory of merchandise. Some assets exist not in physical or tangible form, but in the form of customers, investment in government bonds and patent rights.(Williams, Hakka, Bettner and Meigs, 10th edition, 2001, Mc GrewHill).

Assets section of balance sheet is dividend into two basic components. Assets are classified as current assets and non current assets on the basis of liquidity.

Current assets are cash and those other assets that will normally be converted into cash within a period of one year or one operating cycle, if it is longer than a year, current assets include such items as cash an hard or in the bank, amounts due from customers (accounts received materials, supplies or goods on hand inventories), readily marketable securities that are expected to be sold within one year and advance payments for insurance and rent.

Non-current assets are those assets that are not likely to be converted into cash in the normal operating cycle of the firm. Non-currents include land, buildings, and equipment. These items are normally expected to last more than one year and cannot be sold without disrupting the normal business operation. (Bierman, Drebin, 1974).

2.1.2. LIABILITIES

Liabilities are debts, and obligations of the business. They represent the negative future cash flows the organization. (Meig et al, 2001).

The terms are generally fixed by contract and have a definite due dates.

Most successful companies often purchase merchandise, supplies, and services "on account". Those liabilities arising from such purchases are called account payable.

Loans from banks, and notes payables are also regarded as liabilities. A note payable is a written promise to pay it in the future. Both accounts payables and notes payables are recorded separately in the balance sheet (Meigs et al, 2001).

The liabilities section is further divided on the basis of due date between current liabilities and non-current liabilities.

Current liabilities are those obligations that are to be paid within one year. Where as non-current are those coming due in more than one year (Bierman, Drebin, 1974).

2.1.3. OWNER EQUITY

Owners' equity represent the owner's claim on the assets of the business. Because creditors' claim have legal priority over those of owner; owner's equity is residual amount. If you are the owner of the business, you are entitled to assets that are left after the claims of creditors have been satisfied in full. Therefore owner's equity is always equal to total assets minus total liabilities.

Owners' equity does not represent a specific claim to cash or any other particular assets. Rather it is the owners' overall financial interest in the entire company.

Owners' equity increases by the investment of cash or other assets by owners and earnings from profitable operation of the business.

Owners' equity decreases by the payments of cash or transfers of other assets to owners and losses from unprofitable operation of the business.

2.2. INCOME STATEMENT

Income statement, also called the statement of earnings presents revenues, expenses and net income, and earnings per share for an accounting period generally a year or a quarter (Fraser, Ormiston, 1994).

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 (Meigs et al, 2001).

2.2.1. REVENUES

Revenue is the price of goods sold and services rendered during a given accounting period. Earning revenue causes owners' equity to increase.

Revenues are increases in the company's assets from its profit directed activities, and they result in a positive cash flows.

Thus revenue is the gross increase in owners' equity resulting from operations of business.

The realization principle indicates that the revenue should be recognized at the time of goods are sold or services are rendered (Meigs et al, 2001).

2.2.2. EXPENSES

Expenses are the costs of the goods and services used up in the process of earning revenue. Expenses are often called the "cost of doing business", that is the cost of 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 either;

(1.) a decrease in assets or

(2.) an increase in liabilities

The matching principle indicates the significant relationship exist between revenue and expenses. Expenses are incurred for the purpose of producing revenue. In measuring net income for a period, revenue should be offset by all expenses incurred in producing that revenue.

2.2.3. NET INCOME

Net income is an increase in owners' 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 overall effect of many business transactions on owners' equity.

Net income is the difference between revenues and expenses. Should of having expenses greater than revenues, the difference is called the net loss.

2.3. STATEMENT OF STOCKHOLDERS' EQUITY

Many corporations expand their statement of retainer earnings to show the changes during the year in all of the stockholders' equity accounts. It is not a required statement but is often prepared instead of statement of retained earnings. The statement list the beginning balance in each stockholders' equity accounts, explains the nature and amount of each change, and computes. The ending balance in equity accounts (Meigs et al, 2001).

2.4. STATEMENT OF CASH FLOW

The basic purpose of a statement of cash flow is to provide information about the cash receipts and cash payments of a business entity during the accounting period.

The statement is indented to provide information about the investing and financing activities of the company during the period.

A statement of cash flow assists investors, creditors and others in assessing such factors as:

- The company's ability to generate future cash flows in future periods
- The company's ability to meet its obligations and to pay dividends
- The company's need for external financing
- Reasons for differences between the amount of net income and the related net cash flows from operating activities.

- Both cash and non-cash aspects of the company's investment and financing transactions for the period.
- Causes of the change in the amount of cash and cash equivalents between the beginning and end of the accounting period (Meigs et al, 2001)

2.4.1. OPERATING ACTIVITIES

Operating activities result mainly from the day-to-day income-producing activities of the enterprise and include all transactions affecting cash that do not belong in the investing or financing category. Cash inflows include collections on account receivables and interest and dividend received on investment. Cash outflows include payments to suppliers for inventory and supplies, payments for interest on debt and payments for other cost of doing business (Mosich, 1989).

2.4.2. INVESTING ACTIVITIES

Cash flows fleeting to investing activities present the cash effect of transactions involving plant assets, intangible assets and investments.
Investing activities include;

1. Acquiring and selling or otherwise disposing of
   (a) Securities that are not cash equivalents and
   (b) productive assets that are expected to benefit the firm for a long periods of time and,
2. Lending Money and collection on loans.

2.4.3. FINANCING ACTIVITIES

Financing activities include borrowing form creditors and repaying the principal and obtaining resources from owners and providing them with the return on the investment (Iraser, Ormistor 1994).

III. RESEARCH METHODOLOGY

3.1. TOOLS OF ANALYSIS

3.1.1. Dollar and Percentage Changes

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 dollar change between the years by the amount for the base year.

In measuring the dollar of percentage change in quarterly sales or earnings, it is customary to compare the results of the current quarter with those of the same quarter in the preceding year. Use of the same quarter of the preceding year as the base period prevents our analysis from being distorted by seasonal fluctuations in business activity (Meigs et al, 2001).

3.1.2. Component Percentage (Vertical Analysis)

Component percentage indicate the relative size of each item included in total. 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 stockholders. By computing component percentages for several successive balance sheets, we can see which items are increasing in importance and which are becoming less significant.

Another application of component percentages is to Express all items in an income statement as a percentage of net sales (Meigs et al, 2001).

3.1.3. Trend Percentages (Horizontal Analysis)

The analysis of earnings always should cover several years, not only because of difficulty in measuring income year by year but also because it is important to know how a company performs in periods of prosperity and adversity.

One of the first things an analyst looks for is the revenue (sales) over a number of years. Arising turned of revenue is usually is a sign of expansion (Mosich, 1989).

Two steps is necessary to compute trend percentages. First, a base year is selected and each item in the financial statements for the base year is given the weight of 100%.
The second step is to Express each item in the financial statement for the following years as a percentage of its base year amount (Meigs et al, 2001).

3.1.4. Ratio Analysis

A ratio is a simple mathematical expression of relationship of one item to another. Every percentage may be views as ratio.

Ratio are important in understanding financial statement because they permit us to compare information from one financial statement from another financial statement. We might compare net income (taken from the income statement) which total assets (taken from the balance sheet) to see how effectively management is using available resources to earn profit.

With the help of the ratios, financial analysts constantly search for some Standard comparison against which to judge whether the relationship is favorable or unfavorable. Two such standards are (1) past performance of the company and (2) the performance of other companies in the same industry (Meigs et al, 2001).

3.1.4.1. Measurement of Short-Term Liquidity

Liquidity refers to a company's ability to meet its continuing obligations as they arise. Analyzing an enterprise's liquidity and credit risk is very important.

Current Ratio: Current ratio is a commonly used short-term solvency, the ability of a firm to meet its debts as they come due (Fraser, Ormiston,1994) ratio is computed as follows:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

The higher the current ratio, the more liquid the compare appears to be. Some bankers and other short-term creditors believed that a company should have a current ratio of 2 to 1 or higher to quality as a good a credit risk.

