



Tyre Cord Fabric Manufacturing  
and Trading Inc.

21st Annual Report  
1993









# Tyre Cord Fabric Manufacturing and Trading Inc.

## 21st Annual Report 1993

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## Agenda

The Agenda of Ordinary General Assembly of KORDSA Tyre Cord Fabric Manufacturing and Trading Inc. on March 31, 1994 :

1. Opening and setting up of the Chairman's Panel.
2. Authorizing the Chairman's Panel to sign the minutes of the General Assembly.
3. Presentation and Deliberations on activities and accounts for the year 1993; discussion and acceptance of the proposal of Board regarding the Balance Sheet and the Statement of Income for the year 1993.
4. Ratification of the activities of the Board of Directors and the Auditors for the year 1993.
5. Discussion of the resolution of the Board of Directors relating to the appropriation of 1993 profit and the date of dividend distribution.
6. Approval of the duties of the Board of Directors appointed during the year for the remaining period.
7. Approval of the duties of the Auditors appointed during the year for the remaining period.
8. Approval of the Independent External Auditors elected by the Board of Directors, to inspect the Company's 1994 and 1995 financial tables and activities in accordance with the principles of Capital Market Code No. 2499.
9. Authorizing the Chairman and the Board of Directors to conduct the procedures stated by the provisions No. 334 and 335 of the Turkish Commercial Code.
10. Acceptance of the alteration of clause No. 35 of the Articles of Association based upon the permission of the Ministry of Industry and Trade.

*21st Ordinary General Assembly of our Company will be held in the Conference Hall of Sabancı Center at 15:00, on Thursday, March 31, 1994.*







## The Chairman

Dear Shareholders,

Firstly, I would like to thank you esteemed shareholders and their representatives for honoring our Annual General Meeting, where we will present for your examination and approval our 21st Annual Report together with financial statements and Auditors' Reports. As we are all aware, the first years of the 1990s were marked by historical events such as Gulf War, the continuing civil wars in some countries and the quest for independence in the Eastern Bloc. Such political incertitude and instability has naturally influenced the economic life and necessitated efforts for a new form of balance. However, this painful process has lasted long beyond expectations and the new level of balance has not yet been reached. The gradually promising developments which were initiated towards the end of 1993 in the United States will hopefully improve the recessional conditions in the other developed countries as well. We hope that such positive developments will also be reflected in our economy. The restructuring of 'consistency' policies aiming at 'growth' will open up a new scope for our country. We should be concerned

about making optimum use of the opportunities at hand and try to capitalise on them; as well as continue with the liberal policy in accordance with universal democratic principles.

In order to be able to look more hopefully to the future, we need to succeed in curbing inflationary tendencies, eliminating the instability in foreign exchange markets and dealing with the external debt issue on a medium and long-term basis.

The year 1993 was a difficult and significant year for Kordsa when important developments took place and radical decisions were taken and put into practice. However, these difficulties were overcome through commitment and hard work.

The year 1994 also seems to be a difficult period for the Turkish industry. However, we believe that private enterprises like Kordsa, with a sound financial structure and highly qualified personnel, will be able to overcome these difficulties.

The high performance of our company will reach even higher levels with the increase in productivity through the modernisation investment completed in 1992 and the high quality production process with the

international ISO 9001 Quality Certificate. I believe 1994 will be another successful year for us in spite of all the negative effects of international circumstances, thanks to our permanent position secured in various markets and our financial strength.

Never overlooking the fact that the success of our company to date is highly dependent upon the valuable contributions provided by our esteemed shareholders, I wish all the Kordsa community, our fellow countrymen and all nations in the world a peaceful and successful year and would like to thank you for your interest in our Annual General Meeting.

Regards,



Sakıp SABANCI



## Investments



Feeling proud of being one of the most advanced institutions in her sector in the world with respect to capacity, technology and quality, KORDSA has been pursuing a dynamic understanding and policies regarding investment which are responsive to bring successful results for 21 years. KORDSA completed the major part of the modernization investment in 1992 and also realized additional investment projects in 1993.



Making the best of changing circumstances in domestic and foreign markets as an international organization, KORDSA management realized necessary investments promptly. Thanks to this production capacity, as always, KORDSA met all requirements of domestic market, while she was continuously displaying overwhelming efforts for penetration and expansion in international markets.



## Participations

KORDSA with her participations amounting to TL 63,983,270 thousand as of 1993 year-end occupies the central position in a vertically integrated tyre division within the SABANCI GROUP. Today, BRISA, DUSA and BEKSA, which are all the participations of our company in the form of joint ventures with foreign companies, are operating in the industrial complex named KENTSA, which is located in Köseköy, İzmit. These factories producing tyre, industrial yarn, and steel cord based on high technology provide prominent contributions to domestic economy. Besides, in end-1993, production has commenced at NILE-KORDSA, the joint venture company established in Egypt for the production of tyre cord fabric.









## Sales



KORDSA, which has been meeting all cord fabric needs of our country since 1976, diversified her products and began producing and selling industrial fabrics such as conveyor belt and chafer after 1984. Increasing her share in domestic market and abroad in both cord fabric and industrial fabrics day by day, KORDSA has become one of the noted institutions of the world in her sector today. Our products have proved to be persistently demanded and to have a prominent and permanent place in Middle Eastern, Asian and African countries and many industrialized countries of Europe due their high quality.

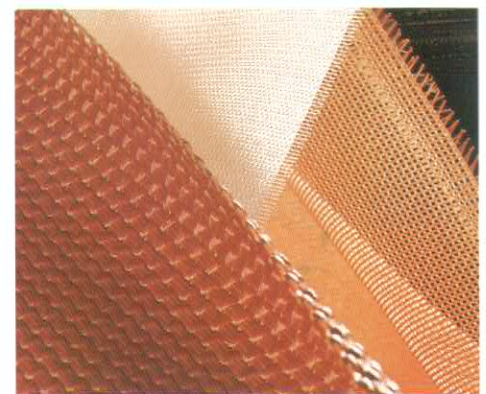
In 1993, despite market conditions which are gradually becoming harder, KORDSA attained the sale of 24,371 tons of cord and industrial fabrics and realized proceeds totalling TL 1,711,769 million. Under strictly competitive foreign trade market circumstances, KORDSA accomplished an export volume amounting to US \$ 65,423 thousand, continuing her export activities extended over 35 countries in a steady way.

