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Financial Statement Analysis of VESTEL

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ABSTRACT

Analyzing financial statement is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm's position and performance. The type of relationship to be investigated depends upon the objective and purpose of evaluation. Financial statement analysis can assist creditors, investors and managers in evaluating the firms past, current and projected performance.

The aim of the study is analyzing the financial statements of Vestel company between the years 1998 and 2002. This five years analysis enable us to understand past and current performance of the company. Besides analysing Vestel company, we will also analyze the financial statements of Beko to be able to make a comparison between the two companies. Beko is the competitor of Vestel company in Turkey. Thus with this comparison, it will be easier to understand the position of Vestel regarding its competitor.

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INTRODUCTION

The world economy is going Global. Investments are increasing day by day. There are well organized capital markets which act as an international capital and investment exchange. The investment increases in the areas which are expected to grow with good returns as well as minimal risk. These risks and returns are analysed in a detailed way to make the investment safe and profitable.

This study deals with financial statement analysis. Financial statement analysis is designed to determine the relative sterengths and weaknesses of a company. Investors need this information to estimate both future cash flows from the firm and the riskness of these flows. Financial managers need this information to evaluate their own performance and map future plans. Financial statement analysis highlights the key aspects of a firm's operations. Financial statement analysis involves how relationships change over time, or trend analysis, and how a particular firm compares with another firm or to industry averages.

Financial statement is a tool that helps the analysists and investors to make decision by using useful information. And also it helps the investors to understand the key trends and relationship which gives clear understanding of all the financial activities. With the help of classified financial statements certain types of financial activities are recorded and placed together in a group from which in turns help the users to develop useful subtotals and indicators. Whereas cooperative financial statements give summary of several years activities so that investors can easily compare the changing trends.[1]

Financial ratios are the principal tool of the financial analysis, since they can be used to answer a variety of questions regarding a firm's financial well-being. For example, a commercial bank loan officer considering an application for a six-month loan might want to know whether the applicant firm is solvent or liquid; a potential investor in the firm's common stock might want to know how profitable the firm has been; and an internal financial analyst might want to know whether the firm can reasonably afford to borrow all or part of the funds needed to finance a planned expansion. Answers to these and related questions can

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[1] Robert Megis and others, Accounting, USA:Mc Graw Hill, 1999 , 11 th ed., p. 610.

be obtained through the use of financial ratios.[2] Although financial statement analysis has limitations, when used with care and judgement, it can provide a great deal of information about a company.

My aim in this study is to analyse financial statement of Vestel Corporation for last five years (1998 to 2002) and compare the current performance with past performance of Vestel. And also to compare the past performance and current position of Vestel with the only competitor Beko. Vestel is a Turkish company which has grown well in Turkish market and looking for opportunities in global markets. Vestel produces white household goods, TV. and Electronic appliances. The company stocks are traded in Istanbul Stock Exchange. It is one of the top fifty companies in I.M.KB. In preparation process, I have gathered information from books related with finance and accounting, the web sites of investment companies, home page of the company itself, web site of Istanbul Stock Exchange Market that is www.Imkb.gov.tr.And the discussion which I made with my supervisor.

I have conducted the analysis of Vestel in five stages.

First part includes the background of Vestel and Its historical development from foundation up to now.

Some scientific definitions and different approaches from various sources about the financial statements are available in the second part. The definitions and explanations about the functions and necessity of Balance Sheet, Income Statement, Statement and Stockholders Equity and Statement of Cash Flow are also included.

The third part introduces some very important tools of analysing financial position of a company. Such tools like Dolar and Percentage Changes, Trend Percentages (Horzintal Analysis), Component Percentages (Vertical Analysis) and Ratio Analysis, give us details about the financial strengths and structure of a company.

The fourt part includes the application previously mentioned Component Percentages(Vertical Analysis), Trend Percentages(Horzintal Analysis), Dolar and Percentage Changes and Ratios

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[2] David F. Scott, Jr. John D. Martin J. William Petty Arthur J.Keown, Basic Financial Management, 4 th ed., p. 31.

to the Vestel company under the light of last five years reports. This part enables us to understand the past performance and present financial structure of Vestel.

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

At the end conclusion and recommendation will be provided to the users of financial statements

I. HISTORICAL BACKGROUND OF VESTEL

Vestel Electronic was founded in 1984 by Polypeck International Company owned by Mr. Asil Nadir who is an England originated and Cypriot businessman and has started its activities in the electronic industry, and it has been a pioneer in many fields in Turkey and the world since then. Vestel Electronic has strengthened its export attack it had initiated in the last years of eighties, and at the begining of the nineties it has created an important foreign market share. Vestel has continued its success in the domestic market by being a leader from time to time. Great importance was given to the research and development activities since the establishment. The company had improved its R&D at the beginning of the nineties and reached and important success by making its design projects ready for production and export in a very short time and by following the technological innovations at the same time with the world and it has replied quickly to the product variety with its own designs in line with the demands of the customers and has established export connections. Together with the export attack, the company acquired the ability to design and produce products that would serve the demands of European customers.

The crisis suffered by the Polypeck Company at the beginning of 1990s, had caused Vestel Electronic, which had been continuing its growth trend by making investments, to have serious proplems and with the addition of the crisis of 1994, the company entered into a shrinking trend and its financial structure had been damaged. The improvement in design and production quality has influenced the product qulity Positevely, and the improvement in the quality level enabled the company to respond quickly to the customer demands with the help of fast designing and fast capasity icrease, and these factors contributed to the success of Vestel Electronic and with this, the company could survive the two crisis periods. The crisis years passed safely and in difficulty with the help of the past accumulations of Vestel Electronic and of the sales success of the product range. Vestel chassis designs had started with 11 AK03 and reached a big quality in 11 AKO8, 11 AK10, and 11 AK12 chassis; later this trend had been strengthened with the Black series and has helped Vestel to survive in the domestic and foreign markets. In one of' the most difficult years, in 1995 Zorlu Holding has bought all the shares of the Vestel Electronic under the management of Mr. Ahmet Nazif Zorlu and with the strengthened financial structure, management, and the great vision of the management, the heritage and the culture of vestel has combined and a new progress period started.

The new investments on one side, and the efforts to develop the foreign market on the other and the investments on R&D, have given their results in a very short time and Vestel Electronic has increased its 500.000 pieces of annual production capacity to 500.000 pieces a month in the year 2000 and has reached an important success by having an annual production capacity of 5.000.000 pieces. its ability to develop its product range in a way to respond quickly to the increasing orders have increased wiedly at the end of 1990s and the company has reached a success that surprised the world, the world and the country crisis at these periods have not affected Vestel Electronic.

II. FINANCIAL STATEMENTS.

Financial statement is simply a declaration of the financial activities of the enterprise in terms of monetary unit such as dollars. One of the most important way that creditors investors and other parties understand the financial position of the company is analysing the financial statements. Financial statements may cover sometimes a week or a year. Semi-annual and interim financial statements are also used there are primarily four types of financial statements, Balance Sheet, Income Statement, Statement of Cash Flow and Statement of stockholders equity.

The Balance sheet shows the financial position of a business at a specific date. Income statement is an activity report showing the revenues and expenses in a period of time. The statement of cash flow is used generally in investment and credit decisions. It shows how the cash flow has changed in a specific period of time. Statement of stockholders equity is an expanded statement of Retained Earnings, which shows the changes in all stockholders equity accounts during the year.

2.1. Balance Sheet.

The main purpose of balance sheet is to show the financial position of a given business entity. A balance sheet is prepared at the end of each year or at the end of each month. A balance sheet consists of a listing of the Assets, Liabilities and 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. The amount of total assets must be equal to the total amount of liabilities and owner's equity. The relationship always, exists-infact the equality of these totals is one reason that this financial statement is called a balance sheet.

2.1.1. Assets.

Assets are the economic resources that a firm owns and expect to use in future operations. A company benefits from assets generally when the asset is converted into cash. For example the collection of receivables creates a positive cash flow. Some assets are tangible like building, machinery, land but there are also some intangible assets like government bonds, patent rights and etc. there are some different views in how to record the value of assets.

The Cost Principle: According to cost principle assets such as land, building etc. should be recorded at its cost value rather than its current market value.

The Going Concern Assumption: An enterprise is established to operate continuously the assets like building, land are used to run the business. Companies do not keep these assets for resale so the future market values of such assets are less important to a company. Since a business is a going concern such assets are recorded at their cost value and are not changed according to market priceses.

The Objective Principle: Accounting reports need to be factual. So the such assets are recorded according to their costs to provide a factual basis. By this way any person who examined the accounting reports can verify the reports like other bonds. If we record the assets according to their estimated values it won't factual and objective.

The Stable Dollar Assumptions: A problem is measuring the assets at historical cost is the stability of monetary unit. If there is a deflation or inflation the value of the monetary units changes but U.S. experiences very little inflation so the accountants in U.S. consider U.S. dollars as a stable unit of measurement. Stable dollar assumption helps us in applying cost principle as un changed measurement unit.

2.1.2. Liabilities.

Liabilities represent the amount a firm owes. These are represented as negative future cash flows. All the firms have liabilities. They buy raw material, supplies or merchandise and pay in future. All the debts are rising from such activities are recorded at their awn accounts. Loans from banks and note payables are also regarded as liabilities. A note payable is a written promise to pay in future but accounts payable is not as formal as note payables because they are not a written promise. Note payables and account payables are recorded separately.

2.1.3. Owner's Equity.

Owner's equity is the residual interest in or remaining claims against organization assets after deducting liabilities. At the beginning of a business the owner's equity is measured by the total amount invested by the owners. The term capital is also used instead of owner's equity to classify an owner's investment in the business. When the business earns profit the owners equity than consist of the total amounts invested by the owners plus any cumulative profits retained in the business. The right side of the balance sheet equation represents outsider and owner "claims against" the total assets shown on the left side. The owner's equity in a corporation is also called stockholder's equity. Owner's equity represents the rights of the owners on the assets of the business. The claims of creditors on assets have legal priority so the owner claims on the remaining of assets after the creditors claims are satisfied.

Increases in Owner's Equity: The owner's equity in a business comes from two sources:

1- Investment by the owner

2 Earnings from profitable operation of the business

Decreases in Owner's Equity: Decreases in owner's equity also caused in two ways:

1- Distribution of cash or other assets by the business to its owner.

2- Losses from unprofitable operation of the business.

2.2. Income Statement.

Income statement is a basic financial statement focuses on revenues and expenses transactions recorded in a retained income account. It is a report of all revenues expenses and net income pertaining to a specific time period. Net income is the bottom line on an income statement-the remainder after all expenses have been deducted from revenue.

The income statement measures performance for a span of time whether it be a month,a quarter or longer. Therefore the income statement must always indicate the exact period covered.

The income statement is used to assess the performance of an entity or its management over a time period. The income statement shows how the entity's operations for the period have increased net assets through revenues and decrease net assets by consuming resources (expenses).

2.2.1. Revenue.

Revenue is the price of goods sold and services rendered during a given accounting period. Earning revenues couses owner's equity to increase. When a business renders services or sells merchandise to its customers, it usually receives cash or acquires an account receivable from the customer. The inflow of cash and receivables from customers increases the total assets of the company, on the other side of the accounting equation the liabilities don't 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. They are represented as positive cash flow.

2.2.2. Expenses.

Expenses are the cost of goods and services used up in the process of earning revenue. Expenses are often called as "cost of doing business". It always causes a decrease in owners' equity. The related changes in the accounting equation can be either a decrease in assets or an increase in liabilities. An expense reduces assets If payments accurs at the time that the expense is incurred. If the expense will not be paid until later, the regarding of the expense will be shown by an increase in liabilities.

2.2.3. Net Income.

Net income is an increase in owners' equity resulting from the profitable operation of the business. The oposide of net income a decrease in owners' equity resulting from unprofitable operation of the business is termed a net loss.

Net income does not consist of cash or any other specific asset. Rather net income is a computation of the overall effects of business transactions upon owner's equity.

Net income measures the amount by which the increase in assets exceeds the decrease. In essence, net income is one measure of the wealthy created by an entity during the accounting period. By tracking net income from period to period, comparing changes in net income to economy-wide and industry average, and examining changes in the revenues and expense components of net income, investors and other decision makers can evaluate the success of the period operations.

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 coloumns for each element of stockholders' equity. The statement 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.[3]

2.4. Statement Of Cash Flow.

The statement of cash flow reports, the entity's cash flows (cash receipts and cash payments) during the period where cash came from and how it was spent. It explains the causes of the change in the cash balance. This information can not be learned from other financial statements. The statement of cash flow covers a span of time and therefore is dated.

Megis Robert F., Megis Mary A., Bahner Mark, Whihington Ray, Financial Accounting international edition, USA: Mc Graw Hill, 1998, 4th ed.

Horngren Charlest; Sundem Glaryl; Elliot John A.,Introduction of Financial Accounting, USA: Prentice –Hall International Inc ,1996, 6th ed.

The statement of cash flow is designed to fulfill the following pu[illegible]

1. To predict future cash flows: In many cases past cash receipts an[illegible] reasonably good predictor of future cash receipts and payments.

2. To evaluate management decision: The statement of cash flows repor[illegible] company's investment in plant assets and thus gives investors, and creditors ca[illegible] flow information for evaluating managers' decisions.

3. To determine the company's ability to pay dividends to stockholders and interest and principal to creditors: It helps them predict whether the business can make these payments.

4. To show the relationship of net income to changes in the busyness's cash.

2.4.1. Operating Activities.

Cash flows from operating activities are the effects of business transactions on cash flow including revenues and expenses. 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 affects of operating activities. The statement of cash flow 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 outflows include payment to suppliers and to employees and payments for interest and taxes.

2.4.2. Investing Activities.

Cash flows from investing activities represent the effects of purchasing and selling of assets. 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 in an investing activity, as is the purchase or sale of an investment in the stock or bonds of an other company. Investing activities on the statement of cash flow include more than the buying and selling of assets that are classified as investments on the balance sheet.

2.4.3. Financing Activities.

The cash flows from financing activities show the investment of the owner in the company or borrowings from creditors. Financing activities obtains from investors and creditors the cash needed to start and sustain the business. It includes 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 and not the interest.[4]

[4] T.H. Walter and T.H. Charles, Financial Accounting, USA: Prentice Hall, 1998, 3rd ed.

III. RESEARCH METHODOLOGY.

3.1. Tools Of Analysis.

3.1.1. Dollar And Percentage Changes.

The dollar amount of changes from year to year is significant, and expressing the change in percentage terms adds perspective. For example, if sales this year have increased by $200,000, the fact that this is an increase of 10% over last year's sales of $2 million puts it in different prospective than if it represented a 1% increase over sales of $20 million for the prior year.

The dollar amount of any change is the difference 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.[5]

3.1.2. Component Percentage (Vertical Analysis).

Sometimes is called common size analysis. This is a technique for evaluating financial statement data which expresses each item within a financila statement in terms of a percent of a base amount. For example when an income statement is subjected to vertical analysis, Net Sales is usually the base as 100%. The other items such as cost of good sold and gross profit are a percentage of Net Sales. It indicates the relative size of each item included in a total. This show quickly the relative importance of each type of assets as well as the relative amount of financing obtained from current creditors, long term creditors and stockholders. By computing compenent percentages for several successive balance sheets, we can see which items are increasing in importance and which are becoming less significant.[6]

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[5] Robert Megis and others, Accounting, USA:Mc Graw Hill, 1999, 11 th ed., p. 611.

[6] Robert F. Megis, Mary A. Megis, Mark Bettner, Ray Whittington, Financial Accounting , 9 th ed.,p.appendix [illegible]

3.1.3. Trend Percentages (Horzintal Analysis).

Trend analysis is a technique for evaluating a series of financial statement data over a period of time such questions as: How the sales changed over five years period? What trend does gross profit show? Can be answered by analysis of trend percentages. It is purpose is to determine the increase or decrease that has taken place, expressed as either an amount or a percentage. 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 consists of dividing an item such as sales in the years after the base year by the amount of sales in the base year.

