

2002 Annual Report



Türk Pirelli Kablo ve Sistemleri A.Ş.



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Türk Pirelli Kablo ve Sistemleri A.Ş.





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Türk Pirelli Kablo at a Glance



Pirelli Cable and Systems is one of the most advanced cable producers operating in 22 countries, with 61 manufacturing facilities, close to 15.000 employees, and annual sales turnover of over 3.5 billion Euros, and as a result of an expenditure in R&D reaching 3 % of our sales. Technological know-how combined with the potentials of research and development along with dynamic and professional makes Pirelli Cables and Systems abilities of a world leader in its market.

Türk Pirelli Kablo ve Sistemleri maintains its domestic market leadership and technological superiority thus contributing to the Turkish economy enriching the people and the environment where it functions.

The product range of the company includes energy cables up to 220 k Volts copper telecommunications up to 3600 pairs and fiber optic cables. With its thermal, mechanical, chemical and electrical research and testing laboratories of high technological standard, Türk Pirelli Kablo ve Sistemleri is the only cable production facility attaining Türk Standard Association's laboratory accreditation in the country.

The Company with its revolutionary and patented AIRBAG cable production technology produces cables that are mechanically impact resistant, need fewer joints, high on flexibility and considerably light in

weight. Furthermore, the company produces AFUMEX cables with Low Smoke Zero Halogen Technology for use especially in areas of high human density. AFUMEX cables produce considerably lesser smoke and toxic gases with non acid emissions in comparison with classical cables. AFUMEX certainly provides the "peace of mind" in obtaining greater human safety and minimizing damages to structures during fire.

The capacity of Türk Pirelli is expected to meet domestic demand while coping with competition coming from international markets. Thus, Türk Pirelli Kablo is a foremost an export center within the Pirelli group of companies. In the year 2002, 49 % of its annual sales of 160 billion TL were exported. Compared to the previous year, the Company achieved an increase of 9 % in net sales and a 14 % increase in the gross exports.

Türk Pirelli Kablo ve Sistemleri continues to penetrate into the national and international markets with its products and services. The Company is the first one in ISO/DQS 9001, ISO 14000 and BASEC qualification and certification set documents.

The continued goal of the company has been to set the standards in products, systems and services in its sector with continues improvement in technology, high quality, customer awareness preserving the environment.

Message from the Chairman



Dear Shareholders,

Turkish industry continued to operate in an uncertain and difficult environment in 2002, even as economic growth resumed in many sectors of the economy.

Market expectations improved steadily during the first half of the year in response to the government's stabilization measures, leading to lower interest rates and a more stable foreign exchange environment. In the second half of the year, this positive trend was undermined by heightened political tension as the coalition government and opposition parties prepared for early general elections.

Fortunately, the November elections brought to power Turkey's first strong single-party government in almost two decades, generating a fresh wave of business optimism that increased in subsequent weeks when the new government demonstrated its commitment to pursuing Turkey's application for membership in the European Union. Unfortunately, this positive climate was unable to survive the combined negative impact of growing regional tension and weak global growth. Turkey's economic recovery has also been hampered by its failure to complete structural reforms in the banking sector, which is still struggling to overcome the impact of the 2001 economic crisis on its ability to generate and distribute savings.

Even under these variable and uncertain conditions, sound economic management succeeded in facilitating a 5 % public sector primary surplus, a steady drop in inflation rates to the 30 % range and a reduction in interest rates and exchange rate volatility. At the same time, the Turkish economy grew by almost 7 %, signaling the end of our worst economic downturn in five decades.

Sustained economic improvement, however, depends pivotally on the government's resolute implementation of planned economic reforms.

Structural reform must continue, and progress fast, if Turkey is to prevent new crises from being triggered by the growing burden of its public sector debt and precariously large interest rate payments. Long-term stability requires that the government enhance immediately the transparency and auditing systems of public sector expenditures and contracts,

move forward rapidly with privatization - particularly the privatization of remaining state-owned banks - and complete the restructuring of the banking system. Turkey must also modernize its agricultural support and social insurance systems if it is to attract long-term international investment. Progress in all of these areas is a prerequisite for stable, long-term growth and a central condition of Turkey's ongoing agreement with the IMF, which underpins our international credit rating.

We are heartened, therefore, by the government's 5 % growth and 20 % inflation targets, which we believe are indicative of its determination to push forward with reforms. Unfortunately, the growing threat of long-term military conflict in our region and corresponding uncertainty has increased the difficulty of achieving these targets.

Fortunately, Türk Pirelli Cable and Systems is prepared for the worst eventuality. Last year, in response to the contraction in global telecom demand, we downsized our telecom business at a cost of TL 1.5 trillion. At the same time, we strengthened our position in the energy cable business, hit hard by the 2001 financial crisis, by reorganizing our distribution channels and reducing our exposure to high-risk distributors. This restructuring required that we set aside provisions of TL 4.1 trillion for non-performing credits arising from the financial crisis and its aftermath.

The measures above sharply reduced our liquidity and thus non-operating income, particularly during the first half of the year. In the second half, we added TL 6.1 trillion cash to our capital and significantly improved our working capital management, enabling us to reverse our mid-year net debt position of TL 8.8 trillion to a TL 5.9 trillion cash surplus.

Given the difficult conditions prevailing in our main markets last year, we are pleased that we succeeded in raising our income from core activities by 60 % to TL 9.0 trillion in 2002. This result gives us confidence that we will reverse quickly our end-year net loss of TL 3.0 trillion as economic conditions improve.

May I extend my sincere hopes that 2003 brings prosperity and peace to our country, good health and happiness to our personnel and further achievements for our company.