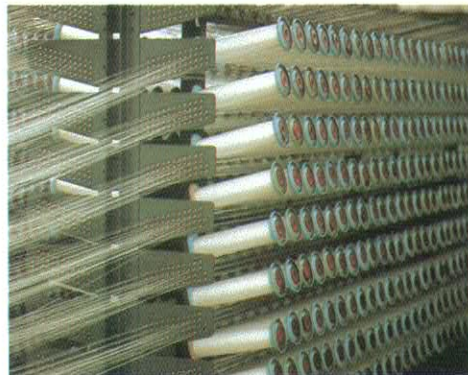
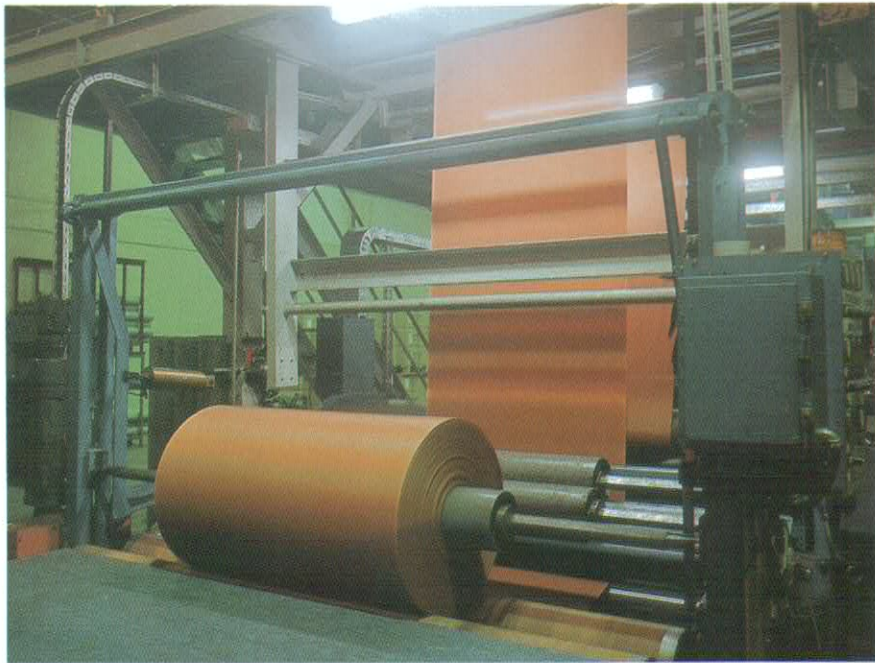
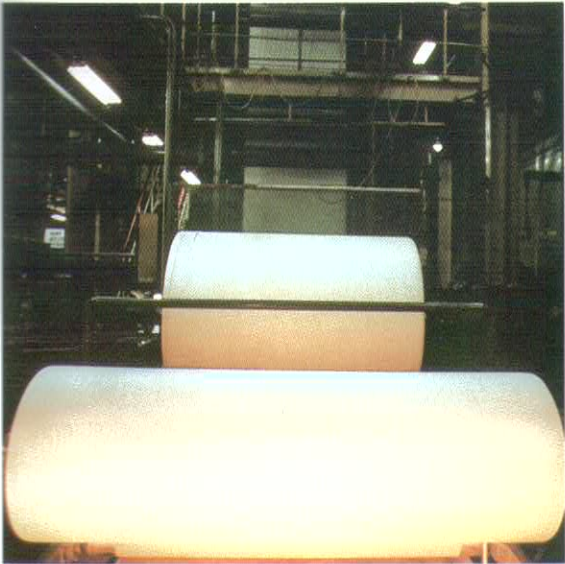


## Production

Being made up of dynamically-interconnected stages called ply and cable twisting, direct cabling, warping, weaving, hot stretching, and chemical treatment, the production processes of cord and industrial fabrics require a diligent care from the viewpoint of production and quality assurance due to their nature. Keeping this fact in mind, activities, which are improving day by day and aimed at reaching worldwide quality leadership, have been incessantly pursued. In parallel with obtaining positive results of "Statistical Quality Control System" which was inaugurated in 1989, a project

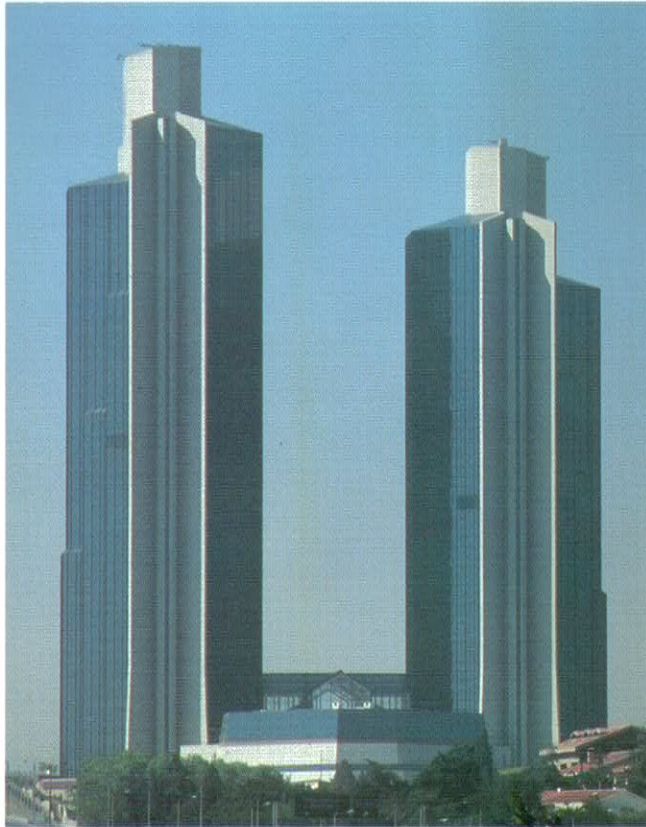
oriented to "Creating a Quality Culture" in our company was initiated in 1990. In this comprehensive project, quality is intended to be a kind of comprehension and mode of life for all company employees rather than being only a subject of control and assurance. Initiating activities in 1992 to acquire the ISO 9001 Quality Certificate, KORDSA in January 1993, were granted the Certificate deemed as the "passport" for products of export. Thanks to successful production and planning activities, the production of 22,139 tons of greige fabric and 21,587 tons of dipped fabric were realized in 1993.



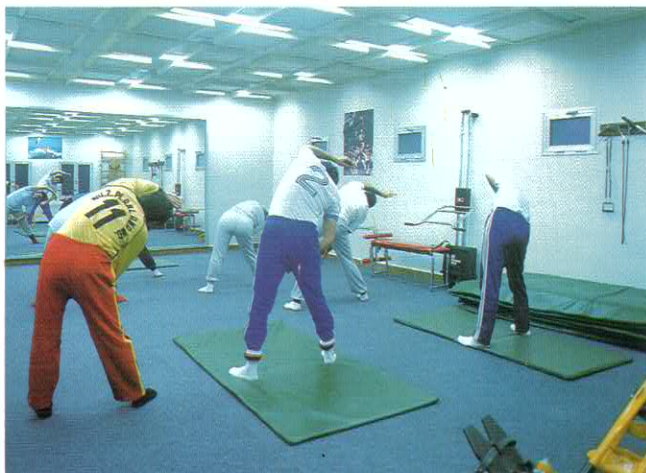




## Administrative and Social Activities



Bearing always in mind the fact that the successful results of her operations are mainly due to her employees who feel integrity with their company, KORDSA pays a great attention to provide a reliable atmosphere enhancing a high morale and social status for her personnel. Accordingly, in addition to regular checkups and activities of consumer and housing cooperatives, training programs devoted to improve the calibre of all personnel from various levels have been effectually continued in 1993 as well. KORDSA's activities at the Head Office have been continuing at the Sabancı Center since October 1993, within the guidelines of a contemporary management system adopted by the Sabancı Group.



**Board of Directors  
Annual Report**



## I. Introduction

### 1. Period of Report

Jan. 1, 1993 - Dec. 31, 1993

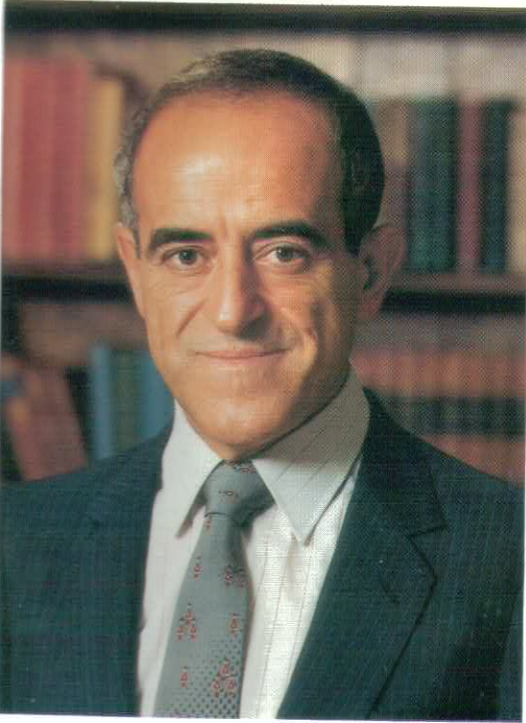
### 2. Title of Incorporation

KORDSA Kord Bezi Sanayi ve Ticaret  
Anonim Şirketi

### 3. Board of Directors

### Extent of Authority

Both Chairman and Directors are provided with authorities specified in related articles of the Turkish Commercial Code and 17th clause in our Articles of Association.