3.1.4. Ratios Analysis.

Ratio analysis expresses the relationship among selected items of financial statement data. A ratio expresses the mathematical relationship between one quantity and an other. The relationship is expressed in terms of either a percentage, a rate or a simple proportion. For example if the balance sheet shows current assets of 100,000 and current liabilities of 10,000. the ratio of current assets to current liabilities is 100,000 to 10,000 . The numerical expression is 10 to 1. Ratios are guides or short cuts that are useful in evaluating the financial position and operations of a company and in comparing them to results in previous years or other companies. The primary purpose of ratios is to point out areas needing further investigation. They should be used in connection whith a general understanding of the company and its environment.

3.1.4.1. Measures of short-term Liquidity.

Liquidity Ratios measure the firm's ability to fullfill 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.[7]

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

Current Ratio: The most widely used measure of short-term dept-paying is the current ratio. This ratio is computed as follows:

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

The higher the current ratio, the more liquid the company appears to be. Many bankers and other short-term creditors traditionally have belived that a retailer should have a current ratio of at least 2 to 1 to qualify as a good credit risk.

Quick Ratio: The quick ratio also known as the acid-test ratio shows the relationship between highly liquid (quick) assets and current liabilities. Quick Assets are these that may be converted directly into cash with in a short period of time. These include cash, marketable securities and receivables-the current assets that can be converted most quickly into cash. Some short-term creditors prefer the quick ratio to the current ratio as a measure of short-term solvency. 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.

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

Working Capital = Current Assets – Current Liabilities

Current assets are expected to convert into cash within a relatively short period of time and current liabilities usually require a prompt cash payment. Thus working capital measures companies' potential excess sources of cash over its upcoming uses of cash.

An analyst familiar with the nature of the company's operations usually can determine from the amount of working capital whether the company is in a sound financial position or is heading for financial difficulties.

Receivables Turnover Rate: The account receivable turnover rate indicates how quickly a company converts its accounts receivable into cash. The account receivable turnover rate is determined by;

$$\text{Receivables Turnover Rate} = \frac{\text{Net Sales}}{\text{Average Account Receivable}}$$

Days to Collect Average Accounts Receivable: provides a rough approximation of the average time that it takes to collect receivables. Days to collect average accounts receivable is computed as follows;

$$\text{Days To Collects Average Accounts Receivables} = \frac{365}{\text{Receivable Turnover Rate}}$$

Inventory Turnover Rate: The inventory turnover rate indicates how many times during the year the company is able to sell quantity of goods equal to its average inventory. Mechanically, this rate is determined by;

$$\text{Inventory Turnover Rate} = \frac{\text{C.O.G.S.}}{\text{Average Inventory}}$$

Days To Sell The Average Inventory: Measure of average days taken to sell inventory. Computed as follows;

$$\text{Days To Sell Average Inventory} = \frac{365}{\text{Inventory Turnover Rate}}$$

Operating Cycle: Indicates in days how quickly inventory converts into cash. Computed as follows;

Operating Cycle: Days To Sell Inventory + Days To Collect Receivables

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-term 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 debt at maturity.

Debt Ratio: A basic measure of the safety of creditors' claims is the Debt Ratio, Which states total liabilities as a persentage of total assets. A company's dept ratio is computed as follows:

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

The debt ratio is not a measure of short-term liquidity. Rather, it is a measure of creditors' long-term risk. The smaller the portion of total assets financed by creditors, the smaller the risk that the business may become unable to pay its debts. From the creditors' point of view, the lower the debt ratio, the safer their position.

Interest Coverage Ratio: Interest coverage ratio measures the degree of protection creditors have from a default on interest payments. Interest coverage ratio is computed as follows;

$$\text{Interest Coverage Ratio} = \frac{\text{Net income before taxes +Interest expense}}{\text{Interest Expenses}}$$

2.2.4.3. 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 objective 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.[8]

Percentage changes: that is, in net sales and net income: The rate at which a key measure is increasing or decreasing', the growth rate and computed as

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

Gross Profit Rate: A measure of the profitability of the companies products. Gross profit rate is computed as follows;

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

Operating expense ratio: A measure of management's ability to control expenses and computed as follows;

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

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

Operating income: This measures the profitability of a 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 management's ability to control costs. Net incomes as a percentage of net sales are computed as follows;

$$\text{Net Income As A Percentage Of Net Sales} = \frac{\text{Net Income}}{\text{Net Sales}}$$

Earnings Per Share: Earnings per share of common stock is a measure of the income earned on each share of common stock.

$$\text{Earnings Per Share} = \frac{\text{Net income-Preferred Dividends}}{\text{Average Number Of Common Shares Outstanding}}$$

Return On Assets: Ameasure of the productivity of assets, regardless of how the assets are financed. Return on assets are computed as follows;

$$\text{Return On Assets} = \frac{\text{Operating Income}}{\text{Average Total Assets}}$$

Return on Investment (ROI) Ratio: The ROI is perhaps the most important ratio of all. It is the percentage of return on funds invested in the business by its owners. In short, this ratio tells the owner whether or not all the effort put into the business has been worthwhile. If the ROI is less than the rate of return on an alternative, risk-free investment such as a bank savings account, the owner may be wiser to sell the company, put the money in such a savings instrument, and avoid the daily struggles of small business management. The ROI is calculated as follows:

$$\text{Return On Investment} = \frac{\text{Net Profit Before Tax}}{\text{Net Worth}}$$

Return On Equity: The rate of return earned on the stockholders' equity in the business. The ROE is useful in comparing the profitability of a company to other firms in the same industry.The ROE is calculated as follows:

$$\text{Return On Equity} = \frac{\text{Net Income}}{\text{Average Total Equity}}$$

Return On Common Stockholders' Equity: The rate of return earned on the common Stockholders' equity (appropriate when company has both common and preferred stock) and computed as follows;

$$\text{Return on stockholders' Equity} = \frac{\text{Net Income - Preferred Dividends}}{\text{Average Common Stockholders' Equity}}$$

3.1.4.4. Measures for Evaluating The current Market price of common stock.

Price-Earning Ratio: The price/earnings (P/E) ratio measures the relationship of the current market price of stock to the company's earnings per share. The Price/Earnings Ratio is computed as follows;

$$\text{Price-Earnings Ratio} = \frac{\text{Market Pirece Per Share}}{\text{Earnings Per Share}}$$

This price/earnings ratio is very useful and widely applied becouse it allows companies to be compared. When a company's P/E ratio is higher than the P/E ratios for other companies, it usually means that investors feel that the company's earnings are going to grow at a faster rate than those of the other companies. On the other hand, a lower P/E ratio usually means a more negative assessment by investors.

Dividend yield: Dividends yield measures a stock's current return to an investor in the form of dividends. Dividend yield is calculated as follows;

$$\text{Dividend Yield} = \frac{\text{Annual Dividend}}{\text{Current Stock price}}$$

Book value per share: The recorded value of net assets underlying each share of common stock is computed as[9],

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

[8] Robert Megis and others, Accounting, USA:Mc Graw Hill, 1999, 11 th ed., p. 610.
[9] Jerry J. Weygandt and others,Financial Accounting, USA:John Wiley And Sons inc.,2 th ed.
[10] http://www.bizmove.com/

IV. FINANCIAL STATEMENT ANALYSIS OF VESTEL.

Starting with this page different tables including income statements of Vestel company reported for the years 1998, 1999, 2000, 2001and 2002 are available. Under the light of these tables, I will try to make the financial statement analysis of Vestel. This analysis will give us a general information about the company whether it is performing well and profitable or unprofitable.

4.1. Findings

4.1.1. 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. During the calculation of component percentage; net sales, cost of sales, operating expense and net income have been taken as a percentage of gross sales. The income statements' data has been taken from Vestel's financial statements that are included in appendix 1.

Table 4.1	1999	1998	1999	1998
Gross Sales	314,805,896	195,002,672	100%	100%
Sales Deduction (-)	(2,354,088)	(6,564,692)	(0.75%)	(3.37%)
Net Sales	312,451,808	188,437,984	99.25%	96.63%
Cost Of Sales (-)	(226,362,727)	(138,546,912)	(71.91%)	(71.05%)
Gross Profit (Loss)	86,089,081	49,891,072	27.35%	25.58%
Operating Expenses (-)	(13,771,917)	(8,596,447)	(4.37%)	(4.41%)
Profit (Loss) from Main Operations	72,317,164	41,294,624	22.97%	21.18%
Income And Profit From Other Operations	28,901,549	13,354,060	9.18%	6.85%
Expenses And Losses From Other Operations	(7,130,251)	(2,679,293)	(2.26%)	(1.37%)
Financial Expenses(-)	(60,590,671)	(31,652,416)	(19.25%)	(16.23%)
Operating Profit (Loss)	33,497,791	20,316,974	10.64%	10.42%
Extra Ordinary Income And Profits	303,278	89,130	0,096%	0.046%
Extra Ordinary Expenses And Losses (-)	(583,442)	(678,277)	(0.18%)	(0.35%)
Income Before Taxation	33,217,627	19,727,828	10.55%	10.12%
Taxation And Other Legal Liabilities (-)	(4,297,715)	(2,342,590)	(1.37%)	(1.2%)
Net Income (Loss)	28,919,912	17,385,236	9.19%	8.92%

In the analysis of component percentages table 4.1. Although we observe 3% increase in financial expenses from 1998 to 1999 , the company generates 0.27% greater net income in 1999 due to 2.62% decrease in sales deductions, 0.04% decrease in operating expenses. 0.17% increase in taxation and other legal liabilities is the result of increase in income and profit from other operations as 6.85% to 9.18%

Table 4.2	2000	1999	2000	1999
Gross Sales	498,268,691	314,805,896	100%	100%
Sales Deduction (-)	(1,681,988)	(2,354,088)	(0.34%)	(0.75%)
Net Sales	496,586,703	312,451,808	99.66%	99.25%
Cost Of Sales (-)	(394,502,404)	(226,362,727)	(79.17%)	(71.91%)
Gross Profit (Loss)	102,084,299	86,089,081	20.49%	27.35%
Operating Expenses (-)	(23,707,327)	(13,771,917)	(4.76%)	(4.37%)
Profit (Loss) from Main Operations	78,376,972	72,317,164	15.73%	22.97%
Income And Profit From Other Operations	32,946,122	28,901,549	6.61%	9.18%
Expenses And Losses From Other Operations	(6,845,669)	(7,130,251)	(1.37%)	(2.26%)
Financial Expenses(-)	(46,381,583)	(60,590,671)	(9.31%)	(19.25%)
Operating Profit (Loss)	58,095,842	33,497,791	11.66%	10.64%
Extra Ordinary Income And Profits	112,410	303,278	0.023%	0,096%
Extra Ordinary Expenses And Losses (-)	(1,347,237)	(583,442)	(0.27%)	(0.18%)
Income Before Taxation	56,861,015	33,217,627	11.42%	10.55%
Taxation And Other Legal Liabilities (-)	(14,432,504)	(4,297,715)	(2.90%)	(1.37%)
Net Income (Loss)	42,428,511	28,919,912	8.52%	9.19%

In analysis of component percentages table 4.2. We observe 0.67% decrease in net income as a result of 7.26% increase in cost of sales and 0.39% increase in operating expenses.

Table 4.3	2001	2000	2001	2000
Sales	924,092,253	498,268,691	100%	100%
Deduction (-)	(3,026,596)	(1,681,988)	(0.33%)	(0.34%)
Sales	921,065,657	496,586,703	99.67%	99.66%
Of Sales (-)	(636,203,022)	(394,502,404)	(68.85%)	(79.17%)
Profit (Loss)	284,862,635	102,084,299	30.82%	20.49%
ting Expenses (-)	(37,720,344)	(23,707,327)	(4.08%)	(4.76%)
(Loss) from Main Operations	247,142,291	78,376,972	26.74%	15.73%
e And Profit From Other Operations	140,052,267	32,946,122	15.16%	6.61%
ses And Losses From Other Operations	(6,949,337)	(6,845,669)	(0.75%)	(1.37%)
cial Expenses(-)	(297,938,010)	(46,381,583)	(32.24%)	(9.31%)
ting Profit (Loss)	82,307,211	58,095,842	8.91%	11.66%
Ordinary Income And Profits	354,656	112,410	0.038%	0.023%
Ordinary Expenses And Losses (-)	(1,942,240)	(1,347,237)	(0.21%)	(0.27%)
e Before Taxation	80,719,627	56,861,015	8.74%	11.42%
on And Other Legal Liabilities (-)	(26,001,039)	(14,432,504)	(2.81%)	(2.90%)
come (Loss)	54,718,588	42,428,511	5.93%	8.52%

In analysis of component percentages table 4.3. Although there is a 10.32% decrease in cost of sales and 0.68% decrease in operating expenses, we observe that net income decreases from 8.52% to 5.93% from 2000 to 2001. This decrease in net income is heavily resulted from 22.93% increase in financial expenses from 2000 to 2001.

Table 4.4	2002	2001	2002	2001
Sales	1,458,592,092	924,092,253	100%	100%
Deduction (-)	(4,452,043)	(3,026,596)	(0.31%)	(0.33%)
Sales	1,454,140,051	921,065,657	99.70%	99.67%
Of Sales (-)	(1,108,160,371)	(636,203,022)	(76%)	(68.85%)
Profit (Loss)	345,979,680	284,862,635	23.7%	30.82%
ting Expenses (-)	(86,215,417)	(37,720,344)	(5.9%)	(4.08%)
(Loss) from Main Operations	259,764,263	247,142,291	17.8%	26.74%
e And Profit From Other Operations	198,245,165	140,052,267	13.59%	15.16%
ses And Losses From Other Operations	(71,806,241)	(6,949,337)	(4.9%)	(0.75%)
cial Expenses(-)	(269,106,536)	(297,938,010)	(18.45%)	(32.24%)
ting Profit (Loss)	117,096,651	82,307,211	8.3%	8.91%
Ordinary Income And Profits	3,339,415	354,656	0.23%	0.038%
Ordinary Expenses And Losses (-)	(4,883,104)	(1,942,240)	(0.34%)	(0.21%)
e Before Taxation	115,552,962	80,719,627	7.9%	8.74%
on And Other Legal Liabilities (-)	(42,564,170)	(26,001,039)	(2.9%)	(2.81%)
come (Loss)	72,988,792	54,718,588	5%	5.93%

In analysis of component percentages table 4.4. The financial expenses shows a decreasing balance respectively to year 2002 but the cost of sales and operating expenses still shows an increasing trend. Thus the result is 5% net income with decrease of 0.93% regarding the previous year.[10]

4.1.2. Trend Percentages (Horizontal Analysis)

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. During the calculation of trend percentages; Net sales, cost of good sold and gross profit have been taken from the income statement of Vestel's financial statements which appear in appendix 1.

	1998	1999	2000	2001	2002
Net Sales	188,437,984	312,451,808	496,586,703	921,065,657	1,454,140,051
C.O.G.S.	138,546,912	226,362,727	394,502,404	636,203,022	1,108,160,371
Gross Profit	49,891,072	86,089,081	102,084,299	284,862,635	345,979,680

	1998	1999	2000	2001	2002
Net Sales	100%	165.8%	263.5%	488.8%	771.7%
C.O.G.S.	100%	163.4%	284.7%	459.2%	799.9%
Gross Profit	100%	172.6%	204.6%	571%	693.5%

The Trend Percentages analysis in the parameters of Net Sales, Cost Of Good Sold and Gross Profit shows that the amounts and percentages increase steadliy each years and almost couples especially from 2000 to 2001, which means that the company performs profitable activities and reaches success.[11]

[10] See Appendix 1 (Vestel's financial statements)
[11] See Appendix 1 (Vestel's financial statements)

4.1.3. Dolar and Percentage Changes.

The dollar amount of any change is the difference between the amount for a comparison year and the amount for a base year. This analysis shows dollar and percentage changes for important item each year. During the calculation of dollar and percentage changes; Net sales and Net income have been taken from income statement of Vestel's financial statements which appear in appendix 1.