BÜLENT ECZACIBAŞI
Chairman

Board of Directors

Bülent Eczacıbaşı
Chairman

Valerio Battista
Vice Chairman

Giuseppe Moggi
Managing Director

Aldo L. Kaslowski
Member

Sabri Metin Ar
Member

İshak Alaton
Member

Piero Sierra
Member

Executive Management

Giuseppe Moggi
Managing Director

Muhittin Kıziler
Personnel Director

Halil Kongur
Purchasing Director

Hakan Özmen
Finance and Administration
Director

Erkut Şendil
Industrial Director

Kudret Ünal
Energy Cables Sales and
Marketing Director

Esat Baykal
Energy and Telecom Cables
Quality Manager

Zafer Baykan
Energy and Telecom Cables
Production Manager

Atila Biçici
Industrial Improvement Manager

Serdar Can
Telecom Cables Sales Manager

Remzi Ejderoğlu
Information Technologies Manager

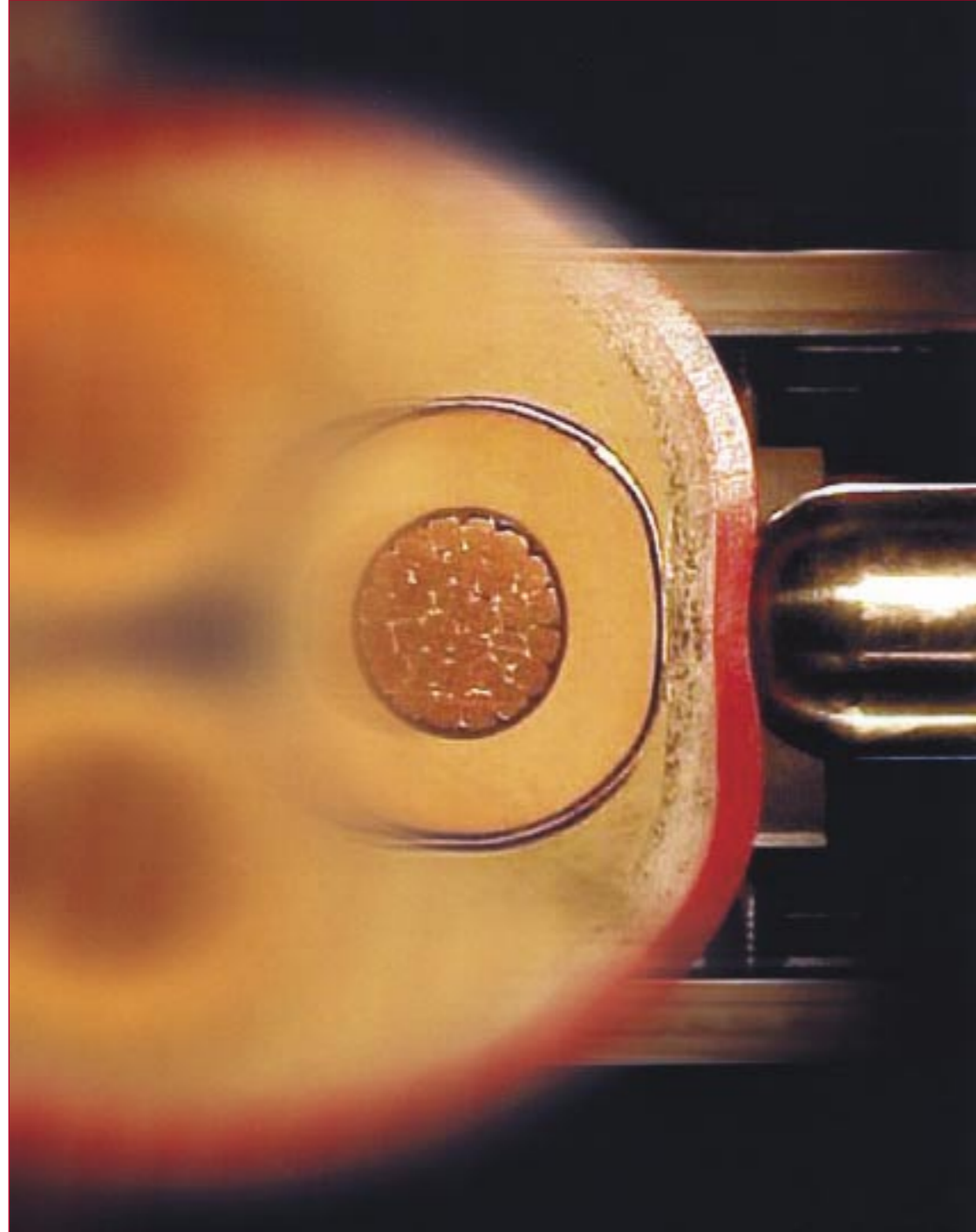
Ercan Karaismailoğlu
Planning and Controlling Manager

Deniz R. Özilhan
Legal Affairs Manager

Murat Tezcan
Energy Cables Export Manager

Okay Yıldız
Technical Service Manager

Agenda of the General Assembly of Shareholders



- Muster and election of the Presiding Council Officers to preside over the meeting,
- Authorisation of the Presiding Council to sign the Minutes of Meeting,
- Reading the Board of Directors; the Auditors and Independent External Auditors Reports, the Balance Sheet, and the Profit and Loss Statement for the trading period of 01.01.2002-31.12.2002,
- Discussion, approval and adoption by the Board of Directors; the Auditors and Independent External Auditors Reports, the Balance Sheet and the Profit and Loss Statement for the trading period of 01.01.2002-31.12.2002. Adoption of resolutions in respect of discharging the members of the Board of Directors, and to adopt the resolutions in respect of the appropriateness for the appointments to the empty board membership during the year 2002,
- Adoption of a resolution concerning the Board of Directors' proposal for the distribution of the profits for the trading period of 01.01.2002-31.12.2002,
- To elect the new members of the Board of Directors whose terms have come to an end, and determination of their conciliation pays,
- To approve the modification of Section 4, 8, 9, 10, 11, 12, 20, 23, 26, 27, 28, 29, 30, 31 and provisional article 1 of the Statutes, according to the request of Capital Market Board and according to the necessities of current time period,
- Election of the Auditors and determination of their remunerations,
- To accord the Chairman and the Members of the Board liberty of action in conformity with articles 334 and 335 of the Turkish Commercial Law,
- Closing.

Report of the Board of Directors

General Economic Situation



The year 2002 may be described as an “improvement year” in which the repercussions of the serious economic crisis experienced in 2001 were still felt. As you know, while the huge economic effects of the two big earthquakes which had shaken Turkey in 1999 were still continuing, Turkey came face to face with one of the most serious crises as from the declaration of the republic.

On the other hand, in spite of some improvements, the economic stagnancy, which started in 2001 and covered the European Union and the United States, which were the greatest economic partners of Turkey, and also other parts of the world, continued in 2002. From this angle, in 2002, in which reductions in employment in the world economies and stagnancy in the stock exchange markets were observed, global growth was not satisfactory.

Report of the Board of Directors

General Outlook to the Turkish Economy in 2002



It can be said that the industrial sector made a great contribution to the good performance of the economy in 2002. It is thought that the increase in exports and the restoration of the stocks, which had been reduced greatly during the crisis, played an important part in the good performance of the industry. In the first half of 2002 in particular, the contribution of stock increases to the industrial production was at a high level.

It is estimated that the growth rate for 2002 will be around 7 %. This economic growth suggests an important recovery. Furthermore, in spite of a critical election period in 2002, the inflation remained less than the targeted figures and rate was down to 29.7 % (consumer price index) and 30.8 % (wholesale price index).

In spite of the stagnancy experienced in the world economy and the reduction in the increase of the foreign exchange rate, when we look at the foreign trade we can observe that exports totaled US \$ 28.3 billion in the first ten months of the year.