**Sakıp Sabancı**

*Chairman*

29.3.1991 - 31.3.1994

### Members of Board of Auditors

Hüseyin Uçar

March 29, 1991 - March 31, 1994

Ali Bakar

March 29, 1991 - March 31, 1994

Müfit Süreyya Ünal

June 1, 1992 - March 31, 1994



**Hasan Güleşçi**

*Deputy Chairman*

29.3.1991 - 31.3.1994



**Oğuz Karahan**

*Director*

29.3.1991 - 31.3.1994



**Hamit B. Belli**

*Director*

29.3.1991 - 31.3.1994



**Güler Sabancı**

*Director and General Manager*

29.3.1991 - 31.3.1994

**Extent of Authority**

According to 25th clause in our Articles of Association; duty, authority and responsibility of the Auditors are determined within the framework of principles stipulated in Articles 347 and 359 of the Turkish Commercial Code.

**4. Amendments in Articles of Association During the Period:**

There has been no change related to the Articles of Association.

**5. Share Capital, Dividend Rates, Shareholders with More Than 10% Shareholding:**

The share capital of our Company which has increased her registered capital to TL 300,000,000,000 in 1992 is TL 151,875,000,000. Besides, in December 1993, KORDSA has applied to Capital Market Board to increase her share capital to TL 212,625,000,000. Based on the measures taken by the Capital Market Board, the Istanbul Stock Exchange was promising towards the end of 1993, and KORDSA shares have also gained value. The number of our shareholders is approximately 6000. Shareholders who own more than 10% of our capital are: Akbank T.A.Ş. (33.29%), Akbank T.A.Ş. Mensupları Tekaüt Sandığı (14.13%), and Hacı Ömer Sabancı Holding A.Ş. (13.2%)

During the last three years, our Company distributed following net profits to its shareholders in proportion to their paid-in capital:

1990	21%
1991	25% and
1992	20%

**6. Issued Securities:**

As of December 31, 1993, our Company has bearer shares of TL 136,001,700,000 and shares to the name of TL 15,873,300,000, both of which have the right to earn dividend, and 200 founder shares. Our Company has no other issued securities.

**7. Industry and Our Position Therein:**

In our Company's plant, tyre cord fabric, which is used as carcass and girdling material in tyre manufacturing, and industrial fabrics such as conveyor belts, chafer, and single cord being important inputs for industrial textiles sector, have been manufactured at a high quality level. Our plant, which has been manufacturing tyre cord fabric since 1976, and industrial fabrics since 1984, is unique in Turkey, and is one of the biggest and the most modern in the world. Our Company meets the whole domestic demand, while she steadily increases export sales and expands her market thanks to her high quality and technology production. In 1993, KORDSA reached to an export figure of US \$65,423 thousand.



## II. Activities

### A. Investments

The Incentive Certificate for "extension" No. 24163 granted by the Treasury and Foreign Trade Undersecretary, the General Directorate of Encouragement and Implementation in 1989, is terminated. The term of the Incentive Certificate No. 24371 and No. 31874 for modernization and completion has been extended by one year.

Investment expenditures valued at TL 5,656,000,000 were realized in 1993 within the framework of these certificates. Our Company, thanks to Incentive Certificate stated above is benefiting from incentives called Encouragement Premium, Customs Duty Exemptions,

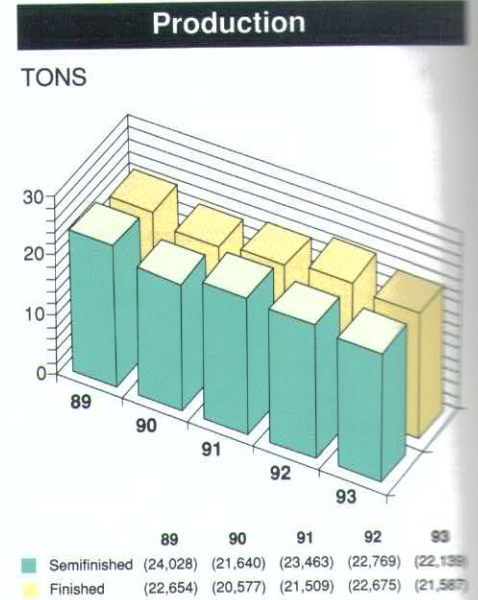
Investment Incentive Allowance, and Duty and Charge Exemptions for her investment.

### B. Activities Regarding Production of Goods and Services

1. Our Company has pursued her manufacturing activities with 216 machines of direct cablers and weaving looms in the recently modernised tyre cord fabric units and with 57 machines in industrial fabric units.

In 1993, our Company has reached to a capacity utilization level of 80% realizing her production according to the demand of her customers.

2. In our factory, tyre cord fabrics since 1976 and industrial fabrics like conveyor

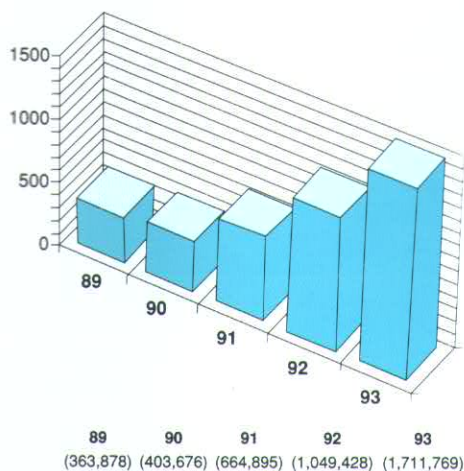


**Production Figures for the Last Three Years (Tons)**

Cord Fabric	Semifinished	Finished
1991	21,525	19,349
1992	21,047	20,850
1993	20,231	19,483
Industrial Fabrics		
1991	1,938	2,160
1992	1,722	1,825
1993	1,908	2,104

## Total Turnover

MILLION TL



belts and chafer since 1984 have been manufactured. Since both tyre cord fabrics and industrial fabrics have vital importance to the industries utilizing them, KORDSA paid utmost attention to quality control performance, and preserved her existing high quality assurance system applied to each stage of the production process in 1993 as well.

3. During 1993, a total 24,371 tons of products, in domestic and foreign markets, were sold, and a net turnover amounting to TL 1,711,769,254,000 was realized, our domestic sales increased by 62.5% (TL 360 billion), while percentage increase in our export sales climbed to 63.9% (TL 303 billion), and accordingly, total sales figure grew by 63.1% (TL 662,341 million) in value compared to the last year.

In 1993, the whole domestic demand was met, as our export sales were maintaining their stable course. The activities in conformity with main marketing policies

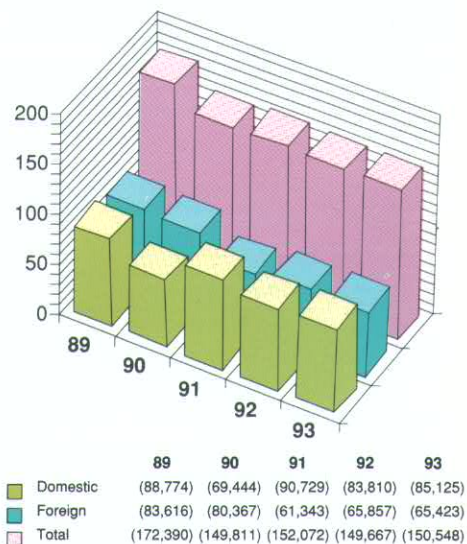
of diffusion of risks and diversification of markets have been successfully pursued in 1993 as well. In 1993, the selling price of cord fabrics and industrial fabric increased by 55%.

