NEAR EAST UNIVERSITY

FACULTY OF ECONOMICS AND ADMINISTRATIVE SCIENCES

DEPARTMENT OF BUSINESS ADMINISTRATION

FINANCIAL STATEMENT ANALYSIS

"VESTEL INCORPORATED COMPANY"

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6. FINANCIAL ANALYSIS

1. Introduction

Firstly, I briefly defined the household durable goods sector and the Vestel's position and later Vestel's group of companies, company history and the vision of Vestel is explained.

There after, I defined Vestel's situation in the market in terms of its business strategy, production capacity and also its sales are given. Vestel's new product development, its position in the EU market, the market competition and Vestel's competitive advantages are demonstrated.

Secondly, I explained the meaning of income statement, dollar and percentage changes, statement of owner's equity, cash flow and balance sheet that are needed to make financial analysis. Then I showed Vestel's balance sheets and income statements of 1999, 2000, 2001, 2002, 2003 and 2004 is shown that is taken by IMKB.

Later , I made an financial analysis that are consisting of , percentage changes besides that, analysis of long and short term credits , basic ratio analysis is made under the dollar and percentage changes, liquidity ratios, profitability ratios and solvency detailed with formulas and calculations. Reasons for the changes in the ratios are given and then these ratios are compared with Vestel's major competitors in the market and also with the industry. Again Vestel's recent consolidated cash flow statements are given in this part.

Conclusions and recommendations are made regarding Vestel's situation in its market and its future trends.

2. Household Durable Goods Sector and Vestel's Position

Household Durable Goods Sector is one of the main locomotive sectors of the Turkish economy. After the role of the private sector increased in the 1980s many private companies in this area began to develop. The state intervention in the economic affairs prevented the development of such companies in the Turkish economy and because of this Turkish economy lost so much foreign exchange and also the human capital of the Turkish economy could not develop. However, in the last decade of 1990 many new private companies are established. The Durable Household Goods Sector is one of these sectors. Now in the year 2004 this sector has become a very quickly developing sector. Vestel has become the leading company in the sector and it is making investments abroad all over the world. In this project Vestel is analyzed in its business development within the context of its major domestic competitors and the changes seen in the sector. Vestel's business activities in relation with its major competitors of Beko, Alorko, Profilo and Ihlas Holding is made.

3. Vestel Group of Companies

Vestel Group is made of seventeen companies operating in manufacturing, R&D, marketing & sales in the consumer electronics, digital technologies, and white goods industries. Vestel Group of Companies is formed after Vestel Elektronik Inc. participated into the organization of Zorlu Holding. The major companies in the group include Vestel Elektronik, Vestel Dış Ticaret, Vestel Dayanıklı Tüketim Malları Pazarlama, Vestel Danışmanlık, Vestelkom, Vestel USA, Vestel Bilişim, Vestel Beyaz Eşya, VestelNet, Veseg GmbH, Vestel Fransa A.S. ve Vestel Hollanda BV ve Collar Holding BV, Vestel IBERIA, Vestel Taiwan, Dexar and Vestel Cabot.

The product range includes digital satellite and terrestrial receivers, Plasma TV, TFT-LCD TV, Integrated Digital TV, Integrated Hard Disc TV, Conventional TV, DVD Player, DVD AV-Receiver, DVD Recorder, and Divx Players, PC Monitors, personal computers, non-frost and static refrigerators, air conditioners, washing machines. The product groups are differentiated in order to provide customers a wide selection range.

The Group's software company in the UK develops digital television software and applies MHEG-5 technology, enabling enhanced interactive facilities in digital receivers.

Since its establishment in 1984, Vestel has been pioneering development of the electronics industry in Turkey with innovative, high quality products. The Group has been continually incorporating the latest technological developments in its production processes, increasing its capacity, and expanding it production flexibility to meet the demands of its international clients.

Vestel Group of Companies makes exports to 107 countries including Europe, CIS, Asia, Middle East, Africa and Latin America. In 2000 it was the leader in exports with 548 million 522 thousand dollars. It exports more than 90% of its production. It has a market share of 20% in the developed countries of Europe and 5% in the world. These rates have increased continuously in the recent years.

Vestel has production facilities with 100,000 m2'lik in Manisa, it has more than 4,000 employees. It produces air-conditions, refrigerator, monitors, colored TV, satellite receiver, PC, tuner and Internet TV. For example, in 1999 it has produced 3,9 million colored TV and produced 55,4% of the total in the Turkish market. Vestel has ISO 9002 certificate. It is the leader in the production of monitors of 1,000,000 units in Turkey. In 2000 it has increased its TV production by 27%. Its products comply with European standards and can compete with its European counterparts.

Vestel continued its success in the white goods sector too. It established its white goods factor in the second part of 1999. It began production of new generation static and non-frost refrigerators. With its new white goods factor it doubled its market share. It the year of 2000 it has exported more than 100,000 refrigerators. In 2001 this number was 225.000 units. Besides that Vestel established its split air-condition factory in 1999 with a capacity of 250.000 units. It exported 7.000 units of air-condition in 2000. Vestel's total value of exports in 2003 is 1.5 billion USD, and the target for 2004 is 2 billion USD.

3.1. Company History

The Vestel Group has been the leader in Turkey's consumer electronics sector since the foundation of Vestel Electronics in 1984. In the following years, the Group expanded its operations into television components, personal computers, PC monitors and white goods.

After nearly a decade of big growth, the Vestel Group suffered a brief period of decline under its previous owner in the early 1990s. But it began to improve after it was taken by the Zorlu Group in 1994. The Zorlu Group has invested in new capital resources, experienced and entrepreneurial management team, and brought into Vestel and a new focus on quality and customer satisfaction.

Between 1995 and 1997, the Zorlu Group invested more than US$ 40 million in expanding and modernizing the Vestel Group's capacity and business organization. During the same period, the Vestel Group raised it consolidated net sales and exports by 148% and 190% respectively in US$ terms, and its after tax earnings by more than 500%. The Vestel Group's rapid recovery reflects its majority shareholders' commitment to unconditional customer satisfaction through new and improved products, a variety of product features, and competitive prices. It also reflects the far-sighted manufacturing strategies of its management team.

Vestel's strategy is quality, innovation, and fast delivery. To support this, the Group has been continually investing in new technologies, increasing its capacity and expanding its production flexibility. At the same time, it has been pursuing vertical and horizontal integration to enhance control over final quality of its products and to optimize scales of production. This strategy has enabled Vestel to secure its position as a first class OEM Company, meeting a wide range of specialized needs and ensuring consistent high quality products.

Vestel's research and design teams are the first in Turkey to develop proprietary product processes. In order to follow up the new technologies, the Group established Vestel USA in designs and Vestel is the only developer of micro-controller software for use in its production 1998, and acquired Cabot Communications in the UK, which develops and offers broadcast TV technology solutions.

Subsidiary companies of the Group located in various countries in Europe play an important role in penetrating the European market and expanding Vestel's export markets.

Vestel is the export leader of Turkey with revenues of over US$ 1.5 billion. This revenue stream combined with the Group's rapid growth in international markets has established Vestel as one of the worldwide consumer electronics leaders. Vestel sells its products in 110 countries including Europe, The CIS, Asia, and The Middle East, Africa, America, and Australia.

3.2. Vision of Vestel: Turkish for Technology

In this context, Vestel's powerful corporation, with very good and diverse exports and employment capacity, add value to the Turkish economy and through this Vestel continues to grow alongside the Turkish economy.

Vestel's production exceeded 12 million in 2003 with an export turnover of $1.5 billion. Its targets for 2004 are 23 million in production and $2.2 billion in export revenue as well as continuing its position as the number 1 exporter in the country. Vestel's production will be 40 million units in 2006 and an export turnover of $4 billion.

Vestel is proud that with its very good know-how, R&D and global production facilities Vestel is today able to globally brand the meaning of Vestel as "Turkish for Technology". Vestel is investing in tomorrow. This is what all 22,000 employees, as well as Vestel's outlets, co-partners customers and shareholders believe in. It is they who have empowered the Zorlu Group and together increased its competitive power in the global market.

4. Vestel and the Market

4.1. Vestel's Business Strategy

- Vestel wants to make sustained and controlled growth in both revenues and profitability in its core business activities. Vestel focuses on continuous production of high quality consumer products.

–Europe will remain the major target market for Vestel and the company aims to remain close to the market in order to respond the new trends and add new products to its existing portfolio.

–Vestel plans to invest more in R&D to stay the leader in its market.

–Geographical expansion is going to be the main engine of growth in the next years for Vestel; first in Russia and India will be areas of main focus.

- The key growth areas that have been identified by Vestel as areas for focus are consumer electronics and white goods..

4.2. Vestel's Production Capacity

Breakdow of Production Capacity Product (Units)	2000	2001	2002	2003	2004F	2005F	2006F	2007F
TV	6.000.000	6.500.000	7.000.000	8.000.000	12.000.000	12.000.000	13.000.000	13.000.000
Refrigerators	600.000	600.000	700.000	1.200.000	2.000.000	3.500.000	3.500.000	3.500.000
Washing Machine	-	-	700.000	700.000	700.000	2.000.000	2.000.000	2.000.000
A/C	-	-	350.000	350.000	350.000	500.000	500.000	500.000
Digital	880.000	1.050.000	3.000.000	4.500.000	7.000.000	12.000.000	12.000.000	12.000.000
Oven	-	-	-	-	-	700.000	700.000	700.000
Total	**7.480.000**	**8.150.000**	**11.750.000**	**14.750.000**	**22.050.000**	**30.700.000**	**31.700.000**	**31.700.000**

- Vestel's production capacity in digital products will expand over the period of 2003-2005. Demand for digital products in particular is expected to rise sharply in the near future. Increased capacity reflects this.

- The greater part of this capacity is earmarked for the larger EU market.

- The expansion of the production line at Vestel White is reflected in the increased number of refrigerators and washing machines being produced.

4.3. Vestel's Sales

Total Sales (Units)	2000	2001	2002	2003	2004F	2005F	2006F	2007F
TV	5.317.455	4.615.776	6.355.798	7.669.291	10.750.000	11.000.000	11.500.000	12.000.000
Refrigerators	235.955	429.336	723.606	1.135.871	1.630.000	2.300.000	2.920.000	3.180.000
Washing Machine	80.763	38.999	37.734	84.024	585.000	730.000	930.000	1.030.000
A/C	25.143	32.517	57.246	189.359	240.000	300.000	360.000	420.000
Digital	836.674	975.731	2.422.051	4.728.605	7.200.000	7.950.000	9.000.000	9.750.000
Oven	-	-	-	-	-	500.000	600.000	600.000
Total	**6.495.990**	**6.092.359**	**9.596.435**	**13.807.150**	**20.405.000**	**22.780.000**	**25.310.000**	**26.980.000**

Revenue Breakdown						
SD m	2003	H12004	2004F	2005F	2006F	2007F
omestic	331	304	545	569	606	640
xport	1.896	919	2.402	2.775	2.916	2.993
otal	**2.227**	**1.223**	**2.947**	**3.344**	**3.522**	**3.633**
ercentage						
omestic	15%	25%	18%	17%	17%	18%
xport	85%	75%	82%	83%	83%	82%

- Sales of CTVs are expected to continue to represent the greater part of revenues going forward.
- sales of Digital Products will become of greater importance to the company over the next three years as Vestel expands this business to meet demand.
- The export market will continue to dominate revenue streams.
- Revenues from export sales are received in hard currency maintaining a "natural hedge" against any risk posed by Vestel's foreign currency denominated debt.

- Sales of Japanese products stood at 19% in 2003. This is expected to grow to represent in the region of 25-30% by 2007.

4.3.1. Export Sales

[illegible]own of Export Sales [illegible]cts (Units)	2000	2001	2002	2003	2004F	2005F	2006F	2007F
[illegible]	4.915.526	4.418.782	6.086.779	7.143.976	10.000.000	10.200.000	10.700.000	11.150.000
[illegible]erators	70.724	320.440	610.292	890.000	1.180.000	1.850.000	2.450.000	2.700.000
[illegible]g Machines	-	-	-	22.000	335.000	470.000	660.000	750.000
[illegible]ditioning	5.146	10.021	22.289	114.000	145.000	200.000	250.000	300.000
[illegible] Products	640.058	952.368	2.367.695	4.347.407	6.600.000	7.250.000	8.000.000	8.500.000
[illegible]	-	-	-	-	-	375.000	450.000	450.000
[illegible]	**5.631.454**	**5.701.611**	**9.087.055**	**12.517.383**	**18.260.000**	**20.345.000**	**22.510.000**	**23.850.000**

[illegible] Market Share by Country (%) TV/Units			
[illegible]	2001	2002	2003
[illegible]any	22,59	26,47	27,37
[illegible]	8,67	15,80	15,63
[illegible]	10,42	15,85	14,17
[illegible]	18,51	25,27	37,51
[illegible]	6,48	9,77	17,28
[illegible]ands	2,51	4,70	10,89
[illegible]	14,54	15,64	29,33
[illegible]	4,24	12,27	11,73

Breakdown of Exports by Country (% revenue) - TV			
Country	2001	2002	2003
Germany	27,27	28,44	23,99
UK	13,23	19,61	18,08
France	12,12	11,57	10,54
Spain	10,52	8,34	11,10
Italy	4,84	5,19	9,75
Ukraine/Russia/Belarus	2,68	2,64	4,10
Netherlands	4,11	2,11	2,03
Iraq	3,25	2,02	2,65
Sweden	1,15	1,43	2,21
Austria	0,85	1,24	1,29
ROW	19,98	17,41	14,26

-Exports sales will continue to be dominated by TV and Digital Products and to a lesser degree, white goods.