According to the estimates, exports will amount to US \$ 34.5 – 35 billion by the end of 2002. As regards imports, an increase was experienced in parallel with the revitalization in the economy. Since the production of industrial goods is tied to the imported semi-finished products, in growth years, the increase in imports is considered normal in Turkish economy. The imports, which rose to US \$ 39.7 billion in the first ten months of the year, are expected to reach the sum of US \$ 49 billion by the end of the year.

As regards tourism, the revenue was in the order of US \$ 7.8 billion in the first ten months of the year. According to the estimates, tourism revenues will approach the sum of US \$ 8.5 billion. Furthermore, with the important effect of the tourism revenues, it appears that the current account deficit for 2002 will barely exceed the sum of US \$ 1 billion. Current account deficit around 1 % of the national income is marking a

good performance especially for a growth year.

On the other hand, in 2002, with the effects of the economic crisis on the decrease, an important increase was experienced in the Central Bank reserves. According to the Central Bank data, foreign currency reserves amounted to US \$ 26.8 billion on December 13, 2002. The Central Bank reserves, which had been decreased to US \$ 16 billion in 2001, reached an almost satisfactory level in 2002.

However, in 2002 the targeted level of public finance was not reached completely. In 2002, although the budget balance showed a satisfactory level until the last months, following the decision for early elections, expenditures rose over the targeted figures. Although the revenues were a little bit over the targeted figures, this did not prevent the budget deficit to be over the expected figure. One of the reasons for the budget deficit exceeding the targeted figure was that interest payments were more than the foreseen figures.

In addition to this, it is observed that in 2002 encouragement of foreign capital and foreign capital input and the targeted improvements as regards privatization were not materialized as desired.

On the other hand, besides Turkey's candidacy to the European Union, the harmonization efforts in connection with Turkey's candidacy to the European Union which were spent by the previous government before the November 2002 elections and a series of laws enacted following these efforts are very important from the point of view of a strong confirmation and progress as regards decisiveness for the economic and political reforms foreseen by the Government.

Eventually, an inflation rate which was below the target, a satisfactory level of foreign currency reserves, consistency in the foreign exchange rates, increase in exports and a positive level of tourism revenues are indicative of some positive items as regards a good macro-economic balance.

Report of the Board of Directors

General Economic Expectations in 2003 The World and Turkey



When considered from the world economy viewpoint, under normal conditions, it is expected that 2003 will be a better year as compared to 2002. However, some events such as a large-scale war, which may affect the world peace, may also trigger global instability and insecurity.

Within this perspective, when viewed from a certain angle, in 2003, it appears that the world economy may materialize the changes initiated in 2002 and the new orientations, and may overcome the stagnancy in which it finds itself. However, on the other hand, an instability and insecurity environment that may be experienced may cause the world to come face to face with a threat of “global economic stagnancy”.

If the said negative conditions do not come up, in 2003 in general, it is estimated that important increases will be experienced as regards direct foreign capital investments in the world and this will influence the world economy positively.

When one looks at the Turkish economy, and when one considers the fact that the Government and the Central Bank have announced that the inflation target and the growth target for 2003 will be 20 % and 5 % respectively, it is hoped that the economic policies of the Government which was formed after the November 2002 elections will not deviate a great deal from the IMF supported economic program initiated by the previous Government. The high inflation rate for January 2003 (consumer price index: 2.6 %, wholesale price index: 5.6 %) reminds once more that it is absolutely necessary to follow the economic program closely in order to remain within the yearly inflation target for 2003.

In the meantime, in spite of the positive improvements and developments experienced in the Turkish economy in 2002, it is thought that it will be necessary to overcome some chronic problems as soon as possible.

Within this framework, it is thought that it will be

necessary to bring the high level of public expenditures and public deficits, and the administration of the State enterprises to a more rationalized level and to give priority to high employment levels in 2003. In addition to this, it can be said that re-structuring of the banking system, management of domestic and foreign debts, attraction of foreign capital to our country and reaching the privatization targets, and employment possibility problems will constitute some of the items on the agenda of Turkey for 2003.

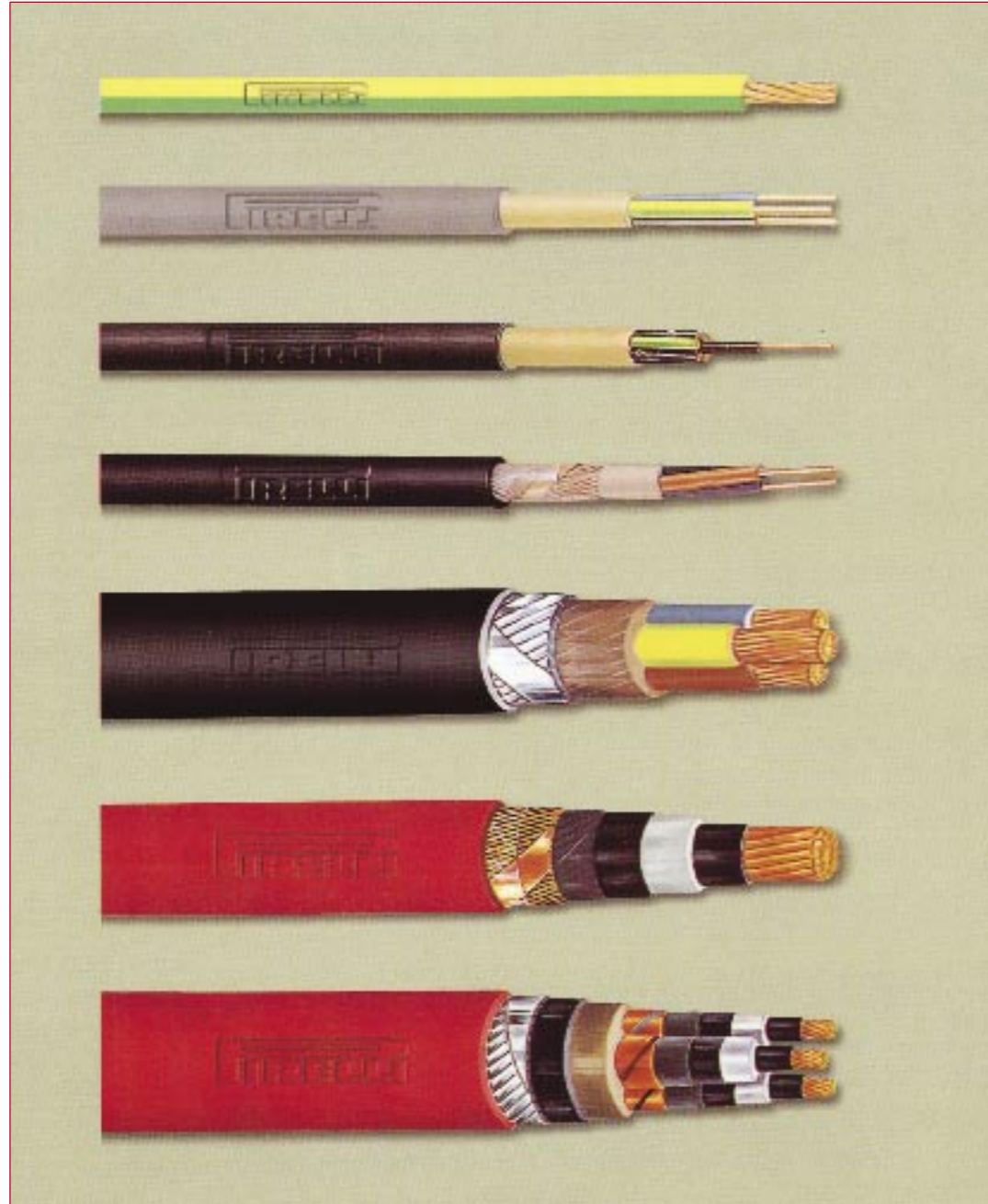
In addition to this, it is clear that the progress as regards Turkey’s candidacy to the European Union will be one of the items in Turkey’s main agenda in 2003. Within a general framework, as regards structural reforms and improvements, it can be stated that the European Union vision will clarify the road before Turkey. Serious progress to be made by Turkey through economic and political reforms within the framework of “Copenhagen criteria” until December 2004 will have other meanings for Turkey, which are a lot beyond the diplomatic process with the European Union.