4. During 1993, necessary measures were effectively taken against the difficulties that sprang from market conditions which are gradually becoming harder.

The rate of productivity was realized as 73% in 1993.

## Sales

THOUSAND \$

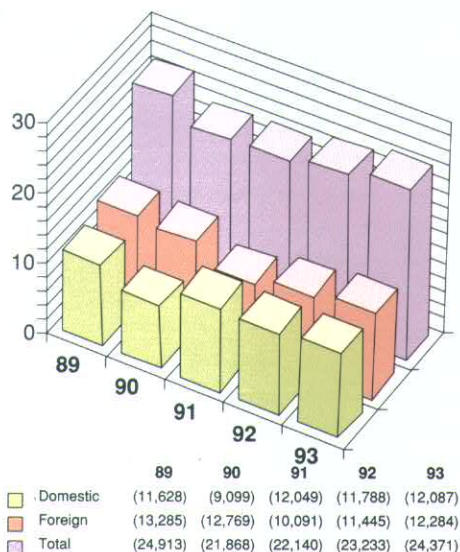


## Sales Figures for the Last Three Years (Tons)

	Domestic	Foreign	Total
1991	12,049	10,091	22,140
1992	11,788	11,445	23,233
1993	12,087	12,284	24,371

## Sales

TONS





## C. Information Related to Financial Statements

### KORDSA KORD BEZİ SANAYİ VE TİCARET A.Ş.

Detailed Balance Sheets as at December 31, 1993 and 1992 (TL 1,000)

ASSETS	Current Year December 31, 1993	Previous Year December 31, 1992
<b>I. Current Assets</b>	<b>995,263,200</b>	<b>516,937,914</b>
A. Liquid Assets	7,095,763	5,757,587
1. Cash	199,597	99,989
2. Banks	6,896,166	5,657,598
B. Securities	98,994,162	-
1. Government Bond	98,994,162	-
C. Short-Term Trade Receivables	517,892,198	240,982,118
1. Trade	516,813,678	239,684,792
2. Notes Receivable	957,483	1,183,039
3. Discount on Notes Receivable (-)	(48,704)	(38,094)
4. Deposits and Guarantees	68,071	100,071
5. Other Short-Term Trade Receivables	101,670	52,310
D. Other Short-Term Receivables	110,059,538	10,643,600
1. V.A.T. Receivables	-	5,603,866
2. V.A.T. for Exports	100,923,045	-
3. Receivables From Personnel	-	4,729,215
4. Other Short-Term Receivables	9,136,493	310,519
E. Inventories	255,666,351	245,976,199
1. Raw Materials	104,198,324	93,056,332
2. Work In Procees	52,698,345	85,169,745
3. Semi-Finished Goods	26,667,911	15,239,361
4. Finished Goods	48,236,564	49,894,989
5. Other Inventories	1,429,156	849,240
6. Advances on Purchase Orders	22,436,051	1,766,532
F. Other Current Assets	5,555,188	13,578,410
<b>II. Long-Term Assets</b>	<b>383,111,495</b>	<b>341,363,895</b>
A. Long-Term Trade Receivables	1,356,543	2,503,007
1. Deposits and Guarantees	1,356,543	2,503,007
B. Financial Long-Term Receivables	63,983,270	87,465,767
1. Participations	53,708,580	80,112,000
2. Unpaid Portion (-)	-	(2,709,000)
3. Other Financial Long-Term Receivables	10,274,690	10,062,767
C. Tangible Fixed Assets	316,807,827	251,015,722
1. Land	3,349,005	3,391,499
2. Super Structures and Infrastructures	42,472,996	27,171,294
3. Buildings	174,796,190	110,340,890
4. Plant, Machinery and Equipment	577,382,938	413,497,387
5. Motor Vehicles	10,478,445	8,140,013
6. Furniture and Fixtures	11,603,934	11,207,330
7. Accumulated Depreciation (-)	(503,358,584)	(322,777,555)
8. Construction in Progress	82,903	44,864
D. Intangible Fixed Assets	-	55,358
1. Rights	-	55,358
E. Other Long-Term Assets	963,855	324,041
<b>Total Assets</b>	<b>1,378,374,695</b>	<b>858,301,809</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	Current Year December 31, 1993	Previous Year December 31, 1992
<b>I. Current Liabilities</b>	<b>592,962,147</b>	<b>356,902,085</b>
A. Financial Liabilities	86,720,280	210,105,690
1. Bank Overdrafts	71,212,875	202,084,027
2. Current Year Portion of Long-Term Loans	8,641,222	1,305,735
3. Other Financial Liabilities	6,866,183	6,715,928
B. Trade Payables	341,416,926	120,079,966
1. Suppliers	299,243,918	119,561,991
2. Deposits and Guarantees	41,999,928	3,009
3. Other Trade Payables	173,080	514,966
C. Other Short-Term Liabilities	129,504,905	15,160,038
1. Amounts Due to Shareholders	420,407	385,125
2. Accrued Liabilities	3,436,837	2,197,174
3. Taxes, Charges and Other Deductions Payable	22,753,117	8,005,654
4. Payables Due to Government (Deferred and Subject to Installment)	1,966,666	4,526,106
5. Cancelled V.A.T. For Exports	100,923,045	-
6. Other Short-Term Liabilities	4,833	45,979
D. Purchase Orders Received	76,659	132,471
E. Provisions	35,243,377	11,423,920
1. Provisions for Taxation	35,243,377	11,423,920
<b>II. Long-Term Liabilities</b>	<b>136,615,333</b>	<b>91,749,620</b>
A. Financial Liabilities	56,073,649	35,678,833
1. Bank Loans	56,073,649	35,678,833
B. Other Long-Term Liabilities	6,750,283	8,067,677
1. Payables Due to Government (Deferred and Subject to Installment)	1,966,666	3,933,332
2. Deferred Taxes	4,134,345	4,134,345
3. Other Long-Term Liabilities	649,272	-
C. Provisions	73,791,401	48,003,110
1. Provisions for Termination Indemnities	73,791,401	48,003,110
<b>III. Shareholders' Equity</b>	<b>648,797,215</b>	<b>409,650,104</b>
A. Capital	212,625,000	151,875,000
1. Registered Capital	151,875,000	151,875,000
2. Capital will be Registered	60,750,000	-
B. Share Premium	2,274,049	2,274,049
C. Revaluation of Tangible Fixed Assets	242,211,230	98,529,008
1. Revaluation of Tangible Fixed Assets	240,329,610	96,647,601
2. Revaluation of Investment	1,881,620	1,881,407
D. Reserves	121,798,183	97,579,282
1. Legal Reserves	32,283,214	25,677,923
2. Specific Reserves	119,137	119,137
3. Extraordinary Reserves	89,395,832	71,782,222
E. Net Income for the Period	69,888,753	59,392,765
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,378,374,695</b>	<b>858,301,809</b>



# Kordsa Kord Bezi Sanayi ve Ticaret A.Ş.

## Notes to the Financial Statements for the Year Ended December 31, 1993 and 1992. ( TL 1,000 )

### 1. Principal Activities

Kordsa Kord Bezi Sanayi ve Ticaret A.Ş., is a limited liability company, incorporated and registered in Istanbul and is engaged in the manufacture and sale of tyre cord and industrial fabrics.