- The production of oven is to be started in 2005, with the majority of production to be exported.

- Market share in the key export markets of Germany, UK, France, Spain and Italy remains healthy and is expect remain sound in the face of competition.

SALES	2001			2002			2003			H12004		
	Euro	USD	TL	Euro	USD	TL	Euro	USD	TL	Euro	USD	TL
CTV	87%	7%	6%	87%	6%	7%	84%	9%	7%	72%	21%	7%
Digital Products	95%	0%	5%	94%	0%	6%	88%	1%	11%	92%	3%	5%
Refrigerators	36%	9%	55%	56%	6%	38%	36%	13%	51%	45%	15%	40%
Air Conditioning	5%	3%	91%	10%	3%	87%	18%	4%	78%	16%	4%	80%
Washing Machine	0%	0%	100%	0%	0%	100%	8%	0%	92%	40%	2%	58%
Overall	**75%**	**6%**	**19%**	**79%**	**6%**	**15%**	**78%**	**6%**	**15%**	**77%**	**6%**	**17%**

- Sales continue to be predominantly in hard currency with EUR sales (78%) and USD sales (6%) representing 84% of revenues in 2003.
- This trend is expected to continue with Colour TVs, Digital Products and white goods dominate sales, mainly exports.

4.3.2. Domestic Market

Breakdown of Domestic Sales Products (Units)	2000	2001	2002	2003	2004F	2005F	2006F	2007F
TV	401.929	196.994	269.019	525.315	750.000	800.000	800.000	850.000
Refrigerators	165.231	108.896	113.314	245.871	450.000	450.000	470.000	480.000
Washing Machines	80.763	38.999	37.734	62.024	250.000	260.000	270.000	280.000
Air Conditioning	19.997	22.496	34.957	75.359	95.000	100.000	110.000	120.000
Digital Products	196.616	23.363	54.356	381.198	600.000	700.000	1.000.000	1.250.000
Oven	-	-	-	-	-	125.000	150.000	150.000
Total	**864.536**	**390.748**	**509.380**	**1.289.767**	**2.145.000**	**2.435.000**	**2.800.000**	**3.130.000**

Domestic Sales

Domestic Market Growth Rates	2001	2002	2003	2004F	2005F	2006F	2007F
TV	-44%	13%	59%	15%	10%	5%	5%
Refrigerators	-31%	7%	25%	12%	10%	9%	7%
Washing Machine	-44%	4%	31%	12%	10%	9%	7%
A/C	-	-	-	12%	10%	9%	7%

- The domestic market, owing to its smaller size, will continue to play second fiddle to Vestel's export business.

- However, growth in the domestic markets for CTVs, Digital Products and White Goods are expected to remain sound, and as such sales of Vestel products across the board are expected to increase steadily over the next four years.

- is a more even spread to the company's product sales with White Goods (Refrigerators, Washing Machines and Ovens) and Air Conditioning Units making up a large percentage of anticipated sales over the coming years.

- Vestel's market share of the Turkish CTV market is a healthy 32% and though still ranking 2nd behind Beko with 41%, Vestel has been steadily eroding their market position over the last two years. Vestel's 2001 market share was 3rd with 21%, whereas Beko had 54% of the market.

Domestic Market Shares for CTVs	Vestel	Beko	Telra	Imper	Philips
2001	%21	%54	%22	%2	%1
2002	%25	%44	%23	%4	%4
2003	%32	%41	%20	%3	%4
H12004	%32	%41	%21	%3	%3

4.4. New Product Development

- New product development is an area of great focus and importance for Vestel.

- The company recognizes that they operate in a highly competitive market, where technology is advancing all the time. Vestel the manufacturing capability and the sophistication to stay at the cutting edge of both the Colour TV and Digital Products markets.

- Vestel currently has a strong new product pipeline and aim to maintain a sound level of spending on the R&D front in order to ensure that this position is maintained.

- The company's commitment to new product investment is well illustrated by the planned USD 71m of investment planned at Vestel White in 2004.

- New product pipeline includes the *new versions* of:

- Televisions–Big Screen, TFT LCD TV, Hard Disk Integrated TV–New generation Flat TVs produced simultanously with the giants.

–AC/DC TV, TV-DVD Combi

–Wide Screen TV, Flat TVs

- DVD–Players, AV Receiver, Recorder

– Divx Player–DVB, IDTV

- Refrigerator–48cm Wide, New No Frosts

- Air Conditioner –R407C Refrigerant

- Washing Machine–4 different styles

4.5. Vestel's Competitive Position

Vestel's business position both in the European market and domestically in Turkey is enviable. Vestel's position in the export market is strong with impressive overall market share of about 20% of Europe's (East and West Europe excluding Russia) colour TV market. The company is particularly well positioned in the German, UK and Spanish markets where it has a market share of 27%, 16% and 38% respectively in 2003. Vestel accounts for 52.98% of Colour TVs exported from Turkey. Vestel's export business is also more important to the company with Colour TVs exported of 7,143,976 units accounting for 89.2% of the company's production capacity of TVs of 8,000,000 units. Total export sales have reached USD 1.898mn in 2003.

–Vestel has one of the leading brands in the Turkish Colour TV market. This is reflected in its domestic market of 32% by units sold. This places Vestel 2nd in Turkey behind BEKO (41% market share) and ahead of profilo (21% market share).

- Vestel's competitive position in the export market is underpinned by a number of key factors.

–Colour TVs exported by Vestel to the EU are free of Customs Duty owing to the existing Customs Union agreement between Turkey. Similarly, Colour TVs originating in Turkey are not subject to anti-dumping duty as there are no anti-dumping proceedings in the EU against Colour TVs originating in Turkey.

–Vestel has cutting edge technology with regard to design and production of Colour TVs and digital products.

–This technology combined with greater manufacturing and distribution flexibility than their competitors, enables Vestel to respond to the demands of a highly segmented European market.

4.6. Vestel's Competitive Advantages

Products

- Effective and efficient production management
- Wide range of products and models
- Ability to tailor products to meet customer requirements
- Strong R&D and software development capabilities

Brand

- Strong track record and reputation as a reliable supplier
- No brand conflict in international markets
- Highly recognized brand in Turkey
- Brand can be leveraged for new products

Cost

- Relatively low labour costs
- Geographic proximity to Europe
- Customs Union tax advantage for the EU market. 0% Customs duty payable on exports
- Anti-dumping tax in place for Asian competitors
- Favorable freight costs

Management

- Innovative, dynamic and committed
- Quick to respond to changing customer needs
- Proven track record in collaboration with global giants

5. EXPLANATIONS, INCOME AND BALANCE SHEETS

5.1. Income statement:

Sumarrizes the revenues earned and expenses incurred by a busıness over a period of time. It is an activity stratement that depicts the revenues and expenses for a designated period of time. It indicates the profitability of the business over the time period.

5.2. Dollar and percentage changes:

It changes from year to year and expressing the change in percentage terms adds perspective. It is the difference between the amount for a comparison year and the amount for base year. The percentage change is computed by dividing the amount of the dollar change between the years by the amount for the base year.

5.3. Statement of Stockholder's Equity:

It summarizes the changes in the components of the stockholder's equity section of the balance sheet.

5.4. Cashflow:

Understanding an enterprise for purposes of investment and credit decisions. Cashflows are the inflows and outflows of cash and out of business. The statement of cashflows shows the cash produced by operating a business as well as important investing and financing transactions that take place during an accounting period.

5.5. Balance Sheet:

It is the amount of company's assets, liabilities and owner's equity and the end of the accounting period.

5.6. Vestel's Balance Sheet of 2004:

BALANCE SHEET (In millions)	2004/9
I. TOTAL CURRENT ASSETS	3.030.441.556
A. Available Values	678.981.894
1. Cash	1.488.115
2. Banks	677.490.548
3. Other Available Values	3.231
B. Stocks and Bonds	0
1. Share	0
2. Private Bonds, Voucher, Cheques	0
3. Public Bonds, Voucher, Cheques	0
4. Other Stocks and Bonds	0
5. Stocks and Bonds Value Decline	0
C. Short-term Receivables	899.857.256
1. Account Receivables	691.755.868
2. Bond Receivables	223.812.618
3. Given Deposit and Guarantees	1.100.699
4. Short-Term Trade Receivables	2.653.948
5. Receivable Reeskonts (-)	(10.211.937)
6. Doubtful Receivables (-)	(9.253.940)
D. Other Short-Term Receivables	78.157.186
1. Receivables from Partnerships	0
2. Receivables from Participants	0
3. Receivables from Dependants	0
4. Other Short-Term Receivables	78.157.186
5. Receivable Reeskonts (-)	0
6. Doubtful Receivables (-)	0
E. Beginning Inventory	1.155.199.120
1. First Materials	398.396.027
2. Half Manufactures	37.524.559
3. Gap Manufactures	0
4. Manufactures	173.152.088
5. Commodities	302.334.785
6. Other Inventories	4.334.236
7. Inventory Value Decline (-)	(234.454)
8. Advances of Given Orders	239.691.879
F. Other Current Assets	218.246.100
II. Long-Term Assets	854.751.058
A. Long-Term Receivables	9.205.435
1. Accounts Receivables	0
2. Bond Receivables	0
3. Given Deposits and Guarantees	9.134.592
4. Other Long-Term Receivables	70.843
5. Receivable Reeskonts (-)	0
6. Doubtful Receivables (-)	0
B. Other Long-Term Receivables	0
1. Receivables from Partnerships	0
2. Receivables from Participants	0
3. Receivables from Dependants	0
4. Other Long-Term Receivables	0
5. Receivable Reeskonts (-)	0
6. Doubtful Receivables (-)	0
C. Financial Assets	4.638.619
1. Bond and Stocks	5.707.192
2. Bond Stocks Value Decline (-)	(1.068.573)
3. Participants	0
4. Capital Commitments to Participants (-)	0
5. Value Decline in Participations (-)	0
6. Dependant Partners	387.843
7. Capital Commitments to Dependants (-)	0
8. Value Decline in Dependant Partnerships (-)	(387.843)
9. Other Available Financial Assets	0
D. Tangible Assets	686.533.299

1. Lands	7.687.430
2. On the Ground and Underground Arrangements	5.102.556
3. Buildings	121.698.540
4. Machine, Institution and Equipments	809.634.478
5. Vehicle and Tools	2.191.399
6. Furniture Inventories	62.582.531
7. Other Available Tangible Assets	795.866
8. Depreciations (-)	(391.098.489)
9. Operating Investments	40.568.153
10. Advances of given Orders	17.370.835
E. Intangible Assets	137.214.649
1. Organizing and Foundation Expenses	8.859
2. Rights	1.235.923
3. Research and Development Expenses	6.358.500
4. Other Intangible Assets	53.376.747
5. Granted Advances	0
F. Other Total Assets	17.159.056
TOTAL ASSETS	3.885.192.614

DETAILED BALANCE SHEET (Million TL)	2004/9
I. Short-Term Liabilities	2.144.979.389
A. Financial Debts	208.460.167
1. Bank Credits	200.858.197
2. Long-Term Credit Interests	6.238.818
3. Bond Interest	0
4. Issued Bond and Notes	0
5. Other Financial Debts	1.363.152
B. Commercial Debts	1.709.426.723
1. Suppliers	1.520.527.480
2. Notes Payable	198.788.678
3. Acquired Deposits and Guarantees	76.218
4. Other Commercial Debts	231.167
5. Liability Reeskonts (-)	(10.196.820)
C. Other Short-Term Liabilities	5.689.617
1. Debts to Partnerships	0
2. Debts to Participants	1.608
3. Debts to Dependant Partners	0
4. Account Payable	0
5. Tax Payable	0
6. Government Installment Receivables	0
7. Short-Term Other Debts	5.688.009
8. Liability Reeskonts (-)	0
D. Acquired Order Advances	4.650.993
E. Other Debt and Expenses	216.751.889
1. Tax Expenses	33.224.610
2. Other Debt and Expenses	183.527.279
II. LONG-TERM LIABİLITIES	702.811.849
A. Financial Debts	528.076.671
1. Bank Credits	521.976.718
2. Issued Bonds	0
3. Issued other Stock and Bonds	0
4. Other Financial Debts	6.099.953
B. Commercial Liabilities	0
1. Suppliers	0
2. Bond Payable	0
3. Acquired Deposits and Guarantees	0
4. Other Commercial Liabilities	0
5. Liability Reeskonts (-)	0
C. Other Long-Term Liabilities	0
1. Partners Payable	0
2. Dividend Payable	0
3. Shareholders Payable	0
4. Government Installment Receivables	0
5. Long-Term Other Debts	0
6. Liability Reeskonts (-)	0
D. Acquired Order Advances	0
E. Debts and Expenses	174.735.178
1. Senior Indemnity	24.233.022
2. Other Debts and Expenses	150.502.156
III. TOTAL EQUITY	937.420.941
A. Capital	159.099.887
B. Capital Commitments(-)	0
C. Issue Premium	0
D. Increases in Reevaluation Values	2.597.194
1. Assets Value Increase	0
2. Dividends Value Increase	0
3. StockExhange Value Increase	2.597.194
E. Back-Ups	171.198.823
1. Legal Back-Up	12.541.368
2. Statutes Back-Up	0
3. Private Back-Up	0
4. Extraordinary Back-Up	158.657.455
5. Increased Cost Funds	0
6. Property Earnings	0
7. Past Year Profit	0
F. Net Term Profit	78.340.559