Within this framework, the continuation of the economic program initiated by coming to terms with the IMF without any deviation is very important for sustaining the existing economic balances. In this context, and by taking as basis the present macro-economic balance ensured in 2002, in an environment where public expenditures and consolidated state budget are controlled very closely, it may be expected that the economic indicators for Turkey in 2003 will be improved by means of a yearly inflation rate which will remain within targeted figures and a reasonable growth rate.

On the other hand, in case of worsening conditions in the world economy, big events that will affect the world peace and serious instability that may be experienced in a geographical region very close to Turkey may cause Turkey to revise its plans and programs for 2003.

Report of the Board of Directors

Sector Analysis



Although the effects of the crisis experienced in 2001 were still felt in the real sector, 2002 was a year where the companies which were active in the energy sector, as in the other sectors, entered a process of recovery. In the energy sector, which includes also the cable industry, new network installations and infrastructure and energy investments materialized in the first half of the year in particular had a positive effect on the national growth. However, when one looks from the point of view of human resources, the companies which were active in this sector had to reduce their personnel due to re-organization, and this caused an increase in the unemployment rate in this sector.

In the Turkish cable market the fact that the existing production capacity was over the total demand of the country led the way for the producers to present their products to foreign markets in 2002, as in the previous years. In spite of this, the domestic energy cable market showed a growth of 10 % as compared to the previous year.

Contractors, who undertook projects regarding the installation of new distribution networks and the revision of the existing installations on the basis of turn-key contracts, experienced an uncertainty due to the coming into force of the new public contract award act after the second half of 2002, and as a result of this uncertainty they chose to defer some of these works to the year to come by thinking that a Decree for price difference might be promulgated.

Following the Electricity Market Act which came into force as of February 20, 2001 and which was prepared as per the European Union norms upon the instructions by the Ministry of Energy and Natural Resources and the Electricity Market Regulation Board, within a very short period of 9 months a total of 20 arrangements - 8 Regulations, 6 Notices and 6 Board decisions - were made and this led the way for the projects which were in the evaluation stage to start gradually. Following the general elections held on November 3, 2002, the new government started the process of re-structuring the electricity sector and to

that end a free consumer concept was created which would have the characteristics of a reform in the energy sector, and materialize the necessary arrangements in all the investments and which would not make any discrimination and would ensure transparency.

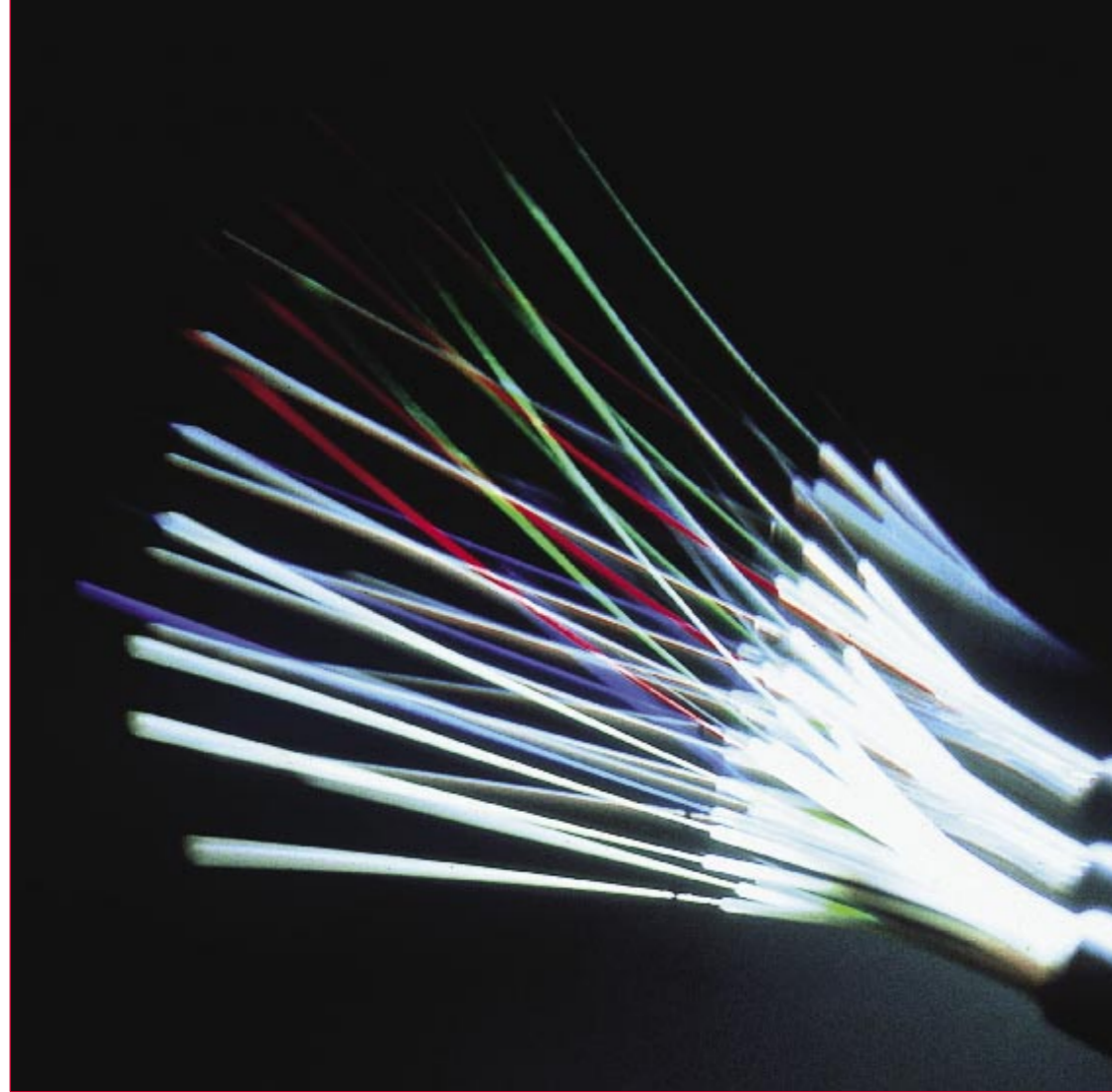
Our greatest expectation for 2003 is that it will be a year which will bring an activity to the Electricity Market, in which the Energy Market Regulation Board will support consumers with prices based on real costs, with balanced distribution regions and with a sustainable competitive market where cross subsidies which prevent the development of the competition, and in which the rate of losses of 21 % corresponding to TL 2200 Trillion will be reduced to the level in the European Union by the use of high quality materials.