### 2. Basis of Preparation of Financial Statements

The Company prepared her accounting records and her financial statements for the years ended December 31, 1993 and 1992, in accordance with current legislation and the declarations of the Capital Market Board.

### 3. Significant Accounting Policies

#### a) Marketable Securities

Marketable Securities are stated at cost amounts.

#### b) Inventories

Inventories are physically counted at the year end. Inventories are stated at the lower of cost or net realizable value. Cost is determined by the continuous mobile average method for raw materials, goods for resale and others, and by the monthly average method for semifinished goods and finished goods.

#### c) Investments

Investments are stated at revalued amounts.

#### d) Fixed Assets

Due to the high rate of inflation in Turkey, the Company does not consider historical cost an appropriate basis of accounting for her fixed assets. Accordingly, the Company values her buildings (excluding land) and her plant

and machinery by applying coefficients that are fixed by the Ministry of Finance. The revaluation surplus is included in shareholders' equity. Revalued fixed assets are depreciated by the declining-balance method using the following rates which are in accordance with Tax Law:

Superstructures and Infrastructures	4 - 6 %
Buildings	2 - 4 %
Plant, Machinery and Equipment	25 %
Motor Vehicles	25 %
Furniture and Fixtures	25 %

#### e) Intangible Assets

Intangible Assets are stated at net of amortization.

#### f) Income Recognition

The accrual basis of accounting is applied for the recognition of income. Income is recognized at the time of delivery of goods.

#### g) Assets and Liabilities in Foreign Currency

Assets and liabilities in foreign currency are translated into Turkish Lira at exchange rates issued by the Turkish Central Bank at balance sheet dates. Transactions in foreign currencies during the year are translated into Turkish Lira at the rates in effect on transaction dates. Exchange gains and losses resulting from such transactions are included in the statements of income.

### 4. Consecutive Events

The Board of Directors has approved the increase of share capital to TL 212,625,000 from TL 151,875,000 on December 10, 1993. The increase of TL 57,152,000 is met by the profit

received from the sale of participatory shares, TL 3,460,528 by the profit received from sale of real estate and TL 137,472 from the Revaluation Fund. The procedure was registered on January 27, 1994.

### 5. Letters of Guarantee on Receivables

At December 31, 1993, the total amount of letters of guarantee obtained against short-term trade receivables amounting to TL 3,065,000 (1992 - TL 3,376,000).

### 6. Receivables from Personnel

At December 31, 1993, other short-term receivables include receivable from employees amounting to TL 2,972,976 (1992 - TL 4,729,215).

### 7. Participations

Participations consist of the following :

	Percentage of Equity	1993	1992
Nile Kordsa Company for Industrial Fabrics	40.0 %	15,208,580	903,000
Dusa Endüstriyel İplik San. ve Tic. A.Ş.	12.5 %	22,500,000	40,500,000
Beksa Çelik Kord San. ve Tic. A.Ş.	10.0 %	16,000,000	36,000,000
Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş.	6.6 %	10,062,188	10,062,188
Marsa Kraft General Food Sabancı Gıda San. ve Tic. A.Ş.	-	200,000	-
Yapı ve Kredi Bankası A.Ş.	-	2	554
Çiğaç Çimento A.Ş.	-	12,500	25
		<b>63,983,270</b>	<b>87,465,757</b>

### 8. Mortgages on Tangible Fixed Assets

At December 31, 1993, the total amount of mortgages outstanding on tangible fixed assets amounted to TL 75,000,000 (1992 - TL 75,000,000)

### 9. Intangible Assets

Intangible assets consists of the following:

	1993	1992
Rights	291,431	291,431
Less: Amortization	(291,431)	(236,073)
	<b>-</b>	<b>55,358</b>

### 10. Short-Term Accrued Liabilities

At December 31, 1993 and 1992, the short-term accrued liabilities cover taxes based on corporate income.

### 11. Long-Term Financial Liabilities

a) The Company obtained long-term loans from certain local banks relating to her factory construction and importation of plant and machinery. The repayment schedule of these loans is as follows:

	1993	1992
1994	-	6,325,444
1995	17,622,424	6,980,192
1996	17,622,424	9,784,468
1997	17,622,401	9,588,729
1998	3,206,400	-
	<b>56,073,649</b>	<b>35,678,833</b>

b) Inaccurate interest payable of the loans are as follows :

	1993	1992
1993	-	3,265,347
1994	5,837,262	2,603,004
1995	6,654,095	4,197,733
1996	6,886,944	2,688,118
1997	3,904,102	1,248,375
1998	1,137,827	-
	<b>24,420,230</b>	<b>14,297,577</b>



## 12. Provision for Termination Indemnities

Under Turkish Law, the Company is required to pay termination indemnities to each employee who has completed one year of service and whose employment is terminated without due cause, or who completes 25 years of service (20 years for women) and retires, or is called up for military service or dies. The amount payable consists of one month's salary for each year of service and is limited to TL 9,997 (1992 - TL 5,917).

The provision for employees' termination indemnities has been calculated in accordance with the above regulations and in line with Capital Market Board Declarations.

With effect from January 1, 1994, the limit for each year of service has been increased to TL 11,806.

## 13. Conditional Events

A suit has been brought against the Company by the Ministry of Labor and Social Security related to quality of labor and another by a resigned worker.

## 14. Paid in Capital

At December 31, 1993 and 1992, the upper limit of the registered capital is TL 300,000,000 and the issued capital is TL 151,875,000 consisting of 151,875,000 shares of TL 1,000 par value each. At December 31, 1993 and 1992, the Company had 200 incorporator shares entitled to participate only

in the profit, and 6 % of the period profit is distributed to the holders of such shares as stipulated in the Articles of Association.

## 15. Revaluation Reserve on Tangible Fixed Assets

The increases relating to the costs and accumulated depreciation of tangible fixed assets arising from revaluations made in the last three years are as follows:

	31.12.1993	31.12.1992	31.12.1991
Increase in costs	241,474,482	111,054,764	83,325,744
Increase in accumulated depreciation	(97,309,834)	(54,002,117)	(49,651,464)
Increase in net book value	144,164,648	57,052,647	33,674,280

## 16. Reserves

a) In accordance with Turkish Commercial Code, the Company is obliged to appropriate a certain percentage of her earnings to a legal reserve. Legal Reserves, which are divided as 1st Legal Reserve and 2nd Legal Reserve, are appropriated as below:

i) 1st Legal Reserve:

Appropriated out of net profits at the rate of 5% until such reserve is equal to 20% of issued and fully paid in capital.

ii) 2nd Legal Reserve:

Appropriated of net profits at the rate of 10% distributions after providing for 1st legal reserve and an amount equal to 5% of capital as dividend.

Legal reserves which do not exceed one-

half of the share capital may be used to absorb losses to support continuity of operations, maintain employment and to recover possible effects of economic recessions.

b) There are no limitations in appropriations of profits to extraordinary reserves. The distribution of such reserves are limited to the amount stated in statutory records.

### 17. Contingent Liabilities

At December 31, 1993, outstanding contingent liabilities in the form of letters of guarantees given to banks and customs authorities amounted to TL 116,926,884 (1992- TL 88,310,369).

### 18. Insurance Coverage

As at December 31, 1993, total insurance coverage for cash, inventories and tangible fixed assets amounted to TL 1,628,944,668 (1992-TL1,260,000,000).

### 19. Related Party Relations

In accordance with Declaration No. XI/I of the Capital Market Board, shareholders and subsidiaries having direct or indirect capital or management relations with the Company are defined as related parties.