	2000	**1999**	**1998**	**2000 Over 1999 Amount**	**2000 Over 1999 %**	**1999 Over1998 Amount**	**1999 Over 1998 %**
Net Sales	496,586,703	312,451,808	188,437,984	184,134,895	59%	124,013,824	66%
Net Income	42,428,511	28,919,912	17,385,236	13,508,599	47%	11,534,676	85%

In this table , the net sales shows 66% increase between 1999 and 1998 but net sales increases 59% between 1999 and 2000. This decrease in percentage change from 66% to 59% results from showing growth rate in the net sales between 1999 and 2000 which means the increase in the amount of sales from 1998 to 1999 was greater than the increase regarding 1999 to 2000. The percentage changes in net income also shows a decreasing balance from 85% to 47% and this can be attributed to decreasing percentage changes in net sales.

	2002	**2001**	**2000**	**2002 Over2001 Amount**	**2002 Over2001 %**	**2001 Over2000 Amount**	**2001 Over2000 %**
[illegible]	1,454,140,051	921,065,657	496,586,703	533,074,394	58%	424,478,954	86%
[illegible]	72,988,792	54,718,588	42,428,511	18,270,204	33%	12,290,077	29%

In this table, the net sales shows a remarkable increase with a percentage of 86% between 2000 and 2001 but between 2001 and 2002 the net sales showed a smaller percentage growth than the previous period. Although there is a decrease in percentage of net sales from 86% to 58% . We observe an increase in the percentage of net income from 29% to 33% between 2000-2001 and 2001-2002 periods. This result can be attributed to decrease in cost of good sold or other factors.[12]

4.1.4. Ratio Analysis.

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 ratio. The data used in calculation of ratios has been taken from Vestel's financial statements, which appear in appendix 1.

	1998	**1999**	**2000**	**2001**	**2002**
Current Assets	123,903,136	245,093,517	466,180,586	854,886,015	1,506,667,811
Current Liabilities	105,333,640	205,845,012	326,110,973	616,420,959	744,726,251
Current Ratio	**1.18**	**1.19**	**1.43**	**1.39**	**2.02**

The company shows a steadily increasing trend between 1998 and 2000. However in 2001 the ratio declines to 1.39 by the year 2002 the ratio again starts to increase and reaches 2.02. Many bankers and other short-term creditors traditionally have believed that a company should have current ratio of at least 2 to 1 to quality as a good credit risk. Thus 2.02 is a strong ratio. This shows that the short- term debt paying ability is quite well.

See Appendix 1 (Vestel's financial statements)

	1998	1999	2000	2001	2002
Quick Assets	77,999,633	152,414,681	347,858,773	678,879,995	1,195,880,158
Current Liabilities	105,333,640	205,845,012	326,110,973	616,420,959	744,726,251
Quick Ratio	**0.74**	**0.74**	**1.07**	**1.10**	**1.61**

According to general believes in business world professionals of financial analysts, the quick ratio should be at least 1 to1. The company performs quick ratio, which is almost good in 1998 and 1999. However company starts to have a quick ratios over 1.0 by the year 2000. All the ratios that are over 1.0 shows that the company is strong in short-term debt paying ability.

	1998	1999	2000	2001	2002
Current Assets	123,903,136	245,093,517	466,180,586	854,886,015	1,506,667,811
Current Liabilities	105,333,640	205,845,012	326,110,973	616,420,959	744,726,251
Working Capital	**18,569,496**	**39,248,505**	**140,069,613**	**616,420,959**	**761,941560**

The company increases the current assets steadily between 1998 and 2002. In 2002 the company incurred 744,726,251 liabilities but the company reports 1,506,667,811 current assets. This means that the company has enough ability to pay short-term debt.

	1998	1999	2000	2001	2002
Net Sales	188,437,984	312,451,808	496,586,703	921,065,657	1,454,140,051
Average Account Receivable	37,809,634	86,244,616.5	165,295,636	338,874,916	338,874,916
Receivable Turn Over Rate	**4.98**	**3.62**	**3.00**	**2.72**	**2.59**

The receivables turnover rate actually computed to find the days to collect accounts receivables. Higher the turnover rate quicker the company collects its receivables. However when we analyze the turnover rates we observe that the rate decrease from 4.98 to 2.59 between 1998 and 2002. This result shows that while the company was collecting its accounts receivables 5.00 times in a year in 1998 now it collects only approximately 3.00 times in 2002. Decreasing receivable turnover rate shows that the maturities of account receivables getting longer so the company can not recover its receivables so early.

	1998	1999	2000	2001	2002
ays	365	365	365	365	365
eceivable Turn ver rate	4.98	3.62	3.00	2.72	2.59
ays To ollect Account eceivables	**73.29**	**100.83**	**121.67**	**134.19**	**140.93**

Since the receivable turnover rate decrease steadily the days to collects account receivables increases while the company was collecting its account receivables in 73 days in 1998 now it collects the account receivables in 140.93 days in 2002. This means that it takes more time for the company to collect the account receivables in 2002 than the past years.

	1998	1999	2000	2001	2002
.O.G.S.	138,546,912	226,362,727	394,502,404	636,203,022	1,108,160,371
verage nventory	26,548,295.5	43,489,533	66,362,565	105,260,084	162,215,373.5
nventory urnover ate	**5.22**	**5.21**	**5.95**	**6.04**	**6.83**

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 turnover rate starts with 5.22 in 1998 and becomes 6.83 in 2002 which means company sells its inventory quicker and converts it into cash or account receivable more quickly than previous years.

	1998	1999	2000	2001	2002
	365	365	365	365	365
y Turn e	5.22	5.21	5.95	6.04	6.83
rage y	**69.92**	**70.06**	**61.35**	**60.43**	**53.44**

ys to sell average inventory describes in how many days the company can sell its ventory and convert them into cash or account receivables. We see that the company nages to sell its inventory and convert them into cash or account receivables most ickly in 2002.

	1998	1999	2000	2001	2002
ccount les	73.29	100.83	121.67	134.19	140.93
age	69.92	70.06	61.35	60.43	53.44
g	**143.21**	**170.89**	**183.02**	**195.45**	**194.37**

erating cycle refers to the time past to convert the inventory into cash . The operating le is 143.21 in 1998, It increases steadily until 2002 and reaches 194.37 days in 02. This shows that the company requires more days to convert the inventory into h , which is an unfavourable trend.

	1998	1999	2000	2001	2002
s	111,030,844	211,086,674	331,112,210	686,992,430	1,294,000,773
sets	145,587,968	283,782,457	536,087,163	969,531,711	1,691,450,756
tio	**76.26%**	**74.38%**	**61.77%**	**70.86%**	**76.50%**

Debt ratio shows what proportion of total assets is convert by debts, so a high rate means high debts. The lower rate is more preferable. The company reports show decreasing trend in that ratio until 2000 but the ratio reaches the same level in 2002 with the 1998. Each years ratios are over 60% and this is an unfavourable situation for investors and banks loaning the company.

	1998	1999	2000	2001	2002
Dollar Gross Profit	49,891,072	86,089,081	102,084,299	284,862,635	345,979,680
Net Sales	188,437,984	312,451,808	496,586,703	921,065,657	1,454,140,051
Gross Profit Rate	**0.265**	**0.276**	**0.206**	**0.309**	**0.238**

Gross Profit Rate is the expression of gross profit in terms of the percentage of net sales. It measures the profitability of the company products. The rates between 20% and 50% are more preferable. When we analyze the company reports we observe that the company achieves between 20% and 30% but the rate decreases from 0.309 to 0.238 between 2001 and 2002. This may be an indicator of changing demands for companies products.

	1998	1999	2000	2001	2002
Operating Expenses	8,596,447	13,771,917	23,707,327	37,720,344	86,215,417
Net Sales	188,437,984	312,451,808	496,586,703	921,065,657	1,454,140,051
Operating Expense Ratio	**(0.046)**	**(0.044)**	**(0.048)**	**(0.041)**	**(0.059)**

Operating expense ratio refers to the proportion of expenses in net sales so lower the ratio, lower the expenses. This means that lower expenses are more preferable in operations. Here the ratio fluctuates around 4.0% and 4.5% between 1998 and 2001 but there is an increase in expense ratio as 5.9% in 2002.

	1998	1999	2000	2001	2002
Net Income	13,385,236	28,919,912	42,428,511	54,718,588	72,988,792
Net Sales	188,437,984	312,451,808	496,586,703	921,065,657	1,454,140,051
Netincome as a Percentages Of Net Sales	**9.23%**	**9.26%**	**8.54%**	**5.94%**	**5.02%**

Net income as a percentage of net sales shows what proportion of net sales is reported as net income. Here higher the percentage, higher the income from sales. In 1998 the percentage is 9.23% but it decreases steadily and reaches 5.02% in 2002 this means that the income of the company from the sales decreases year by year.And this is an unfavourable for the company.

	1998	1999	2000	2001	2002
Operating Income	41,294,624	72,317,164	78,376,972	247,142,291	259,764,263
Average Total Assets	113,945,339	214,685,212.5	409,934,810	752,809,437	1,330,491,233.5
Return On Assets	**0.362**	**0.337**	**0.191**	**0.328**	**0.195**

This ratio is used in evaluating whether management has earned a reasonable return with the assets under its control. The general agreement among the financial analysts is that 15% or more return on average total assets is successful. Our company achieves 36.2% in 1998, 33.2% in 1999, 19.1% in 2000, 32.8% in 2001 but again decrease to 19.5% in 2002. This means that our company could not manage its assets in 2000 and 2002, and achived less return than other years. However the return on assets is satisfactory for five years period.

	1998	1999	2000	2001	2002
Net Income	13,385,236	28,919,912	42,428,511	54,718,588	72,988,792
Average Total Equity	25,864,506	53,626,453.5	138,835,368	243,757,117	339,994,632
Return On Equity	**0.672**	**0.539**	**0.306**	**0.225**	**0.215**

The return on equity is one of the profitability measures. It shows how effectively the assets are used a return of 12% or more is preferable for strong companies. When we analyze the five years period, we see that the company achieve the 67.2% in 1998, 53.9% in 1999, 30.6% in 2000, 22.5% in 2001, 21.5% in 2002. The company achieved high return in 1998 and 1999 due to their new products and innovations but afterwards the return decrease to its normal levels. Although the return decreases year by year. It is still satisfactory.[13]

[13] See Appendix 1 (Vestel's financial statements)

LIMITATIONS.

Vestel Company is one of the most successful Turkish companies, which operates globally. However as in many companies it is possible to have difficulties in reaching details. Financial information about the company. The company has a well-designed web site of the company. May be the most important document-annual report for the investors is not available on the site of the company. For this reason the important relationships and explanations of the changes in the components of financial statements were difficult to find. The company authorities do not tend to announce the annual report on web site or any other request for the reason of secrecy. Since there is not strong sector for financial analysis and assistance in Turkey, it is difficult to reach the financials of companies via other ways as well. Although there are some companies doing the publication of the financial analysis of some giant firms, information on some issues such as earnings per share, dividend yield, book value per share and other components necessary for calculating ratios were also not available. The most tragic point was that the financial statements of Vestel Company do not exist after the year 1997 in web site of Istanbul Stock Exchange. There are some partial statements but they are not useful for analysis since the Turkish accounting system is entirely different from European and American accounting system. However it become possible to reach the financials of the company necessary for analysis by the help of other limited resources, such as web sites of a few investment asistance companies.

CONCLUSION AND RECOMMENDATION

The capabilities that are brought by the new century enabled human being to increased the opportunities of investments. Today billions of investment dollars change place between different capital market, industries in different locations globally. Investors want to invest their capital where the risk is minimum. The investors forecast their returns and risks by analyzing accounting information of companies. The accounting provides decision makers and investors useful information. Financial statements derived by the accounting process help users in understanding the relationships and trends. Financial statement analysis involves all the techniques employed by users of the financial statements to show important relations. Financial measures that are used in the financial statement analysis enable us to rank corporate performance.

As I discussed in this pages the financial statements includes useful information for investors, creditors and external users We also took a closer look at how information in financial statements can be combined, analyzed and used to support important financial decisions. In my discussion of financial statement analysis in this project is divided into three sections. Financial statement, resource methodology section and financial statement analysis of Vestel provided us a general view of statements, tools of analysis use of these information in analysing financial position of Vestel Company.

Vestel is a company, which produces white household goods and has grown well in Turkey. All previous pages gave a general idea about the performance of the company. However the analysis of financial statements of a company may not be enough to understand its position regarding the competitors' performances. 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 Vestel company with another giant Turkish competitor Beko which has been analyzed by " Shalim AHMED " (2003). The comparison part includes; Component percentage (vertical analysis), Trend percentage (horizontal analysis), Dollar and percentage changes and ratio analysis with short-term liquidity, long-term solvency and profitability ratios. The calculation part of Vestel appears in appendix 1 and Beko in appendix 2.

I will make the vertical analysis of Vestel by comparing with Beko. Firstly the comparison of 2001 is available for evaluating the past performance of both companies. I will make the analysis by inspecting important of the income statement of both companies such as net sales cost of good sold, operating expenses, financial expenses and net income.

Starting with net sales we see Vestel has a net sales of 99.67% of gross sales but beko achieved 98.3% net sales which is less than Vestel. This means Vestel has reported a better net sales. Again Vestel is better regarding the cost of good sold with 68.85% where as Beko has 73% cost of good sold which means Vestel produced the goods in less cost than Beko. A lower cost of good sold is result of better production management higher technology and higher potential for profitable production. These may be an indicator for an investor to choose Vestel in buying Vestel shares because company show potential for innovation. In the comparison of both companies regarding operating expenses we see that Vestel is better with 4.08% which is lower than Beko with 8.6%. Up to here Vestel company is observed to have lower expense percentages compared with Beko. This is an evidence for the well management of Vestel. However Vestel has greater financial expense with 32.24% while Beko having 23.59%. This is not due to bad financial management of Vestel. Actually Vestel is a company, which is making great investments in natures. Thus Vestel requires more financial support to make greater investments. As the financial component and may be the most important one, net income, there is a great difference between Vestel and Beko. Vestel achieves 54,718,588(million tl), which is 5.93% of gross sales while Beko having only 0.076%net income of gross sales. Net income and overall performance of both companies shows that Vestel achieves a greater return on operations and investments than Beko for the year 2001.

To be able to understand the current positions of both companies, I will make the vertical analysis of income statement for the year 2002. Similarly to year 2001, Vestel again achieves better net sales with 99.7% while Beko having 98.4%. Vestel also shows a better performance with 76% cost of good sold which is lower than Beko with 81.9%. Vestel is more successful in operating expenses as well with 5.9% while Beko having 8.2%. When we analyze the financial expenses of both companies Vestel again has greater expenses than Beko like previous years but it is important to realize that Vestel has decreased its financial expenses 13.79% respectively to the previous year (32.24%-18.45%). Finally Vestel has again achieved a better net income than Beko with 5% and proved its ability to make profitable operations. As a result, it is obvious that Vestel is a stronger company than Beko in 2002 as well.

making the vertical analysis of Vestel and Beko, now I will try to make horizontal sis of both companies including net sales, Cost of good sold, gross profit taking 1998 as ase year up to 2002. In the horizontal, analysis of Vestel and Beko we observe stable ase both companies in net sales between 1998 and 2002. Beko reaches 9.48 times more than 1998 while Vestel achieving 7.71 times more. Again the companies show an asing trend regarding C.O.G.S but Beko experienced a greater increase with 10.95 times 98 in 2002 while Vestel experienced 7.99 times. This is a situation in favour of Vestel use Beko has a greater increase in costs than Vestel in 2002 in relation with their own ase rates compared with the base year. We see that Beko achieves a better increase in net with 9.48 times more than 1998 in 2002. But due to a greater increase rate in cost of sold, Beko achieves a smaller growth rate regarding gross profit with 579% when pared to Vestel with 693.5% gross profit. This means that Beko has increased its gross it 5.79 times increasing net sales 9.48 times. However Vestel increased its gross profit times by increasing net sales only 7.71 times. In overall performance this numbers lead do reality that Vestel achieved a better performance than Beko regarding gross profit ase rate.

ther way of evaluating performance is dollar and percentage change analysis when we ysis Vestel company, We observe that there are absolute increases year by year in net me and net sales. Although the increases are small in magnitude, the company achieved ease every year. However we can not say the same things for Beko. The company shows nstable trend in net sales and net income. While Trend percentage changes us 56% for 0 over 1999 we see that, the percentage is –95% for 2001 over 2000. Afterwards we erve a 851% surprisingly for 2002 over 2001. This result is not due to great increase in 2 but due to a great decrease in 2001, which is taken as base year for calculating of entage change as of 2002 over 2001. Finally the overall performances of the companies in ar and percentage changes show us that Vestel is a more reliable company with a stable wth year by year.

understand the differences between two companies we may also use most powerful tools financial statement analysis. "Ratios". This analysis involves 2001 for past performance 2002 for current position. Firstly we will deal with ratios of both companies for the year 1. Measures of short-term liquidity are evaluated as follows.