In 2002, the telecommunication sector was confronted with the effects of a contraction in the demand in the export markets and a decrease in the investments which was a reflection of the economic conditions prevailing in the country. The rate of contraction reached the level of 60 % in the world and 50 % in Turkey. While many international companies chose to reduce their capacity in 2002, telecommunication cable producers in Turkey in 2002 maintained their existing capacities or increased them. The fact that the installed capacity was at a level to meet the demand in the domestic and export markets nearby resulted in the erosion of the market prices. Recent market analyses indicate that this trend will continue until the end of 2003.

Under these market conditions, our company maintained its market share in optical fiber cables by concluding an agreement with Türk Telekom A.Ş. to deliver 25 % of Optical Fiber Cable Project to the amount of 10 000 km in 2002 and 2003. However, the decrease in the purchases of Türk Telekom A.Ş. as regards copper telecommunication cables resulted in a decrease in our domestic sales which were less than the targeted figure. Although the amount of our direct exports were at the targeted level, our sales figures remained 10 % below the target due to price erosion in the market.

Report of the Board of Directors

Financial Analysis



The detailed Balance Sheet and Income Statement for 2002 are enclosed. The explanations as regards assets and liabilities and income statement are given below.

Assets

Cash holdings amount to TL. 5.387 mln, of which TL. 1.040 mln is in Turkish Liras and the remainder in foreign currency.

Deposits in banks total TL. 5.930.982 mln, of which TL. 34.074 mln is held in Turkish Lira accounts and TL. 5.896.908 mln in foreign currency accounts. In this group, there is a check to the sum of TL. 15.216 mln delivered to the Social Security Organization for Social Security Organization premiums, which decreases the amount of our bank deposits.

Short term trade receivables reached the sum of TL. 43.850.412 mln. In this group, customer accounts amount to TL. 55.080.206 mln, of which TL. 27.303.951 mln is from domestic customers, and TL. 27.776.255 mln from customers outside Turkey in foreign currency. The average collection period of our receivables was 109 days.

Rediscount on notes receivable to the sum of TL. 2.869.536 mln was calculated as TL. 115.494 mln. The provision for doubtful domestic and foreign receivables is TL. 13.984.916 mln.

Our inventories increased by 70 % over the previous year and totalled the sum of TL. 21.749.966 mln. The total of raw materials and materials existing in the inventories amounted to TL. 5.018.068 mln, semi-finished goods to TL. 4.128.764 mln, commercial goods to

TL. 174.562 mln, and finished goods to TL. 4.172.394 mln. The other inventories to the sum of TL. 256.553 mln consist of scrap inventories. Advance payments for orders received amount to TL. 8.214.060 mln, of which TL. 5.770.309 mln being the cost of construction and repair works which will take some time. The remainder consists of advance payments made to foreign and domestic suppliers. Provision for the inventories is TL. 214.435 mln.

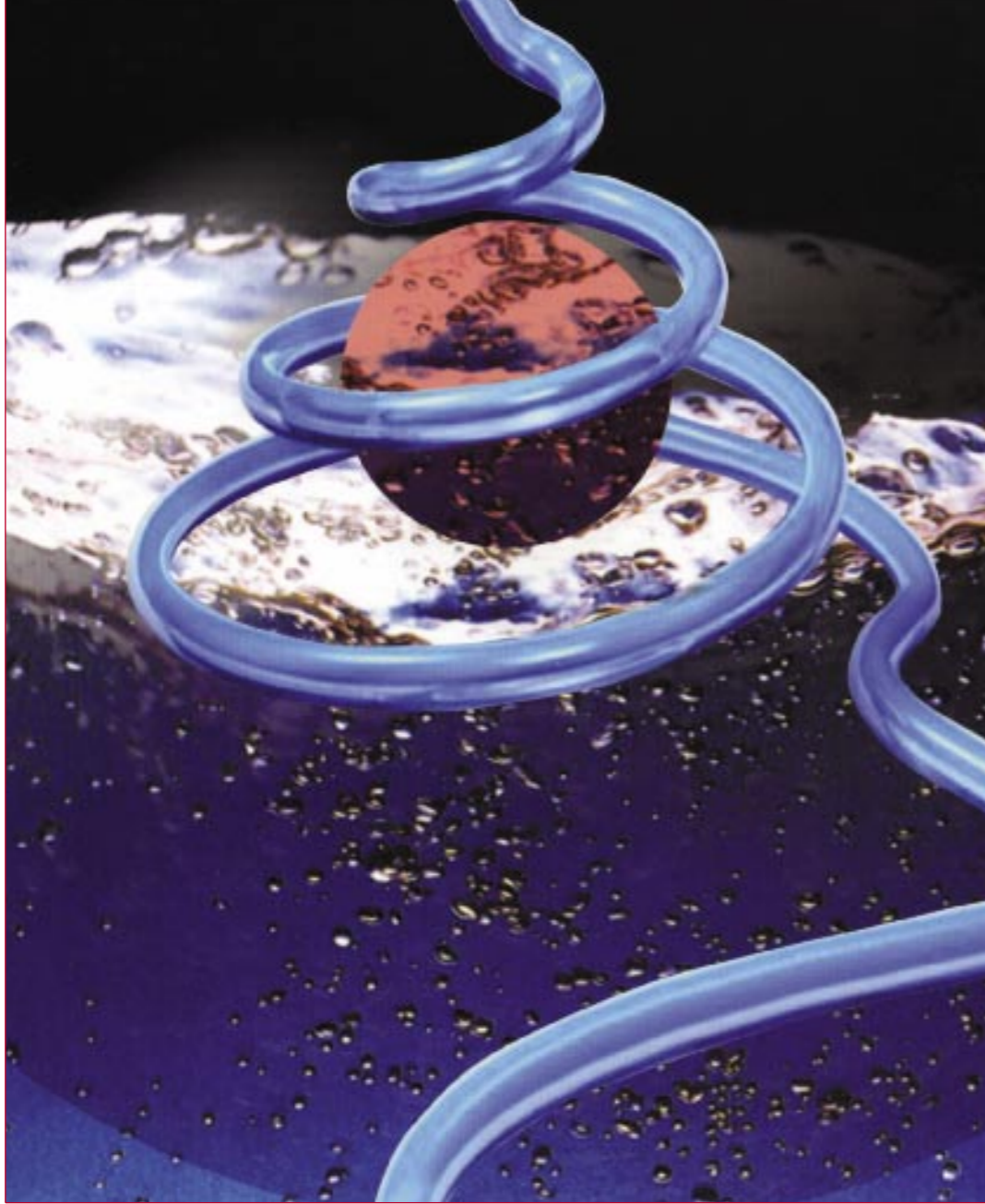
Other current assets total TL. 1.384.745 mln, and consist of VAT receivable to the sum of TL. 587.888 mln, prepaid taxes to the sum of TL. 569.767 mln, and expenses for the coming months to the sum of TL. 227.090 mln.