Balances with related parties are as follows:

	Receivables		Payable	
	1993	1992	1993	1992
Nile Kordisa Company for Industrial Fabrics	1,769,056	14,283,467	-	-
Ölmüksa Oluklu Mukavva San. ve Tic. A.Ş.	-	-	22,939	38,881
Dusa Endüstriyel İplik San. ve Tic. A.Ş.	-	-	95,262,917	56,319,065
Exsa Export San. Mamulleri Satış Araştırma A.Ş.	322,188,701	129,698,831	-	-
Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş.	68,165,219	39,497,455	-	-
İ- Birleşik Uluslararası İş. Bilgi ve Yön. Sist. A.Ş.	-	-	3,273,759	4,221,248
Beksa Çelik Kord San. ve Tic. A.Ş.	140,674	254,520	-	-
Pisa Plastik Sanayi ve Tic. A.Ş.	-	-	118,503	151,606
Teksa Tekstil Tic. ve San. A.Ş.	-	-	-	541,894
Aksigorta A.Ş.	-	-	453,832	673,820
Hacı Ömer Sabancı Holding	-	3,130	110,501	-
Vista Seyahat A.Ş.	-	-	29,472	-
Akbank T.A.Ş.	1,562	-	-	-
Bossa Tic. ve Sanayi İşletmeleri A.Ş.	-	-	118,594	-
	392,265,212	183,737,403	99,390,517	61,946,514

Furthermore, the Company has deposit and credit balances with one of her shareholders, Akbank T.A.Ş., due to banking transactions.

### 20. Assets and Liabilities in Foreign Currency

Assets and liabilities denominated in foreign currencies without currency rate guarantees are as follows:

	Type	Value		Rate	
		1993	1992	1993	1992
Foreign currency cash balances	\$	13,431	11,431	14,443,57	8,547,29
	DM	399	399	8,339,24	5,297,36
Foreign currency bank balances	\$	252,379	117,361	14,443,57	8,547,29
	DM	10,614	215,381	8,339,24	5,297,36
	CHF	4,155	4,155	9,779,65	5,856,32
	STR	128	128	21,349,03	12,944,88
Export receivables	DKK	4,108,653	2,840,837	2,141,90	1,372,65
	DM	3,469,632	1,877,811	8,347,59	5,302,66
	LT	918,276,714	469,095,524	8,47	5,83
	STR	177,324	253,114	21,370,40	12,957,84
	\$	20,652,071	14,595,217	14,458,03	8,555,85
	FF	372,881	-	2,458,64	-
Drafts with acceptance credits	\$	6,251,883	3,439,482	14,458,03	8,555,85
	DM	9,857,289	3,536,270	8,347,59	5,302,66
	FF	4,268,666	-	2,458,64	-

### 21. Average Number of Employees

Average number of employees during the year was as follows:

	1993	1992
Salaried	290	318
Waged	535	614
	825	932

### 22. Related Party Transactions

a) Sales to related parties as of December 31, 1993 are as follows :

	1993	1992
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	332,567,450	218,194,300
Exsa Export Sanayi Mamulleri Sat. Araşt. A.Ş.	775,519,650	454,801,728
	1,108,087,100	672,996,028

b) Purchases from related parties at December 31, 1993 are as follows :

	1993	1992
Dusa Endüstriyel İplik Sanayi ve Ticaret A.Ş.	547,614,169	428,979,300

### 23. Income Related to Prior Periods

Income related to prior periods covers exchange rate gains due to invoicing related to sales based on foreign currency during prior periods.

### 24. Other Extraordinary Gains/Losses

This item covers other extraordinary gains and losses less than TL 20,000.



## KORDSA KORD BEZİ SANAYİ VE TİCARET A.Ş.

Detailed Statement of Income for the Years Ended December 31, 1993 and 1992 (TL 1,000)

	Current Year December 31, 1993	Previous Year December 31, 1992
<b>A. Gross Sales</b>	<b>1,712,926,376</b>	<b>1,050,866,972</b>
1-Domestic Sales	933,001,949	573,891,339
2-Export Sales	776,353,489	473,609,419
3-Other Sales	3,570,938	3,366,214
<b>B. Sales Deductions (-)</b>	<b>(1,157,122)</b>	<b>(1,439,229)</b>
1. Sales Returns	(1,157,122)	(1,439,229)
<b>C. Net Sales</b>	<b>1,711,769,254</b>	<b>1,049,427,743</b>
<b>D. Cost of Sales</b>	<b>(1,246,586,326)</b>	<b>(751,513,179)</b>
<b>Gross Profit</b>	<b>465,182,928</b>	<b>297,914,564</b>
<b>E. Operating Expenses (-)</b>	<b>(213,785,688)</b>	<b>(186,313,132)</b>
1. Marketing, Selling and Distributions Expenses (-)	(36,456,715)	(21,192,287)
2. Administrations Expenses (-)	(177,328,973)	(165,120,845)
<b>Trading Profit</b>	<b>251,397,240</b>	<b>111,601,432</b>
<b>F. Income and Profit From Other Operations</b>	<b>41,309,453</b>	<b>10,592,950</b>
1. Dividend Income From Investments	20,324,460	600,965
2. Interest Income and Other Dividends	5,960,471	1,119,289
3. Agency Revenues	1,378,967	726,942
4. Hedge Price Differences	3,475,598	4,222,754
5. Intangible Rights Revenues	2,872,848	855,585
6. Raw Material Sales	4,780,941	808,822
7. Rolling-stock Sales	-	976,300
8. Other Income and Profit Relating to Operations	2,516,168	1,282,293
<b>G. Expenses and Losses From Other Operations (-)</b>	<b>(27,077,708)</b>	<b>(9,496,442)</b>
<b>H. Financial Expenses (-)</b>	<b>(206,477,248)</b>	<b>(73,016,271)</b>
1. Short-Term Borrowing Expenses (-)	(185,216,730)	(71,702,648)
2. Long-Term Borrowing Expenses (-)	(21,260,518)	(1,313,623)
<b>Operating Profits</b>	<b>59,151,737</b>	<b>39,681,669</b>
<b>I. Extraordinary Income and Profits</b>	<b>47,474,056</b>	<b>33,218,458</b>
1. Prior Period Income and Profits	33,689,164	6,448,280
2. Rent Revenues	7,189,475	5,024,321
3. Fixed Assets Sales	-	12,846,317
4. Real Estate Sales	-	3,990,700
5. Other Extraordinary Income and Profits	6,595,417	4,908,840
<b>J. Extraordinary Expenses and Losses (-)</b>	<b>(1,493,663)</b>	<b>(2,083,442)</b>
1. Aid and Contributions	(80,275)	(762,175)
2. Decrease in Stock Value	(701,186)	(938,788)
3. Insurance Damage Losses	(240,007)	(43,362)
4. Other Extraordinary Expenses and Losses (-)	(472,195)	(339,117)
<b>Income for the Period</b>	<b>105,132,130</b>	<b>70,816,685</b>
<b>K. Taxes Payable and Other Statutory Obligations (-)</b>	<b>(35,243,377)</b>	<b>(11,423,920)</b>
<b>Net Income for the Period</b>	<b>69,888,753</b>	<b>59,392,765</b>

**KORDSA KORD BEZİ SANAYİ VE TİCARET A.Ş.**  
**Statements of Funds Flow for the Years Ended December 31, 1993 and 1992 (TL 1,000)**