Quick Ratio: Quick ratio is also know as acid-test ratio. The quick ratio is more rigorous test of short-run solvency than the current ratio because the numerator eliminates investor, considered the least liqueur current assets and the most likely sources of losses (Fraser, Orminston, 1994). Quick ratio is computed as follows:

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

Quick ratios are especially useful in evaluating the liquidity of companies that have inventories of slow-moving merchandise (such as real estate), or inventories that have become excessive in size (Meigs et al, 2001).

Working Capital: Working capital is a measurement often used to express the relationship between current asset and current liabilities. Working capital is the excess of current assets over current liabilities. Working capital is computed as follows:

Working Capital= Current Assets – Current Liabilities

An analyst familiar worth the nature of company's operations usually can determine from the amount of working capital whether the company is inisoond of financial position of is heading for financial difficulties.

Receivable Turnover Rate: Accounts receivables turnover rate indicates how quickly the receivables are converted into cash. The accounts receivables turnover rate is compute as follows:

$$\text{Account Receivable Turnover Rate} = \frac{\text{Net Sales}}{\text{Avarage Accounts Receivable}}$$

Days to Collect Average Account Receivables: indicate in days how quick the account receivables are converted into cash. Days to collect average account receivables is computed as follows:

$$\text{Days To Collect Average Account Receivables} = \frac{365}{\text{Receivable Turnover Rate}}$$

Inventory Turnover Rate: Inventory Turnover rate indicates how many times during the year the company is able to sell a quantity of goods equal to its average inventory.
Inventory turnover rate is computed as follows:

$$\text{Inventory Turnover Rate} = \frac{\text{Cost of Goods Sold}}{\text{Avarage Inventory}}$$

Days to Sell Average Inventory: Days to sell average inventory indicates in day how quickly the inventory sell. Days to sell average inventory is computed as follows:

$$\text{Days to Collect Average Accounts Receivables} = \frac{365}{\text{Inventory Turnover Rate}}$$

Operating Cycle: Indicates in days how quickly cash invested in inventory converse back into cash. It is computed as follows: (Meigs et al, 2001)
Operating Cycle = Days to Sell Inventory + Days to Collect Receivables

Operating cycle helps the analyst understand why cash flow generation has improve or deteriorated by analyzing the key balance sheet account -accounts receivable, inventory and accounts payable- that affect cash flow from operating activities.

3.1.4.2. Measures of Long-Term credit Risk

Long term solvency ratios measure the arability of the enterprise to survive over a long-period of time Long-term creditors and stockholders are interested in a company's long-run solvency, particularly its arability to pay interest as it comes due and repay the face value of the debt at maturity.

Debt Ratio: Debt Ratio is one of the indicators of the amount of leverage used by a business. This ratio amount of leverage used by a business. This ratio measures the proportion of total assets financed by creditors, as distinguished from stockholders.
A high debt ratio indicates an extensive use of leverage that is, a large proportion of financing provided by creditors. Allow debt ratio, indicates that the business is making little use of leverage. Debt Ratio is computed as;

$$\text{Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Interest Coverage Ratio: Interest Coverage Ratio is an indicator of a company's ability to meet its interest payment obligations. It is computed as follows:

$$\text{Interest Coverage Ratio} = \frac{\text{Operating Income}}{\text{Annual Interes Expense}}$$

3.1.4.3. Measures of Profitability:

Measures of a company's profitability are of the interest to equity investor and management, anda re drawn primarily from the income statement (Meigs et al, 2001).

Profitability ratios measure the success of the firm in earning a net return on sales or on investment. Since the profit is an ultimate objective of the firm, poor performance indicate a basic failure that, if not corrected, could probably result in the firm's going out of business.

Percentage Changes: that is in net sales and net income. It is the rate at which a key measure is increasing or decreasing; the "growth rate"

$$\text{Percentage Changes} = \frac{\text{Dollar Amount of Change}}{\text{Financial Statement Amount in the Earlier Year}}$$

Gross Profit Rate: The grow profit rate is gross profit expressed as a percentage of net sales. Its a measure of the profitability of the company's products

$$\text{Gross Profit Rate} = \frac{\text{Gross Profit}}{\text{Net Sales}}$$

In evaluating the gross profit rate of particular company' the analyst should consider the rates earned in prior periods as well as the rate earned by other companies.

Operating Expense Ratio: is a measurement of managements ability to control expenses and is computed as follows:

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

Operating Income: Is a measure of the profitable of company's basic business activities and computed as follows:

Operating Income = Gross Profit – Operating Expenses

Net Income as a Percentage of Net Sales: An indicator of managements ability to control costs, and is computed as follows:

$$\text{Net Income as a Percentage of Net Sales} = \frac{\text{Gross Profit}}{\text{Net Sales}}$$

Earning Per Share: is net income applicable to each share of common stock and computed as follows:

$$\text{Earning Per Share} = \frac{\text{Net Income Preferred Stock Dividends}}{\text{Avarage no of Common Stock Shares Outstanding}}$$

Return on Assets: This ratio is used in evaluating whether management has earned a reasonable return with the assets under its control. The return on assets is computed as follows:

$$\text{Return on Assets} = \frac{\text{Operating Income}}{\text{Avarage Total Assets}}$$

Return on Equity: looks at the return earned by management on the stockholders' investment the ROE is useful in comparing the profitability of a company to other firms in the same industry. ROE is computed as follows:

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Avarage Total Equity}}$$

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

Price Earning Ratio: is a measure of investors' expectations about the company's future prospects and computed as follows:

$$\text{Price Earning Ratio} = \frac{\text{Current StockPrice}}{\text{Earning per Share}}$$

Dividend Yield: Dividends expressed as rate of return on the market price of common stock and comput as follows

$$\text{Dividend Yield} = \frac{\text{Net Income}}{\text{Avarage Total Equity}}$$

Book Value Per Share: is the recorded value of net assets underlying each share of common stock and computed as follows.

$$\text{Book Value per Share} = \frac{\text{Common Stockholders' Equity}}{\text{Shares of Common Stock Outstanding}}$$

IV. FINANCIAL STATEMENT ANALYSIS OF TUBORG

Financial statement for the year 1999, 2000, 2001, 2002, and 2003 is available for Tuborg company are with the light of these statement. I will try to make financial statement of Tuborg. These analysis will give us a broad information about the company if it is performing good or bad, and if it is profitable or unprofitable.

4.1. FINDINGS

4.1.1. Dollar and Percentage Analysis:

The dollar of any change is the differences between the amount for a companion year and the amount for base year. These analysis show the dollar and percentage changes for important item each year. While doing the calculations of dollar and percentage changes; net sales and net income will be used under taken from the income statement of Tuborg which will appear in appendix.

	2001	2000	1999	2001 Over 2000 Amount	2001 Over 2000 %	2000 over 1999 Amount	2000 over 1999 %
Net Sales	**45,500,687**	**27,038,843**	**16,332,678**	**18,461,844**	**40.60%**	**10,706,165**	**39.60%**
Net Income	**(13,911,738)**	**1,320,962**	**1,228,168**	**(15,232,700)**	**-**	**92,794**	**7.00%**

The above table shows us the computations loosed on the net sales and net income. When comparing the year 2000 over 1999, net sales increased by 39.6 %, and net income for the same year only increased by 7%. When comparing the years 2001 over 2000, the net sales increased by 18,461,844 million TL which is an increase of 40.6%. Net Income has decreased by 15,232,700 million TL, and as the base year is a negative number the percentage changes between 2001 over 2000 cannot be calculated.

	2003	2002	2001	2003 Over 2002 Amount	2003 Over 2002 %	2002 over 2001 Amount	2002 over 2001 %
Net Sales	73,929,724	75,843,213	45,500,687	(1,913,489)	(2.6)%	30,342,526	40%
Net Income	10,415,249	4,124,472	(13,911,738)	6,291,777	60.4%	18,036,210	437.3%

Net sales for the years 2002 over 2001 has increased by 40% and also when comparing the net income for the years 2002 over the performance of the company was excellent cause they managed to increase their net income by 437.3% which is a very good percentage. There is a 2.6% slight decreasing in net sales in the years 2003 over 2002, and net income for the same years has increased by 60.4%. But when compare with the previous period there is a decrease in the net income and, this 60.4% increase in net income is a result of a decrease in cost of the goods sold for that period.