Financial fixed assets amount to TL. 314.000 mln.

During the year, the expenses for tangible fixed assets amounted to TL. 3.638.000 mln and the amount of tangible fixed assets which had been sold totalled TL. 54.000 mln. Net asset value was calculated as TL. 27.152.000 mln by adding the difference due to the revaluation of fixed tangible assets to the value of fixed tangible assets at the beginning of the year and deducting the accumulated depreciation. An important item within intangible fixed assets to the sum of TL. 105.389 mln is the SAP software.

Report of the Board of Directors

Financial Analysis



Liabilities

Bank loans indicated in financial debts decreased by 94 % as compared to last year and fell down to TL. 558.647 mln. The whole of this sum was granted by Türk Eximbank as Eximbank loans within the framework of export incentives.

Debts to suppliers decreased by 27 % as compared to last year and fell down to TL. 21.889.722 mln. Debts to domestic suppliers amounted to TL. 11.240.978 mln and debts to foreign suppliers totalled TL. 10.648.744 mln.

Checks and notes issued for purchases on credit are to the sum of TL. 16.570.225 mln. From this amount, rediscount of notes payable totals TL. 401.086 mln.

Other short term liabilities reached the sum of TL. 5.202.603 mln. Out of this sum, TL. 1.052.830 mln consists of taxes, fund and social security deductions, TL. 3.972.818 mln are for accrued expenses, and TL. 176.955 mln consists of wages, and the remainder are for other liabilities to be paid.

Provision for corporate tax for 2002 is TL. 547.431 mln, of which TL. 497.665 mln consists of corporate tax, and TL. 49.766 mln consists of investment allowance

withholding and fund share.

In cases where the Labour Act deems it suitable, provision for severance indemnity payable to our personnel is TL. 6.089.065 mln as of the end of the accounting period, the severance indemnity being calculated on the ceiling value of TL. 1.260 mln.

The emission premium to the sum of TL. 108.756 mln comes from the sale of unexercised priority rights as regards capital increase.

The revaluation fund increased from TL. 17.116.037 mln in the previous year to TL. 27.878.211 mln, an important part of which arising from our investments in 2001.

As regards legal reserves, first legal reserve is kept aside in proportion of 5 % every year until it reaches 20 % of the paid in capital. Within this framework, at the end of the year, our legal reserves, including the second legal reserve, reached the level of TL. 1.281.639 mln. At the end of the year, extraordinary reserves amounted to TL. 7.033.294 mln, and were composed of retained earnings from previous years.

Report of the Board of Directors

Financial Analysis



Income Statement

Our gross sales increased by 21 % as compared to last year, and reached the sum of TL. 196.854.700 mln. Our domestic sales totalled TL. 100.266.578 mln, and our exports TL. 96.112.894 mln. Sales of other materials, scrap and services amounted to TL. 475.228 mln together with interest charged on credit sales.

Total sales deductions amounted to TL. 37.100.412 mln, of which TL. 1.695 mln consisted of sales returns and TL. 35.405.744 mln corresponded to sales discounts.

The cost of the goods sold totalled TL. 122.942.842 mln which corresponded to 77 % of our net sales. The cost of the goods sold included the cost of raw materials and auxiliary materials, direct labour, expenditures for general production, overheads and depreciation, and changes in the inventories of semi-finished and finished goods.

During the year, operational expenses amounted to 17 % of our net sales. Within this scope, in line with the importance accorded to research and development, our R&D expenses constituted 0.6 % of our net sales revenue and reached the sum of TL. 987.367 mln.

Marketing, sales and distribution expenses accounted for 8 % of the net sales and totalled TL. 12.907.165 mln, whereas general administrative expenses to the sum of TL. 13.904.378 mln accounted for 8 % of the net sales revenue.

Our revenues from other activities decreased by

84 % as compared to the previous year and reached the sum of TL. 4.999.950 mln, of which TL. 121.122 mln consisted of interest on bank deposits and profits obtained by buying and selling our marketable securities as well as interest revenue limited as of the end of accounting period, and TL. 2.613.233 mln consisted of exchange rate profits, TL. 2.265.595 mln was generated by the sale of scrap, etc.. and by purchasing bonuses.

Short term debts consisting of loans granted by Türk Eximbank during the year and interest expenses for foreign currency loans and short term loan expenses composed of the difference in exchange rates as regards our foreign currency trade debts amounted to TL. 12.914.246 mln.

Other extraordinary revenues to the sum of TL. 782.059 mln consist of the reversal of provisions, insurance payments received for various damages during the year and profit on sales of fixed assets.

Proposal for Profit Distribution

Since the balance sheet covering the accounting period between January 1 and December 31, 2002 does not show a profit and since the company suffered a loss during this period, it was decided that there was no profit to be distributed and to submit this to the consideration and approval of our shareholders in the ordinary general assembly.

The Board of Directors
March 28, 2003

Auditors' Report

To The General Assembly of TÜRK PIRELLİ KABLO VE SİSTEMLERİ A.Ş.

Company Title : TÜRK PIRELLİ Kablo ve Sistemleri A.Ş.

Head Office	: Mudanya
Capital	: 9.828.000.000.000,- TL
Activity	: Manufacturing of energy and telecommunication cables, insulated conductors.
Auditors' names and duration of their appointment, their relation to the Company (partners or not)	: M. İzzet Berk and M. Sabahattin Tezel, Ph.D. appointed to the accounting year 2002, both are not the employees.
Number of Board of Directors meetings and the Board of Auditors meetings participated	: No participation took place in Board of Directors meetings.
Extent of audit made on the Company's accounts, books and documents, inspection dates and conclusions reached	: During audits, it has been observed that the records were kept in accordance with the documents and accounting principles.
Number of counts made at the Company treasury according to Article 353/1-3 of the Turkish Commercial Law and their results	: The records for the Period January 1, 2002- December 31, 2002 have been inspected, it was observed that the cash balance was in accordance with the actual records.
Dates of audits made at the company treasury according to Article 353/1-4 of the Turkish Commercial Law and their results	: Audits showed that the assets were existing and corresponded to the records kept.
Denunciations or irregularities reported to the Board of Directors and measures taken	: No complaints or denunciations of any kind have been made to the Board of Auditors.