G. Term Loss (-)	0
H. Past Years Losses (-)	(235.440.866)
1. Year Loss	0
2. Year Loss	0
TOTAL	3.885.192.614

5.7. Vestel's Income Statement of 2004

INCOME STATEMENT (in millions)	2004/9
A. Gross Sales	3.054.082.174
1. Domestic Sales	754.592.663
2. Foreign Sales	2.290.876.943
3. Other Sales	8.612.568
B. Sales Discounts (-)	(90.879.820)
1. Sales Return (-)	(17.694.937)
2. Sales Return (-)	(65.887.702)
3. Other Discounts (-)	(7.297.181)
C. Net Sales	2.963.202.354
D. Cost of Goods Sold (-)	2.297.123.881
GROSS SALES PROFİT (LOSS)	666.078.473
E. Operating Expenses (-)	(327.451.004)
1. Research and Development Expenses (-)	(42.764.986)
2. Marketing, Sales and Distribution Expenses (-)	(214.099.218)
3. General Administrative Expenses (-)	(70.586.800)
OPERATING INCOME BEFORE TAXES (LOSS)	338.627.469
F. Income From Other Activities	231.657.766
1. Revenues from Participants	430.125
2 .Revenues from Partner Dividends	0
3. Taxes and other Dividend Revenue	84.809.145
4. Revenues from Operating Activities	146.418.496
G. Other Operating Activities (-)	(73.919.871)
H. Financial Activities (-)	(339.310.239)
1. Short-Term Debts(-)	(336.706.223)
2. Long-Term Debts (-)	(2.604.016)
OPERATING INCOME (LOSS)	157.055.125
I. Extraordinary Revenues	11.433.827
1. Ending Concernings	0
2. Income from the Prior Term	0
3. Other Extraordinary Incomes	11.433.827
J. Extraordinary Expenses (-)	(21.043.528)
1. Non-Operating Expenses (-)	0
2. Expenses from the Prior Term (-)	(1.521.714)
3. Other Extraordinary Expenses (-)	(19.521.814)
PROFİT BEFORE TAXES (LOSS)	138.603.957)
K. Taxable Income and Other Commitments (-)	(19.578.026)
NET INCOME	78.340.559

5.8. Vestel's Balance Sheet of 2003 and 2002

BALANCE SHEET (In millions)	31.12.2003	31.12.2002
I. TOTAL CURRENT ASSETS	1.614.491.932	1.506.667.811
A. Available Values	514.564.459	441.370.316
1. Cash	53.585	32.254
2. Banks	514.510.874	441.300.468
3. Other Available Values		37.594
B. Stocks and Bonds	0	36.594.222
1. Share	0	0
2. Private Bonds, Voucher, Cheques	0	0
3. Public Bonds, Voucher, Cheques		36.594.222
4. Other Stocks and Bonds	0	0
5. Stocks and Bonds Value Decline	0	0
C. Short-term Receivables	708.854.943	657.857.080
1. Account Receivables	657.793.677	657.589.875
2. Bond Receivables	65.729.498	0
3. Given Deposit and Guarantees	709.062	267.221
4. Short-Term Trade Receivables		12.459
5. Receivable Reeskonts (-)	(15.377.294)	(16)
6. Doubtful Receivables (-)		(12.459)
D. Other Short-Term Receivables	65.815.457	60.058.540
1. Receivables from Partnerships	0	0
2. Receivables from Participants	25.913.758	0
3. Receivables from Dependants	21.953.496	53.331.177
4. Other Short-Term Receivables	17.948.203	6.727.363
5. Receivable Reeskonts (-)	0	0
6. Doubtful Receivables (-)	0	0
E. Beginning Inventory	264.576.576	189.758.763
1. Fist Materials	114.564.525	80.429.727
2. Half Manufactures	16.002.303	8.264.394
3. Gap Manufactures	0	0
4. Manufactures	27.716.996	24.041.295
5. Commodities	1.056.281	79.529
6. Other Inventories	244.642	664.966
7. Inventory Value Decline (-)	0	0
8. Advances of Given Orders	104.991.829	76.278.852
F. Other Current Assets	60.680.497	121.028.890
II. Long-Term Assets	314.551.582	184.782.945
A. Long-Term Receivables	48.329	18.880
1. Accounts Receivables	0	0
2. Bond Receivables	0	0
3. Given Deposits and Guarantees	48.329	18.880
4. Other Long-Term Receivables	0	0
5. Receivable Reeskonts (-)	0	0
6. Doubtful Receivables (-)	0	0
B. Other Long-Term Receivables	0	0
1. Receivables from Partnerships	0	0
2. Receivables from Participants	0	0
3. Receivables from Dependants	0	0
4. Other Long-Term Receivables	0	0
5. Receivable Reeskonts (-)	0	0
6.Doubtful Receivables (-)	0	0
C. Financial Assets	99.818.833	22.508.566
1. Bond and Stocks	2.583.135	2.547.260
2. Bond Stocks Value Decline (-)	0	0
3. Participants	62.146.285	3.030.825
4. Capital Commitments to Participants (-)	(105.000)	0
5. Value Decline in Participations (-)	0	0
6. Dependant Partners	35.194.413	17.287.327
7. Capital Commitments to Dependants (-)	0	(356.846)
8. Value Decline in Dependant Partnerships (-)	0	0
9. Other Available Financial Assets	0	0

D. Tangible Assets	204.217.528	138.055.825
1. Lands	1.172.518	163.029
2. On the Ground and Underground Arrangements	1.643.053	642.502
3. Buildings	21.085.514	7.389.088
4. Machine, Institution and Equipments	286.702.551	183.393.764
5. Vehicle and Tools	541.730	215.395
6. Furniture Inventories	13.144.720	8.243.509
7. Other Available Tangible Assets	0	0
8. Depreciations (-)	(124.929.589)	(67.727.748)
9. Operating Investments	2.099.628	5.594.678
10. Advances of given Orders	2.757.403	141.608
E. Intangible Assets	1.511.653	1.787.770
1. Organizing and Foundation Expenses	0	0
2. Rights	135.645	79.107
3. Research and Development Expenses	121.245	184.983
4. Other Intangible Assets	1.254.763	1.523.680
5. Granted Advances	0	0
F. Other Total Assets	8.955.239	22.411.904
TOTAL ASSETS	1.929.043.514	1.691.450.756

DETAILED BALANCE SHEET (Million TL)	31.12.2003	31.12.2002
I. Short-Term Liabilities	821.132.073	744.726.251
A. Financial Debts	110.882	9.342.818
1. Bank Credits	110.882	9.342.818
2. Long-Term Credit Interests	0	0
3. Bond Interest	0	0
4. Issued Bond and Notes	0	0
5. Other Financial Debts	0	0
B. Commercial Debts	749.761.441	612.628.665
1. Suppliers	721.082.916	598.238.202
2. Notes Payable	32.418.826	17.573.641
3. Acquired Deposits and Guarantees	0	0
4. Other Commercial Debts	21.699	132.857
5. Liability Reeskonts (-)	(3.762.000)	(3.316.035)
C. Other Short-Term Liabilities	60.295.691	112.619.449
1. Debts to Partnerships	0	0
2. Debts to Participants	0	0
3. Debts to Dependant Partners	0	0
4. Account Payable	0	0
5. Tax Payable	3.795.595	3.101.674
6. Government Installment Receivables	0	0
7. Short-Term Other Debts	56.500.096	109.517.775
8. Liability Reeskonts (-)	0	0
D. Acquired Order Advances	10.854	85.391
E. Other Debt and Expenses	10.953.205	10.049.928
1. Tax Expenses	7.543.192	6.456.096
2. Other Debt and Expenses	3.410.013	3.593.832
II. LONG-TERM LIABİLITIES	571.653.165	549.274.522
A. Financial Debts	433.713.804	481.785.427
1. Bank Credits	433.713.804	481.785.427
2. Issued Bonds	0	0
3. Issued other Stock and Bonds	0	0
4. Other Financial Debts	0	0
B. Commercial Liabilities	0	0
1. Suppliers	0	0
2. Bond Payable	0	0
3. Acquired Deposits and Guarantees	0	0
4. Other Commercial Liabilities	0	0
5. Liability Reeskonts (-)	0	0
C. Other Long-Term Liabilities	3.211.578	4.503.807
1. Partners Payable	0	0
2. Dividend Payable	0	0
3. Shareholders Payable	0	0
4. Government Installment Receivables	0	0
5. Long-Term Other Debts	3.211.578	4.503.807
6. Liability Reeskonts (-)	0	0
D. Acquired Order Advances	0	0
E. Debts and Expenses	134.727.783	62.985.288
1. Senior Indemnity	11.443.404	8.996.199
2. Other Debts and Expenses	123.284.379	53.989.089
III. TOTAL EQUITY	536.258.276	397.449.983
A. Capital	159.099.887	159.099.887
B. Capital Commitments(-)	0	0
C. Issue Premium	0	0
D. Increases in Reevaluation Values	100.626.315	65.906.531
1. Assets Value Increase	98.419.988	64.529.151
2. Dividends Value Increase	697.048	97.048
3. StockExhange Value Increase	1.509.279	1.280.332
E. Back-Ups	172.443.564	99.454.773
1. Legal Back-Up	12.006.249	6.551.406
2. Statutes Back-Up	0	0
3. Private Back-Up	0	0
4. Extraordinary Back-Up	160.437.315	92.903.367
5. Increased Cost Funds	0	0
6. Property Earnings	*0*	*0*
7. Past Year Profit	0	0

F. Net Term Profit	104.088.510	72.988.792
G. Term Loss (-)	0	0
H. Past Years Losses (-)	0	0
1. Year Loss	0	0
2. Year Loss	0	0
T O T A L	1.929.043.514	1.691.450.756

5.9. Vestel's Income Statement of 2003 and 2002

INCOME STATEMENT	31.12.2003	31.12.2002
A. Gross Sales	1.718.234.211	1.458.592.094
1. Domestic Sales	145.401.108	76.863.364
2. Foreign Sales	1.541.684.101	1.360.939.121
3. Other Sales	31.149.002	20.789.609
B. Sales Discounts (-)	(5.659.934)	(4.452.043)
1. Sales Return (-)	(401.491)	(1.966.361)
2. Sales Return (-)	0	0
3. Other Discounts (-)	(5.258.443)	(2.485.682)
C. Net Sales	1.712.574.277	1.454.140.051
D. Cost of Goods Sold (-)	(1.426.109.841)	(1.108.160.371)
GROSS SALES PROFİT (LOSS)	286.464.436	345.979.680
E. Operating Expenses (-)	(91.324.991)	(86.215.417)
1. Research and Development Expenses (-)	(19.772.222)	(10.385.551)
2. Marketing, Sales and Distribution Expenses (-)	(49.021.203)	(50.766.239)
3. General Administrative Expenses (-)	(22.531.566)	(25.063.627)
OPERATING INCOME BEFORE TAXES (LOSS)	195.139.445	259.764.263
F. Income From Other Activities	208.989.961	198.245.165
1. Revenues from Participants	1.805.146	62.300
2 .Revenues from Partner Dividends	0	0
3. Taxes and other Dividend Revenue	137.618.299	113.090.406
4. Revenues from Operating Activities	69.566.516	85.092.459
G. Other Operating Activities (-)	(194.299.489)	(71.806.241)
H. Financial Activities (-)	(73.264.041)	(269.106.536)
1. Short-Term Debts(-)	(73.264.041)	(269.106.536)
2. Long-Term Debts (-)	0	0
OPERATING INCOME (LOSS)	136.565.876	117.096.651
I. Extraordinary Revenues	6.133.950	3.339.415
1. Ending Concernings	0	0
2. Income from the Prior Term	0	2.717.369
3. Other Extraordinary Incomes	6.133.950	622.046
J. Extraordinary Expenses (-)	(2.068.100)	(4.883.104)
1. Non-Operating Expenses (-)	0	(4.838.160)
2. Expenses from the Prior Term (-)	0	0
3. Other Extraordinary Expenses (-)	(2.068.100)	(44.944)
PROFİT BEFORE TAXES (LOSS)	140.631.726	115.552.962
K. Taxable Income and Other Commitments (-)	(36.543.216)	(42.564.170)
NET INCOME	104.088.510	72.988.792