4.1.2. Component Percentages (Vertical Analysis)

Component percentages (Vertical Analysis) indicate the relative size of each item as a percentage of gross sales in the income statement, while conducting the calculations of a vertical analysis; net sales, cost of sale, operating expense and net income will be used. Data needed to calculate component percentages has been obtained from the Tuborg's financial statement which are included in the appendix 1.

	2000	1999	2000	1999
Gross Sales	39,925,925	23,745,332	100%	100%
Sales Deduction (-)	(12,887,082)	(7,412,654)	(32.2)	(31.2%)
Net Sales	27,038,843	16,332,678	67.8	68.8%
Cost of Sale (-)	(23,200,035)	(14,991,725)	(58.1)	(61%)
Gross Profit (Loss)	3,838,808	1,840,953	9.6	7.7%
Operating Expenses (-)	(2,449,804)	(2,307,128)	(6.1)	(9.7%)
Profit (Loss) from Main Operations	1,389,004	(1,341,378)	3.5	(5.6)%
Income and Profit from other Operations(-)	2,760,542	5,022,876	6.9	21.1%
Expenses and Losses from other Operations (-)	587,936	584,630	1.5	2.5%
Financial Expenses (-)	(1,488,526)	(1,963,850)	(3.7)	(8.3)%
Operating Profit (Loss)	2,073,084	2,008,221	5.2	8.45%
Extra Ordinary Income and Profits	889,650	809,261	2.2	3.4%
Extra Ordinary Expenses and Losses (-)	(815,948)	(831,792)	(2.0)	(3.5)%
Income Before Taxation	2,146,789	1,985,690	5.4	8.4%
Taxation and Other Liabilities (-)	(825,824)	(757,522)	(2.1)	(3.2)%
Net Income (Loss)	1,320,962	1,228,168	3.3	5.2%

In year 1999 the net sales was 68.8% where in 2000 the net sales has decreased by 1% , and the cost of sale in year 1999 was 61% and the company managed to decrease their cost by 3% in the following year. The company again manage to decrease their operating expenses in 2000 by 3.6% when compared with 1999 which shows that the company had an effective cost management program.

But the company income and profit from other operations had decreased tremendously. Also the company managed to decrease its financial expenses in year 2000.

As a consequences of these changes the net income had decreased by 1.9 % in year 2000.

	2001	2000	2001	2000
Gross Sales	64,839,407	39,925,925	100%	100%
Sales Deduction (-)	(19,338,720)	(12,887,082)	(29,8)	(32.2)
Net Sales	45,500,687	27,038,843	70.2	67.8
Cost of Sale (-)	(46,747,456)	(23,200,035)	(72.1)	(58.1)
Gross Profit (Loss)	(1,246,778)	3,838,808	(1.9)	9.6
Operating Expenses (-)	(4,139,374)	(2,449,804)	(6.4)	(6.1)
Profit (Loss) from Main Operations	(5,386,152)	1,389,004	(8.3)	3.5
Income and Profit from other Operations(-)	19,632,603	2,760,542	30,3	6.9
Expenses and Losses from other Operations (-)	(6,584,389)	(587,936)	(10,1)	(1.5)
Financial Expenses (-)	(21,106,286)	(1,448,526)	(32.5)	(3.7)
Operating Profit (Loss)	(13,444,220)	2,037,084	(20.7)	5.2
Extra Ordinary Income and Profits	203,106	889,650	0.3	2.2
Extra Ordinary Expenses and Losses (-)	670,624	815,948	1.0	2.0
Income Before Taxation	(13,911,738)	2,146,786	(21.5)	5.4
Taxation and Other Liabilities (-)	-	829,824	-	2.1
Net Income (Loss)	(13,911,738)	1,320,962	(21.5)	3.3

The net sales was 67.8 % in year 2000 and with a 1.4% increase went up to 70.2% in year 2001, but the cost of sales had increased too much and become 72.1% which leads to a gross loss of 1.9% in year 2001. The operating expenses had almost staged the same. The good thing is the increase in the profit and income from other operations which was around 24%. But unfortunately the financial expenses had increased by 29%, which as a consequence the company made a loss of 21.5% in year 2001.

	2002	2001	2002	2001
Gross Sales	111,483,226	64,839,407	100%	100%
Sales Deduction (-)	(35,640,013)	(19,338,720)	(32.0)	(29.8)
Net Sales	75,843,213	45,500,687	68.0	70.2
Cost of Sale (-)	(67.043.909)	(46,747,465)	(60.1)	(72.1)
Gross Profit (Loss)	8,799,304	(1,246,778)	7.9	(1.9)
Operating Expenses (-)	(5,155,300)	(4,139,374)	(4.6)	(6.4)
Profit (Loss) from Main Operations	3,644,004	(5,386,152)	3.3	(8.3)
Income and Profit from other Operations	57,802,713	19,632,603	51.8	30.3
Expenses and Losses from other Operations	(2,799,511)	(6,584,385)	(2.5)	(10.1)
Financial Expenses (-)	(56,963,051)	(21,106,286)	(51.1)	(32.5)
Operating Profit (Loss)	1,684,155	(13,444,220)	1.5	(20.7)
Extra Ordinary Income and Profits	2,961,341	203,106	2.6	0.3
Extra Ordinary Expenses and Losses	(521,024)	(670,624)	0.5	(1.0)
Income Before Taxation	(4,124,472)	(13,911,738)	3.7	(21.5)
Taxation and Other Liabilities	-	-	-	-
Net Income (Loss)	4124472	(13,911,738)	3.7	(21.5)

In year 2002 the net sales had decreased by 2.2% to 68%. The cost of sales again decreased by 12% which shows an effective cost management. But again there was a rise in the financial expenses but with the recovering in the cost of sales the company had made a profit of 3.7% at the end of year 2002.

	2003	2002	2003	2002
Gross Sales	115,346,898	111,483,226	100%	100%
Sales Deduction (-)	(41,417,175)	(35,640,013)	(35.9)	(32.0)%
Net Sales	73,929,724	75,843,213	64.1	68.0%
Cost of Sale (-)	(64,291,110)	(67.043.909)	(55.7)	(60.1)
Gross Profit (Loss)	9,638,614	8,799,304	8.4	7.9
Operating Expenses (-)	(5,690,942)	(5,155,300)	4.9	(4.6)
Profit (Loss) from Main Operations	3,987,672	3,644,004	3.4	3.3
Income and Profit from other Operations	56,964,233	57,802,713	49.4	51.8
Expenses and Losses from other Operations	(2,117,689)	(2,799,511)	(1.8)	(2.5)
Financial Expenses (-)	(48,199,153)	(56,963,051)	(41.8)	(51.1)
Operating Profit (Loss)	10,635,063	1,684,155	9.2	1.5
Extra Ordinary Income and Profits	1,460,855	2,961,341	1.3	2.6
Extra Ordinary Expenses and Losses	(1,680,669)	(521,024)	1.5	0.5
Income Before Taxation	10,415,249	(4,124,472)	9.0	3.7
Taxation and Other Liabilities	-	-	-	-
Net Income (Loss)	10415249	4,124,472	9.0	3.7

The net sales had decreased to 64.1% by 4% but again with an effective cost management the company managed to decrease the cost of sale by 5% to 55.7 %. The financial expenses decreased as well which make company managed to increase their net profit to 9.0% by the year end.

4.1.3. Trend Percentages (Horizontal Analysis)

Trend percentages (horizontal analysis) is used to analyze the earning which cover the several years, and it is useful in analyzing the company's performance, not only by year by year but also in periods of prosperity and adversity. When calculating the trend percentages net sales, C.O.G.S and Gross Profit will be used from the income statement of Tuborg which appears in Appendix1.