	<b>Current Year</b> December 31, 1993	<b>Previous Year</b> December 31, 1992
<b>A. Sources</b>	<b>526,416,733</b>	<b>451,435,237</b>
1. Sources from Operations	170,191,626	122,374,893
a. Operating Profit	59,151,737	39,681,669
b. Depreciations ( - )	85,251,598	60,691,852
c. Expenses Not Involving Outlay of Funds ( + )	25,788,291	22,001,372
2. Funds Received from Extraordinary Profits	47,474,056	33,218,458
a. Extraordinary Profit	47,474,056	33,218,458
3. Increase in Current Liabilities	212,240,605	254,993,670
4. Increase in Long-Term Liabilities	19,077,422	40,848,216
5. Decrease in Long-Term Assets	16,820,496	-
6. Increase in Capital	60,612,528	-
<b>B. Uses of Funds</b>	<b>526,416,733</b>	<b>451,435,237</b>
1. Funds Used in Extraordinary Loss	1,493,663	2,083,442
a. Extraordinary Loss	1,493,663	2,083,442
2. Taxes and Charges Paid	11,423,920	38,029,342
3. Dividends Paid	35,173,864	40,876,735
4. Increase in Current Assets	478,325,286	212,691,133
5. Increase in Long-Term Assets (Excluding Revaluation)	-	157,754,585
<b>Change in Net Working Capital</b>		
1. Increase/Decrease in Net Working Capital	242,265,224	(15,697,115)



**KORDSA KORD BEZİ SANAYİ VE TİCARET A.Ş.**  
**Statements of Cost of Sales for the Years Ended December 31, 1993 and 1992 ( TL 1,000 )**

	<b>Current Year</b> <i>December 31, 1993</i>	<b>Previous Year</b> <i>December 31, 1992</i>
<b>A. Cash Balances Beginning of Period</b>	<b>5,757,587</b>	<b>6,794,700</b>
<b>B. Cash Receipts During Period</b>	<b>1,652,115,103</b>	<b>1,207,890,000</b>
1. Cash Received From Sales	1,434,859,174	936,190,916
a. Net Sales	1,711,769,254	1,049,427,743
b. Increase in Receivables (From Sales) (-)	(276,910,080)	(113,236,827)
2. Cash Received From Other Income and Profits	41,309,453	10,592,950
3. Cash Received From Extraordinary Income and Profits	47,474,056	33,218,458
4. Increase in Current Liabilities (Not Relating to Purchase)	-	185,707,391
a. Other Increases	-	185,707,391
5. Other Cash Receipts	128,472,420	42,153,950
a. Increase in Long-Term Liabilities (Not Relating to Purchase)	22,391,520	42,153,950
b. Other Cash Receipts	106,080,900	-
<b>C. Cash Payment During Period</b>	<b>1,650,776,927</b>	<b>1,208,896,700</b>
1. Cash Payments Relating to Cost	957,127,125	745,946,246
a. Cost of Sales	1,246,586,326	751,513,179
b. Increase in Inventories	9,690,152	80,331,329
c. Decrease (Increase) in Liabilities (Relating to Purchases)	(221,336,960)	(69,286,280)
d. Expenses Not Requiring Cash Payments such as Depreciation and Provisions (-)	(77,812,393)	(16,611,982)
2. Cash Payments Relating to Operating Expenses	180,558,193	120,231,890
a. Marketing, Selling and Distribution Expenses	36,456,715	21,192,287
b. Administration Expenses	177,328,973	165,120,845
c. Expenses Not Requiring Cash Payments (-)	(33,227,495)	(66,081,242)
3. Cash Payments Relating to Other Expenses and Losses	27,077,708	9,496,442
a. Cash Payments Relating to Other Expenses and Losses	27,077,708	9,496,442
4. Cash Payments Relating to Financial Expenses	206,477,248	73,016,271
5. Cash Payments Relating to Extraordinary Expenses and Losses	1,493,663	2,083,442
a. Extraordinary Expenses and Losses	1,493,663	2,083,442
6. Cash Payments Relating to Long-Term Assets	28,647,876	157,754,585
7. Principal Payments of Long-Term Loans (Not Related to Purchases)	3,314,098	1,305,734
8. Payments in Relating to Taxes	11,423,920	38,029,342
9. Dividends Paid	35,173,864	40,876,735
10. Other Cash Payments	199,483,232	20,156,094
a. Decrease in Short-Term Liabilities (Not Related to Purchases)	9,096,355	-
b. Other Cash Payments	190,386,877	-
<b>D. Cash Balances End of Period</b>	<b>7,095,763</b>	<b>5,757,587</b>
<b>E. Cash Increase / Decrease</b>	<b>1,338,176</b>	<b>(1,033,113)</b>

**KORDSA KORD BEZİ SANAYİ VE TİCARET A.Ş.**

Statements of Cost of Sales for the Years Ended December 31, 1993 and 1992 ( TL1,000 )

	Current Year December 31, 1993	Previous Year December 31, 1992
<b>Production Operation</b>		
A. Cost of Raw Materials	942,202,753	620,731,166
B. Cost of Direct Labor	123,813,179	83,431,035
C. General Production Overhead	157,869,120	98,068,498
D. Cost of Semifinished Good Used	21,042,850	(32,852,583)
1. Beginning Inventory	100,409,106	67,556,523
2. Ending Inventory	(79,366,256)	(100,409,106)
<b>Cost of Finished Goods Sold</b>	<b>1,244,927,902</b>	<b>769,378,116</b>
E. Change in Finished Goods Inventory	1,658,424	(17,864,937)
1. Beginning Inventory	49,894,988	32,030,051
2. Ending Inventory	(48,236,564)	(49,894,988)
<b>Cost of Sales</b>	<b>1,246,586,326</b>	<b>751,513,179</b>
<b>Financial Ratios</b>		
<b>Liquidity Ratios</b>		
1. Current Ratio (Current Assets/Current Liabilities)	1.68	1.45
2. Acid Test Ratio (Current Assets-Inventories/Current Liabilities)	1.25	0.76
<b>Financial Structure Ratios</b>		
1. Total Liabilities / Total Assets	0.53	0.52
2. Shareholders' Equity / Total Liabilities	0.89	0.91
<b>Operating and Profitability Ratios</b>		
1. Profitability Ratio of Sales (Income for the Period/Net Sales)	0.06	0.07
2. Profitability Ratio of Sales (Income for the Period/Total Assets)	0.08	0.08
3. Profitability Ratio of Shareholders' Equity (Net Income for the Period/Shareholders' Equity)	0.11	0.14

**Measures Regarding Financial Structure**

Owing its healthy and sound financial structure, our Company has also successfully accomplished this period in spite of the severe conditions of 1993.



**D. Administrative Operations**  
**1. The Management Team of Our Company**



**Güler Sabancı**  
General Manager  
Born in 1955. BA from Faculty of Administrative Sciences, Bosphorus University. Working for our Company since April 1, 1985.



**Mustafa Hür Kazancıoğlu**  
Assistant General Manager, Finance and Accounting, Born in 1941. BA from Finance Department, Academy of Economic and Commercial Sciences. Working for our Company since November 11, 1974.



**Mehmet Akif Azizioğlu**  
Assistant General Manager, Technical, Born in 1944. BS from Chemistry, Massachusetts Institute of Technology. Working for our Company since April 28, 1975.



**Yılmaz Kanbak**  
Assistant General Manager, Industrial Relations and Planning, Born in 1945. BA from Business and Statistics Department, Istanbul University. Working for our Company since September 25, 1975.



**Tanju Ula**  
Assistant General Manager, Commercial, Born in 1947. BS from Faculty of Mechanical Engineering, Middle East Technical University. Working for our Company since June 1, 1985.



**Ahmet Çağlar**  
Assistant General Manager, Projects, Born in 1952. BS from Yıldız Academy of Engineering and Architecture; MBA degree in Business Administration, The University of Texas. Working for our Company since November 1, 1988.