5.10. Vestel's Balance Sheet of 2001 and 2000

BALANCE SHEET (In millions)	31.12.2001	31.12.2000
I. TOTAL CURRENT ASSETS	854.886.015	466.180.586
A. Available Values	146.329.076	85.933.289
1. Cash	68.602	37.412
2. Banks	146.255.029	83.632.250
3. Other Available Values	5.445	2.263.627
B. Stocks and Bonds	2.477.186	23.925.452
1. Share	0	0
2. Private Bonds, Voucher, Cheques	0	0
3. Public Bonds, Voucher, Cheques	2.477.186	23.925.452
4. Other Stocks and Bonds	0	0
5. Stocks and Bonds Value Decline	0	0
C. Short-term Receivables	464.308.955	211.729.782
1. Account Receivables	464.264.513	213.485.319
2. Note Receivables	0	31.310
3. Given Deposit and Guarantees	63.554	96.791
4. Short-Term Trade Receivables	86.806	14.168
5. Receivable Reeskonts (-)	(19.112)	(1.883.638)
6. Doubtful Receivables (-)	(86.806)	(14.168)
D. Other Short-Term Receivables	65.764.778	26.270.250
1. Receivables from Partnerships	0	0
2. Receivables from Participants	0	0
3. Receivables from Dependants	57.043.892	16.948.760
4. Other Short-Term Receivables	8.720.886	9.321.490
5. Receivable Reeskonts (-)	0	0
6. Doubtful Receivables (-)	0	0
E. Beginning Inventory	134.671.984	75.848.184
1. First Materials	53.438.978	29.441.516
2. Half Manufactures	5.310.872	3.060.212
3. Gap Manufactures	0	0
4. Manufactures	10.203.876	4.780.479
5. Commodities	1.947.462	2.646.000
6. Other Inventories	2.773.119	98.044
7. Inventory Value Decline (-)	0	0
8. Advances of Given Orders	60.997.677	35.821.933
F. Other Current Assets	41.334.036	42.473.629
II. Long-Term Assets	114.645.696	69.906.577
A. Long-Term Receivables	28.467	64.272
1. Accounts Receivables	0	0
2. Bond Receivables	0	0
3. Given Deposits and Guarantees	28.467	64.272
4. Other Long-Term Receivables	0	0
5. Receivable Reeskonts (-)	0	0
6. Doubtful Receivables (-)	0	0
B. Other Long-Term Receivables	0	0
1. Receivables from Partnerships	0	0
2. Receivables from Participants	0	0
3. Receivables from Dependants	0	0
4. Other Long-Term Receivables	0	0
5. Receivable Reeskonts (-)	0	0
6.Doubtful Receivables (-)	0	0
C. Financial Assets	20.879.478	19.671.417
1. Bond and Stocks	2.102.323	791.684
2. Bond Stocks Value Decline (-)	0	0
3. Participants	3.030.825	3.368.973
4. Capital Commitments to Participants (-)	(675)	(900)
5. Value Decline in Participations (-)	0	0
6. Dependant Partners	15.747.005	15.511.660
7. Capital Commitments to Dependants (-)	0	0
8. Value Decline in Dependant Partnerships (-)	0	0
9. Other Available Financial Assets	0	0
D. Tangible Assets	76.084.303	45.251.132
1. Lands	163.029	163.029
2. On the Ground and Underground Arrangements	404.406	220.192
3. Buildings	4.193.596	2.657.910
4. Machine, Institution and Equipments	90.790.089	49.570.527

5. Vehicle and Tools	181.904	96.614
6. Furniture Inventories	4.949.057	3.526.139
7. Other Available Tangible Assets	0	0
8. Depreciations (-)	(28.920.177)	(13.458.418)
9. Operating Investments	2.597.522	1.540.973
10. Advances of given Orders	1.724.877	934.166
E. Intangible Assets	1.741.056	1.099.213
1. Organizing and Foundation Expenses	36.222	36.222
2. Rights	0	0
3. Research and Development Expenses	248.720	15.574
4. Other Intangible Assets	1.456.114	1.047.417
5. Granted Advances	0	0
F. Other Total Assets	15.912.392	3.820.543
TOTAL ASSETS	969.531.711	536.087.163

1. Year Loss	0	0
2. Year Loss	0	0
TOTAL	969.531.711	536.087.163

5.11.
Vestel's Income Statement of 2001 and 2000

INCOME STATEMENT	31.12.2001	31.12.2000
A. Gross Sales	924.092.253	498.268.691
1. Domestic Sales	54.195.211	81.151.852
2. Foreign Sales	792.411.689	345.280.115
3. Other Sales	77.485.353	71.836.724
B. Sales Discounts (-)	(3.026.596)	(1.681.988)
1. Sales Return (-)	(1.530.375)	(30.462)
2. Sales Return (-)	0	0
3. Other Discounts (-)	(1.496.221)	(1.651.526)
C. Net Sales	921.065.657	496.586.703
D. Cost of Goods Sold (-)	(636.203.022)	(394.502.404)
GROSS SALES PROFİT (LOSS)	284.862.635	102.084.299
E. Operating Expenses (-)	(37.720.344)	(23.707.327)
1. Research and Development Expenses (-)	(4.266.192)	(1.182.994)
2. Marketing, Sales and Distribution Expenses (-)	(19.872.609)	(10.953.708)
3. General Administrative Expenses (including taxes) (-)	(13.581.543)	(11.570.625)
OPERATING INCOME BEFORE TAXES (LOSS)	247.142.291	78.376.972
F. Income From Other Activities	140.052.267	32.946.122
1. Revenues from Participants	0	588
2 .Revenues from Partner Dividends	0	0
3. Taxes and other Dividend Revenue	95.301.368	15.878.269
4. Revenues from Operating Activities	44.750.899	17.067.265
G. Other Operating Activities (-)	(6.949.337)	(6.845.669)
H. Financial Activities (-)	(297.938.010)	(46.381.583)
1. Short-Term Debts(-)	(297.938.010)	(46.381.583)
2. Long-Term Debts (-)	0	0
OPERATING INCOME (LOSS)	82.307.211	58.095.842
I. Extraordinary Revenues	354.656	112.410
1. Ending Concernings	0	0
2. Income from the Prior Term	0	0
3. Other Extraordinary Incomes	354.656	112.410
J. Extraordinary Expenses (-)	(1.942.240)	(1.347.237)
1. Non-Operating Expenses (-)	(1.941.929)	(1.341.641)
2. Expenses from the Prior Term (-)	0	0
3. Other Extraordinary Expenses (-)	(311)	(5.596)
PROFİT BEFORE TAXES (LOSS)	80.719.627	56.861.015
K. Taxable Income and Other Commitments (-)	(26.001.039)	(14.432.504)
NET INCOME	54.718.588	42.428.511

5.12. Vestel's Balance Sheet of 1999 and 1998

BALANCE SHEET (In millions)	31.12.1999	31.12.1998
I. TOTAL CURRENT ASSETS	245.093.517	123.903.135
A. Available Values	188.564	591.033
1. Cash	15.317	8.316
2. Banks	120.101	566.267
3. Other Available Values	53.146	16.450
B. Stocks and Bonds	33.451.581	22.153.883
1. Share	0	0
2. Private Bonds, Voucher, Cheques	0	0
3. Public Bonds, Voucher, Cheques	32.405.652	22.153.883
4. Other Stocks and Bonds	1.045.929	0
5. Stocks and Bonds Value Decline	0	0
C. Short-term Receivables	118.321.811	55.145.468
1. Account Receivables	117.105.953	55.383.279
2. Note Receivables	4.255.197	1.038.953
3. Given Deposit and Guarantees	20.957	5.163
4. Short-Term Trade Receivables	69.317	637
5. Receivable Reeskonts (-)	(3.060.296)	(1.281.927)
6. Doubtful Receivables (-)	(69.317)	(637)
D. Other Short-Term Receivables	452.725	109.249
1. Receivables from Partnerships	0	0
2. Receivables from Participants	0	0
3. Receivables from Dependants	0	0
4. Other Short-Term Receivables	452.725	109.249
5. Receivable Reeskonts (-)	0	0
6. Doubtful Receivables (-)	0	0
E. Beginning Inventory	56.876.946	30.102.119
1. First Materials	29.386.292	14.953.910
2. Half Manufactures	1.748.970	958.663
3. Gap Manufactures	0	0
4. Manufactures	4.955.108	1.986.890
5. Commodities	454.741	2.120.655
6. Other Inventories	696.516	252.448
7. Inventory Value Decline (-)	0	0
8. Advances of Given Orders	19.635.319	9.829.553
F. Other Current Assets	35.801.890	15.801.383
II. Long-Term Assets	38.688.940	21.684.838
A. Long-Term Receivables	55.460	35.604
1. Accounts Receivables	0	0
2. Bond Receivables	0	0
3. Given Deposits and Guarantees	55.460	35.604
4. Other Long-Term Receivables	0	0
5. Receivable Reeskonts (-)	0	0
6. Doubtful Receivables (-)	0	0
B. Other Long-Term Receivables	0	0
1. Receivables from Partnerships	0	0
2. Receivables from Participants	0	0
3. Receivables from Dependants	0	0
4. Other Long-Term Receivables	0	0
5. Receivable Reeskonts (-)	0	0
6.Doubtful Receivables (-)	0	0
C. Financial Assets	2.716.766	409.060
1. Bond and Stocks	15.756	15.756
2. Bond Stocks Value Decline (-)	0	0
3. Participants	1.238.293	267.818
4. Capital Commitments to Participants (-)	(876.950)	(3.750)
5. Value Decline in Participations (-)	0	0

6. Dependant Partners	4.626.667	529.236
7. Capital Commitments to Dependants (-)	(2.287.000)	(400.000)
8. Value Decline in Dependant Partnerships (-)	0	0
9. Other Available Financial Assets	0	0
D. Tangible Assets	31.523.610	18.624.131
1. Lands	163.029	298
2. On the Ground and Underground Arrangements	156.941	99.660
3. Buildings	2.488.655	1.871.969
4. Machine, Institution and Equipments	32.597.272	16.686.159
5. Vehicle and Tools	196.042	119.840
6. Furniture Inventories	2.786.869	1.556.012
7. Other Available Tangible Assets	0	0
8. Depreciations (-)	(8.239.731)	(3.499.957)
9. Operating Investments	540.099	1.358.156
10. Advances of given Orders	834.434	431.994
E. Intangible Assets	1.267.758	71.545
1. Organizing and Foundation Expenses	36.222	36.222
2. Rights	0	0
3. Research and Development Expenses	15.574	0
4. Other Intangible Assets	1.215.962	35.323
5. Granted Advances	0	0
F. Other Total Assets	3.125.346	2.544.498
TOTAL ASSETS	283.782.457	145.587.973

DETAILED BALANCE SHEET (Million TL)	31.12.1999	31.12.1998
I. Short-Term Liabilities	205.845.012	105.333.640
A. Financial Debts	54.079.109	23.615.426
1. Bank Credits	54.079.109	23.615.426
2. Long-Term Credit Interests	0	0
3. Bond Interest	0	0
4. Issued Bond and Notes	0	0
5. Other Financial Debts	0	0
B. Commercial Debts	117.586.141	62.107.327
1. Suppliers	114.354.655	62.867.098
2. Notes Payable	4.908.449	257.490
3. Acquired Deposits and Guarantees	190	0
4. Other Commercial Debts	74.523	35.368
5. Liability Reeskonts (-)	(1.751.676)	(1.052.629)
C. Other Short-Term Liabilities	31.985.858	17.608.919
1. Debts to Partnerships	4.126	4.367
2. Debts to Participants	0	0
3. Debts to Dependant Partners	0	0
4. Account Payable	0	0
5. Tax Payable	2.125.142	1.786.952
6. Government Installment Receivables	0	0
7. Short-Term Other Debts	29.856.590	15.817.600
8. Liability Reeskonts (-)	0	0
D. Acquired Order Advances	77.024	121.484
E. Other Debt and Expenses	2.116.880	1.880.484
1. Tax Expenses	2.116.880	1.867.191
2. Other Debt and Interest Expenses	0	13.293
II. LONG-TERM LIABILITIES	5.241.662	7.606.013
A. Financial Debts	0	1.407.240
1. Bank Credits	0	1.407.240
2. Issued Bonds	0	0
3. Issued other Stock and Bonds	0	0
4. Other Financial Debts	0	0
B. Commercial Liabilities	1.134.002	1.179.274
1. Suppliers	1.240.009	1.311.210
2. Bond Payable	0	0
3. Acquired Deposits and Guarantees	0	0
4. Other Commercial Liabilities	0	0
5. Liability Reeskonts (-)	(106.007)	(131.936)
C. Other Long-Term Liabilities	1.034.138	1.147.492
1. Partners Payable	0	0
2. Dividend Payable	0	0
3. Shareholders Payable	0	0
4. Government Installment Receivables	0	113.354
5. Long-Term Other Debts	1.034.138	1.034.138
6. Liability Reeskonts (-)	0	0
D. Acquired Order Advances	0	0
E. Debts and Expenses	3.073.522	3.872.007
1. Senior Indemnity	3.073.522	1.963.203
2. Other Debts and Expenses	0	1.908.804
III. TOTAL EQUITY	72.695.783	32.648.320
A. Capital (stock)	4.000.000	4.000.000
B. Capital Commitments (-)	0	0
C. Issue Premium	5.005.873	5.005.873
D. Increases in Reevaluation Values	8.326.739	0
1. Assets Value Increase	8.322.239	0
2. Dividends Value Increase	4.500	0
3. StockExhange Value Increase	0	0
E. Back-Ups	26.443.259	8.166.014
1. Legal Back-Up	800.000	695.700

2. Statutes Back-Up	0	0
3. Private Back-Up	15.146	15.146
4. Extraordinary Back-Up	22.826.799	7.454.665
5. Increased Cost Funds	503	503
6. Property Earnings	2.800.811	0
7. Past Year Profit	0	0
F. Net Term Profit	28.919.912	15.476.433
G. Term Loss (-)	0	0
H. Past Years Losses (-)	0	0
1. Year Loss	0	0
2. Year Loss	0	0
TOTAL	283.782.457	145.587.973