	2003	2002	2001	2000	1999
Net Sales	**73,929,724**	**75,843,213**	**45,500,687**	**27,038,843**	**16,332,678**
C.O.G.S	**64,291,110**	**67,043,909**	**46,747,465**	**23,200,035**	**14,491,725**
Gross Profit	**9,638,614**	**8,799,304**	**1,245,778**	**3,838,808**	**991,840,953**

	2003	2002	2001	2000	1999
Net Sales	**452.6%**	**464.4%**	**278.6%**	**165.5%**	**100%**
C.O.G.S	**443.6%**	**462.6%**	**322.6%**	**160%**	**100%**
Gross Profit	**523.6%**	**478%**	**67.7%**	**208.5%**	**100%**

The year 1999 was accepted as a base year in all three situations. The net sales when compared with the base year had a steady increase and finally in year 2003 the company managed to increase its net sales by 452.6%. The C.O.G.S, again when compared with the base year had increased too much and went up to 443.6%, and finally the gross profit was 100% in the base year and then in year 2000 increased twice as much of the base year but in year but in year 2001 the company made a 2000 of 67.7% and then in year 20002 with a perfect improvement the company managed to increase its gross profit to 478% and finally in year 2003 this ratio went up to 523%.

4.1.4. Ratio Analysis

Ratio analysis shows the relationship between the selected items in the financial statements, which is a simple mathematical expression of relationship of one item to another.

There are four kinds of ratio measurements that we can calculate, but we will calculate the three of them which are; measurements of short-term liquidity, measurements of profitability. All the that which was used in those calculations were taken from the Tuborg's Financial Statements which appear in Appendix 1.

	1999	2000	2001	2002	2003
Current Assets	16084276	21712638	44735503	147461950	161020300
Current Liabilities	13363104	15885281	57781225	148844645	179146833
Current Ratio	1.26	1.37	0.77	0.99	0.90

Current ratio should be at least 2 or more to be acceptable by creditors and financial institutions so that they can easily lend money to the company. This ratio shows the short-term debt paying ability of the company. But from the table it can be seen that the company's current ratios was not good and below the average of 2 and this shows that the company is a risky company in the eyes of the creditors.

	1999	2000	2001	2002	2003
Current Assets	11153470	14668 262	32851270	130172743	132860134
Current Liabilities	13363104	15885281	57781225	148844645	179146833
Current Ratio	0.83	0.92	0.57	0.87	0.74

The quick ratio measure the short-term debt paying ability of the company and this ratio should be at least 1 or more to be acceptable by the creditors. The quick ratio except the year 2001 which was 0.57 was close to the average and these measurements can show that the company's position was better in quick ratio.

	1999	2000	2001	2002	2003
Current Assets	**16084276**	**21712638**	**44735503**	**147461950**	**161020300**
Current Liabilities	**13363104**	**15885281**	**57781225**	**148844645**	**179146833**
Current Ratio	**2721172**	**5827357**	**(13045722)**	**(1382695)**	**(18126533)**

Working capital shows the excess current asset (if any) after will the debt payments. The current assets were increased year by year but in year 2001, 2002 and 2003 this increase was very high which was in favor of the company but with an increase in current assets the current liabilities also increased but specially in years 2001, 2002, and 2003 they increased more than the current assets therefore the debts of the company exceed their belongings and this situation is not in the favor of the company.

	1999	2000	2001	2002	2003
Net sales	**16332678**	**27038843**	**45500687**	**75843013**	**73929724**
Average account receivable	**9147797**	**21943306**	**23672019**	**82806089**	**131481414**
Receivables turnover rate	**1.8**	**1.2**	**1.9**	**0.9**	**0.6**

We calculate the receivables turnover rate in order to be able to calculate the days to collect the average accounts receivables. If this rate is high then the company collects its accounts receivables quicker, but if this rate is low then it will take longer period to collect the accounts receivables.

In this situation the company has low rates therefore it will take company to collect its accounts receivables a longer period.

	1999	2000	2001	2002	2003
Days	365	365	365	365	365
Inventory turnover rate	1.8	1.2	1.9	0.9	0.6
Days to sell average inventories	202.8	304.2	192.1	405.6	608.3

As the account receivables turnover rates for the years was very low then the outcomes of days to collect accounts receivables were very high in year 1999. the company needed 208 days and in year 2001 the company 192.1 days but year 2003 was the worst year and company needs 608.3 days collect it accounts receivable, and this situation is not favorable for the company.

	1999	2000	2001	2002	2003
COGS	14491725	23200035	46747465	67043909	64291110
Avarage Inventories	2217754	4109621	6561113	9273796	12795599
Inventory Turnover Rate	6.5	5.6	7.1	7.2	5.0

The ratio is calculated in order to show how many times a year the company will be able to sell a quantity of goods equal to its average inventory. if this ratio is high then it means that the company will be able to sell its inventory quicker if it is low then it will take a certain time to sell the inventory. In year 1999 this ratio was 6.5 and then it decreased year 2002 by in year 2001 and 2002 this ratio was in an increasing trend and finally in year this ratio decrease to 5.0 which was at the lowest rate compared with the previous years.

	1999	2000	2001	2002	2003
Days	**365**	**365**	**365**	**365**	**365**
Inventory turnover rate	**6.5**	**5.6**	**7.1**	**7.2**	**5.0**
Days to sell average inventories	**56.1**	**65.2**	**51.4**	**50.7**	**73**

This ratio shows how quick the company can manage to sell its inventory and in this case in year 1999 the company only needed 56.1 days to sell its inventory, but as a result in the low inventory turnover rate in year 2003 the company needed 73 days to sell its inventory.

	1999	2000	2001	2002	2003
Days To Collect Account Receivable	202,8	304,2	192,1	405,6	608,3
Average Inventory	56,1	65,2	51,4	50,7	73
Inventory Turnover RATE	258,9	369,4	243,5	456,3	681,3

The Operating Cycle shows in days how quickly the cash is invested in inventory converts back in to cash. In year 1999 the operating cycle of the company was only 258.9 days where this amount had increased and finally in year 2003 the operating cycle was 681.3 days and again this was not in the favor of the company.

	1999	2000	2001	2002	2003
Total Liabilities	14.132,778	21.475,145	61.994,404	225.841,585	285.705,320
Average Inventory	24.757,444	36.595,669	178.673,894	190.920,369	12.795,599
Inventory Turnover RATE	0.6	0.6	0.9	1.3	1.5

Debt ratio is total liabilities as a percentage of total assets and measures the creditor safety and risk in the long term liquidity. The smaller portion of total assets financed by creditors, this smaller risk of business may became an able to pay its debts.

The maximum of 50% is in favor of the company is acceptable by the creditors. when we look the table, we can see that in years 1999 and 2000 the company had 0.6 or 60 % debt ratio which was quite close to the accepted rate but in the following years this ratio increased so high that no creditor will want to borrow money to the company in such a situation as in year 2003 this rate went up to 150% which was the triple of the maximum amount.

	1999	2000	2001	2002	2003
Gross Profit	1.840,953	3.838,808	(1.246,778)	8.799,304	9.638,614
Net Sales	16.332,678	27.038,843	45.500,687	75.843,213	73.929,724
GROSS PROFIT RATE	11.3 %	14.2 %	-	11.6 %	13.1 %

The gross profit rate is a measurement of the companies profitability and is the gross profit expressed as a percentage of net sale.

The gross profit rate was 11.3% in year 1999 and then it increased to 14.2% in year 2000. The year 2001 couldn't be calculated as there was no gross profit, in year 2000 the company had made a gross loss and the next year the company managed to increase it rate to 11.6 and finally in 2003 this rule increased up to 13.1%.

	1999	2000	2001	2002	2003
Operating Expenses	2.307,128	2.449,804	4.193,374	5.155,300	5.650,942
Net Sales	16.332,678	27.038,843	45.500,687	75.843,213	73.929,724
OPERATIN EXPENSE RATIO	14.1 %	9.1 %	9.1 %	6.8 %	7.6 %

Operating expense ratio is the proportion of expenses to the net sales. The lower this ratio is in favor of the company. In year 1999 this ratio was it highest level and was 14.1% and then in year 2000 and 2001 this ratio was lowered to 9.1 % and then it decreased to 7.6% in year 2003 which proves that the management had managed to keep their expense a the minimum level.