We have audited the accounts and the operations of TÜRK PIRELLİ Kablo ve Sistemleri Anonim Şirketi for the period January 1, 2002 – December 31,2002 in accordance with Turkish Commercial Law, the Company's Articles of Association and other legislation, as well as according to the generally accepted accounting principles and standards.

In our opinion, the appended Balance sheet, established on December 31, 2002 the contents of which we have approved, reflects the Company's real financial situation during the considered period and that the Income Statement for the period January 1, 2002 - December 31,2002 reflects the real results of the activities for the considered period.

We submit for the acquitment the Balance Sheet and the Income Statement as well as the ratification of the Board of Directors.

BOARD OF AUDITORS

M. Sabahattin Tezel, Ph.D.

M. İzzet Berk

Independent Auditors' Report



Başaran Nas Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
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TÜRK PIRELLİ KABLO VE SİSTEMLERİ A.Ş.

INDEPENDENT AUDITORS' REPORT 1 JANUARY - 31 DECEMBER 2002

1. We have examined the accompanying balance sheet of Türk Pirelli Kablo ve Sistemleri A.Ş. ("the Company") as of 31 December 2002 and the related statements of income for the year then ended. Our examination was made in accordance with generally accepted auditing standards issued by the Turkish Capital Markets Board ("CMB") and included such tests of the accounting records and such other auditing procedures as we considered necessary under the circumstances.
2. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Türk Pirelli Kablo ve Sistemleri A.Ş. at 31 December 2002 and the results of its operations for the year then ended in accordance with generally accepted accounting principles issued by the CMB (see note 11 to balance sheet) which are consistently applied.
3. Additional paragraph for convenience translation into English:

The effects of differences between accounting principles issued by the CMB and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and International Accounting Standards ("IAS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IAS.

Başaran Nas Serbest Muhasebeci
Mali Müflavirlik Anonim Şirketi
a member of
PricewaterhouseCoopers

Coşkun Şen, SMMM
Partner

Istanbul, 28 February 2003

TÜRK PIRELLİ KABLO VE SİSTEMLERİ A.Ş.
BALANCE SHEETS - ASSETS AT DECEMBER 31, 2002 AND 2001

(Million TL)

	Current Period 31-December-2002		Previous Period 31-December-2001	
I- CURRENT ASSETS		76,874,242		72,157,072
A-Liquid Assets	6,471,924		708,265	
1-Cash	5,387		3,347	
2-Banks	5,930,982		436,493	
3-Other Liquid Assets	535,555		268,425	
B-Marketable Securities				
1-Quoted Shares				
2-Private Sector Bonds and Treasury Bills				
3-Government Bonds and Treasury Bills				
4-Other Marketable Securities				
5-Allowance for Marketable Securities				
C-Short Term Trade Receivables	43,850,412		53,325,565	
1-Customers	55,080,206		56,703,033	
2-Notes Receivable	2,869,536		6,107,339	
3-Deposits and Quarantees	1,080		516	
4-Other Short Term Trade Receivables				
5-Discout on Receivables (-)	(115,494)		(366,195)	
6-Allowance for Doubtful Receivables (-)	(13,984,916)		(9,119,128)	
D-Other Short Term Receivables	3,417,195		2,764,579	
1-Receivable from Shareholders				
2-Receivable from Investees				
3-Receivable from Participations				
4-Other Short Term Receivables	7,631,490		6,483,551	
5-Discout on Receivables (-)				
6-Allowance for Doubtful Receivables (-)	(4,214,295)		(3,718,972)	
E-Inventories	21,749,966		12,801,852	
1-Raw Materials	5,018,068		4,010,209	
2-Work in Process	4,128,764		3,167,572	
3-Semi-Finished Goods				
4-Finished Goods	4,172,394		1,914,035	
5-Trading Goods	174,562		32,890	
6-Other Inventories	256,553		263,270	
7-Over Allowance for Inventories (-)	(214,435)		(8,028)	
8-Advances Given for Inventory Purchases	8,214,060		3,421,904	
F-Other Current Assets	1,384,745		2,556,811	
II-LONG TERM ASSETS	27,571,682		19,250,374	
A-Long Term Trade Receivables	47		47	
1-Customers				
2-Notes Receivable				
3-Deposits and Quarantees	47		47	
4-Other Long Term Trade Receivables				
5-Discout on Receivables (-)				
6-Allowance for Doubtful Receivables (-)				
B-Other Long Term receivables			1,760	
1-Receivable from Shareholders				
2-Receivable from Investments				
3-Receivable from Participations				
4-Other Long Term Receivables			1,760	
5-Rediscount on Receivables (-)				
6-Allowance for Doubtful Receivables (-)				
C-Investments	314,000		314,000	
1-Restricted Marketable Securities				
2-Allowance for Restricted Marketable Securities (-)				
3-Investments	20,000		20,000	
4-Capital Commitments to Investments (-)				
5- Allowance for Investments (-)	(20,000)		(20,000)	
6- Affiliated Companies				
7- Capital Commitments to Affiliated Companies (-)				
8- Allowance for Affiliated Companies (-)				
9- Other Investments	314,000		314,000	
D-Tangible Assets	27,140,368		18,792,079	
1-Land	679,018		1,108	
2-Land Improvements	143,887		142,714	
3-Buildings	20,309,666		12,626,273	
4-Machinery and Equipment	47,982,433		33,983,838	
5-Motor Vehicles	1,471,667		1,015,244	
6-Furnitures and Fixtures	5,656,833		3,910,973	
7-Other Tangible Assets	23,054		19,418	
8-Accumulated Depreciation (-)	(49,153,456)		(33,086,495)	
9-Construction in Progress	65		94	
10-Advances Given For Fixed Asset Purchases	27,201		178,912	
E-Intangible Assets	105,389		135,655	
1-Preoperating Expenses				
2-Rights				
3-Research and Development Expenses				
4-Other Intangible Assets	105,389		135,655	
5-Advances Given for Intangible Asset Purchases				
F-Other Long Term Assets	11,878		6,833	
TOTAL ASSETS		104,445,924		91,407,446

TÜRK PIRELLİ KABLO VE SİSTEMLERİ A.Ş.
BALANCE SHEETS - LIABILITIES AND STOCKHOLDERS' EQUITY
AT DECEMBER 31,2002 AND 2001

(Million TL)