5.13. Vestel's Income Statement of 1999 and 1998

INCOME STATEMENT	31.12.1999	31.12.1998
A. Gross Sales	314.805.896	195.002.672
1. Domestic Sales	68.761.184	55.894.316
2. Foreign Sales	203.515.060	115.105.897
3. Other Sales	42.529.652	24.002.459
B. Sales Discounts (-)	(2.354.088)	(6.564.692)
1. Sales Return (-)	(1.269.371)	(5.604.649)
2. Sales Return (-)	0	0
3. Other Discounts (-)	(1.084.717)	(960.043)
C. Net Sales	312.451.808	188.437.980
D. Cost of Goods Sold (-)	(226.362.727)	(138.546.909)
GROSS SALES PROFİT (LOSS)	86.089.081	49.891.071
E. Operating Expenses (-)	(13.771.917)	(8.596.447)
1. Research and Development Expenses (-)	(619.373)	(387.848)
2. Marketing, Sales and Distribution Expenses (-)	(4.848.093)	(3.601.751)
3. General Administrative Expenses(including taxes) (-)	(8.304.451)	(4.606.848)
OPERATING INCOME BEFORE TAXES (LOSS)	72.317.164	41.294.624
F. Income From Other Activities	28.901.549	13.354.060
1. Revenues from Participants	0	0
2 .Revenues from Partner Dividends	0	0
3. Taxes and other Dividend Revenue	12.372.030	6.577.186
4. Revenues from Operating Activities	16.529.519	6.776.874
G. Other Operating Activities (-)	(7.130.251)	(2.679.293)
H. Financial Activities (-)	(60.590.671)	(31.652.417)
1. Short-Term Debts(-)	(60.590.671)	(31.652.417)
2. Long-Term Debts (-)	0	0
OPERATING INCOME (LOSS)	33.497.791	20.316.974
I. Extraordinary Revenues	303.278	89.130
1. Ending Concernings	0	0
2. Income from the Prior Term	0	0
3. Other Extraordinary Incomes	303.278	89.130
J. Extraordinary Expenses (-)	(583.442)	(678.277)
1. Non-Operating Expenses (-)	(564.235)	(676.479)
2. Expenses from the Prior Term (-)	0	0
3. Other Extraordinary Expenses (-)	(19.207)	(1.798)
PROFİT BEFORE TAXES (LOSS)	33.217.627	19.727.827
K. Taxable Income and Other Commitments (-)	(4.297.715)	(4.251.394)
NET INCOME	28.919.912	15.476.433

6. FINANCIAL ANALYSIS

6.1. Dollar and Percentage Changes in Vestel's Selected Balance Sheet and Income Statement Figures :

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

6.1.1. Total Assets:

1999(283.782.457; 0), 2000 (536.087.163; %89), 2001 (969.531.711; %81), 2002 (1.691.450.756; %74), 2003 (1.929.043.514; %14) , 2004 (3.885.192.614; %101).

From 1999 to 2004 there was a hundred per cent change in its total assets. This means that Vestel has increased its assets and what it has almost two times in around 5 years. This is a good development for Vestel.

6.1.2. Current Assets:

1999(245.093.517;0), 2000 (466.180.586; %90), 2001 (854.886.015; %83), 2002 (1.506.667.811; %76), 2003 (1.614.491.932; %0, 7), 2004 (3.030.441.556; %88).

The change is, Vestel's current assets is not the same as the change in its total assets (only 88% compared to 101%). This indicates that increase in its non-liquid assets is more than its liquid assets.

6.1.3. Short-Term Debts:

1999(205.845.012; 0), 2000 (326.110.973; %58), 2001 (616.420.959; %89), 2002 (744.726.251; %21), 2003 (821.132.073; %10) , 2004 (2.144.979.389; %161).

The increase in Vestel's short-term debts is more than the increase in its short-term current assets. This means that company debts are increasing, and/or it cannot collect its sales as easily as it pays its debts. So the short-term debt has increased a lot in 2004 when compared to 2003. This is due to new investments Vestel is making abroad rather than its bad development in sales and/or collecting money from its sales.

6.1.4. Net Sales:

1999(312.451.808;0), 2000 (496.586.703; % 59), 2001 (921.065.657; %85), 2002 (1.454.140.051; %58), 2003 (1.712.574.277; %18) , 2004 (2.963.202.354; %73).

The increase in net sales of Vestel has increased from 59% per cent in 2000 to 73% in 2004. This is good for the company and indicates that its developing its markets and sales abroad and in the domestic market and it is better than its competitors.

6.1.5. Cost of Sales:

1999(226.362.727;0), 2000 (394.502.404; %74), 2001 (636.203.022; %61), 2002 (1.108.160.371; %74), 2003 (1.426.109.841; %29) , 2004 (2.297.123.881; %61)

When the percentage change in cost of goods sold is compared with the increase in the net sales it is seen that this is less than the increase in the net sales. This indicates that the profitability of Vestel's sales are getting better and better and also the costs of its production is going more below its sales figures. This is very good in the medium and the long term for Vestel.

6.2. Analysis of long-term and short-term credits

6.2.1. Short-Term Credits :

These are bank credits which were mainly in the US dollar and German mark in 1999. Then beginning by 2000 it was in $US and Euro. Short term bank credits:

1999 (54.079.109)

2000 (74.839.700)

2001 (193.226.126)

2002 (9.342.818)

2003 (110.882)

Vestel's short- term credits have decreased in 2003 and 2004 which is very good since its short -term obligations are going down and getting less.

6.2.2. Long-term Credits:

1999 (0)

2000 (0)

2001 (63.405.750)

2002 (481.785.427)

2003 (433.713.804)

2004 (528.076.671)

These are long- term financial liabilities including long- term credits. The company did not have any long-term credits till 2001. But when new investments are made and the company began to produce and sell new products more in the international markets its long-term credits began to increase as seen above. Below is Vestel's debt position in June 2004 and its debt position between 2003 and 2007.

Net Debt Position at 30/6/2004	Amount TL billion	Amount $ million
Short Term Bank Loans	117.232	79
Long Term Borrowings	491.379	331
Letters of Credit (Discounted and non discounted)	567.253	382
Notes Payable	84.995	57
Leases Payable	8.676	6
Cash & Cash Equivalents	584.315	393
Total	**685.220**	**461**

Gross Debt Position 2003-2007 (USDm)	2003	H12004	2004F	2005F	2006F	2007F
Short Term Bank Loans	64	79	65	80	100	100
Long Term Borrowings*	337	331	340	340	340	340
Letters of Credit	186	382	400	435	465	495
Notes Payable	44	57	45	45	45	45
Lease Payables (net)	2	6	-			
Gross Debt	**633**	**854**	**850**	**900**	**950**	**980**
** Long Term Debt assumed to be rolled over.*						

According to the tables above Vestel's Gross Debt burden is expected to increase gradually over the next 3-4 years. 2004 will see a sharp reduction in the company's cash position which will cause net debt to increase. This rise in Net Debt will come about as the company internally finances its sharp increase in its capital expenditures for 2004 out of cash.

6.3. Vestel Basic Ratio Analysis and Comparison with Main Competitors

In this part the ratio analysis of Vestel will be made to see how Vestel's basic business activities have been from 1999 to the fourth quarter of 2004. Selected ratios on liquidity, asset management, profitability and leverage are calculated, their graphs are made and explanations in the ratios and their reasons are given.

Ratio analysis is made because to identify aspects of a businesses performance to aid decision-making and to help to get a complete picture.

Ratio: A ratio is a simple mathematical expression of the relationship of one item to another. Every percentage may be viewed as a ratio.

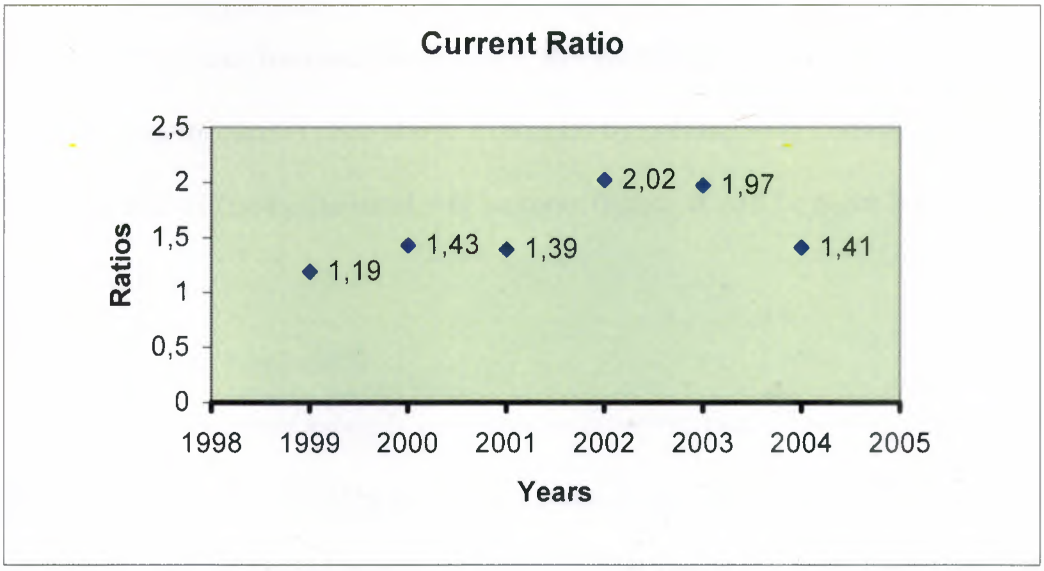
6.3.1. LIQUIDITY RATIOS

It is used to find out the ability of the firm to pay its way. Liquidity is a firm's ability to meet obligations due in the near future. The more liquid a firm , the more likely it is to be able to pay its employees, suppliers and holders of its short-term notes payable.

6.3.1.1. Current Ratio = $\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$

The value of current ratio shows the ability of the company's total current assets to cover its short–term obligations. It indicates a company's short-run debt paying ability. It is the measure of liquidity and solvency.

In 1999	245.093.517/205.845.012 = 1,19
In 2000	466.180.586 / 326.110.973 = 1,43
In 2001	854.886.015 / 616.420.959 = 1,39
In 2002	1.506.667.811 / 744.726.251 = 2,02
In 2003	1.614.491.932 / 821.132.073 = 1,97
In 2004	3.033.441.556 / 2.144.979.389 = 1,41



COMPANY: •Ideal level – 2 : 1

•A ratio of 5 : 1 would imply the firm has 5 YTL of assets to cover every 1 YTL in liabilities

•A ratio of 0.75 : 1 would suggest the firm has only 75 kuruş in assets available to cover every 1 YTL it owes

•Too high – Might suggest that too much of its assets are tied up in unproductive activities – too much stock, for example. In other words too high current ratio m ay indicate that capital is not being used productively in the business.

•Too low - risk of not being able to pay your way

Transition from 1999 to 2000,current ratio increases as both the company's total current assets and total current liabilities are growing. In 2003 there is a declining trend because total assets are not grown enough than expected and also long-term liabilities are increased more than short-term liabilities increased.

For Vestel this ratio is very close to 2. 1 in 2003 and in this sense it is close to the ideal level. It means the company's current assets are 1.97 times as large as its current liabilities. But in 2004 we didn't take into account because this decrease is due to the 9 month sales. If Vestel increases its current ratio above from 2,00 by holding total current liability at lower levels at the end of 2004 , the trend will be more higher, it will be more liquid company and better credit risk.

Composition of current assets is important in interpretation. This is accomplished mostly by increasing cash level by 95% and its short-term trade receivables by 72% in the current asset side. Vestel has funded this asset increase by increasing its long-term liabilities instead of short-term liabilities. In 2001 financial credits were not used while its level has increased to 446.123.176 million TL in 2002. This led to less accumulation of short-term liabilities resulting in higher current ratio. In 2003 the short-term liabilities increased slightly while current assets increased. This led to the decrease in current ratio of the company. We can smoothly admit that Vestel has drastically decreased its liquidity level.

Current Ratio(times)	**2003**	**2002**	**2001**
Alarko Carrier	2,57	2,00	1,79
Arçelik	2,00	2,03	2,05
Beko	1,45	1,21	1,25
BSH Profilo	1,99	2,13	1,74
İhlas Ev Aletleri	3,08	1,14	1,19
Vestel	1.97	2,02	1,39
Industry	1,94	1,81	1,64

INDUSTRY:

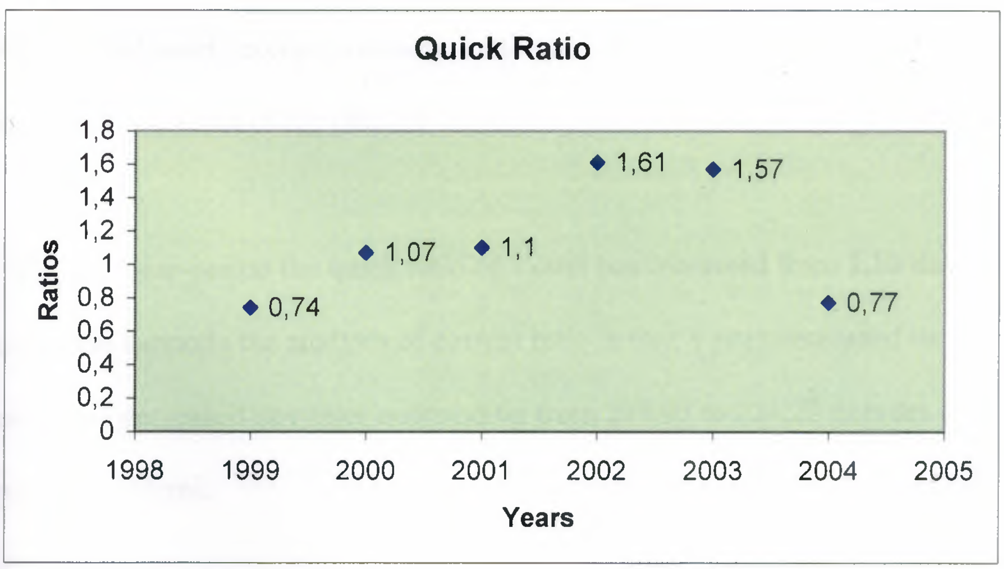
First of all, in the industry we observe an increasing trend in the industry ratio. Because crisis in 2001, 2002 the companies may have preferred to increase their liquidity levels in order to decrease risk. In Vestel, this trend is also observed reaching its peak level of 1,97 times in 2003, higher than the industry average. Whereas it is high below the industry average in 2001, in 2002 it is observed that liquidity levels increased significantly. General view of the companies current assets including 2001 and 2003, there is an increasing trend of current ratio.