	1999	2000	2001	2002	2003
Net Income	1.228,168	1.320,962	(13.911,738)	4.124,472	10.415,249
Net Sales	16.332,678	27.038,843	45.500,687	75.843,213	73.929,724
OPERATING EXPENSE RATIO	7.5 %	4.9 %	-	5.4 %	14.1 %

Net income as a percentage of net sales indicates the proportion of net sales reported as net income. This ratio was 7.5% in year 1999. and then started to decrease in year 2000 and 2001 the company made a loss therefore we couldn't calculate this ratio and in 2001 the company started to cover and finally in year 2003 this ratio went up till 14.1%.

	1999	2000	2001	2002	2003
Gross Profit	1.840,953	3.838,808	(1.246,778)	8.799,304	9.638,614
Operating Expenses(-)	2.307,128	2.449,804	4.139,374	5.155,300	5.650,942
OPERATING INCOME	(466.175)	1.389,004	(5.386,152)	3.644,004	3.987,672

Shows the relationships between revenue earned from customers and expenses in incurred the producing that revenue. From the table it can be seen that in year 1999 the company made a loss 466.175 and then in year 2000 the company managed to made a profit and in year 2001 again there was a loss of 5.386.152 and in years 2000 and 2003 the company recovered and made profit.

	1999	2000	2001	2002	2003
Operating Income	(466.175)	1.389,004	(5.386,152)	3.644,004	3.987,672
Avarage Total Assets	19.580,823	30.676,557	51.872,983	146.495,941	255.773,453
Return On Assets	-	4.5 %	-	2.5 %	1.6 %

Is a measure of productivity of assets regardless how assets are financed. the general agreement Between the financial analyst is the 15% or more return on average total assets is successful. In the situation of the company in year 1999 as there was a loss we couldn't calculate the ROA but in year 2000 ,2002, and 2003. The ratios was very far below the average of 15 % which is unfavorable for the company.

	1999	2000	2001	2002	2003
Net Income	1.228,168	1.320,962	(13.911,738)	4.124,472	10.415,249
Average Total Equity	9.015,068	12.872,595	10.138,208	26.161,792	70.976,321
RETURN ON EQUITY	13.6 %	10.3 %	-	15.8 %	14.7 %

Return on equity is a ratio which observes the amount earned by management by the investment of stockholders. The minimum amount of return expected by the stockholders is 12% in which the company accept year 2000 and 2001 managed to catch up this ratio. Only in year 2001 as the net income was a negative number we couldn't calculate this ratio.

IV. FINANCIAL STATEMENT ANALYS OF EFES PILSEN

Financial statements for the years 1999, 2000,2001, 2002, and 2003 is available for Efes Pilsen company and with light this statement ı will try make financial statement analysis for Efes Pilsen. These analysis will give us a broad information about the company if it is performing good or bad, and if it is profitable or unprofitable.

4.2 Findings

4.2.1. Dollar and Percentage Analysis

The dollar amount of any change is the difference between the dollar amount for a comparison year and the amount for base year. These analyze shows the dollar and percentage changes for important item each year. While doing the calculation of dollar and percentage change; net sales, net income will be used and are taken from the income statement of Efes Pilsen which will appear in appendix 2.

	2001	2000	1999	2001 Over 2000 Amount	2001 Over 2000 %	2000 Over 1999 Amount	2000 Over 1999%
Net Sales	8.148,130	5.361,902	2.159,331	2.786,228	51.9	3.202,571	148.3
Net Income	(4.273,831)	1.140,671	1.276,429	(5.424,502	-	(135.758)	(10.6)

Form the table the competition concerning net income and net sales can be seen. When comparing the year 2000 over 1999 net sales had increased by 148.3% but net income had decreased by 10.6%. when comparing the years 2001 over 2000 the net sales of 4,273,831 in year 2001. Therefore we couldn't calculate the percentage change in the net income.

	2003	2002	2001	2003 Over 2002 Amount	2003 Over 2002 %	2002 Over 2001 Amount	2002 Over 2001 %
Net Sales	7.689,531	8.704,718	8.148,130	(1.015,187)	(11.7)	556.588	6.8 %
Net Income	122.366	886.210	(4.273,831)	(763.754)	(86.2)	5.160,041	-

Form the table the computations concerning net income and net sales can be seen. When comparing the year 2002 over 2001 net sales and increased by 6.8%. where as there was a loss in this years the net income percentage couldn't be calculated. But the net income had increased by 5.160.041.

In the years 2003 over 2002 the net sales decreased by 11.7% but there was 86.2% decrease in the net income.

4.2.2 Component Percentage (Vertical Analysis)

Component percentages (vertical analysis) indicate the relative size of each item as a percentage of gross sale in the income statement. While conducting the calculations of vertical analysis net sale, cost of sales, operating expense, and net income will be used. Data needed to calculate component percentage has been obtained from the Efes Pilsen's Financial statements which included in the appendix 2.

	2000	1999	2000	1999
Gross Sales	5.361,902	2.159,331	100 %	100 %
Sales Deduction(-)	-	-	-	-
Net Sales	5.361,902	2.159,331	100 %	100 %

Cost Of Sales(-)	(3.472,037)	(787,408)	(64.7)	(36.5 %)
Gross Profit (Loss)	1.889,865	1.371,923	35.3	63.5
Operating Expenses (-)	(3.258,738)	(2.961,999)	(60.8)	(137.2)
Profit (loss) From Main Operations	(1.368,873)	(1.590,076)	(25.5)	73.6
Income and Profit from Other Operations	4.860,189	7.950,334	90.6	368.2
Expenses and Losses from Other Operations	(2.199,618)	(4.727,565)	41.0	(219)
Financial Expenses (-)	(18.942)	(72.468)	(3.5)	(3.3)
Operating Profit (Loss)	1.272,756	1.560,225	23.7	72.3
Extra Ordinary Income and Profits	108.314	68.567	2.0	3.2
Extra Ordinary Income and Losses	(110.532)	(226.271)	(2.1)	(10.5)
Income Before Taxation	1.270,538	1.402,521	23.7	64.9
Taxation and Other Liabilities(-)	(129.867)	(126.092)	(2.4)	(5.8)
Net Income (Loss)	1.140,671	1.276,429	21.3	59.1

In year 1999 the cost of the sales was 36.5% but this increased to 64.7% which is not good for a company and the gross profit decreased by 28% in year 2000. The company managed to decrease its operating expense more than half where this is in favor of the organization. As a consequences of these activities the company's net profit had decreased from 59.1% to 21.3 % almost by 38%.

	2001	2000	2001	2000
Gross Sales	8.148,130	5.361,902	100 %	100 %
Sales Deduction(-)	-	-	-	-
Net Sales	8.148,130	5.361,902	100 %	100 %
Cost Of Sales(-)	(5.306,954)	(3.472,037)	(65.1)	(64.7)
Gross Profit (Loss)	2.841,176	1.889,865	34.9	35.3
Operating Expenses (-)	(5.555,744)	(3.258,738)	(68.2)	(60.8)
Profit (loss) From Main Operations	(2.714,568)	(1.368,873)	(33.3)	(25.5)
Income and Profit from Other Operations	14.996,973	4.860,189	184.0	90.6
Expenses and Losses from Other Operations	(16.333,963)	(2.199,618)	200.0	41.0
Financial Expenses (-)	(302.814)	(18.942)	(3.7)	(3.5)
Operating Profit (Loss)	(4.354,372)	1.272,756	(53.4)	23.7
Extra Ordinary Income and Profits	698.360	108.314	8.6	2.0
Extra Ordinary Income and Losses	(617,819)	(110,532)	(7.6)	(2.1)
Income Before Taxation	(4.273,831)	1.270,538	(52.4)	23.7
Taxation and Other Liabilities(-)	-	(129.867)	-	(2.4)

Net Income (Loss)	(4.273,831)	1.140,671	(52.4)	21.3

The sales almost remained the same the operating expenses again increased, increased to 68.2%. The income and profit from other operations increased by 94% but the expenses and losses from other operations had increased by 159%, which leads the company made loss of 52.4% at the end of year 2001.