**Hüseyin Güleşçi**

Accounting Manager,  
Born in 1945. BA from Eskişehir  
Academy of Economic and  
Commercial Sciences. Working  
for our Company since November  
1, 1973.

**Taylan Özer**

Procurement Manager,  
Born in 1942. BA from  
Department of Business  
Administration, Middle East  
Technical University. Working for  
our Company since August 1,  
1979.

**Yasemin Çelik**

Finance Manager,  
Born in 1955. BA from Faculty of  
Administrative Sciences,  
Middle East Technical University.  
Working for our Company since  
January 10, 1984.

**Hasan Cihat Erbaşol**

Legal Consultant,  
Born in 1944. BA from Faculty of  
Law, Istanbul University. Working  
for our Company since November  
1, 1975.

**2. Issues Related to  
Personnel and Workers**

Number of employees in our  
company as of December 31,  
1993 is 757. No employee  
disputes has occurred in 1993.

**3. Practice of Collective  
Bargaining**

Negotiations of the 9th Term  
Collective bargaining for the  
period between January 1,  
1993 and December 31, 1994  
had been concluded in  
February 1993, within the  
framework of a high  
understanding and a mature  
manner among both parties.

**4. Severance Pay  
Obligations**

As of December 31, 1993  
severance pay liability of our  
company in accordance with  
the rules of the prevailing  
legislation is TL 73,791,401,000.

**5. Fringe Benefits  
Provided to Personnel  
and Workers**

Quarterly paid salary bonus,  
allowance for religious holiday,  
allowance for marriage,  
maternity allowance, aid in case  
of death, seniority bonus, food  
allowance, allowance for  
children, education aids,  
transport service, annual leave  
transportation fee, clothing  
allowance for family and aid in  
case of natural disaster.



### III. Proposal for Profit Appropriation and Conclusion

The Board of Directors hereby submits and kindly requests appropriation of the net income in the balance sheet which is the result of our operation in 1993 and constituted in accordance with the Article 34 of the Articles of Association of our Company amounting to TL 64,632,146,000 remaining out of deductions for Corporation Tax and Fund, Income Withholding Tax and Fund, and 1st Legal Reserve as per the Article 35 of the said Articles of Association as follows:

(TL 1,000)	Current Year December 31, 1993	Previous Year December 12, 1992
<b>A. Distribution of Profit for the Period</b>		
1. Income for the Period	105,132,130	70,816,685
2. Taxes Payable	(85,243,377)	(11,423,920)
Corporation Tax	(27,836,539)	(1,770,379)
Income Tax	(5,101,198)	(8,906,183)
Other Taxes and Charges	(2,305,640)	(747,358)
3. First Legal Reserve	(5,256,607)	(3,540,834)
<b>Distributable Net Profit for the Period</b>	<b>64,632,146</b>	<b>55,851,931</b>
4. First Dividend to Shareholders	(36,531,125)	(33,726,120)
To Ordinary Shareholders	(32,653,125)	(30,375,000)
To Privileged Shareholders	(3,878,000)	(3,351,120)
5. Dividends to the Board of Directors	(1,711,152)	(1,447,744)
6. Second Legal Reserve	(3,405,392)	(3,064,457)
<b>Extraordinary Reserve</b>	<b>22,984,477</b>	<b>17,613,610</b>
<b>B. Profit per Share (TL/%)</b>		
1. To Ordinary Shareholders (TL/%)		39%
aa. 151,875,000 Shares Receiving 12 Months' Share from 1992 Profits		391 TL
ab. 151,875,000 Shares Receiving 12 Months' Share from 1993 Profits	460 TL / 46%	
<b>C. Dividends per Share (TL/%)</b>		
1. To Ordinary Shareholders (TL/%)		20%
aa. 151,875,000 Shares Receiving 12 Months' Share from 1992 Profits		200 TL
ab. 151,875,000 Shares Receiving 12 Months' Share from 1993 Profits	215 TL / 21.5%	
2. To 200 Incorporator Shareholders (TL/%)	19,390,000 TL /-	16,755,600 TL /

The Board of Directors kindly requests your adoption and approval for the financial statements pertaining to the operations of our Company in 1993. After constitution of income in accordance with Article 35 of Articles of Association, the Board also submits the distribution of dividend as: -TL 215.- againsts each share of TL 1000.- par value of shares with series 3. 4. 5. and groups of A, B, C, D, by coupon 1993 and the determination of the date for the distribution of dividend as April 4, 1994 for your approval.

# Auditor's Report

## To the General Assembly of Kordsa Kord Bezi Sanayi ve Ticaret A.Ş.

Trade Name : Kordsa Kord Bezi Sanayi ve Ticaret A.Ş.  
Head Office : Istanbul  
Issued Capital : TL 151,875,000,000  
Field of Operation : Manufacture and trade of tyre cord fabric used as raw material of tyres, conveyor belt and other industrial fabrics.

Names and Assignment  
Period of Auditor or Auditors  
and Whether They are  
Shareholders of the Company : Hüseyin UÇAR - Ali BAKAR - Müfit Süreyya ÜNAL  
Assignment period is 3 years, from March 29, 1991 to March 1994.  
They are not shareholders of the Company.

Numbers of Board Meetings  
Attended and Auditors' Meetings Held : Five board meetings were attended and four auditors' meetings were held.

Scope of Examination Conducted on the  
Company's Books of Accounts  
and Documents.  
Dates of Examination and Findings : Investigations and controls in terms of the Turkish Tax Legislation and Commercial Code were done in the last weeks of the 3rd, 6th, 9th and 12th months and nothing to be criticized was found.

Number and Findings of Cash  
Counts Conducted in Accordance  
with Subparagraph 3 of Paragraph  
1 of Article 353 of the Turkish  
Commercial Code : Four cash counts were made and count results were found in line with the records.

Dates and Findings of  
Examinations in Accordance  
with Subparagraph 4 of  
Paragraph 1 of Article 353 of  
the Turkish Commercial Code : Examinations conducted in the first working day of every month revealed that existing securities were in line with the records.

Irregularities and Complaints Noted and  
Measures Taken : There were no complaints and irregularities.

We have examined the accounts and transactions of Kordsa A.Ş. for the period Jan. 1, 1993 - Dec. 31, 1993 in accordance with the Turkish Commercial Code, the Articles of Association of the Company, other regulations and generally accepted accounting principles and standards.

In our opinion, the accompanying balance sheet prepared as of Dec. 31, 1993 reflects the financial position of the company at this date: the income statement for the period Jan. 1, 1993 - Dec. 31, 1993 reflects the true and accurate results of the Company's operations: the proposal for profit appropriation in conformity with the legislation and the Articles of Association. We hereby submit the approval of the balance sheet and the income statement and the ratification of the actions of the Board of Directors to your votes.

BOARD OF AUDITORS

Hüseyin UÇAR

Ali BAKAR

Müfit Süreyya ÜNAL



**Kordsa Kord Bezi Sanayi ve Ticaret A.Ş.**  
**Auditor's Report for the 1993 accounting period**

We have examined the balance sheets of Kordsa Kord Bezi Sanayi ve Ticaret A.Ş. as of December 31, 1993 and 1992, and the related statements of income, funds flow, cash flow, cost of sales and proposed profit distribution for the years then ended. Our examination were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Kordsa Kord Bezi Sanayi ve Ticaret A.Ş. as of December 31, 1993 and 1992, and the results of its operations for the years then ended, in conformity with generally accepted accounting principles issued by the Capital Market Board, applied on a consistent basis.

Denet Yeminli Mali Müşavirlik A.Ş.



Ömür GÜNEL

İstanbul,  
February 09, 1994