In 2001 Vestel has better current ratio with 1.39 times than Beko with 1.27 times. Regarding quick ratio Vestel again achieves a better ratio than with 1.10 times. In the analysis of working capital we see that Vestel has an approximately 6 times more working capital than Beko.

All above mentioned ratios are measures of short-term liquidity and most important ones are current ratio, quick ratio and working capital. We see that Vestel achieved better ratios for these parameters so Vestel can be considered as a more liquid company than Beko.

We can continue with receivable turnover rate. We see that Beko achieved a better turnover rate with 4.16 times when we compare with Vestel achieving 2.72 times. As a result of this situation Beko collects its account receivables within a shorter period as 87.7 days than Vestel. Vestel company achieves 6.04 times inventory turnover rate in 2001 while Beko achieving 10.6 times. This means that Beko replace its inventory with shorter intervals than Vestel and This greater turnover rate means shorter time to sell the inventory on hand. Beko achieves this better than Vestel with 34.4 days. When we look at the operating Beko is more successful in selling inventory and collecting account receivable in 122.1 days but Vestel achieves this in 195.45 days.

The measure of long-term credit risk is debt ratio and we see that the percentage of total assets to total liabilities of Beko is worse than Vestel company. Vestel offers less risk to long-term creditors.

The next part in ratio analysis is measuring profitability in gross profit rate Vestel has a better position than Beko because 30.9% of its sales is reported as gross profit which is better than Beko with 25%. Operating expense ratio measures the management ability to control the expenses. When we look at the ratios of both companies we see that only 4.1% of its sales is reported operating expense for Vestel while ratio is 8.8% for Beko. We may continue to analyze of the profitability of both companies by looking at their net income as a percentage of net sales ratio. We find that Vestel achieved to report 5.94% of its sales as net income while Beko reporting only 0.08%. When we consider the return on asset, we realize that Beko achieved to better return rate with the assets on hand. The ratio is 35%, which is better than Vestel with 32.8%. Return on equity ratio for Vestel is absolutely better than that of Beko which is 0.7%. This means that Vestel achieved a better return on stockholders equity than Beko.

As a result we can say that the picture of Vestel seems to be more profitable with better ratios than Beko.

After evaluating the past performance of both companies according to their 2001 ratios, now I will try to analyze the ratios for the year 2002 to be able to give an opinion about the current positions of the companies. As it was in the year 2001 Vestel company achieves a better current ratio in 2002 than Beko. We see that again Vestel is in a better position with 1.61 quick ratio which is greater than 1.14 of Beko. In the analysis of working capital the great difference between two companies continues to exist in 2002 as well. The performance of Vestel in the above three ratios is obviously better than Beko in year 2002. Vestel keeps its liquid position in 2002 as well and still stronger than Beko. The Vestel company can not show the same performance in account receivable turnover rate. The company is still not as successful as Beko in recovering the account receivables. The account receivable turnover rate for Vestel is 2.59 times while Beko is achieving 4.95 times. Thus Beko collects its account receivables in 73.7 days while Vestel is doing the same job in 140.93 days. Beko is more successful than Vestel also in inventory turnover rate. As it was in previous year Beko achieves a greater turnover rate with 12.9 times. However Vestel is again exhibits a poorer performance with 6.83 times in 2002. The higher turnover rate for Beko results in shorter replacement intervals of inventory as 28.3 days. But Vestel can sell its inventory at least in 53.44 days. In operating cycle perspective, again Beko is more successful than Vestel and achieves 102 days of operating cycle while Vestel achieving 194.37 days.

We can measure long-term credit risk by analysing debt ratio. We observe that Vestel is in better position because its ratio of liabilities to assets is 76.50%. However 81% of assets of Beko are represented as liabilities.

We may start to measure the profitability of companies by analyzing first gross profit rates. Again we see that Vestel is more successful than Beko. Because it reports 23.8% of net sales as gross profit while Beko is reporting 16% in 2002. For operating expense ratio we must say that Vestel is more successful than Beko with 5.9% ratio. It means that operating expenses of Vestel are less than that of Beko. Vestel is able to achieve sales with lower operating xpenses. When we consider net income as a percentage ratio, we understand that Vestel has etter position compared with Beko. Because Vestel reports 5.2% of net sales as net income hile Beko reports only 0.3%. The return on asset ratio for both companies show that Beko merges with ratio of 22% while it is 19.5% for Vestel. Finally Vestel company keeps on eing more successful in return on equity ratio as well. Vestel company achieves a great 1.5% while Beko is achieving only 0.3%.

s a conclusion, we may accept that Vestel is again a more profitable company in 2002 as it as in 2001. The company makes the successful operations especially with low expenses and is provides higher profit rates.

fter all of the analysis of both companies now we have a picture of, which company erforms better, in mind. Vestel company achieves powerful ratios in short-term liquidity easures, Long-term credit risk and profitability measures. However Beko performs better in ventory and account receivables turnover rate. The rate of Beko is not greater since it chieves very well but may be it is better than Vestel since Vestel performs badly in turnover tes. Vestel must improve its ability to collect the receivables within a short period. The ssible solution for this problem may be making credit sales with shorter maturities. These ocesses may enable Vestel to increase cash flow-in and as a consequence help the liquidity increase.

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APPENDIX I

V. FINANCIAL STATEMENT ANALYSIS OF VESTEL.

4.1. Findings

4.1.1. Component Percentages (Vertical Analysis)

Table 4.1	1999	1998	1999	1998
s Sales	314,805,896	195,002,672	100%	100%
Deduction (-)	(2,354,088)	(6,564,692)	(0.75%)	(3.37%)
ales	312,451,808	188,437,984	99.25%	96.63%
Of Sales (-)	(226,362,727)	(138,546,912)	(71.91%)	(71.05%)
s Profit (Loss)	86,089,081	49,891,072	27.35%	25.58%
ating Expenses (-)	(13,771,917)	(8,596,447)	(4.37%)	(4.41%)
t (Loss) from Main Operations	72,317,164	41,294,624	22.97%	21.18%
ne And Profit From Other Operations	28,901,549	13,354,060	9.18%	6.85%
nses And Losses From Other Operations	(7,130,251)	(2,679,293)	(2.26%)	(1.37%)
cial Expenses(-)	(60,590,671)	(31,652,416)	(19.25%)	(16.23%)
ating Profit (Loss)	33,497,791	20,316,974	10.64%	10.42%
Ordinary Income And Profits	303,278	89,130	0,096%	0.046%
Ordinary Expenses And Losses (-)	(583,442)	(678,277)	(0.18%)	(0.35%)
ne Before Taxation	33,217,627	19,727,828	10.55%	10.12%
tion And Other Legal Liabilities (-)	(4,297,715)	(2,342,590)	(1.37%)	(1.2%)
ncome (Loss)	28,919,912	17,385,236	9.19%	8.92%

Table 4.2	2000	1999	2000	1999
s Sales	498,268,691	314,805,896	100%	100%
Deduction (-)	(1,681,988)	(2,354,088)	(0.34%)	(0.75%)
ales	496,586,703	312,451,808	99.66%	99.25%
Of Sales (-)	(394,502,404)	(226,362,727)	(79.17%)	(71.91%)
s Profit (Loss)	102,084,299	86,089,081	20.49%	27.35%
ating Expenses (-)	(23,707,327)	(13,771,917)	(4.76%)	(4.37%)
t (Loss) from Main Operations	78,376,972	72,317,164	15.73%	22.97%
ne And Profit From Other Operations	32,946,122	28,901,549	6.61%	9.18%
nses And Losses From Other Operations	(6,845,669)	(7,130,251)	(1.37%)	(2.26%)
cial Expenses(-)	(46,381,583)	(60,590,671)	(9.31%)	(19.25%)
ating Profit (Loss)	58,095,842	33,497,791	11.66%	10.64%
Ordinary Income And Profits	112,410	303,278	0.023%	0,096%
Ordinary Expenses And Losses (-)	(1,347,237)	(583,442)	(0.27%)	(0.18%)
ne Before Taxation	56,861,015	33,217,627	11.42%	10.55%
tion And Other Legal Liabilities (-)	(14,432,504)	(4,297,715)	(2.90%)	(1.37%)
ncome (Loss)	42,428,511	28,919,912	8.52%	9.19%

Table 4.3	2001	2000	2001	2000
les	924,092,253	498,268,691	100%	100%
duction (-)	(3,026,596)	(1,681,988)	(0.33%)	(0.34%)
s	921,065,657	496,586,703	99.67%	99.66%
Sales (-)	(636,203,022)	(394,502,404)	(68.85%)	(79.17%)
rofit (Loss)	284,862,635	102,084,299	30.82%	20.49%
ng Expenses (-)	(37,720,344)	(23,707,327)	(4.08%)	(4.76%)
oss) from Main Operations	247,142,291	78,376,972	26.74%	15.73%
And Profit From Other Operations	140,052,267	32,946,122	15.16%	6.61%
s And Losses From Other Operations	(6,949,337)	(6,845,669)	(0.75%)	(1.37%)
al Expenses(-)	(297,938,010)	(46,381,583)	(32.24%)	(9.31%)
ng Profit (Loss)	82,307,211	58,095,842	8.91%	11.66%
rdinary Income And Profits	354,656	112,410	0.038%	0.023%
rdinary Expenses And Losses (-)	(1,942,240)	(1,347,237)	(0.21%)	(0.27%)
Before Taxation	80,719,627	56,861,015	8.74%	11.42%
n And Other Legal Liabilities (-)	(26,001,039)	(14,432,504)	(2.81%)	(2.90%)
ome (Loss)	54,718,588	42,428,511	5.93%	8.52%

Table 4.4	2002	2001	2002	2001
ales	1,458,592,092	924,092,253	100%	100%
eduction (-)	(4,452,043)	(3,026,596)	(0.31%)	(0.33%)
es	1,454,140,051	921,065,657	99.70%	99.67%
f Sales (-)	(1,108,160,371)	(636,203,022)	(76%)	(68.85%)
Profit (Loss)	345,979,680	284,862,635	23.7%	30.82%
ing Expenses (-)	(86,215,417)	(37,720,344)	(5.9%)	(4.08%)
Loss) from Main Operations	259,764,263	247,142,291	17.8%	26.74%
And Profit From Other Operations	198,245,165	140,052,267	13.59%	15.16%
es And Losses From Other Operations	(71,806,241)	(6,949,337)	(4.9%)	(0.75%)
ial Expenses(-)	(269,106,536)	(297,938,010)	(18.45%)	(32.24%)
ing Profit (Loss)	117,096,651	82,307,211	8.3%	8.91%
Ordinary Income And Profits	3,339,415	354,656	0.23%	0.038%
Ordinary Expenses And Losses (-)	(4,883,104)	(1,942,240)	(0.34%)	(0.21%)
e Before Taxation	115,552,962	80,719,627	7.9%	8.74%
on And Other Legal Liabilities (-)	(42,564,170)	(26,001,039)	(2.9%)	(2.81%)
come (Loss)	72,988,792	54,718,588	5%	5.93%

4.1.2. Trend Percentages (Horizontal Analysis)

	1998	1999	2000	2001	2002
Sales	188,437,984	312,451,808	496,586,703	921,065,657	1,454,140,051
.G.S.	138,546,912	226,362,727	394,502,404	636,203,022	1,108,160,371
ss Profit	49,891,072	86,089,081	102,084,299	284,862,635	345,979,680

	1998	1999	2000	2001	2002
Sales	100%	165.8%	263.5%	488.8%	771.7%
G.S.	100%	163.4%	284.7%	459.2%	799.9%
s Profit	100%	172.6%	204.6%	571%	693.5%

4.1.3. Dolar and Percentage Changes.

2000	1999	1998	2000 Over 1999 Amount	2000 Over 1999 %	1999 Over1998 Amount	1999 Over 1998 %
496,586,703	312,451,808	188,437,984	184,134,895	59%	124,013,824	66%
42,428,511	28,919,912	17,385,236	13,508,599	47%	11,534,676	85%

2002	2001	2000	2002 Over2001 Amount	2002 Over2001 %	2001 Over2000 Amount	2001 Over2000 %
1,454,140,051	921,065,657	496,586,703	533,074,394	58%	424,478,954	86%
72,988,792	54,718,588	42,428,511	18,270,204	33%	12,290,077	29%

4.1.4. Ratio Analysis.

	1998	1999	2000	2001	2002
ent Assets	123,903,136	245,093,517	466,180,586	854,886,015	1,506,667,811
ent Liabilities	105,333,640	205,845,012	326,110,973	616,420,959	744,726,251
rent Ratio	**1.18**	**1.19**	**1.43**	**1.39**	**2.02**

	1998	1999	2000	2001	2002
k Assets	77,999,633	152,414,681	347,858,773	678,879,995	1,195,880,158
ent Liabilities	105,333,640	205,845,012	326,110,973	616,420,959	744,726,251
ck Ratio	**0.74**	**0.74**	**1.07**	**1.10**	**1.61**

	1998	1999	2000	2001	2002
ent Assets	123,903,136	245,093,517	466,180,586	854,886,015	1,506,667,811
ent Liabilities	105,333,640	205,845,012	326,110,973	616,420,959	744,726,251
king Capital	**18,569,496**	**39,248,505**	**140,069,613**	**616,420,959**	**761,941560**

	1998	1999	2000	2001	2002
Sales	188,437,984	312,451,808	496,586,703	921,065,657	1,454,140,051
age Account eivable	37,809,634	86,244,616.5	165,295,636	338,874,916	338,874,916
eivable Turn r Rate	**4.98**	**3.62**	**3.00**	**2.72**	**2.59**

	1998	1999	2000	2001	2002
s	365	365	365	365	365
eivable Turn rate	4.98	3.62	3.00	2.72	2.59
s To ect Account eivables	**73.29**	**100.83**	**121.67**	**134.19**	**140.93**

	1998	1999	2000	2001	2002
.O.G.S.	138,546,912	226,362,727	394,502,404	636,203,022	1,108,160,371
verage ventory	26,548,295.5	43,489,533	66,362,565	105,260,084	162,215,373.5
ventory urnover ate	**5.22**	**5.21**	**5.95**	**6.04**	**6.83**

	1998	1999	2000	2001	2002
ays	365	365	365	365	365
nventory Turn ver rate	5.22	5.21	5.95	6.04	6.83
***a ys To* ell Average nventory**	**69.92**	**70.06**	**61.35**	**60.43**	**53.44**

	1998	1999	2000	2001	2002
Days To Collect Account Receivables	73.29	100.83	121.67	134.19	140.93
Days To Sell Average Inventory	69.92	70.06	61.35	60.43	53.44
Operating Cycle	**143.21**	**170.89**	**183.02**	**195.45**	**194.37**

	1998	1999	2000	2001	2002
Total Liabilities	111,030,844	211,086,674	331,112,210	686,992,430	1,294,000,773
Total Assets	145,587,968	283,782,457	536,087,163	969,531,711	1,691,450,756
Debt Ratio	**76.26%**	**74.38%**	**61.77%**	**70.86%**	**76.50%**