	2002	2001	2002	2001
Gross Sales	8.704,718	8.148,902	100 %	100 %
Sales Deduction(-)	-	-	-	-
Net Sales	8.704,718	8.148,902	100 %	100 %
Cost Of Sales(-)	(5.673,269)	(5.306,954)	(65.2)	(65.1)
Gross Profit (Loss)	3.031,449	2.841,176	34.8	34.9
Operating Expenses (-)	(3.989,959)	(5.555.744)	(45.8)	(68.2)
Profit (loss) From Main Operations	(958,510)	(2.714,568)	(11.0)	(33.3)
Income and Profit from Other Operations	4.687,672	14.996,973	53.8	184.0
Expenses and Losses from Other Operations	(3.495,905)	(16.333,943)	(40.2)	200.0
Financial Expenses (-)	(65.192)	(302.814)	(0.7)	(3.7)
Operating Profit (Loss)	168.065	(4.354,372)	1.9	(53.4)
Extra Ordinary Income	774.722	698.360	8.9	8.6

and Profits				
Extra Ordinary Income and Losses	(56.577)	(617.819)	(0.6)	(7.6)
Income Before Taxation	886.210	(4.273,831)	10.2	(52.4)
Taxation and Other Liabilities(-)	-	-	-	-
Net Income (Loss)	886.210	(4.273,831)	10.2	(52.4)

There is no change in cost of sales the operating management decreased by 13% which shows on effective cost management of the company's managers. The expenses and losses from other operations had decreased by 240% which is in favor of the organization, again financial expenses had decreased by 3% and as a consequence of an effective cost management the company managed to make a profit in year 2002 around 10.2%.

	2003	2002	2003	2002
Gross Sales	7.689,531	8.704,718	100 %	100 %
Sales Deduction(-)	-	-	-	-
Net Sales	7.689,531	8.704,718	100 %	100 %
Cost Of Sales(-)	(5.189,092)	(5.673,269)	(67.5)	(65.2)
Gross Profit (Loss)	2.500,439	3.031,449	32.5	34.8
Operating Expenses (-)	(2.291,049)	(3.989,959)	(29.8)	(45.8)
Profit (loss) From Main Operations	209.390	(958.510)	2.7	(11.0)
Income and Profit from Other Operations	2.126,694	4.687,672	27.6	53.8
Expenses and Losses	(5.529.372)	(3.495,905)	(32.9)	(40.2)

from Other Operations				
Financial Expenses (-)	(30.290)	(65.192)	(0.4)	(0.7)
Operating Profit (Loss)	(223,578)	168.065	(2.9)	1.9
Extra Ordinary Income and Profits	1.873,468	774.722	24.4	8.9
Extra Ordinary Income and Losses	(1.527,524)	(56.577)	(19.9)	(0.6)
Income Before Taxation	122.366	886.210	1.6	10.2
Taxation and Other Liabilities(-)	-	-	-	-
Net Income (Loss)	122.366	886.210	1.6	10.2

Cost of sales increased by 2 % operating expenses almost decreased by half but extraordinary expenses and losses increased by 19.3% which eventually made the company's profit amount to go down. Again in year 2003 the company made a profit of 1.6% but when compared with 2002, this amount had decreased by 8.6%.

4.2.3. Trend Percentages (Horizontal Analysis)

Trend percentages (horizontal analysis) is used to analyze the earnings which covers the several years and it is useful in analyzing the company's performance, not only by year by year but also in periods of prosperity and adversity when calculating the trend percentages (horizontal analysis) Net sales, C.O.G.S and gross profit will be used from the income statement of Efes Pilsen which appears in Appendix 2.

....	2003	2002	2001	2000	1999
Net Sales	7.689,531	8.704,718	8.148,130	5.361,902	2.159,331
C.O.G.S.	5.189,092	5.673,269	5.306,954	3.472,037	787.408

GROSS PROFIT	2.500,439	3.031,449	2.841,176	1.889,865	1.371,923

....	2003	2002	2001	2000	1999
Net Sales	356.1	403.1	377.4	248.3	100 %
C.O.G.S.	659.0	720.5	674.0	440.9	100 %
GROSS PROFIT	182.3	221.0	207.1	137.8	100 %

The year 1999 was accepted as a base year in all three situations. The net sales when compared with the base year had a come up to the maximum rate which was 403.1 and in year 2003 this rate had increased around 50 % and decreased to 356.1%.

In C.O.G.S there was a tremendous increased which is not in favor of the organization and which showed that the organization didn't have good cost effective management. The C.O.G.S had increased up to 720.5 n year 2000 when compare with the base year and again in year 2003 the management again managed to decrease this ratio in 659.0%.

The gross profit when compare to base year had increased up to 221% in year 2002 but again in year 2003 there was a decrease around 40 % and the gross profit become 182.3%

4.2.4. Ratio Analysis

Ratio analysis shows the relationships between the selected items in the financial statement, which is a simple mathematic expressions of one item to another

There are four kinds of ratio measure that we calculate but we will calculate the three of them which are; measurement of short-term liquidity, measurement of long-term liquidity and lastly the measurement of profitability.

All that are used in these calculations were taken from the Efes Pilsens financial statement which appear in Appendix 2.

	2003	2002	2001	2000	1999
Current Assets	7.827,221	10.160,864	17.499,842	11.775,065	13.905,061
Current Liabilities	2.545,308	3.984,587	3.982,256	2.271,240	1.229,502
CURRENT RATIO	3.07	2.55	4.39	5.18	11.31

Current ratio should be at least 2 or more to be acceptable by creditors and financial institutions so that they can easily lend money to the company this ratio shows the short-term debt paying ability to the company. From the table it can be seen that in year 1999 this ratio was 11.31 which shows that Tuborg's performance was outstanding and there was no problem indebt paying ability. In the following years this ratio had decreased but despite the decrease still in 2003 the company had 3.07 ratio which is still above the average of 2 which provide that the company can be trustful in paying its debts in the short term.

	1999	2000	2001	2002	2003
Quick Assets	13.025,236	10.794,317	16.376,532	6.995,686	9.045,736
Current Liabilities	1.229,502	2.271,240	3.982,256	3.984,587	2.545,308
QUICK RATIO	10.59	4.75	4.11	1.75	3.55

The quick ratio measures the short term debt paying ability of the company and this ratio should be at least 1 or more to be acceptable by the creditors. The quick ratio in year 1999 was at its highest rate which was 10.59 which proved that the company was in a very strong position but in the following years this ratio was decreased up to 1.75 which still make the company a powerful one and in year 2003 this ratio increased up to 3.55 which again showed that the ratio was 3.55 times higher up the required 1.0 and proved that the company still is a powerful one in short term debt paying ability.

	1999	2000	2001	2002	2003
Current Assets	13.905,061	11.775,065	17.499,842	10.160,864	7.827,221
Current Liabilities	1.229,502	2.271,240	3.982,256	3.984,587	2.545,308
WORKING CAPITAL	12.675,559	9.503,826	13.517,586	6.176,277	5.281,913

Working Capital shows the excess current assets (if any) after all the debt payments. The current assets had up and down fluctuations between the years 1999 to 2003 and the working capital was at its maximum level at year 2001 and then this ratio had decreased in year 2002 and 2003 due to the decrease in current assets.

	1999	2000	2001	2002	2003
Net Sales	2.159,331	5.361,902	8.148,130	8.704,718	7.689,531
Average Accounts Receivable	5.226,771	9.463,292	11.832,908	10.114,083	5.519,659
RECEIVABLE TURNOVER RATES	0.4	0.6	0.7	0.9	1.4

The receive turnover is calculated in order to be able to calculate the days to collect the average account receivables. If this rate is high then the company collects its receivables more quicker, but if this rate is low then it will take a longer period to collect it accounts receivables. In this situation the accounts receivables turnover rate was very low at the beginning and then it has started to rise and this condition is in favor of the organization.

	1999	2000	2001	2002	2003
Days	365	365	365	365	365
Receivable Turnover Rates	0.4	0.6	0.7	0.9	1.4
Days to Collect Accounts Receivable	913	608	521	406	261

As the accounts receivable turnover rates for the years was very low then the outcomes of days to collect accounts receivables were very high. In year 1999 the company needed 913 days and this situation is not favorable for company.

	1999	2000	2001	2002	2003
C.O.G.S	2.159,331	5.361,902	8.148,130	8.704,718	7.689,531
Average Inventory	69.616	66.811	2.078	-	14.061
Inventory Turnover Rate	31	80.2	39.21	-	547

This ratio is calculated in order to show how many times a year the company will be able to sell a certain quantity of good equal to its average inventory. If this ratio is high then it means that the company will be able to sell its inventory quicker, if its low it will take a certain time to sell the inventories.