6.3.1.2.Quick Ratio (Acid-test Ratio):

$$\frac{\text{Total Current Assets} - \text{Inventories} - \text{Other Current Assets}}{\text{Total Current Liabilities}}$$

This ratio measures the strengths of the company's most liquid current assets to meet its short-term liabilities.

In 1999	245.093.517 – (56.876.946 + 35.801.890) / 205.845.012 = 0,74
In 2000	466.180.586 – (75.848.184 + 42.473.629) / 326.110.973 = 1,07
In 2001	854.886.015 – (134.671.984 + 41.334.036) / 616.420.959 = 1,10
In 2002	1.506.667.811 – (189.758.763 + 121.028.890) / 744.726.251 = 1,61
In 2003	1.614.491.932 – (264.576.576 + 60.680.497) / 821.132.073 = 1,57
In 2004	3.030.441.556 – (1.155.199.120 + 218.246.100) / 2.144.979.389 = 0,77



COMPANY:

• 1:1 seen as ideal, satisfactory

•The omission of stock gives an indication of the cash the firm has in relation to its liabilities (what it owes)

•Vestel's quick ratio of 1.57:1 in 2003. The company has 1.57 times as much cash as it owes means it is good in business.

•A ratio of 0.5:1 would suggest the firm has twice as many liabilities as it has cash to pay for those liabilities. This ***might*** put the firm under pressure but is not in itself the end of the world.

It is an increasing trend through to the 2002 because total assets increases highly but the ratio is low for 2003. Therefore we can understand that total liabilities increased. In year 2004 we are not sure about the results about quick ratio because we have 9 terms to calculate but in a big probability , estimating quick ratio for 2004 will be very high by looking the intensive growth in total assets.

Vestel's ratio is in between 1.61 and 0.75 In this ratio and it can cover up its liabilities with its liquid assets except inventories and only with its most liquid current assets like cash. It is close to the level of the ideal of 1:1.

In this 2-year-period the quick ratio of Vestel has increased from 1,10 times to 1,57 times. Quick ratio supports the analysis of current ratio in that Vestel decreased its liquidity in 2003. Vestel also decreased day sales outstanding from 278.93 to 224.23 in order to prevent liquidity problems.

Quick Ratio(times)	2003	2002	2001
Alarko Carrier	1,89	1,51	1,37
Arçelik	1,67	1,81	1,77
Beko	1,11	0,96	0,96

BSH Profilo	1,66	1,68	1,41
İhlas Ev Aletleri	1,54	0,36	0,61
Vestel	1,57	1,61	1,10
Industry	1,58	1,53	1,36

INDUSTRY:

There is an increase demand in industry ratios. According to quick ratio, the increasing trend is also observed. In the industry, it can be observed that inventories generally are not increased except Arçelik, Profilo and Vestel in 2003. Alarko, Beko and Ihlas have increased their quick ratios, due to the largest market share of Arçelik the industry average increased slightly.

6.3.1.3. Receivable Turnover Ratio =

$$\frac{\text{Net Sales}}{\text{Short Term Receivables}}$$

Accounts receivable turnover is a measure of how rapidly the firm collects its receivables; in general, the higher the turnover the better the company will be.

$$\frac{312.451.808}{118.321.811} = \mathbf{2.64\ in\ 1999}$$

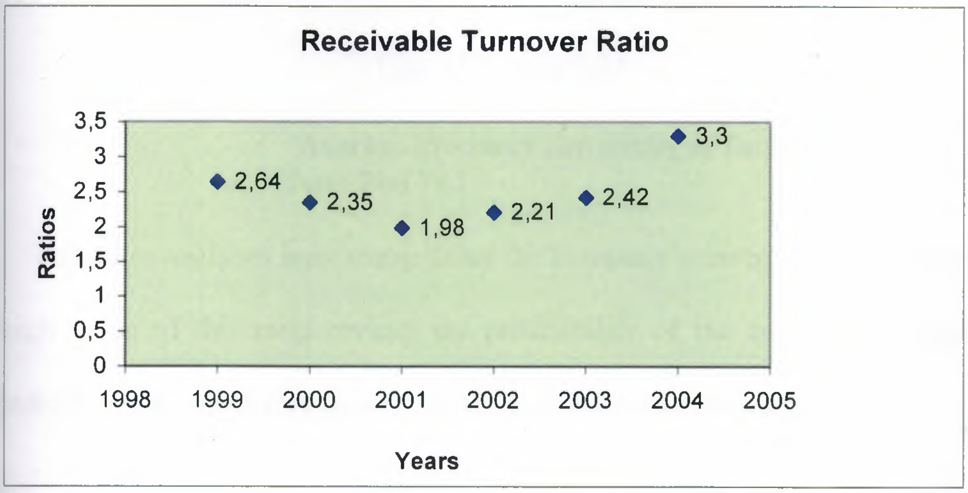
$$\frac{496.586.703}{211.729.782} = \mathbf{2{,}345\ in\ 2000}$$

$$\frac{921.065.657}{464.308.955} = \mathbf{1{,}984}\text{ in 2001}$$

$$\frac{1.454.140.051}{657.857.080} = \mathbf{2{,}210\ in\ 2002}$$

$$\frac{1.712.574.277}{708.854.943} = \mathbf{2{,}416 \text{ in } 2003}$$

$$\frac{2.963.202.354}{899.857.256} = \mathbf{3{,}293 \text{ in } 2004}$$



COMPANY:

By looking 1999, we can see that there is an decreasing trend in 2000 and 2001. After 2001,

it is an continuously developing ratio because net sales are growing more than short-term receivables.

As seen in the graphic above Vestel's receivable's turnover ratio was at a good level of 2.64 and then it declined to 1.98 in the year 2001. This is related to the crises situation in the economy during that period. But then it covered up quickly when Vestel began to enter into new domestic and foreign markets and when its sales abroad increased this led to Vestel to make more sales and to have more receivables. The more it made sales the more its short - term receivables increased. So, in the year 2004 only in 9 months (till the end of September 2004) this ratio again increased to 3,3, which means that its net sales have increased and also this increase was to be collected in cash in a short term less than 1 year.

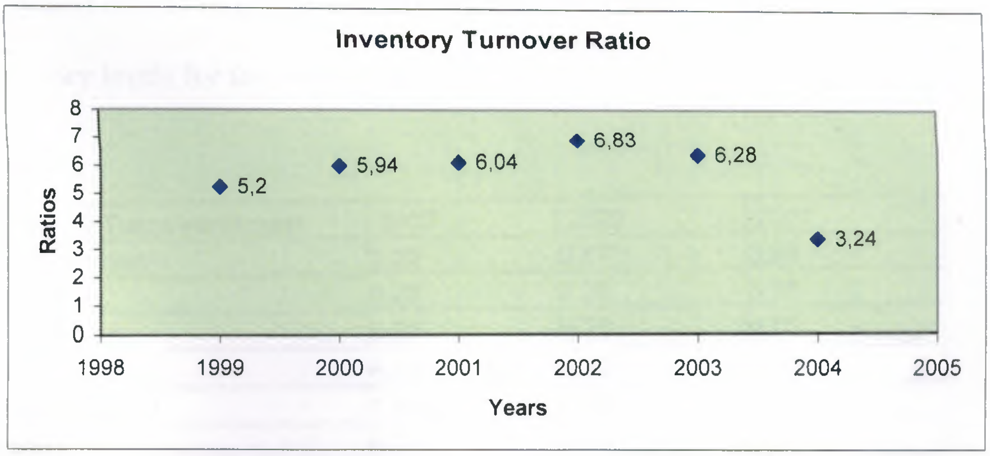
6.3.1.4.Inventory Turnover=

Cost of Goods Sold

Average Inventory (Inventory at Term Beginning + Inventory at Term End) / 2

This ratio analyses how many times the company's inventories have been sold in a year. A high value of this ratio reveals the profitability of the company. Inventory turnover ratio indicates how efficiently the company utilizes its inventories.

In 1999	226.362.727 / ((56.876.946 + 30.102.119)/2) = 5,20
In 2000	394.502.404 / ((75.848.184 + 56.876.946)/2)) = 5,94
In 2001	636.203.022 / ((134.672.984.+75.848.184)/2) = 6,04
In 2002	1.108.160.371 / ((189.758.763+134.671.984)/2) = 6,83
In 2003	1.426.109.841 / ((264.576.576+189.758.763)/2) = 6,28
In 2004	2.297.123.881 / ((1.155.199.120+264.576.576)/2)= 3,24 as of 30 September, 2004



COMPANY:

Inventory turnover of the company is considerably good and it is above 5 and it is almost at 6. This means that Vestel's goods produced during the year are sold at least 6 times and this is a good number when compared with its competitors of Beko, Arçelik and Profilo. Vestel is above the industry average, which is more than 5.44 in 2003. By looking the ratio, we can come to an conclusion about the company is utilizing its inventory efficiently.

When we are looking at Vestel, it can be observed that there is a linear increase in inventory turnover rate in 2002 reaching to 6,83. In 2003; the ratio declines because of increasing in cost of goods sold too much and also inventory at the beginning is high. When market demand growth is considered, it seems to be stronger inventory in 2002 where there was a noteworthy market demand increase. However, it can be said that to decrease inventory levels in 2003 was a right decision due to the fact that Vestel has faced with a decrease in real sales. This decision may have helped Vestel to decrease its inventory costs, while its real sales decreased its cost of goods sold has increased. This shows that Vestel should have held less inventory levels for the following year.

Inventory Turnover(times)	2003	2002	2001
Alarko Carrier	3,22	3,57	3,26
Arçelik	6,22	7,26	5,50
Beko	6,05	6,20	4,00
BSH Profilo	6,36	4,32	2,49
İhlas Ev Aletleri	1,54	1,05	1,44
Vestel	6,28	6,83	6,04
Industry	5,44	5,40	3,94

INDUSTRY:

In the industry, it can be seen that the inventories are sold out and restocked 5.44 times a year. This level is higher than the last 2 years' averages from 3.94 times then to 5.40 times a year. Especially in year 2002 average highly increased. It won't be wrong to claim that to decrease their risky in sales because of the low demand resulted from the crisis in 2001; the companies have decreased their inventory levels for efficient use of inventories. In 2002 only Ihlas Ev Aletleri has decreased its inventory levels from 1.44 to 1.05. Especially Arçelik has high inventory turnover so it is critical for many businesses, on the other hand another companies except Arçelik, have low inventory turnover depends on higher sales like Vestel. Investment in inventory can be very expensive. Some costs such as; insurance, personal property taxes, interest on the fund tied up in inventory and obsolescence can be very high. Therefore managers prefer to keep inventory as low as possible. The problem is that if the inventory is too low, particularly in firms such as retail stores, sales might be lost because customers cannot find what they want.

6.3.1.5.Total Asset Turnover = $\frac{\text{Net Sales}}{\text{Total Assets}}$

This ratio indicates the ratio of net sales to the total of the assets of the company. Number above 1 is a good figure.

In 1999 312.451.808 / 283.782.457 = 1,1

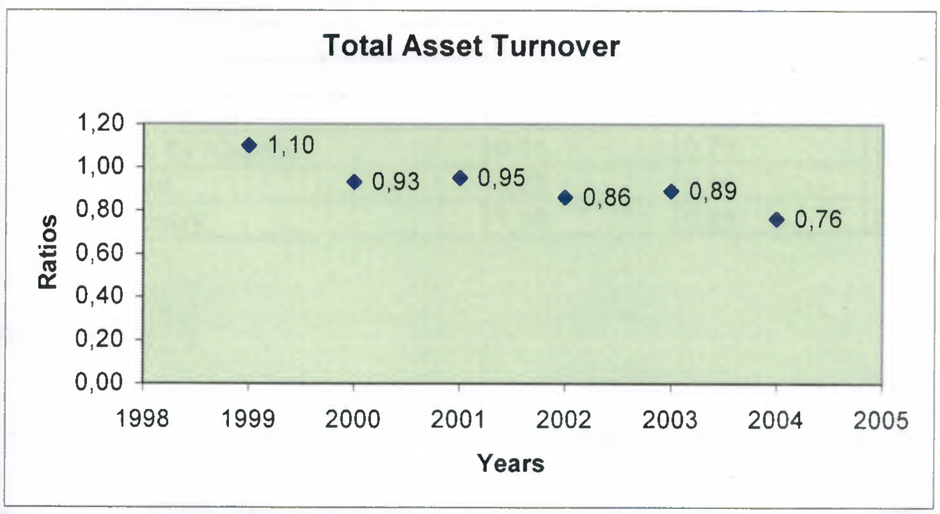
In 2000 496.586.703 / 536.087.163 = 0,93

In 2001 921.065.657 / 969.531.711 = 0,95

In 2002 1.454.140.051 / 1.691.450.756 = 0,86

In 2003 1.712.574.277 / 1.929.043.514 =0,89

In 2004 2.963.202.354 / 3.885.192.614 = 0,76



COMPANY:

The company improves its net sales and total assets each year. Especially there is a big splash in 2004; it will be a very high total asset turnover at the year-end. The number of this ratio is between 0,76 and 1.10. It is good, but there is a decrease in this number in 2004. But this decrease is due to the 9-month sales in 2004 and it is expected to be above 1 when 12-month sales are taken into consideration.