	1998	1999	2000	2001	2002
Dollar Gross Profit	49,891,072	86,089,081	102,084,299	284,862,635	345,979,680
Net Sales	188,437,984	312,451,808	496,586,703	921,065,657	1,454,140,051
Gross Profit Rate	**0.265**	**0.276**	**0.206**	**0.309**	**0.238**

	1998	1999	2000	2001	2002
Operating Expenses	8,596,447	13,771,917	23,707,327	37,720,344	86,215,417
Net Sales	188,437,984	312,451,808	496,586,703	921,065,657	1,454,140,051
Operating Expense Ratio	**(0.046)**	**(0.044)**	**(0.048)**	**(0.041)**	**(0.059)**

	1998	1999	2000	2001	2002
Net Income	13,385,236	28,919,912	42,428,511	54,718,588	72,988,792
Net Sales	188,437,984	312,451,808	496,586,703	921,065,657	1,454,140,051
Netincome as a Percentages Of Net Sales	**9.23%**	**9.26%**	**8.54%**	**5.94%**	**5.02%**

	1998	1999	2000	2001	2002
Operating Income	41,294,624	72,317,164	78,376,972	247,142,291	259,764,263
Average Total Assets	113,945,339	214,685,212.5	409,934,810	752,809,437	1,330,491,233.5
Return On Assets	**0.362**	**0.337**	**0.191**	**0.328**	**0.195**

	1998	1999	2000	2001	2002
t Income	13,385,236	28,919,912	42,428,511	54,718,588	72,988,792
erage Total uity	25,864,506	53,626,453.5	138,835,368	243,757,117	339,994,632
turn On uity	**0.672**	**0.539**	**0.306**	**0.225**	**0.215**

FINANCIAL STATEMENTS (Million TL)*	1998 4.Period	.Period
CURRENT ASSETS	123,903,136	-
LIQUID ASSETS	591,033	-
1. Cash	8,316	-
2. Banks	566,267	-
3. Other liquid assets	16,450	-
MARKETABLE SECURITIES	22,153,884	-
1. Share stocks	0	-
2. Private sector bills, notes and bonds	0	-
3. Government bonds and Treasury bills	22,153,884	-
4. Other marketable securities	0	-
5. Provision for diminution in value of market	0	-
SHORT-TERM TRADE RECEIVABLES	55,145,468	-
1. Customers	55,383,280	-
2. Notes receivable	1,038,953	-
3. Deposits and guarantes given	5,163	-
4. Other short-term trade receivables	637	-
5. Rediscount of notes receivable (-)	-1,281,927	-
6. Provision for doubtful receivables (-)	-637	-
OTHER SHORT-TERM TRADE RECEIVABLES	109,249	-
1. Due from shareholders	0	-
2. Due from investments	0	-
3. Due from subsidiaries	0	-
4. Other short-term receivables	109,249	-
5. Rediscount of notes receivable (-)	0	-
6. Provision for doubtful receivables (-)	0	-
INVENTORIES	30,102,120	-
1. Raw materials	14,953,910	-
2. Semi-finished goods	958,663	-
3. Work in progress	0	-
4. Finished goods	1,986,890	-
5. Commercial goods	2,120,655	-
6. Other inventories	252,448	-
7. Provision for diminution in value of invent	0	-
8. Order advances given	9,829,553	-
F. OTHER CURRENT ASSETS	15,801,383	-
II. NON-CURRENT ASSETS	21,684,838	-
A. LONG-TERM TRADE RECEIVABLES	35,604	-
1. Customers	0	-
2. Notes receivable	0	-
3. Deposits and guarantes given	35,604	-
4. Other long-term trade receivables	0	-
5. Rediscount of notes receivable (-)	0	-
6. Provision for doubtful receivables (-)	0	-
B. OTHER LONG-TERM TRADE RECEIVABLES	0	-
1. Due from shareholders	0	-
2. Due from investments	0	-
3. Due from subsidiaries	0	-
4. Other long-term receivables	0	-
5. Rediscount of notes receivable (-)	0	-
6. Provision for doubtful receivables (-)	0	-
C. FINANCIAL ASSETS	409,060	-
1. Marketable securities issued by subsidiarie	15,756	-
2. Provision for diminution in value of market	0	-
3. Investments	267,818	-
4. Capital commitments to investments	-3,750	-
5. Provision for diminution in value of invest	0	-
6. Subsidiaries	529,236	-
7. Capital commitments to subsidiaries (-)	-400,000	-
8. Provision for diminution in value of subsid	0	-
9. Other non-current financial assets	0	-
D. FIXED ASSETS	18,624,132	-

1. Land	298	-
2. Land improvements	99,660	-
3. Buildings	1,871,969	-
4. Machinery and equipment	16,686,159	-
5. Motor vehicles	119,840	-
6. Furniture and fixtures	1,556,012	-
7. Other fixed assets	0	-
8. Accumulated depreciation (-)	-3,499,957	-
9. Construction in progress	1,358,156	-
10. Order advances given	431,994	-
E. INTANGIBLE ASSETS	71,545	-
1. Establishment cost (net)	36,222	-
2. Rights	0	-
3. Research and development expenses	0	-
4. Other intangible assets	35,323	-
5. Advances gives	0	-
F. OTHER NON-CURRENT ASSETS	2,544,498	-
TOTAL ASSETS	145,587,968	-
I. CURRENT LIABILITIES	105,333,640	-
A. SHORT-TERM BORROWINGS	23,615,426	-
1. Bank borrowings	23,615,426	-
2. Principal installments and interest on long	0	-
3. Principal installments and interest on bill	0	-
4. Notes and bonds issued	0	-
5. Other short-term borrowings	0	-
B. TRADE PAYABLES	62,107,328	-
1. Suppliers	62,867,096	-
2. Notes payable	257,490	-
3. Deposits and guarantees received	0	-
4. Other trade payables	35,368	-
5. Rediscount of notes payable (-)	-1,052,629	-
C. OTHER CURRENT LIABILITIES	17,608,920	-
1. Due to shareholders	4,367	-
2. Due to investments	0	-
3. Due to subsidiaries	0	-
4. Accrued expenses	0	-
5. Witholdings payable	1,786,952	-
6. Deferred payables to government	0	-
7. Other short-term liabilities	15,817,600	-
8. Rediscount of notes payable (-)	0	-
D. ADVANCES RECEIVED	121,484	-
E. ALLOWANCE FOR PAYABLES AND EXPENSES	1,880,484	-
1. Provision for taxes	1,867,191	-
2. Provision for payables and accruels	13,293	-
II. LONG-TERM LIABILITIES	5,697,209	-
A. LONG-TERM BORROWINGS	1,407,240	-
1. Bank borrowings	1,407,240	-
2. Bonds issued	0	-
3. Other marketable securities issued	0	-
4. Other long-term borrowings	0	-
B. TRADE PAYABLES	1,179,274	-
1. Suppliers	1,311,210	-
2. Notes payable	0	-
3. Deposits and guarantees received	0	-
4. Other trade payables	0	-
5. Rediscount of notes payable (-)	-131,936	-
C. OTHER LONG-TERM BORROWINGS	1,147,492	-
1. Due to shareholders	0	-
2. Due to investments	0	-
3. Due to subsidiaries	0	-
4. Deferred payables to government	113,354	-
5. Other long-term borrowings	1,034,138	-

5. Rediscount of notes payable (-)	0	-
ADVANCES RECEIVED	0	-
PROVISION FOR PAYABLES AND EXPENSES	1,963,203	-
1. Provision for retirement pay	1,963,203	-
2. Provision for other payables and accruels	0	-
SHAREHOLDERS' EQUITY	34,557,124	-
SHARE CAPITAL	4,000,000	-
CAPITAL COMMITMENTS (-)	0	-
SHARE PREMIUM	5,005,873	-
REVALUATION SURPLUS	0	-
1. Revaluation surplus on fixed assets	0	-
2. Revaluation surplus on investments	0	-
3. Revaluation surplus on common stocks	0	-
RESERVES	8,166,014	-
1. Legal reserves	695,700	-
2. Statutory reserves	0	-
3. Special reserves	15,146	-
4. Extraordinary reserves	7,454,665	-
5. Cost increase fund	503	-
6. Fixed assets and investment sales income to	0	-
NET INCOME FOR THE PERIOD	17,385,236	-
LOSS FOR THE PERIOD (-)	0	-
PRIOR YEAR LOSSES (-)	0	-
PREVIOUS YEAR LOSSES (-)	0	-
1. ....year losses	0	-
2. ....year losses	0	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	145,587,968	-
A. GROSS SALES	195,002,672	-
1. Domestic sales	55,894,316	-
2. Exports	115,105,896	-
3. Other sales	24,002,460	-
B. SALES DEDUCTIONS (-)	-6,564,692	-
1. Sales returns (-)	-5,604,649	-
2. Sales discounts (-)	0	-
3. Other deductions (-)	-960,043	-
C. NET SALES	188,437,984	-
D. COST OF SALES (-)	-138,546,912	-
GROSS PROFIT (LOSS)	49,891,072	-
E. OPERATING EXPENSES (-)	-8,596,447	-
1. Research and development expenses (-)	-387,848	-
2. Selling ana marketing expenses (-)	-3,601,751	-
3. General and admiinistrative expenses (-)	-4,606,848	-
PROFIT (LOSS) FROM MAIN OPERATIONS	41,294,624	-
F. INCOME AND PROFIT FROM OTHER OPERATIONS	13,354,060	-
1. Dividends from investments	0	-
2. Dividends from subsidiaries	0	-
3. Interest and other dividend income	6,577,186	-
4. Other operating income and profits	6,776,874	-
G. EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	-2,679,293	-
H. FINANCIAL EXPENSES (-)	-31,652,416	-
1. Short-term financial expenses	-31,652,416	-
2. Long-term financial expenses	0	-
OPERATING PROFIT (LOSS)	20,316,974	-
I. EXTRAORDINARY INCOME AND PROFITS	89,130	-
1. Reversal of provisions	0	-
2. Prior year income and profit	0	-
3. Other extraordinary income and profit	89,130	-
J. EXTARORDINARY EXPENSES AND LOSSES	-678,277	-
1. Idle division expenses and losses	-676,479	-
2. Prior year expenses and losses	-1,798	-
3. Other extraordinary expenses and losses	0	-
INCOME BEFORE TAXATION	19,727,828	-

AND OTHER LEGAL LIABILITIES	-2,342,590	-
E (LOSS)	17,385,236	-

AL STATEMENTS (Million TL)*	1999 4.Period	2000 4.Period
ENT ASSETS	245,093,517	466,180,586
D ASSETS	188,564	85,933,289
1. Cash	15,317	37,412
2. Banks	120,101	83,632,250
3. Other liquid assets	53,146	2,263,627
RKETABLE SECURITIES	33,451,581	23,925,452
1. Share stocks	0	0
2. Private sector bills, notes and bonds	0	0
3. Government bonds and Treasury bills	32,405,652	23,925,452
4. Other marketable securities	1,045,929	0
5. Provision for diminution in value of market	0	0
ORT-TERM TRADE RECEIVABLES	118,321,811	211,729,782
1. Customers	117,105,953	213,485,319
2. Notes receivable	4,255,197	31,310
3. Deposits and guarantes given	20,957	96,791
4. Other short-term trade receivables	69,317	14,168
5. Rediscount of notes receivable (-)	-3,060,296	-1,883,638
6. Provision for doubtful receivables (-)	-69,317	-14,168
HER SHORT-TERM TRADE RECEIVABLES	452,725	26,270,250
1. Due from shareholders	0	0
2. Due from investments	0	0
3. Due from subsidiaries	0	16,948,760
4. Other short-term receivables	452,725	9,321,490
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
VENTORIES	56,876,946	75,848,184
1. Raw materials	29,386,292	29,441,516
2. Semi-finished goods	1,748,970	3,060,212
3. Work in progress	0	0
4. Finished goods	4,955,108	4,780,479
5. Commercial goods	454,741	2,646,000
6. Other inventories	696,516	98,044
7. Provision for diminution in value of invent	0	0
8. Order advances given	19,635,319	35,821,933
THER CURRENT ASSETS	35,801,890	42,473,629
N-CURRENT ASSETS	38,688,940	69,906,577
ONG-TERM TRADE RECEIVABLES	55,460	64,272
1. Customers	0	0
2. Notes receivable	0	0
3. Deposits and guarantes given	55,460	64,272
4. Other long-term trade receivables	0	0
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
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
FINANCIAL ASSETS	2,716,766	19,671,417
1. Marketable securities issued by subsidiarie	15,756	791,684
2. Provision for diminution in value of market	0	0
3. Investments	1,238,293	3,368,973
4. Capital commitments to investments	-876,950	-900
5. Provision for diminution in value of invest	0	0
6. Subsidiaries	4,626,667	15,511,660
7. Capital commitments to subsidiaries (-)	-2,287,000	0
8. Provision for diminution in value of subsid	0	0
9. Other non-current financial assets	0	0
FIXED ASSETS	31,523,610	45,251,132

1. Land	163,029	163,029
2. Land improvements	156,941	220,192
3. Buildings	2,488,655	2,657,910
4. Machinery and equipment	32,597,272	49,570,527
5. Motor vehicles	196,042	96,614
6. Furniture and fixtures	2,786,869	3,526,139
7. Other fixed assets	0	0
8. Accumulated depreciation (-)	-8,239,731	-13,458,418
9. Construction in progress	540,099	1,540,973
10. Order advances given	834,434	934,166
NGIBLE ASSETS	1,267,758	1,099,213
1. Establishment cost (net)	36,222	36,222
2. Rights	0	0
3. Research and development expenses	15,574	15,574
4. Other intangible assets	1,215,962	1,047,417
5. Advances gives	0	0
HER NON-CURRENT ASSETS	3,125,346	3,820,543
ASSETS	283,782,457	536,087,163
ENT LIABILITIES	205,845,012	326,110,973
RT-TERM BORROWINGS	54,079,109	74,839,700
1. Bank borrowings	54,079,109	74,839,700
2. Principal installments and interest on long	0	0
3. Principal installments and interest on bill	0	0
4. Notes and bonds issued	0	0
5. Other short-term borrowings	0	0
DE PAYABLES	117,586,141	199,551,947
1. Suppliers	114,354,655	170,970,517
2. Notes payable	4,908,449	32,541,740
3. Deposits and guarantees received	190	89,067
4. Other trade payables	74,523	0
5. Rediscount of notes payable (-)	-1,751,676	-4,049,377
HER CURRENT LIABILITIES	31,985,858	36,818,631
1. Due to shareholders	4,126	3,714
2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Accrued expenses	0	0
5. Witholdings payable	2,125,142	5,077,060
6. Deferred payables to government	0	0
7. Other short-term liabilities	29,856,590	31,737,857
8. Rediscount of notes payable (-)	0	0
VANCES RECEIVED	77,024	160,027
OWANCE FOR PAYABLES AND EXPENSES	2,116,880	14,740,668
1. Provision for taxes	2,116,880	14,432,504
2. Provision for payables and accruels	0	308,164
G-TERM LIABILITIES	5,241,662	5,001,237
NG-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
DE PAYABLES	1,134,002	420,077
1. Suppliers	1,240,009	444,848
2. Notes payable	0	0
3. Deposits and guarantees received	0	0
4. Other trade payables	0	0
5. Rediscount of notes payable (-)	-106,007	-24,771
HER LONG-TERM BORROWINGS	1,034,138	8,859
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	1,034,138	8,859