In this case the company started with very low ratio in year 1999 then ratio increased tremendously in year 2001 and in year 2002 as the company didn't have any investment this ratio couldn't be calculated and finally in year 2003 this ratio decreased to 547.

	1999	2000	2001	2002	2003
Days	365	365	365	365	365
Inventory Turnover Rates	31	80.2	2.078	-	547
Days to Sell Average Investing	12	4.6	0.1	-	0.7

This ratio shows how quickly the company can manage to sell its inventory and in this case in year 1999 the company needed 12 days to sell its inventory and in year 2001 the company only needed 0.1 days to sell its inventory and in year 2002 we couldn't calculate as we don't have any inventory turnover fate and finally in year 2003 this increased up to 0.7 days.

	1999	2000	2001	2002	2003
Days	913	608	521	406	261

Inventory Turnover Rates	12	4.6	0.1	-	0.7
Days to Sell Average Investing	925	612.6	512.1	406	261.7

The operating cycle shows in days how quickly the cash invested is invested in inventory convert back into cash.

In year 1999 the operating cycle of the company was very high and it was 925 days and there was a steady decrease and finally in year 2003 the operating cycle of the company was become 261.7 days.

	1999	2000	2001	2002	2003
Total Liabilities	1.263,421	2.332,225	4.024,553	4.098,770	2.768,204
Total Assets	21.403,433	23.659,107	31.487,880	32.504,655	31.348,235
Debt Ratio	0.06	0.09	0.13	0.13	0.09

Debt ratio is total liabilities as a percentage of total assets and measures the creditors safety and risk in the long term liquidity. The smaller the portion of total assets financed by creditors, smaller risk of assets financed by creditors, the smaller the risk of business may become unable to pay its debts. The maximum of 50 % is in favor of the company and is acceptable by the creditors. When we evaluate this table we can observe that this ratio was 6% in year 1999 and went up to 13% in year 2001, 2002, and in year 2003. This ratio again fall to 9%. Therefore the Tuborg company is in a good position in the eye of the creditors and investors.

	1999	2000	2001	2002	2003
Gross Profit	1.371,923	1.889,865	2.841,176	3.031,449	2.500,439
Total Assets	2.159,331	5.361,902	8.148,130	8.704,718	7.689,531
Debt Ratio	0.64	0.35	0.35	0.35	0.33

This gross profit rate is a measure of the company's profitability and is the gross profit expressed as a percentage of net sales. The gross profit rate was 64% in year 1999 which was a very good position for the company and in year 2000 this rate decreased almost by half to 35% and in years 2001 and 2002 stayed the same, and finally in year 2003 this rate had decreased by 2% to 33%.

	1999	2000	2001	2002	2003
Operating Expenses	2.961,999	3.258,738	5.555,744	3.989,959	2.291,049
Net Sales	2.159,331	5.361,902	8.148,130	8.704,718	7.689,531
Operating Expense Ratio	1.4	0.61	0.69	0.46	0.30

Operating expenses ratio is the proportion of expenses to the net sales. The lower this ratio is in favor of the company in year 1999 this ratio was 140% and was very high and then in the following years the ratio fall to 61% and finally with the steady decrease this ratio fall down to 30% which is good for the company.

	1999	2000	2001	2002	2003
Net Income	1.276,429	1.140,671	(4.273,831)	886.210	122.366
Net Sales	2.159,331	5.361,902	8.148,130	8.704,718	7.689,531
Net Income As a Percentage of Net Sales	0.59	0.21	(0.52)	0.10	0.02

Net income as a percentage of net sales indicates the proportion of net sales reported as net income. This ratio was 59% in year 1999 and then the next year in 2000 this ratio fall to 21% and in year 2001 as the company made a net loss this ratio went down to (52%), and with a recovery in the next year 2002 this ratio again went up to 10% and finally in year 2003 again this ratio went down to 2%.

	1999	2000	2001	2002	2003
Gross Profit	1.371,923	1.889,865	2.841,176	3.031,449	2.500,439
Net Sales	2.961,999	3.258,738	5.555,744	3.989,959	2.291,049
Operating Expense Ratio	(1.590,076)	(1.368,873)	(2.714,568)	(958.510)	209.390

This ratio shows the relationship between revenue earned from customers and expenses incurred in producing that revenue. In year 1999 the operating income was 46%, and in the following year. This ratio increased to 58% but in year 2001 this ratio increased to 58% but in year 2001 this ratio decreased to 51% and then it started to increase in 2002 and finally in year 2000 this ratio came up to 109% which is a very good thing for the company.

	1999	2000	2001	2002	2003
Operating Income	1.560,225	1.272,756	(4.354,372)	168.065	(223.578)
Average Total Assets	20.509,631	22.531,270	27.573,494	31.996,268	31.926,445
Return On Assets	0.08	0.06	(0.16)	0.005	(0.007)

Is a measure of productivity of assets regardless how assets are financed. The general agreement between financial analysis is that 15% or more return on assets is successful. In this situation in year 1999 this ratio was 8% and in the next year fall to 6% and as there was a loss in operating *income this ratio want to minus ratios in year 2002 with a little recover this ratio increased to 0.5%* but finally in year 2003 this ratio again fall down, which shows that from 1999-2003 all the ratios was below the average which is unfavorable for the organization.

	1999	2000	2001	2002	2003
Net Income	1.276,429	1.140,671	(4.273,831)	886.210	122.366
Average Total Assets	18.978,656	20.733,447	24.395,105	27.934,606	28.492,958
Return On Assets	0.07	0.05	(0.2)	0.03	0.004

Return on Equity is a ratio which observes the amount earned by management by the investment of stockholders. The minimum of return expect by the stockholder's is 12% in which the company couldn't manage to reach this minimum percentage. The maximum ratio that they managed was in 1999 7%.

V. LIMITATIONS

Efes pilsen and Tuborg, both are very large companies in Turkey. Both hold the most of the market in Turkey and also both trade globally and they make investment in order countries as well.

Very detailed information from the websites of both companies regarding their products can be found but financial information regarding their current market position, their articles, their shares in the stock market was not given in their web sites.

Most these information which can be found in the appendix 1 and appendix 2 were found from other resources and with these limited information it made it actually difficult to calculate some of the ratios. Earning per share dividend yields, book value per share couldn't be calculated due to this reason, in order to calculate them the other components are necessary. Therefore if more information would be able to obtained from their own web sites then more detailed report would be prepared. More detailed report would also give a chance to analyze more deeply the market.

CONCLUSIONS AND RECOMENDATIONS

The financial statement analysis is needed by the creditors investors and organization itself. The creditors need it in order to see if the company is risky business or not the investors need it to see if the company is worth to invest and the organization needs it in order to see if they are making profit or not and they use if , making their decisions, set up their strategies and to see if the achieved their target.

The project is categorized under three sections. Research methodology section and analysis of financial statement of both Efes Pilsen and Tuborg beers, in order to feet all the necessary financial information about both companies.

Both, companies, Efes Pilsen and Tuborg are in the brewery industry in Turkey. Earlier in the project all the calculations concerning the performances of each company had been made but these are not sufficient to understand the position of each company in Turkey regarding its competitors.

Comparison of both companies financial analysis with each other will give a clear understanding of their position and performances.

In the comparison part Dollar and Percentage changes. Trend Analysis (Horizontal Analysis), Component Percentages (Vertical Analysis), and Ratio Analysis with short-term liquidity, long-term liquidity and profitability measurement ratios.

The calculations of Tuborg can be found in Appendix 1 and the ones for Efes Pilsen in Appendix 2.

At the beginning, I have started to make the vertical analysis of Tuborg by comparing it with Efes Pilsen for the year 2002. Vertical analysis process is calculated with the use of the income statement and its components such as net sales, cost of the goods sold, operating expenses, financial expenses and net income.

Starting with net sales it was observed that Tuborg had 64.1% net sales where Efes Pilsen had 100% net sales which showed had Efes had more sales than Tuborg in year 2003.