When we look at the composition of assets, we can observe that during this 3years period cash account proportion has increased from 17.38% to 25.55%. This increase in cash; increases liquidity. Vestel has increased its fixed asset utilization efficiency, moreover Vestel has high amount of receivables however fixed assets lead to decrease in that ratio in 2002. As it is seen Vestel has the highest collection period with its 224 days it may face liquidity problems an increase in special accounts receivables. To solve problem it should immediately decrease its receivable level and collection period. Also considering the improving economic conditions these ratios must be improved by Vestel in order to increase sales by converting liquid assets into investments.

Total Assets Turnover(times)	2003	2002	2001
Alarko Carrier	0,91	0,95	0,90
Arçelik	1,12	1,03	0,89
Beko	1,36	1,35	1,18
BSH Profilo	1,30	1,20	0,65
İhlas Ev Aletleri	0,85	0,78	0,86
Vestel	0,89	0,86	0,95
Industry	1,06	0,98	0,83

INDUSTRY:

Vestel has also under average Total assets turnover ratios during past three years, and this signals a problem. We should discover which assets are causing this low ratio. İhlas Ev Aletleri this time has below average Turnover ratio which indicates its high liquidity.

6.3.2. PROFİTABILITY RATIOS

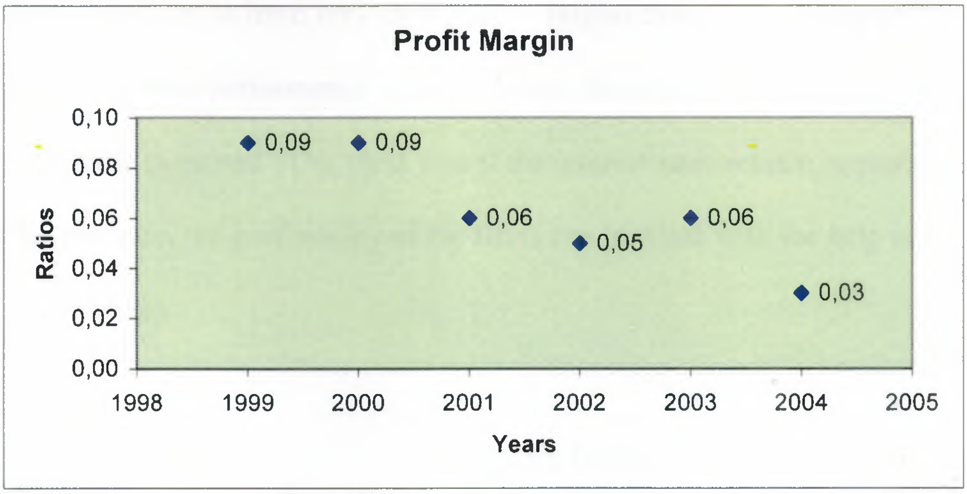
Used to see how effective the firm is at generating profits given sales and or its capital assets. Profitability measures look at how much profit the firm generates from sales or from its capital assets. Profitability can be measured in absolute dollar terms, such as income or by using ratios.

6.3.2.1.Profit Margin:

$$\frac{\text{Net Income}}{\text{Net Sales}}$$

This is a very important ratio showing company profitability.

In 1999	28.919.912 / 312.451.808 = 0,09
In 2000	42.428.511 / 496.586.703 = 0,09
In 2001	54.718.588 / 921.065.675 = 0,06
In 2002	72.988.792 / 1.454.140.051 = 0,05
In 2003	104.088.510 / 1.712.574.277 = 0,06
In 2004	78.340.559 / 2.963.202.354 = 0,03



COMPANY:

Profit margin of the company has decreased steadily between 1999 and 2002. This is due to mainly in the investments made and the increasing costs of the company. The another reason is; net income is lower in contrast to net sales in 2002. After 2002, profit margin shows that the competition in the market Vestel's operating is increasing. So this is increasing the profit margin of the company in 2003.

Net Profit Margin on Sales			
Alarko Carrier	0,10	0,12	0,08
Arçelik	0,08	0,09	0,002
Beko	0,03	0,02	-0,04
BSH Profilo	0,06	0,02	-0,09
İhlas Ev Aletleri	0,06	-0,08	-0,06
Vestel	0,06	0,05	0,06
Industry	0,07	0,06	-0,002

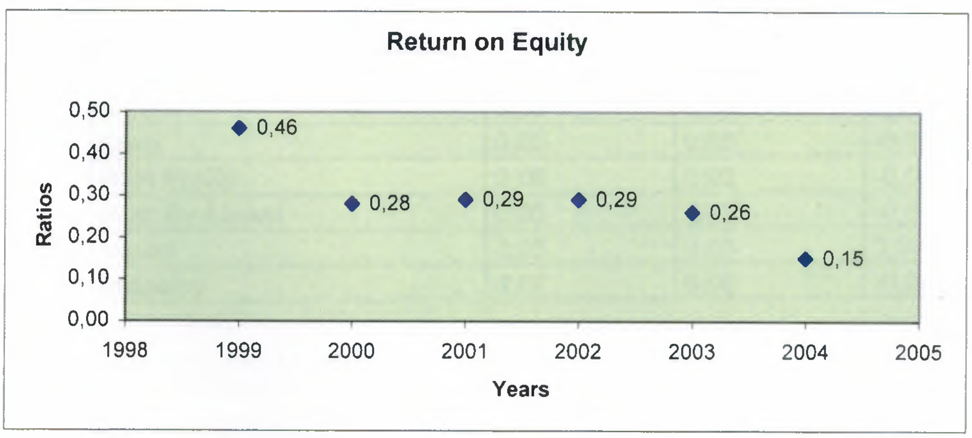
INDUSTRY:

Net profit margin ratio in the industry seems to be problematic. Especially in 2001 due to very high interest rates increased firm's financial expenses sharply and this became the core problem of the industry. However in the following years this expense decreased and this led to increase in net profit margins of the firms. Otherwise there would be no way to explain increasing net profit margin while the gross profit margin was decreasing. In 2003 the companies seem to have very close profit margins that are averaging at 7%. Vestel seems to have an average performance in profitability. Because of 77% decrease in financial expenses, net income increased 71%. Next year if the interest rates remain constant or decrease and sales increase, the profitability of the firms can increase with the help of an effective cost control policy.

6.3.2.2.Return on Equity = $\dfrac{\text{Profit Before Taxes}}{\text{Total Equity}}$

It measures the efficiency with which management has utilized the assets under its control, regardless of whether these assets were financed with debt or equity capital.

In 1999	33.217.627 / 72.695.783 = 0,46
In 2000	56.861.015 / 204.974.953 = 0,28
In 2001	80.719.627 / 282.539.281 = 0,29
In 2002	115.552.962 / 397.449.983 = 0,29
In 2003	140.631.726 / 536.258.276 = 0,26
In 2004	138.603.957 / 937.420.941) = 0,15 till the end of September, 2004.



COMPANY:

In 1999 the company's return on equity is the highest because Vestel has financed its assets and on the amounts of its non-operating revenue and expenses. As seen in the graph above Vestel's return of equity has decreased from 1999 to 2004. The effecting factor is profits don't grow sufficiently in comparison to total equity. This is due to the short and long term bank credits and borrowings the company has. Also the profits obtained in investing company money to the business activities is giving less profit and is not good for the company. However, since it is a positive value it is not bad for the company. The company can increase its return on equity if it uses debt, provided that return on equity is greater than interest rate it must pay to debt holders.

6.3.2.3. Return on Assets

$$\text{Return on Assets} = \frac{\text{Net Income +interest+income taxes(operating income)}}{\text{Average Total Assets}}$$

This ratio is used in evaluating whether the management has earned a reasonable return with the assets under its control. Return on total asset is operating income.

Return on Assets	2003	2002	2001
Alarko Carrier	0,09	0,11	0,07
Arçelik	0,09	0,09	0,002
Beko	0,05	0,03	-0,05
BSH Profilo	0,08	0,03	-0,06
İhlas Ev Aletleri	0,05	-0,07	-0,05
Vestel	0,05	0,03	0,03
Industry	0,07	0,06	-0,004

COMPETITORS:

When we look at the indicator how effectively the companies were able to use their assets in order to earn profit, it is seen that there is a parallel trend with net profit margins of the companies.In 2001 it is not surprising that this ratio is negative due to the fact that the companies could not generate profit.

COMPANY:

Vestel seems to be using its assets inefficiently because of its 0,05 rate which is below average. This is also proved in total assets turnover ratio which was also below average. The composition of total assets leads to this problem, unless Vestel rearrange its receivable collecting policy and use some of its liquid assets to generate more sales and profit.

6.3.2.4. Leverage Ratios:

Gives information on the relationship between the exposures of the business to loans as opposed to share capital. Applying leverage means using borrowed money to earn greater than the cost of borrowing, increasing net income and the return on common stockholder's equity. In other words; if you can borrow money at 12% and use it to earn 20%, you will benefit by doing so.

6.3.2.5. Debt/Equity= $\frac{\text{Total debt}}{\text{Total Stockholders Equity}}$

In 1999 (205.845.012 + 5.241.662) / 72.695.783 = 2,90

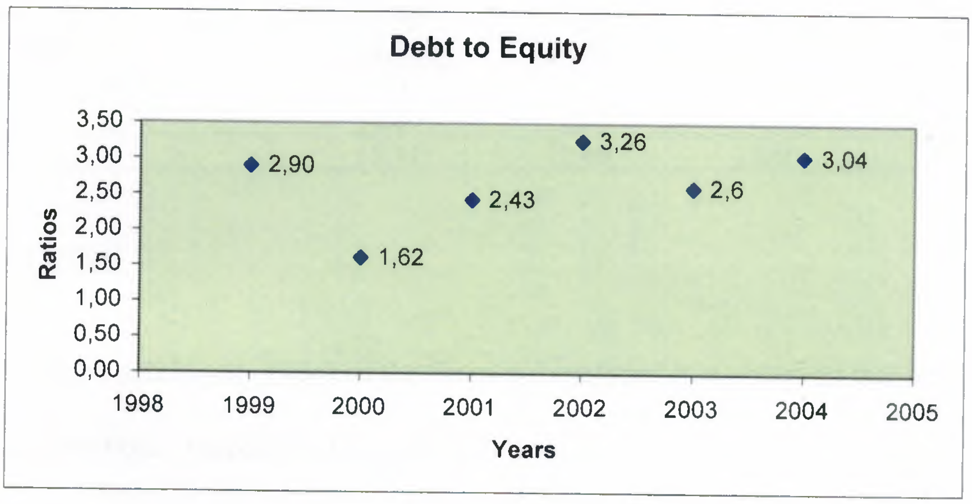
In 2000 (326.110.973 + 5.001.237) / 204.974.953 = 1,62

In 2001 (616.420.959 + 70.571.471) / 282.539.281 = 2,43

In 2002 (744.726.251 + 549.274.522)/ 397.449.983 = 3,26

In 2003 (821.132.073 + 571.653.165) / 536.258.276 = 2,60

In 2004 (2.144.979.389 + 702.811.849)/937.420.941 = 3,04



COMPANY:

Passing from 2001 to 2002; total debts increased more than total stockholder's equity therefore debt/equity increased however there is a contrast situation seen in 2003 because total stockholder's equity is grown more than total debt so that the ratio falls. As seen in the graph above the debts used by Vestel meaning getting loans and credits has increased. So Vestel is increasingly using the debt to finance its development and investments. This ratio is in the increase. So Vestel's business is being more and more financed by debt and borrowings and credits. Vestel seems to be relatively less risky because of its low levels of long- term debt in 2001. However, Due to its high financing needs it seems that Vestel also had to borrow long term bonds with increasing its debt/equity ratio to 3.26 where the average was 2,89. The high risky problem was tried to be solved by increasing stockholder's equity while holding debt level constant. In 2003 Vestel decreased this ratio to 2.60 levels by increasing reserves, which it can use in case of emergency. This action can be seem to be a reasonable decision because reinvesting on assets would decrease its total asset turnover ratio which is well below the industry average.

Debt/Equity Ratio	2003	2002	2001
Alarko Carrier	0,50	0,68	0,94
Arçelik	1,25	1,52	1,82
Beko	3,38	3,64	5,19
BSH Profilo	2,66	4,45	9,25
İhlas Ev Aletleri	0,97	4,74	5,09
Vestel	2,60	3,26	2,43
Industry	2,11	2,89	3,55

INDUSTRY:

When the debt/equity ratios of the firms are analyzed it is observed that in 2001 the ratios are extremely high. Especially Beko, BSH Profilo and Ihlas Ev Aletleri are seemed to be extremely risky with their debt/equity ratios which are well above the average. Profilo and Beko has tried to solved this problem by increasing their capital stock in 2002.Ihlas Ev Aletleri's capital stock increase was not enough due to increasing needs for external funds. So, it tripled its capital stock second time in 2003.

6.3.2.6. Leverage Ratio : Total Debts / Total Assets. This ratio shows the extent to which debt is used in financing company's total assets.