6. Rediscount of notes payable (-)	0	0
ADVANCES RECEIVED	0	0
PROVISION FOR PAYABLES AND EXPENSES	3,073,522	4,572,301
1. Provision for retirement pay	3,073,522	4,572,301
2. Provision for other payables and accruels	0	0
SHAREHOLDERS' EQUITY	72,695,783	204,974,953
SHARE CAPITAL	4,000,000	159,099,887
CAPITAL COMMITMENTS (-)	0	0
SHARE PREMIUM	5,005,873	0
REVALUATION SURPLUS	8,326,739	1,123,736
1. Revaluation surplus on fixed assets	8,322,239	609,736
2. Revaluation surplus on investments	4,500	0
3. Revaluation surplus on common stocks	0	514,000
RESERVES	26,443,259	2,322,819
1. Legal reserves	800,000	800,000
2. Statutory reserves	0	0
3. Special reserves	15,146	15,146
4. Extraordinary reserves	22,826,799	1,507,673
5. Cost increase fund	503	0
6. Fixed assets and investment sales income to	2,800,811	0
NET INCOME FOR THE PERIOD	28,919,912	42,428,511
LOSS FOR THE PERIOD (-)	0	0
PRIOR YEAR LOSSES (-)	0	0
PREVIOUS YEAR LOSSES (-)	0	0
1. ....year losses	0	0
2. ....year losses	0	0
TAL LIABILITIES AND SHAREHOLDERS' EQUITY	283,782,457	536,087,163
GROSS SALES	314,805,896	498,268,691
1. Domestic sales	68,761,184	81,151,852
2. Exports	203,515,060	345,280,115
3. Other sales	42,529,652	71,836,724
SALES DEDUCTIONS (-)	-2,354,088	-1,681,988
1. Sales returns (-)	-1,269,371	-30,462
2. Sales discounts (-)	0	0
3. Other deductions (-)	-1,084,717	-1,651,526
NET SALES	312,451,808	496,586,703
COST OF SALES (-)	-226,362,727	-394,502,404
ROSS PROFIT (LOSS)	86,089,081	102,084,299
OPERATING EXPENSES (-)	-13,771,917	-23,707,327
1. Research and development expenses (-)	-619,373	-1,182,994
2. Selling ana marketing expenses (-)	-4,848,093	-10,953,708
3. General and admiinistrative expenses (-)	-8,304,451	-11,570,625
ROFIT (LOSS) FROM MAIN OPERATIONS	72,317,164	78,376,972
NCOME AND PROFIT FROM OTHER OPERATIONS	28,901,549	32,946,122
1. Dividends from investments	0	588
2. Dividends from subsidiaries	0	0
3. Interest and other dividend income	12,372,030	15,878,269
4. Other operating income and profits	16,529,519	17,067,265
EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	-7,130,251	-6,845,669
FINANCIAL EXPENSES (-)	-60,590,671	-46,381,583
1. Short-term financial expenses	-60,590,671	-46,381,583
2. Long-term financial expenses	0	0
PERATING PROFIT (LOSS)	33,497,791	58,095,842
XTRAORDINARY INCOME AND PROFITS	303,278	112,410
1. Reversal of provisions	0	0
2. Prior year income and profit	0	0
3. Other extraordinary income and profit	303,278	112,410
EXTARORDINARY EXPENSES AND LOSSES	-583,442	-1,347,237
1. Idle division expenses and losses	-564,235	-1,341,641
2. Prior year expenses and losses	0	0
3. Other extraordinary expenses and losses	-19,207	-5,596
COME BEFORE TAXATION	33,217,627	56,861,015

...TION AND OTHER LEGAL LIABILITIES	-4,297,715	-14,432,504
...COME (LOSS)	28,919,912	42,428,511

. STATEMENTS (Million TL)*	2001 4.Period	2002 4.Period
NT ASSETS	854,886,015	1,506,667,811
) ASSETS	146,329,076	441,370,316
. Cash	68,602	32,254
. Banks	146,255,029	441,300,468
. Other liquid assets	5,445	37,594
KETABLE SECURITIES	2,477,186	36,594,222
. Share stocks	0	0
. Private sector bills, notes and bonds	0	0
. Government bonds and Treasury bills	2,477,186	36,594,222
. Other marketable securities	0	0
. Provision for diminution in value of market	0	0
RT-TERM TRADE RECEIVABLES	464,308,955	657,857,080
. Customers	464,264,513	657,589,875
. Notes receivable	0	0
. Deposits and guarantes given	63,554	267,221
. Other short-term trade receivables	86,806	12,459
. Rediscount of notes receivable (-)	-19,112	-16
. Provision for doubtful receivables (-)	-86,806	-12,459
ER SHORT-TERM TRADE RECEIVABLES	65,764,778	60,058,540
. Due from shareholders	0	0
2. Due from investments	0	0
. Due from subsidiaries	57,043,892	53,331,177
. Other short-term receivables	8,720,886	6,727,363
. Rediscount of notes receivable (-)	0	0
. Provision for doubtful receivables (-)	0	0
NTORIES	134,671,984	189,758,763
. Raw materials	53,438,978	80,429,727
. Semi-finished goods	5,310,872	8,264,394
3. Work in progress	0	0
. Finished goods	10,203,876	24,041,295
. Commercial goods	1,947,462	79,529
. Other inventories	2,773,119	664,966
7. Provision for diminution in value of invent	0	0
. Order advances given	60,997,677	76,278,852
ER CURRENT ASSETS	41,334,036	121,028,890
URRENT ASSETS	114,645,696	184,782,945
G-TERM TRADE RECEIVABLES	28,467	18,880
1. Customers	0	0
2. Notes receivable	0	0
3. Deposits and guarantes given	28,467	18,880
4. Other long-term trade receivables	0	0
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
ER 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
NCIAL ASSETS	20,879,478	22,508,566
1. Marketable securities issued by subsidiarie	2,102,323	2,547,260
2. Provision for diminution in value of market	0	0
3. Investments	3,030,825	3,030,825
4. Capital commitments to investments	-675	0
5. Provision for diminution in value of invest	0	0
6. Subsidiaries	15,747,005	17,287,327
7. Capital commitments to subsidiaries (-)	0	-356,846
8. Provision for diminution in value of subsid	0	0
9. Other non-current financial assets	0	0
D ASSETS	76,084,303	138,055,825

. Land	163,029	163,029
. Land improvements	404,406	642,502
. Buildings	4,193,596	7,389,088
. Machinery and equipment	90,790,089	183,393,764
. Motor vehicles	181,904	215,395
. Furniture and fixtures	4,949,057	8,243,509
. Other fixed assets	0	0
. Accumulated depreciation (-)	-28,920,177	-67,727,748
. Construction in progress	2,597,522	5,594,678
0. Order advances given	1,724,877	141,608
NGIBLE ASSETS	1,741,056	1,787,770
. Establishment cost (net)	36,222	0
. Rights	0	79,107
. Research and development expenses	248,720	184,983
. Other intangible assets	1,456,114	1,523,680
. Advances gives	0	0
IER NON-CURRENT ASSETS	15,912,392	22,411,904
SSETS	969,531,711	1,691,450,756
ENT LIABILITIES	616,420,959	744,726,251
RT-TERM BORROWINGS	193,226,126	9,342,818
1. Bank borrowings	193,226,126	9,342,818
2. Principal installments and interest on long	0	0
3. Principal installments and interest on bill	0	0
4. Notes and bonds issued	0	0
5. Other short-term borrowings	0	0
DE PAYABLES	359,973,776	612,628,665
1. Suppliers	302,387,717	598,238,202
2. Notes payable	60,049,408	17,573,641
3. Deposits and guarantees received	22,000	0
4. Other trade payables	406,719	132,857
5. Rediscount of notes payable (-)	-2,892,068	-3,316,035
IER CURRENT LIABILITIES	36,994,461	112,619,449
1. Due to shareholders	3,669	0
2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Accrued expenses	0	0
5. Witholdings payable	6,369,658	3,101,674
6. Deferred payables to government	0	0
7. Other short-term liabilities	30,621,134	109,517,775
8. Rediscount of notes payable (-)	0	0
/ANCES RECEIVED	27,771	85,391
OWANCE FOR PAYABLES AND EXPENSES	26,198,825	10,049,928
1. Provision for taxes	26,001,039	6,456,096
2. Provision for payables and accruels	197,786	3,593,832
G-TERM LIABILITIES	70,571,471	549,274,522
NG-TERM BORROWINGS	63,405,750	481,785,427
1. Bank borrowings	63,405,750	481,785,427
2. Bonds issued	0	0
3. Other marketable securities issued	0	0
4. Other long-term borrowings	0	0
ADE 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
HER LONG-TERM BORROWINGS	8,859	4,503,807
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	8,859	4,503,807

6. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	0	0
E. PROVISION FOR PAYABLES AND EXPENSES	7,156,862	62,985,288
1. Provision for retirement pay	7,156,862	8,996,199
2. Provision for other payables and accruels	0	53,989,089
III. SHAREHOLDERS' EQUITY	282,539,281	397,449,983
A. SHARE CAPITAL	159,099,887	159,099,887
B. CAPITAL COMMITMENTS (-)	0	0
C. SHARE PREMIUM	0	0
D. REVALUATION SURPLUS	23,969,475	65,906,531
1. Revaluation surplus on fixed assets	22,869,475	64,529,151
2. Revaluation surplus on investments	0	97,048
3. Revaluation surplus on common stocks	1,100,000	1,280,332
E. RESERVES	44,751,331	99,454,773
1. Legal reserves	2,921,426	6,551,406
2. Statutory reserves	0	0
3. Special reserves	15,146	0
4. Extraordinary reserves	41,814,759	92,903,367
5. Cost increase fund	0	0
6. Fixed assets and investment sales income to	0	0
F. NET INCOME FOR THE PERIOD	54,718,588	72,988,792
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	969,531,711	1,691,450,756
A. GROSS SALES	924,092,253	1,458,592,094
1. Domestic sales	54,195,211	76,863,364
2. Exports	792,411,689	1,360,939,121
3. Other sales	77,485,353	20,789,609
B. SALES DEDUCTIONS (-)	-3,026,596	-4,452,043
1. Sales returns (-)	-1,530,375	-1,966,361
2. Sales discounts (-)	0	0
3. Other deductions (-)	-1,496,221	-2,485,682
C. NET SALES	921,065,657	1,454,140,051
D. COST OF SALES (-)	-636,203,022	-1,108,160,371
GROSS PROFIT (LOSS)	284,862,635	345,979,680
E. OPERATING EXPENSES (-)	-37,720,344	-86,215,417
1. Research and development expenses (-)	-4,266,192	-10,385,551
2. Selling ana marketing expenses (-)	-19,872,609	-50,766,239
3. General and admiinistrative expenses (-)	-13,581,543	-25,063,627
PROFIT (LOSS) FROM MAIN OPERATIONS	247,142,291	259,764,263
F. INCOME AND PROFIT FROM OTHER OPERATIONS	140,052,267	198,245,165
1. Dividends from investments	0	62,300
2. Dividends from subsidiaries	0	0
3. Interest and other dividend income	95,301,368	113,090,406
4. Other operating income and profits	44,750,899	85,092,459
G. EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	-6,949,337	-71,806,241
H. FINANCIAL EXPENSES (-)	-297,938,010	-269,106,536
1. Short-term financial expenses	-297,938,010	-269,106,536
2. Long-term financial expenses	0	0
OPERATING PROFIT (LOSS)	82,307,211	117,096,651
I. EXTRAORDINARY INCOME AND PROFITS	354,656	3,339,415
1. Reversal of provisions	0	0
2. Prior year income and profit	0	2,717,369
3. Other extraordinary income and profit	354,656	622,046
J. EXTARORDINARY EXPENSES AND LOSSES	-1,942,240	-4,883,104
1. Idle division expenses and losses	-1,941,929	-4,838,160
2. Prior year expenses and losses	0	0
3. Other extraordinary expenses and losses	-311	-44,944
INCOME BEFORE TAXATION	80,719,627	115,552,962

K. TAXATION AND OTHER LEGAL LIABILITIES	-26,001,039	-42,564,170
NET INCOME (LOSS)	54,718,588	72,988,792

APPENDIX II

IV. FINANCIAL STATEMENT ANALYSIS OF BEKO

(CALCULATIONS)

4.1. FINDINGS

4.1.1. Component Percentages (Vertical Analysis):

Table 4.1	1999	1998	1999	1998
Gross Sales	134,802,460	100,266,720	100%	100%
Sales Deduction (-)	(1,891,763)	(1,093,968)	(1.4%)	(1%)
Net Sales	132,910,697	99,172,752	98.6%	99%
Cost Of Sales (-)	(105,590,971)	(72,363,384)	(68.3%)	(72%)
Gross Profit (Loss)	27,319,726	26,809,368	20.27%	26%
Operating Expenses (-)	(19,451,080)	(12,007,611)	(14.43%)	(12%)
Profit (Loss) from Main Operations	7,868,646	14,801,757	5.84%	14%
Income And Profit From Other Operations	5,433,624	1,564,661	4%	1.5%
Expenses And Losses From Other Operations (-)	(2,201)	(879,064)	(0.001%)	(0.87%)
Financial Expenses(-)	(14,311,044)	(9,343,069)	(10.62%)	(9.3%)
Operating Profit (Loss)	1,010,975	6,144,285	0.75%	6%
Extra Ordinary Income And Profits	6,464,168	1,360,588	4.8%	1.3%
Extra Ordinary Expenses And Losses (-)	(337,633)	(268,718)	(0.25%)	(0.26%)
Income Before Taxation	5,115,560	7,236,155	3.7%	7.2%
Taxation And Other Legal Liabilities (-)	763,350	1,609,821	(0.57%)	(1.6%)
Net Income (Loss)	4,352,210	5,626,334	3.23%	5.6%

Table 4.2	2000	1999	2000	1999
Gross Sales	257,921,029	134,802,460	100%	100%
Sales Deduction (-)	(3,329,890)	(1,891,763)	(1. 29%)	(1.4%)
Net Sales	254,591,139	132,910,697	98.7%	98.6%
Cost Of Sales (-)	(202,180,368)	(105,590,971)	(78%)	(68.3%)
Gross Profit (Loss)	52,410,771	27,319,726	20.3%	20.27%
Operating Expenses (-)	(25,647,585)	(19,451,080)	9.9%)	(14.43%)
Profit (Loss) from Main Operations	26,763,186	7,868,646	10.3%	5.84%
Income And Profit From Other Operations	8,168,966	5,433,624	3%	4%
Expenses And Losses From Other Operations (-)	(3,322,837)	(2,201)	(1.2%)	(0.001%)
Financial Expenses(-)	(21,171,280)	(14,311,044)	(8.2%)	(10.62%)
Operating Profit (Loss)	10,438,035	1,010,975	4%	0.75%
Extra Ordinary Income And Profits	5,142	6,464,168	0.001%	4.8%
Extra Ordinary Expenses And Losses (-)	(1,015)	(337,633)	(0.0003%)	(0.25%)
Income Before Taxation	10,442,162	5,115,560	4%	3.7%
Taxation And Other Legal Liabilities (-)	(3,638,420)	(763,350)	(1.41%)	(0.57%)
Net Income (Loss)	6,803,742	4,352,210	2.6%	3.23%

Table 4.3	2001	2000	2001	2000
Gross Sales	424,988,538	257,921,029	100%	100%
Sales Deduction (-)	(6,858,188)	(3,329,890)	(1.6%)	(1. 29%)
Net Sales	418,130,350	254,591,139	98.3%	98.7%
Cost Of Sales (-)	(310,450,540)	(202,180,368)	(73%)	(78%)
Gross Profit (Loss)	107,679,810	52,410,771	25.3%	20.3%
Operating Expenses (-)	(36,722,331)	(25,647,585)	(8.6%)	9.9%)
Profit (Loss) from Main Operations	70,957,479	26,763,186	16.7%	10.3%
Income And Profit From Other Operations	33,639,754	8,168,966	7.9%	3%
Expenses And Losses From Other Operations (-)	(3,803,435)	(3,322,837)	(0.89%)	(1.2%)
Financial Expenses(-)	(100,267,164)	(21,171,280)	(23.59%)	(8.2%)
Operating Profit (Loss)	526,634	10,438,035	0.12%	4%
Extra Ordinary Income And Profits	1,963	5,142	0.0004%	0.001%
Extra Ordinary Expenses And Losses (-)	(11,272)	(1,015)	(0.0026%)	(0.0003%)