The cost of the goods sold were recorded as 55.7% by Tuborg and 67.5% by Efes Pilsen. Which showed that Tuborg had cheaper cost and effective cost management programs. The operating expenses of both companies were 4.9% for Tuborg and 29.8% for Efes Pilsen. Again Tuborg had an effective cost management where it makes the company more profitable one. The financial expenses of Efes Pilsen then component t Tuborg was quite a low, it had 0.4% expenses where Tuborg had 41.8% which puts the company in a liquidity problem.

The conclusion of this activities is net profit less, both companies manage to make a profit at the end of the year 2003 but Tuborg achieved a better result with 9%, where Efes Pilsen only had 1.4% profit, and the reason for the this success is the effective cost management of the organization's of the managers.

Trend percentage (horizontal analysis) of both companies was conducted. In order to do these net sales cost of goods sold, and gross profit was analyzed and year 1999 was taken as a base year. Tuborg had an increasing trend in net sales and in 1999, started with 100% and finally ended with 452.6% in year 2003, where Efes Pilsen had an increasing trend as well. The net sales started wit 100% and increase up to 403.1% and then in year 2003 decreased to 356.1%. The C.O.G.S again had an increasing trend for both companies. Tuborg's situation the C.O.G.S in 1999 as a base year was 100% and then increase up to 462.6%. and then decreased 443.6%. Efes Pilsen had very high cost and in year 2003 the C.O.G.S was 659.0%. In this situation Tuborg had lower costs and more effective cost management programs.

The gross profit of Tuborg increased by twice and then year 2001 there was a loss 67.7% and then it had started to increase and this increasing trend continued up to 2003. Efes Pilsen had an increasing trend in gross profit, it didn't had any fluctuation till year 2003. In year 2003 it had decreased 182.3%.

Starting with the net sales Tuborg had 68% net sales when Efes Pilsen had 100% net sales in year 2002. The cost of the sales for Tuborg was 60.2%, where Efes had 5% more cost then Tuborg and had 65.2%, which this showed that Tuborg's goods are slightly cheaper than Efes Pilsen's goods. The operating expenses of Tuborg was 4.6%, and Efes had 11% expense where again showed that the cost management of Tuborg had achieved better result financial expenses of Tuborg was quite high and needed support from external factor where Efes Pilsen had a quite a low financial expense where this put the organization in a good position.

Finally the net profit was 3.7% in Tuborg in the year 2002, and Efes Pilsen 10.2% net profit this is due to 100% net income and low financial expenses.

The overall performance analysis proved that Efes performance was better than Tuborg.

When analyzing the dollar and percentage change, the components of income statement such as net sales and net income was used and analysis were made by comparing 2003 over 2002 and changes in between them. The net sales of Tuborg for the years 2003 over 2002 was decreased by 2.6%, where Efes Pilsen's net sales had decreased more than Tuborg and decreased by 11.7 % the net income of the Tuborg had increased by 60.4%, and Efes Pilsen had a decrease of 86.2% in its net income over the years 2003 to 2002 from this situation it can be seen that again Tuborg achieved a better performance when compared with Efes Pilsen in net sales and net income.

In the next step the most important calculation will be analyzed, the ratio analyses is the most important step in analyzing the company's performance. The calculations were conducated under four different steps and each step measure different things.

In the first step calculations of short-term liquidity measurements was conducated. Short-term liquidity measurements included current ratio, quick ratio, and working capital which measures the company's debt paying ability in the short-run and is quite important for the creditors.

Concerned as a past year and 2003 was concerned as current performance. Firstly 2002 analyze was made and this analyses were compared by the 2003 analyses.

In year 2002, the current ratio of Tuborg was 0.99 which was almost the half of the accepted average of to and Efes Pilsen had 2.55 which above the average and make Efes more strong company. The quick ratio of Tuborg was closed to the average of 1 which was 0.87 but again Efes Pilsen had very high quick ratio.

The working capital of Tuborg was 1,382,695 million TL, where Efes Pilsen had 6,176,277 million TL working capital. Tuborg was not good enough in short-term debt paying ability but Efes Pilsen proved that it can easily and without any difficulty can pay its short-term debts whenever necessary.

The receivable turnover rate of Tuborg was 0.9 in year 2002 and also Efes Pilsen had the same ratio of 0.9. The more the ratio the guider company collects its count receivables. Tuborg needs 405.6 days to collect its A/R and Efes Pilsen needed the same amount of days to collect its accounts receivables. Therefore both companies are equal in this situation.

Tuborg had 7.2 inventory turn over rate in years 2002, but as Efes Pilsen didn't have an inventory in year 2002. We couldn't calculate its inventory date. Tuborg need 50.7 days to sell its inventory and due to same reason. The operating cycle shows how many days a company needed to sell its product and collect its revenue. The operating cycle of Tuborg 456.3 days where Efes Pilsen 406, in this situations Efes Pilsen seems to be in a better position.

In the next step profitability calculation had been made.

The gross profit rate of Tuborg was 11.6 %, and Efes Pilsen had 35%, which showed that Efes had more profit and had better position.

Operating expense for Tuborg was 6.8%, which showed that the company had very effective cost management where Efes pilsen had 46% operating expense ratio and this ratio is quite high. The net income has a percentage of net sales was 5.4% for Tuborg and 10% for Efes Pilsen and in this case Efes Pilsen in a better position.

In year 2002 Tuborg had operating income of 3,644,004 million TL had a loss of 958,510 million TL.

The return on the assets measures productivity of the assets and Tuborg only had 2.5% ROE and Efes Pilsen had only 0.5 % ROA. Therefore the assets of Tuborg brings more return to the company.

The debt ratio of Tuborg was 130 %, and Efes Pilsen had debt ratio of only 13%. The debt ratio 60% or low in the order to be acceptable by creditors, therefore in the position of Tuborg. The company long-term debt ability is not good enough when compared with Efes Pilsen. As Efes Pilsen only had 13%. This showed that Efes Pilsen is in a stronger position.

After evaluating the past performance result of both companies, I analyzed current performance year 2002, of both companies. When analyzing the short –term liquidity of both companies. Tuborg had decrease its current ratio to 0.90, and Efes Pilsen increase current ratio to 3.07 which made Efes Pilsen even more stronger company in the market. Quick ratio of Tuborg again decrease and became 0.74 and Efes Pilsen almost doubled its quick ratio and become more powerful and finally the working capital of Tuborg decreased by 16,743,838 million TL also Efes Pilsen decrease its working capital by 894,364 million TL, but again in this situation Efes Pilsen's performance was better than Tuborg.

The receivable turnover rate of Tuborg had decreased by 0.3 where Efes Pilsen's increased by 0.5. This decrease after the days collect account receivable and Tuborg's to collect A/R's had increased to 608.3 days with the improvement in Efes Pilsen's receivable turnover rate shortens the days to collect account receivable, and the company only needed 261 days with this analysis again in year 2003 Efes Pilsen's performance is increasing and achieving better result and become more profitable company.

Again in year 2003, the inventory turnover rate of Tuborg had decreased by 2.2, and this decrease effect the days to sell its inventory. The Efes Pilsen decrease its inventory turnover rate but again needs shorter time to sell its inventory. Its shows that in year 2003 Efes Pilsen again was in a stronger position.

The operating cycle of Tuborg had increased by 230 day which was not good for the company, and again Efes Pilsen had achieved a better result in year 2003 and managed to reduce its operating cycle to 261.7 days.

The debt ratio of Tuborg had increased which makes the company weaker in long-term debts ratio and become the long term debt paying ability.

The gross profit rate of Tuborg had increased by 2% to 13.1% and Efes Pilsen's had decreased to 33%, even with the decrease in the gross profit rate of Efes Pilsen, the company still is in a better position and more powerful when compared with Tuborg. The return on assets of both companies decreased.

In year 2003, it can be obviously seen that Efes Pisen achieved a better performance related with the measurement of the short term liquidity, long term liquidity and profitability measurements even though in year 2002 Tuborg was in a better position.

Efes Pilsen had manage to increase its performance and achieved better result and past over the Tuborg. Therefore Tuborg should again increase its performance and has to have more effective cost management till to the more competitive in the markets.

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