= (205.845.012 + 5.241.662) / 283.782.457)

= 211.086.674 / 283.782.457 = **0.744 in 1999**

= (326.110.973 + 5.001.237) / 536.087.163)

= 0,618 in 2000

= (616.420.959 + 70.571.471) / 969.531.711)

= 0,709 in 2001

=(744.726.251+ 549.274.522) / 1.691.450.756)

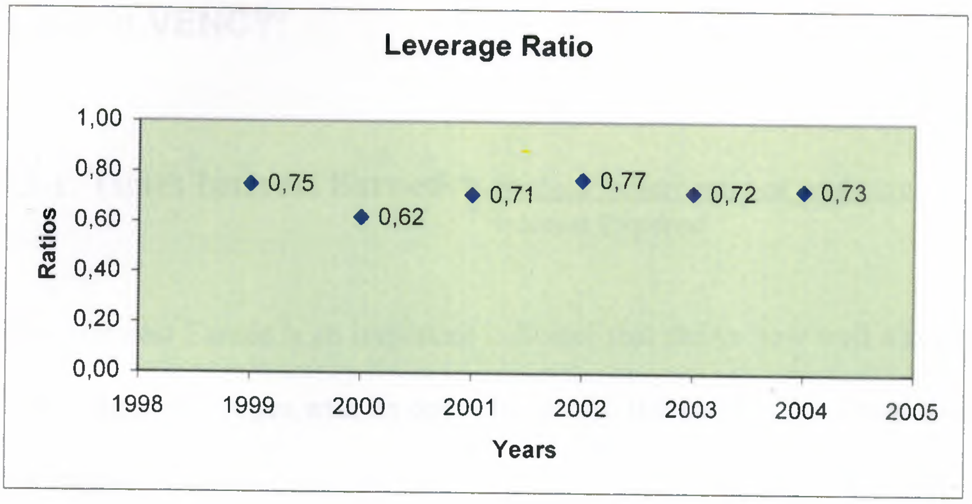
= 0,765 in 2002

= (821.132.073 + 571.653.165) / 1.929.043.514)

= 0,722 in 2003

= (2.144.979.389+ 702.811.849) / 3.885.192.614)

= 0,733 in 2004



COMPANY:

The company's leverage ratio fluctuates in very low levels. In 2000, the ratio is low because change in total assets is higher than change in total debts. Also in 2001, it is reverse. .As seen in the graph above Vestel's assets are more than 50 per cent financed by debts rather than by its equity. So Vestel is using the way of using external financing (mainly credits and loans) to finance its business. The good thing is that this ratio is steady and almost around percent from 1999 to 2004 and there is a consistency and a stability in financing its debts by external and internal ways. Leverage is good for the common stockholder when earnings are high but it can be bad when leverage is low.

6.3.3. SOLVENCY:

6.3.3.1. Times Interest Earned = $\frac{\text{Income before interest and taxes}}{\text{Interest Expense}}$

Times Interest Earned is an important indicator that shows how well a company manages to afford its interest charges with its operating profit. It measures the extent to which operations cover interest expense.

Times Interest Earned	2003	2002	2001
Alarko Carrier	29,89	6,08	1,80
Arçelik	0,00	5,33	1,05
Beko	4,80	1,41	0,88
BSH Profilo	2,87	1,24	0,89
İhlas Ev Aletleri	1,13	0,00	0,67
Vestel	2,94	1,38	1,13
Industry	2,70	3,00	1,05

INDUSTRY:

As it is expected due to high interest levels occurs in 2001 this ratio of all firms is very low resulting in an industry average level of 1,05. In 2002 we observed that Alarko has increased TIE ratio to 6.08 with choosing to fund itself by increasing stockholder's equity instead of debt financing. This action have helped Alarko to decrease its interest payments and maximized its TIE to 29.89. It means Alarko has the higher ratio, the more likely the firm will be able to continue meeting the interest payments. For the year 2003 Arçelik showed positive values in financial expense statement in income statement. So we took this value, as it has no interest liability to be paid in 2003.

COMPANY:

Vestel, experiencing heavy financial liability in 2001 has achieved to decrease it to 1/10 of its 2001 level in 2003. However, while its cost of goods sold increased, it could not increase its sales enough and had lower profit which causes this ratio not to increase sharply as it would be expected. If Vestel can achieve a desirable sales level and decrease its costs of goods sold, it can solve the interest coverage problem and decrease its risky level.

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

This ratio measures the proportion of debt in the firm's capital structure. It is also called the debt-to-assets ratio. Debt ratio states total liabilities as a percentage of total assets. It is not the measure of short-term liquidity. It is a measure of creditor's long-term risk.

Debt Ratio%	2003	2002	2001
Alarko Carrier	0,33	0,41	0,48
Arçelik	0,56	0,60	0,65
Beko	0,77	0,78	0,84
BSH Profilo	0,73	0,82	0,90
İhlas Ev Aletleri	0,49	0,83	0,84
Vestel	0,72	0,79	0,76
Industry	0,65	0,71	0,73

COMPETITORS:

This data shows us clearly the effects of crisis occurred in 2001. In that year most of the companies used debt financing to cover almost 80% of their assets. This was indispensable in that economic conditions in the sense that there was very low demand, high risk, and the stock prices went down sharply. This year was also very problematic in the sense that high proportion of debt in the capital structure, the riskier the firm and also it was very difficult to borrow long term bonds because of the restructuring in banking system. The Banks stopped giving long- term credit for a period of time and this led to high costs in the companies. This may have prevented the companies from issuing new stock, which would result in lower earnings per share and return on equity. If the business has a great deal of debt, there may not be enough assets to make full payment to all creditors.

On the other hand, companies in the industry Alarko Carrier has the lowest debt ratio, it means lower debt ratio, safer its position and Arçelik will have less trouble when they need new funds because they are not financing their assets with high financial leverage and they use the leverage lesser than others.

COMPANY:

Vestel, has pursued an little high average debt financing policy compared to industry average. When we come to year 2003 it is seen that the Vestel is dependent on outside credit and with high debt ratio, Vestel uses the leverage highly. This case may have also resulted from the high level of interest that caused a very heavy interest expenses. The new condition shows us that Vestel is becoming risky. According to us these levels of this ratio is quite high because the Vestel is affected from the interest rates. In the future the companies may issue common stock in order to balance their financing to decrease risks. Short-term creditors are primarily concerned with liquidity, long-term creditors are concerned with solvency than with liquidity and profitability. Current and potential common stockholders are most concerned with profitability, but liquidity and solvency are still significant.

6.4. THE STATEMENT of CASH FLOWS: (Vestel 2003)

THE STATEMENT OF CASHFLOWS

I. Cash Flows From Operating Activities		
Cash Received from customers	1655790048	
Interest received	137618299	
Cash provided by operating activities		1793408347
Cast paid to suppliers and employess	(1368538591)	
Interest paid	(22715385)	
Income taxes paid	(35849295)	
Cash paid for oprating activities		(1427103271)
Net cashflow from operating activities		366305076
II. CashFlows From Investing Activities		
Purchases of marketable Securities	(36594222)	
Proceeds from sales of securities	21068279	
Loans made to borrowers	(65729498)	
Collection on loans	1805146	
Extreordinary revenues from loans	6133950	
III. Cash Flows From Financing Acticities		
Proceeds from short-term borrowing(dependants)	21953496	
Proceeds from short-term borrowing(participants)	258913758	

Payment of short-term debts	(73264041)	
Proceeds from issuing capitalstock	35194413	
Divident paid	(3211578)	
Net cash provided by financing activities		6586048
Net increases or (decrease) in cash and cash equivalents		299574779

6.4.1. Computations of Cashflows:

1. Cash Received from customers: Net sales (+ if A/R decreases)

(- if A/R increases)

2003: 48.329 + 708854943 + 65815457 = 774718729

2002: 18880 + 657857080 + 60058540 = 717934500

increasing value = 56784229

1712574277-56784229 = 1655790048

2. Interest received: Interest revenue (+ if Interest A/R decreases)
(- if Interest A/R increases)

= 137618299

3. Cash paid to supplier and employees

a.) Cash paid to purchase merchandise :

Cost of goods sold (+ if inventory increases and if A/P decreases)
(- if inventory declines and if A/Pincreases)

2003 inventory: 264576576

2002 inventory: 189758763

increasing value 74817813

2003 A/P: 821132073 + 571653165 = 1392785238

2002 A/P: 744726251 + 549274522 = 1294000773

increasing value: 98784465

3a: 1426109841 + 74817813 – 98784465 = 1402143189

b) Cash paid for oprating expenses:

Operating expenses – depreciation (+ if prepaid expenses increases and if acrrued liabilities decreases or reverse)
= 91324991 – 124929589 = (33604598)

Cash paied to supplier and employees: 1402143189-33604598= 1368538591

4) Interest paid : Interest expenses (+ if interest payable decreases or reverse)

2003: 3410013

2002: 3593832

decreasing value: 183819

22531566 + 183819 = 22715385

5) Income taxes paid : Income tax expense (+ if tax payable decreases or reverse)

2003: 3795595

2002: 3101674

increasing value: 693921

36543216 – 693921 = 35849295

6) Proceeds from sales of marketable securities

cost of marketable security (+ if there is a gain on sale of marketable securities or reverse)

36594222 – 15525943 = 21068279

7) Procced from issuing capital stock: Capitalstock + additional paid in capital

159099887+100626315 = 259726202

7. Conclusions and Recommendations:

Both in 2003 and in 2004 Vestel has made great progress in both sales revenues and units sold. With this the share of Vestel's European television market almost reached 20%. This made Vestel the biggest television manufacturer in Europe.

From the analysis of Vestel's ratios and its comparison with its competitors it is seen that Vestel's improvement in its products and increasing its market share was due to the better productivity it created and the big investments it made. This was due to the big credits and borrowings from the banks. With these investment, and together with a very good marketing Vestel was able to both produce in Turkey and at the same time catch the technological trends in the world.

Vestel has increased its assets and what it has almost two times in around 5 years. This is a good development for Vestel. The increase in Vestel's short-term debts is more than the increase in its short-term current assets. This means that company debts are increasing, and/or it cannot collect its sales as easily as it pays its debts. So the short-term debt has increased a lot in 2004 when compared to 2003. The increase in net sales of Vestel has increased from 59% per cent in 2000 to 73% in 2004.

This is good for the company and indicates that its developing its markets and sales abroad and in the domestic market and it is better than its competitors.New investments are made and the company began to produce and sell new products more in the international markets. The company has the ability of the company's total current assets to cover its short – term obligations. The company has the short-run debt paying ability. Company's total current assets and total current liabilities are growing.

2003 the short-term liabilities increased slightly while current assets increased. Vestel has drastically decreased its liquidity level. But it is still above the average. Vestel has the strengths of the most liquid current assets to meet its short-term liabilities on the other hand Vestel's total liabilities have been increasing. The company can rapidly collect its receivables; in general, it has the higher the turnover so we can understand that the Vestel is better. A high value of this ratio reveals the profitability of the company. When market demand growth is considered, it seems to be stronger inventory in 2002 where there was a noteworthy market demand increase. However, it can be said that to decrease inventory levels in 2003 was a right decision due to the fact that Vestel has faced with a decrease in real sales. This decision may have helped Vestel decreased its inventory costs, while its real sales decreased its cost of goods sold. This shows that Vestel should have held less inventory levels for the following year.

As it is seen Vestel has the highest collection period with its 224 days it may face liquidity problems an increase in special accounts receivables. To solve problem it should immediately decrease its receivable level and collection period. Also considering the improving economic conditions these ratios must be improved by Vestel in order to increase sales by converting liquid assets into investments.

Profit margin of the company has decreased steadily between 1999 and 2002. This is due to mainly in the investments made and the increasing costs of the company. The another reason is; net income is lower in contrast to net sales in 2002. After 2002, profit margin shows that the competition in the market Vestel's operating is increasing. So this is increasing the profit margin of the company in 2003. Vestel seems to have an average performance in profitability.

This is due to the short and long term bank credits and borrowings the company has. Also the profits obtained in investing company money to the business activities is giving less profit and is not good for the company. However, since it is a positive value it is not bad for the company. The composition of total assets leads to this problem, unless Vestel rearrange its receivable collecting policy and use some of its liquid assets to generate more sales and profit. Passing from 2001 to 2002; total debts increased more than total stockholder's equity therefore debt/equity increased however there is a contrast situation seen in 2003 because total stockholder's equity is grown more than total debt so that the ratio falls. It is above on the debts meaning getting loans and credits has increased. So Vestel is increasingly using the debt to finance its development and investments. This ratio is in the increase. So Vestel's business is being more and more financed by debt and borrowings and credits.

Vestel seems to be relatively less risky because of its low levels of long term debt in 2001. Vestel's assets are more than 50 per cent financed by debts rather than by its equity. So Vestel is using the way of using external financing (mainly credits and loans) to finance its business. The good thing is that this ratio is steady and almost around per cent from 1999 to 2004 and there is a consistency and a stability in financing its debts by external and internal ways.

Vestel can achieve a desirable sales level and decrease its costs of goods sold, It can solve the interest coverage problem and decrease its riskiness level.

Vestel, has pursued an little high average debt financing policy compared to industry average. When we come to year 2003 it is seen that the Vestel is dependent on outside credit and with high debt ratio. This case may have also resulted from the high level of interest which caused a very heavy interest expenses. Vestel is affected from the interest rates.

If Vestel increases its current ratio above from 2,00 by holding total current liability at lower, better the credit risk it has. In the future the companies may issue common stock in order to balance their financing to decrease risks.

Next year if the interest rates remain constant or decrease and sales increase, the profitability of the firms can increase with the help of an effective cost control policy.

Since it is now operating world wide is open to international competition and this is a very difficult task. There are many financial and technical risks. So Vestel must decrease its costs, increase its profitability, decrease its debts and should be able to create a balance between its external and internal financing so that it can increase its liquidity in comparison with its competitors and continue its leadership position in the Turkish market.

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