Income Before Taxation	517,325	10,442,162	0.12%	4%
Taxation And Other Legal Liabilities (-)	(194,010)	(3,638,420)	(0.045%)	(1.41%)
Net Income (Loss)	323,315	6,803,742	0.076%	2.6%

Table 4.4	2002	2001	2002	2001
Gross Sales	940,745,083	424,988,538	100%	100%
Sales Deduction (-)	(14,744,093)	(6,858,188)	(1.56)%	(1.6%)
Net Sales	926,000,90	418,130,350	98.4%	98.3%
Cost Of Sales (-)	(770,549,094)	(310,450,540)	(81.9)%	(73%)
Gross Profit (Loss)	155,451,896	107,679,810	16.5%	25.3%
Operating Expenses (-)	(77,921,860)	(36,722,331)	(8.2)%	(8.6%)
Profit (Loss) from Main Operations	77,530,036	70,957,479	8.24%	16.7%
Income And Profit From Other Operations	5,406,785	33,639,754	.57%	7.9%
Expenses And Losses From Other Operations (-)	(8,783,641)	(3,803,435)	(.93)%	(0.89%)
Financial Expenses(-)	(64,583,197)	(100,267,164)	(6.86)%	(23.59%)
Operating Profit (Loss)	9,569,983	526,634	1%	0.12%
Extra Ordinary Income And Profits	818	1,963	.0008%	0.0004%
Extra Ordinary Expenses And Losses (-)	(4,007,320)	(11,272)	(.43)%	(0.0026%)
Income Before Taxation	5,563,481	517,325	.59%	0.12%
Taxation And Other Legal Liabilities (-)	(2,487,663)	(194,010)	(.26)%	(0.045%)
Net Income (Loss)	3,075,818	323,315	.33%	0.076%

4.1.2. Trend Percentages (Horizontal Analysis)

	1998	1999	2000	2001	2002
Net Sales	99.172.752	132.910.697	254.591.139	418.130.350	940.745.083
C.O.G.S.	72.363.384	105.590.971	202.180.368	310.450.540	770.549.094
Gross Profit	26.809.368	27.319.726	52.410.771	107.679.810	155.451.896

	1998	1999	2000	2001	2002
Net Sales	100%	134%	256%	421%	948%
C.O.G.S.	100%	145%	279%	429%	1095%
Gross Profit	100%	101%	195%	401%	579%

4.1.3. Dollar and Percentage Changes.

	2000	1999	1998	2000 Over 1999 Amount	2000 Over 1999 %	1999 Over 1998 Amount	1999 Over 1998 %
Net Sales	254,591,139	132,910,697	99,172,752	121,680,442	92%	33,737,945	34.6%
Net Income	6,803,742	4,352,210	5,626,334	2,451,532	56%	(1,274,124)	(22%)

	2002	2001	2000	2002 Over2001 Amount	2002 Over 2001 %	2001 Over2000 Amount	2001 Over2000 %
Net Sales	926,000,990	418,130,350	254,591,139	507,870,640	121%	163,539,211	64%
Net Income	3,075,818	323,315	6,803,742	2,752,503	851%	(-6,480,427)	(-95%)

4. Ratio Analysis.

	1998	1999	2000	2001	2002
Current Assets	58,929,460	83,291,321	143,334,543	197,053,275	400,362,886
Current Liabilities	45,779,444	70,268,783	109,706,827	155,332,312	253,313,637
Current Ratio	1.29	1.18	1.31	1.27	1.58

	1998	1999	2000	2001	2002
Quick Assets	27,408,919	38,512,069	103,731,355	173,481,322	288,914,283
Current Liabilities	45,779,444	70,268,783	109,706,827	155,332,312	253,313,637
Quick Ratio	0.60	0.55	0.95	0.86	1.14

	1998	1999	2000	2001	2002
Current Assets	58,929,460	83,291,321	143,334,543	197,053,275	400,362,886
Current Liabilities	45,779,444	70,268,783	109,706,827	155,332,312	253,313,637
Working capital	13,150,016	12,950,538	33,627,716	41,720,963	147,049,249

	1998	1999	2000	2001	2002
Net sales	99,172,752	132,910,697	254,591,139	418,130,350	962,000,990
Average account receivables	13,053,924	28,050,622	52,886,807	100,351,920	187,108,085 .5
Receivable turnover rate	7.6	4.73	4.81	4.16	4.95

	1998	1999	2000	2001	2002
ys	365	365	365	365	365
R turnover rate	7.6	4.73	4.81	4.16	4.95
ys To Collect average A/R	48	72.2	75.9	87.7	83.7

	1998	1999	2000	2001	2002
.O. .S	72,363,384	105,590,971	202,180,368	310,450,540	770,549,094
ver ge nven ory	12,101,425	15,347,969.5	19,999,426	29,339,921.5	59,645,884.5
nven ory 'urn ver Rate	5.98	6.88	10.1	10.6	12.9

	1998	1999	2000	2001	2002
ays	365	365	365	365	365
ventory turnover rate	5.98	6.88	10.1	10.6	12.9
ays To sell average inventory	61	53.1	36.1	34.4	28.3

	1998	1999	2000	2001	2002
ays to collect average A/R	61	77.2	75.9	87.7	83.7
ays to sale average inventory	48	53.1	36.1	34.4	28.3
perating cycle (days)	109	130.3	112	122.1	102

	1998	1999	2000	2001	2002
tal bilities	49,871,576	76,607,578	129,761,978	181,527,223	380,091,795
tal Assets	67,905,768	102,553,738	170,505,879	232,781,530	471,784,031
ebt ratio	73 %	75 %	76 %	78 %	81 %

	1998	1999	2000	2001	2002
llar oss ofit	26,809,368	27,319,726	52,410,771	170,679,810	155,451,896
t sales	99,172,752	132,910,697	254,591,139	418,130,350	962,000,990
oss Profit te	27 %	20 %	20 %	25 %	16 %

	1998	1999	2000	2001	2002
erating penses	12,007,611	19,451,080	25,647,585	36,722,331	77,921,860
t sales	99,172,752	132,910,697	254,591,139	418,130,350	962,000,990
erating pense tio	12 %	14.6 %	10.1 %	8.8 %	8.4 %

	1998	1999	2000	2001	2002
t income	5,626,334	4,352,210	6,803,742	323,315	3,075,818
t sales	99,172,752	132,910,697	254,591,139	418,130,350	962,000,99 0
t income as Percentages Net Sales	5.6 %	3.3 %	2.7 %	0.08 %	0.3 %

	1998	1999	2000	2001	2002
erating ome	14,801,757	7,868,646	26,763,186	70,957,479	77,530,036
erage tal sets	51,313,474	85,229,753	136,529,808.5	201,643,704.5	352,282,780.5
turn on ets	28.84 %	9.2 %	19 %	35 %	22 %

	1998	1999	2000	2001	2002
: Income	5,626,334	4,352,210	6,803,742	323,315	3,075,818
erage tal uity	14,377,577	21,990,176	33,345,030.5	45,999,104	71,473,271.5
turn On uity	39.13 %	19.79 %	20.4 %	0.7 %	4.3 %

NANCIAL STATEMENTS (Million TL)*	1998 4.Period	.Period
. CURRENT ASSETS	58,929,460	-
A.LIQUID ASSETS	25,093	-
1. Cash	915	-
2. Banks	24,178	-
3. Other liquid assets	0	-
B. MARKETABLE SECURITIES	0	-
1. Share stocks	0	-
2. Private sector bills, notes and bonds	0	-
3. Government bonds and Treasury bills	0	-
4. Other marketable securities	0	-
5. Provision for diminution in value of market	0	-
C. SHORT-TERM TRADE RECEIVABLES	27,377,092	-
1. Customers	20,309,426	-
2. Notes receivable	8,863,088	-
3. Deposits and guarantes given	0	-
4. Other short-term trade receivables	0	-
5. Rediscount of notes receivable (-)	-1,795,423	-
6. Provision for doubtful receivables (-)	0	-
D. OTHER SHORT-TERM TRADE RECEIVABLES	6,735	-
1. Due from shareholders	0	-
2. Due from investments	0	-
3. Due from subsidiaries	0	-
4. Other short-term receivables	6,735	-
5. Rediscount of notes receivable (-)	0	-
6. Provision for doubtful receivables (-)	0	-
E. INVENTORIES	14,988,539	-
1. Raw materials	4,987,908	-
2. Semi-finished goods	118,600	-
3. Work in progress	0	-
4. Finished goods	3,835,786	-
5. Commercial goods	0	-
6. Other inventories	0	-
7. Provision for diminution in value of invent	0	-
8. Order advances given	6,046,245	-
F. OTHER CURRENT ASSETS	16,532,002	-
II. NON-CURRENT ASSETS	8,976,309	-
A. LONG-TERM TRADE RECEIVABLES	18,446	-
1. Customers	0	-
2. Notes receivable	0	-
3. Deposits and guarantes given	18,446	-
4. Other long-term trade receivables	0	-
5. Rediscount of notes receivable (-)	0	-
6. Provision for doubtful receivables (-)	0	-
B. OTHER LONG-TERM TRADE RECEIVABLES	0	-
1. Due from shareholders	0	-
2. Due from investments	0	-
3. Due from subsidiaries	0	-
4. Other long-term receivables	0	-
5. Rediscount of notes receivable (-)	0	-
6. Provision for doubtful receivables (-)	0	-
C. FINANCIAL ASSETS	1,685,750	-
1. Marketable securities issued by subsidiarie	0	-
2. Provision for diminution in value of market	0	-
3. Investments	1,701,813	-
4. Capital commitments to investments	-16,063	-
5. Provision for diminution in value of invest	0	-
6. Subsidiaries	0	-
7. Capital commitments to subsidiaries (-)	0	-
8. Provision for diminution in value of subsid	0	-
9. Other non-current financial assets	0	-
D. FIXED ASSETS	7,058,136	-

1. Land	0	-
2. Land improvements	256,266	-
3. Buildings	2,474,182	-
4. Machinery and equipment	13,093,947	-
5. Motor vehicles	149,101	-
6. Furniture and fixtures	1,822,704	-
7. Other fixed assets	0	-
8. Accumulated depreciation (-)	-11,066,907	-
9. Construction in progress	328,843	-
10. Order advances given	0	-
E. INTANGIBLE ASSETS	190,092	-
1. Establishment cost (net)	0	-
2. Rights	178,310	-
3. Research and development expenses	0	-
4. Other intangible assets	11,782	-
5. Advances gives	0	-
F. OTHER NON-CURRENT ASSETS	23,885	-
TOTAL ASSETS	67,905,768	-
I. CURRENT LIABILITIES	45,779,444	-
A. SHORT-TERM BORROWINGS	15,182,863	-
1. Bank borrowings	14,693,821	-
2. Principal installments and interest on long	489,042	-
3. Principal installments and interest on bill	0	-
4. Notes and bonds issued	0	-
5. Other short-term borrowings	0	-
B. TRADE PAYABLES	5,418,229	-
1. Suppliers	5,418,229	-
2. Notes payable	0	-
3. Deposits and guarantees received	0	-
4. Other trade payables	0	-
5. Rediscount of notes payable (-)	0	-
C. OTHER CURRENT LIABILITIES	14,389,151	-
1. Due to shareholders	22,454	-
2. Due to investments	0	-
3. Due to subsidiaries	0	-
4. Accrued expenses	146,637	-
5. Witholdings payable	667,516	-
6. Deferred payables to government	113,490	-
7. Other short-term liabilities	13,439,054	-
8. Rediscount of notes payable (-)	0	-
D. ADVANCES RECEIVED	8,576,483	-
E. ALLOWANCE FOR PAYABLES AND EXPENSES	2,212,719	-
1. Provision for taxes	895,492	-
2. Provision for payables and accruels	1,317,227	-
II. LONG-TERM LIABILITIES	4,092,132	-
A. LONG-TERM BORROWINGS	1,158,190	-
1. Bank borrowings	1,158,190	-
2. Bonds issued	0	-
3. Other marketable securities issued	0	-
4. Other long-term borrowings	0	-
B. TRADE PAYABLES	0	-
1. Suppliers	0	-
2. Notes payable	0	-
3. Deposits and guarantees received	0	-
4. Other trade payables	0	-
5. Rediscount of notes payable (-)	0	-
C. OTHER LONG-TERM BORROWINGS	860,228	-
1. Due to shareholders	0	-
2. Due to investments	0	-
3. Due to subsidiaries	0	-
4. Deferred payables to government	860,228	-
5. Other long-term borrowings	0	-

6. Rediscount of notes payable (-)	0	-
D. ADVANCES RECEIVED	0	-
E. PROVISION FOR PAYABLES AND EXPENSES	2,073,714	-
1. Provision for retirement pay	2,073,714	-
2. Provision for other payables and accruels	0	-
III. SHAREHOLDERS' EQUITY	18,034,192	-
A. SHARE CAPITAL	5,600,000	-
B. CAPITAL COMMITMENTS (-)	0	-
C. SHARE PREMIUM	4,266	-
D. REVALUATION SURPLUS	2,579,096	-
1. Revaluation surplus on fixed assets	2,579,096	-
2. Revaluation surplus on investments	0	-
3. Revaluation surplus on common stocks	0	-
E. RESERVES	4,224,496	-
1. Legal reserves	1,095,586	-
2. Statutory reserves	0	-
3. Special reserves	1,000,006	-
4. Extraordinary reserves	2,099,253	-
5. Cost increase fund	29,651	-
6. Fixed assets and investment sales income to	0	-
F. NET INCOME FOR THE PERIOD	5,626,334	-
G. LOSS FOR THE PERIOD (-)	0	-
H. PRIOR YEAR LOSSES (-)	0	-
I. PREVIOUS YEAR LOSSES (-)	0	-
1. ....year losses	0	-
2. ....year losses	0	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	67,905,768	-
A. GROSS SALES	100,266,720	-
1. Domestic sales	52,908,304	-
2. Exports	45,510,876	-
3. Other sales	1,847,541	-
B. SALES DEDUCTIONS (-)	-1,093,968	-
1. Sales returns (-)	-40,837	-
2. Sales discounts (-)	-1,053,131	-
3. Other deductions (-)	0	-
C. NET SALES	99,172,752	-
D. COST OF SALES (-)	-72,363,384	-
GROSS PROFIT (LOSS)	26,809,368	-
E. OPERATING EXPENSES (-)	-12,007,611	-
1. Research and development expenses (-)	-990,957	-
2. Selling ana marketing expenses (-)	-4,514,021	-
3. General and admiinistrative expenses (-)	-6,502,633	-
PROFIT (LOSS) FROM MAIN OPERATIONS	14,801,757	-
F. INCOME AND PROFIT FROM OTHER OPERATIONS	1,564,661	-
1. Dividends from investments	52,687	-
2. Dividends from subsidiaries	0	-
3. Interest and other dividend income	248,850	-
4. Other operating income and profits	1,263,124	-
G. EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	-879,064	-
H. FINANCIAL EXPENSES (-)	-9,343,069	-
1. Short-term financial expenses	-8,622,806	-
2. Long-term financial expenses	-720,263	-
OPERATING PROFIT (LOSS)	6,144,285	-
I. EXTRAORDINARY INCOME AND PROFITS	1,360,588	-
1. Reversal of provisions	0	-
2. Prior year income and profit	1,360,581	-
3. Other extraordinary income and profit	7	-
J. EXTARORDINARY EXPENSES AND LOSSES	-268,718	-
1. Idle division expenses and losses	0	-
2. Prior year expenses and losses	-268,692	-
3. Other extraordinary expenses and losses	-26	-

NCOME BEFORE TAXATION	7,236,155	-
K. TAXATION AND OTHER LEGAL LIABILITIES	-1,609,821	-
NET INCOME (LOSS)	5,626,334	-

FINANCIAL STATEMENTS (Million TL)*	1999 4.Period	2000 4.Period
I. CURRENT ASSETS	83,219,321	143,334,543
A.LIQUID ASSETS	151,034	2,263,508
1. Cash	9,122	3,104
2. Banks	141,912	2,260,404
3. Other liquid assets	0	0
B. MARKETABLE SECURITIES	2,025,000	11,949,489
1. Share stocks	0	0
2. Private sector bills, notes and bonds	0	0
3. Government bonds and Treasury bills	2,025,000	11,949,489
4. Other marketable securities	0	0
5. Provision for diminution in value of market	0	0
C. SHORT-TERM TRADE RECEIVABLES	36,244,006	89,515,879
1. Customers	35,791,818	69,981,796
2. Notes receivable	454,389	22,489,178
3. Deposits and guarantes given	0	0
4. Other short-term trade receivables	0	164,536
5. Rediscount of notes receivable (-)	-2,201	-3,119,631
6. Provision for doubtful receivables (-)	0	0
D. OTHER SHORT-TERM TRADE RECEIVABLES	92,029	2,479
1. Due from shareholders	0	0
2. Due from investments	0	0
3. Due from subsidiaries	0	0
4. Other short-term receivables	92,029	2,479
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
E. INVENTORIES	15,707,400	24,291,452
1. Raw materials	7,497,615	9,836,419
2. Semi-finished goods	88,474	163,608
3. Work in progress	0	0
4. Finished goods	2,634,916	8,363,375
5. Commercial goods	0	0
6. Other inventories	0	496,273
7. Provision for diminution in value of invent	0	0
8. Order advances given	5,486,395	5,431,777
F. OTHER CURRENT ASSETS	28,999,852	15,311,736
II. NON-CURRENT ASSETS	19,334,417	27,171,336
A. LONG-TERM TRADE RECEIVABLES	17,176	17,295
1. Customers	0	0
2. Notes receivable	0	0
3. Deposits and guarantes given	17,176	17,295
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	3,080,541	5,182,301
1. Marketable securities issued by subsidiarie	0	0
2. Provision for diminution in value of market	0	0
3. Investments	3,110,021	5,211,551
4. Capital commitments to investments	-29,480	-29,250
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	0	0
D. FIXED ASSETS	15,988,408	21,629,339

1. Land	0	0
2. Land improvements	366,222	530,915
3. Buildings	3,828,750	5,957,404
4. Machinery and equipment	22,332,415	35,490,482
5. Motor vehicles	188,651	254,882
6. Furniture and fixtures	8,896,214	14,584,789
7. Other fixed assets	0	0
8. Accumulated depreciation (-)	-20,505,967	-36,841,755
9. Construction in progress	882,123	1,652,622
10. Order advances given	0	0
E. INTANGIBLE ASSETS	248,292	342,401
1. Establishment cost (net)	0	0
2. Rights	240,984	318,421
3. Research and development expenses	0	0
4. Other intangible assets	7,308	23,980
5. Advances gives	0	0
F. OTHER NON-CURRENT ASSETS	0	0
TOTAL ASSETS	102,553,738	170,505,879
I. CURRENT LIABILITIES	70,268,783	109,706,827
A. SHORT-TERM BORROWINGS	42,027,591	55,834,893
1. Bank borrowings	40,341,693	55,675,432
2. Principal installments and interest on long	1,685,898	159,461
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	6,103,606	34,342,438
1. Suppliers	6,098,187	34,342,438
2. Notes payable	0	0
3. Deposits and guarantees received	0	0
4. Other trade payables	5,419	0
5. Rediscount of notes payable (-)	0	0
C. OTHER CURRENT LIABILITIES	16,607,781	14,191,801
1. Due to shareholders	41,192	97,586
2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Accrued expenses	248,870	0
5. Witholdings payable	859,360	3,653,292
6. Deferred payables to government	68,550	0
7. Other short-term liabilities	15,389,809	10,440,923
8. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	2,516,386	0
E. ALLOWANCE FOR PAYABLES AND EXPENSES	3,013,419	5,337,695
1. Provision for taxes	0	2,857,979
2. Provision for payables and accruels	3,013,419	2,479,716
II. LONG-TERM LIABILITIES	6,338,795	20,055,151
A. LONG-TERM BORROWINGS	865,904	10,242,183
1. Bank borrowings	865,904	10,242,183
2. Bonds issued	0	0
3. Other marketable securities issued	0	0
4. Other long-term borrowings	0	0
B. TRADE PAYABLES	0	1,115,275
1. Suppliers	0	0
2. Notes payable	0	0
3. Deposits and guarantees received	0	1,115,275
4. Other trade payables	0	0
5. Rediscount of notes payable (-)	0	0
C. OTHER LONG-TERM BORROWINGS	1,555,028	1,746,966
1. Due to shareholders	0	0
2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Deferred payables to government	1,555,028	1,746,966
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	3,917,863	6,950,727
1. Provision for retirement pay	3,917,863	6,950,727
2. Provision for other payables and accruels	0	0
III. SHAREHOLDERS' EQUITY	25,946,160	40,743,901
A. SHARE CAPITAL	10,600,000	15,900,000
B. CAPITAL COMMITMENTS (-)	0	0
C. SHARE PREMIUM	4,266	4,266
D. REVALUATION SURPLUS	3,922,786	9,225,832
1. Revaluation surplus on fixed assets	3,358,486	8,639,932
2. Revaluation surplus on investments	564,300	585,900
3. Revaluation surplus on common stocks	0	0
E. RESERVES	7,066,898	8,810,061
1. Legal reserves	1,376,903	1,632,681
2. Statutory reserves	0	0
3. Special reserves	6	6
4. Extraordinary reserves	5,644,271	7,090,703
5. Cost increase fund	45,718	86,671
6. Fixed assets and investment sales income to	0	0
F. NET INCOME FOR THE PERIOD	4,352,210	6,803,742
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	102,553,738	170,505,879
A. GROSS SALES	134,802,460	257,921,029
1. Domestic sales	63,411,459	141,881,971
2. Exports	68,911,232	108,928,113
3. Other sales	2,479,769	7,110,945
B. SALES DEDUCTIONS (-)	-1,891,763	-3,329,890
1. Sales returns (-)	-190,827	-778,235
2. Sales discounts (-)	-1,700,936	-335,002
3. Other deductions (-)	0	-2,216,653
C. NET SALES	132,910,697	254,591,139
D. COST OF SALES (-)	-105,590,971	-202,180,368
GROSS PROFIT (LOSS)	27,319,726	52,410,771
E. OPERATING EXPENSES (-)	-19,451,080	-25,647,585
1. Research and development expenses (-)	-1,607,245	-2,516,866
2. Selling ana marketing expenses (-)	-6,421,716	-6,827,408
3. General and admiinistrative expenses (-)	-11,422,119	-16,303,311
PROFIT (LOSS) FROM MAIN OPERATIONS	7,868,646	26,763,186
F. INCOME AND PROFIT FROM OTHER OPERATIONS	5,433,624	8,168,966
1. Dividends from investments	1,258,200	2,225,216
2. Dividends from subsidiaries	0	0
3. Interest and other dividend income	1,049,426	1,831,765
4. Other operating income and profits	3,125,998	4,111,985
G. EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	-2,201	-3,322,837
H. FINANCIAL EXPENSES (-)	-14,311,044	-21,171,280
1. Short-term financial expenses	-13,576,785	-20,473,891
2. Long-term financial expenses	-734,259	-697,389
OPERATING PROFIT (LOSS)	-1,010,975	10,438,035
I. EXTRAORDINARY INCOME AND PROFITS	6,464,168	5,142
1. Reversal of provisions	0	0
2. Prior year income and profit	6,464,168	0
3. Other extraordinary income and profit	0	5,142
J. EXTARORDINARY EXPENSES AND LOSSES	-337,633	-1,015
1. Idle division expenses and losses	0	0
2. Prior year expenses and losses	-337,586	0
3. Other extraordinary expenses and losses	-47	-1,015
INCOME BEFORE TAXATION	5,115,560	10,442,162

K. TAXATION AND OTHER LEGAL LIABILITIES	-763,350	-3,638,420
NET INCOME (LOSS)	4,352,210	6,803,742

FINANCIAL STATEMENTS (Million TL)*	2001 4.Period	2002 4.Period
I. CURRENT ASSETS	197,053,275	400,362,886
A.LIQUID ASSETS	6,482,454	45,247,396
1. Cash	1,594	2,388
2. Banks	6,480,860	45,245,008
3. Other liquid assets	0	0
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	130,726,452	243,494,127
1. Customers	130,722,044	243,494,127
2. Notes receivable	4,581	0
3. Deposits and guarantes given	0	0
4. Other short-term trade receivables	0	0
5. Rediscount of notes receivable (-)	-173	0
6. Provision for doubtful receivables (-)	0	0
D. OTHER SHORT-TERM TRADE RECEIVABLES	272,416	172,760
1. Due from shareholders	0	0
2. Due from investments	0	0
3. Due from subsidiaries	0	0
4. Other short-term receivables	272,416	172,760
5. Rediscount of notes receivable (-)	0	0
6. Provision for doubtful receivables (-)	0	0
E. INVENTORIES	34,388,391	84,903,378
1. Raw materials	18,620,091	45,843,255
2. Semi-finished goods	637,524	2,178,001
3. Work in progress	0	0
4. Finished goods	7,771,921	24,394,375
5. Commercial goods	0	0
6. Other inventories	0	0
7. Provision for diminution in value of invent	0	0
8. Order advances given	7,358,855	12,487,747
F. OTHER CURRENT ASSETS	25,183,562	26,545,225
II. NON-CURRENT ASSETS	35,728,255	71,421,145
A. LONG-TERM TRADE RECEIVABLES	115,093	128,864
1. Customers	0	0
2. Notes receivable	0	0
3. Deposits and guarantes given	115,093	128,864
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	6,757,301	7,794,951
1. Marketable securities issued by subsidiarie	0	0
2. Provision for diminution in value of market	0	0
3. Investments	10,132,301	11,169,951
4. Capital commitments to investments	-3,375,000	-3,375,000
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	0	0
D. FIXED ASSETS	28,399,371	61,314,383

1. Land	0	0
2. Land improvements	745,198	1,154,610
3. Buildings	9,132,930	17,463,179
4. Machinery and equipment	54,955,395	112,350,271
5. Motor vehicles	348,334	711,624
6. Furniture and fixtures	21,225,727	12,815,084
7. Other fixed assets	0	0
8. Accumulated depreciation (-)	-59,963,280	-85,478,559
9. Construction in progress	1,955,067	2,298,174
10. Order advances given	0	0
E. INTANGIBLE ASSETS	456,490	1,208,466
1. Establishment cost (net)	0	0
2. Rights	435,766	1,069,300
3. Research and development expenses	0	0
4. Other intangible assets	20,724	139,166
5. Advances gives	0	0
F. OTHER NON-CURRENT ASSETS	0	974,481
TOTAL ASSETS	232,781,530	471,784,031
I. CURRENT LIABILITIES	155,332,312	253,313,637
A. SHORT-TERM BORROWINGS	114,070,265	116,448,269
1. Bank borrowings	87,865,488	95,441,137
2. Principal installments and interest on long	26,204,777	21,007,132
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	22,532,939	119,463,369
1. Suppliers	22,532,939	119,370,068
2. Notes payable	0	0
3. Deposits and guarantees received	0	0
4. Other trade payables	0	93,301
5. Rediscount of notes payable (-)	0	0
C. OTHER CURRENT LIABILITIES	17,240,504	10,232,555
1. Due to shareholders	292,564	246,740
2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Accrued expenses	0	0
5. Witholdings payable	2,194,507	5,917,656
6. Deferred payables to government	67,560	836,465
7. Other short-term liabilities	14,685,873	3,231,694
8. Rediscount of notes payable (-)	0	0
D. ADVANCES RECEIVED	0	0
E. ALLOWANCE FOR PAYABLES AND EXPENSES	1,488,604	7,169,444
1. Provision for taxes	11,384	2,608,395
2. Provision for payables and accruels	1,477,220	4,561,049
II. LONG-TERM LIABILITIES	26,194,911	126,778,158
A. LONG-TERM BORROWINGS	11,694,813	108,958,805
1. Bank borrowings	11,694,813	108,958,805
2. Bonds issued	0	0
3. Other marketable securities issued	0	0
4. Other long-term borrowings	0	0
B. TRADE PAYABLES	1,109,025	0
1. Suppliers	0	0
2. Notes payable	0	0
3. Deposits and guarantees received	1,109,025	0
4. Other trade payables	0	0
5. Rediscount of notes payable (-)	0	0
C. OTHER LONG-TERM BORROWINGS	1,997,151	1,808,859
1. Due to shareholders	0	0
2. Due to investments	0	0
3. Due to subsidiaries	0	0
4. Deferred payables to government	1,997,151	1,808,859
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	11,393,922	16,010,494
1. Provision for retirement pay	11,393,922	16,010,494
2. Provision for other payables and accruels	0	0
III. SHAREHOLDERS' EQUITY	51,254,307	91,692,236
A. SHARE CAPITAL	23,850,000	60,000,000
B. CAPITAL COMMITMENTS (-)	0	0
C. SHARE PREMIUM	4,266	149,968
D. REVALUATION SURPLUS	15,428,906	15,833,918
1. Revaluation surplus on fixed assets	14,843,006	14,119,418
2. Revaluation surplus on investments	585,900	1,714,500
3. Revaluation surplus on common stocks	0	0
E. RESERVES	11,647,820	12,632,532
1. Legal reserves	1,972,868	1,989,034
2. Statutory reserves	0	0
3. Special reserves	6	6
4. Extraordinary reserves	9,579,258	9,886,407
5. Cost increase fund	95,688	757,085
6. Fixed assets and investment sales income to	0	0
F. NET INCOME FOR THE PERIOD	323,315	3,075,818
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	232,781,530	471,784,031
A. GROSS SALES	424,988,538	940,745,083
1. Domestic sales	130,678,458	167,603,080
2. Exports	282,895,515	756,046,602
3. Other sales	11,414,565	17,095,401
B. SALES DEDUCTIONS (-)	-6,858,188	-14,744,093
1. Sales returns (-)	-726,833	-1,793,566
2. Sales discounts (-)	-270,342	-371,708
3. Other deductions (-)	-5,861,013	-12,578,819
C. NET SALES	418,130,350	926,000,990
D. COST OF SALES (-)	-310,450,540	-770,549,094
GROSS PROFIT (LOSS)	107,679,810	155,451,896
E. OPERATING EXPENSES (-)	-36,722,331	-77,921,860
1. Research and development expenses (-)	-3,347,821	-5,231,607
2. Selling ana marketing expenses (-)	-11,297,285	-35,385,139
3. General and admiinistrative expenses (-)	-22,077,225	-37,305,114
PROFIT (LOSS) FROM MAIN OPERATIONS	70,957,479	77,530,036
F. INCOME AND PROFIT FROM OTHER OPERATIONS	33,639,754	5,406,785
1. Dividends from investments	637,500	0
2. Dividends from subsidiaries	0	0
3. Interest and other dividend income	9,047,983	393,899
4. Other operating income and profits	23,954,271	5,012,886
G. EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	-3,803,435	-8,783,641
H. FINANCIAL EXPENSES (-)	-100,267,164	-64,583,197
1. Short-term financial expenses	-83,831,962	-56,065,853
2. Long-term financial expenses	-16,435,202	-8,517,344
OPERATING PROFIT (LOSS)	526,634	9,569,983
I. EXTRAORDINARY INCOME AND PROFITS	1,963	818
1. Reversal of provisions	0	0
2. Prior year income and profit	0	0
3. Other extraordinary income and profit	1,963	818
J. EXTARORDINARY EXPENSES AND LOSSES	-11,272	-4,007,320
1. Idle division expenses and losses	0	0
2. Prior year expenses and losses	0	0
3. Other extraordinary expenses and losses	-11,272	-4,007,320
INCOME BEFORE TAXATION	517,325	5,563,481

ATION AND OTHER LEGAL LIABILITIES	-194,010	-2,487,663
NCOME (LOSS)	323,315	3,075,818