	Current Period 31-December-2002		Previous Period 31-December-2001	
I-CURRENT LIABILITIES		52,812,096		54,767,746
A-Borrowings	558,647	558,647	8,618,771	8,624,253
1-Bank Borrowings			5,482	
2-Current Portion of Long Term Bank Borrowing's				
3-Bonds				
4-Bills				
5-Other Borrowings				
B-Trade Payables	38,058,861		38,298,316	
1-Suppliers	21,889,722		29,784,497	
2-Notes Payable	16,570,225		8,149,481	
3-Deposits and Guarantees			400,000	
4-Other Trade Payables				
5-Discout on Payables (-)	(401,086)		(35,662)	
C-Other Short Term Payables	5,202,603		3,554,484	
1-Dividends Payable	12,298		16,621	
2-Payable to Investments				
3-Payable to Participations				
4-Accrued Expenses	3,835,520		1,320,376	
5-Taxes and Duties	1,052,830		953,973	
6-Deferred Payables to Government				
7-Other Short Term Payables	302,937		1,264,229	
8-Discout on Payables (-)	(982)		(715)	
D-Advances Received		8,444,554		1,643,217
E-Accruals	547,431	547,431	2,647,476	2,647,476
1-Accrual for Corporation Tax and Income Taxes				
2-Other Short Term Accruals				
II-LONG TERM LIABILITIES		6,299,065		5,171,191
A-Borrowings				
1-Bank Borrowings				
2-Bonds				
3-Other Securities				
4-Other Borrowings				
B-Trade Payables				
1-Suppliers				
2-Notes Payable				
3-Deposits and Guarantees				
4-Other Trade Payables				
5-Discout on Payables (-)				
C-Other Long Term Payables				
1-Dividends Payable				
2-Payable to Investments				
3-Payable to Participations				
4-Deferred Payables to Government				
5-Other Long Term Payables				
6-Discout on Payables (-)				
D-Advances Received				
E-Accruals		6,299,065		5,171,191
1-Reserve for Employee Termination Indemnity	6,089,065		4,961,191	
2-Other Long Term Accruals	210,000		210,000	
III-STOCKHOLDERS' EQUITY		45,334,763		31,468,509
A-Share Capital		9,828,000		3,780,000
B-Capital Commitments (-)				
C-Share Premium		108,756		32,820
D-Revaluation Surplus		27,878,211		17,116,037
1-Revaluation Surplus on Tangible Assets	27,878,211		17,116,037	
2-Revaluation Surplus on Investments				
3-Rev. Surplus on Invest.Quoted in Ist.Stock Exch.				
E-Reserves		10,539,652		9,250,953
1-Legal Reserves	1,281,639		1,217,204	
2-Statutory Reserves				
3-Special Reserves				
4-General Reserves	7,033,294		5,809,030	
5-Cost Increase Fund	2,224,719		2,224,719	
6-Inc.to be Add.to Cap.from Share of Part.and Land Sal. Gayrimenkul Satış Kazançları				
F-Income for the Year				1,288,699
G-Loss for the Year (-)		(3,019,856)		
H- Accumulated Losses (-)				
1- Loss				
2- Loss				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		104,445,924		91,407,446

TÜRK PIRELLİ KABLO VE SİSTEMLERİ A.Ş.
STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,2002 AND 2001

(Million TL)

	Current Period 31-December-2002		Previous Period 31-December-2001	
A- GROSS SALES		196,854,700		163,371,467
1- Domestic Sales	100,266,578		76,398,943	
2- Export Sales	96,112,894		84,066,395	
3- Other Sales	475,228		2,906,129	
B- SALES DEDUCTIONS (-)		(37,100,412)		(16,656,418)
1- Sales Returns (-)	(1,694,668)		(2,251,909)	
2- Sales Discounts (-)	(35,405,744)		(14,404,509)	
3- Other (-)				
C- NET SALES		159,754,288		146,715,049
D- COST OF SALES		(122,942,842)		(110,468,804)
GROSS MARGIN		36,811,446		36,246,245
E- OPERATING EXPENSES (-)		(27,798,910)		(30,598,195)
1- Research and Development Expenses (-)	(987,367)		(890,002)	
2- Selling and Distribution Expenses (-)	(12,907,165)		(11,079,308)	
3- General and Administrative Expenses (-)	(13,904,378)		(18,628,885)	
OPERATING PROFIT		9,012,536		5,648,050
F- OTHER INCOME		4,999,950		31,334,368
1- Dividend Income from Investments				
2- Dividend Income from Participations				
3- Interest and Other Dividend Income	121,122		2,124,054	
4- Other	4,878,828		29,210,314	
G- OTHER EXPENSES		(3,577,562)		(1,471,143)
H- FINANCING EXPENSE (-)		(12,914,246)		(31,922,514)
1- Short Term Borrowing's (-)	(12,914,246)		(31,922,514)	
2- Long Term Borrowing's (-)				
INCOME BEFORE EXTRAORDINARY ITEMS		(2,479,322)		3,588,761
I- EXTRAORDINARY INCOME		782,059		759,428
1- Reversal of Provisions	118,262		389,065	
2- Income Related to Prior Periods	1,109		25,999	
3- Other	662,688		344,364	
J- EXTRAORDINARY EXPENSE		(775,162)		(412,014)
1- Expenses Related to Idle Time				
2- Expenses Related to Prior Periods	(674,586)		(10,160)	
3- Other	(100,576)		(401,854)	
INCOME BEFORE TAXES		(2,472,425)		3,936,175
K- TAXES ON INCOME		(547,431)		(2,647,476)
NET INCOME FOR THE YEAR		(3,019,856)		1,288,699

TÜRK PIRELLİ KABLO VE SİSTEMLERİ A.Ş.
CASH FLOW STATEMENTS FOR THE YEARS ENDED DECEMBER 31,2002 AND 2001

(Million TL)

	Current Period 31-December-2002		Previous Period 31-December-2001	
A- CASH AT THE BEGINNING OF THE PERIOD		708,265		17,577,606
B- CASH INFLOW DURING THE PERIOD		184,719,054		148,039,033
1- Cash Received from Sales		164,363,653		114,171,909
a) Net Sales	159,754,288		146,715,049	
b) Decrease in Receivables (from sales)	4,609,365		0	
c) Increase in Receivables (from sales)	0		(-32,543,140)	
2- Cash Received from Other Incomes and Profits		4,999,950		26,125,503
3- Cash Received from Extraordinary Incomes and Profits		782,059		759,428
4- Cash Received from Increases in Current Liabilities (not related to purchases)		6,801,337		3,885,397
a) Securities Issued	0		0	
b) From Loans	0		0	
c) Other Increases	6,801,337		3,885,397	
5- Cash Received from Increases in Long Term Liabilities (not related to purchases)		0		0
a) Securities Issued	0		0	
b) From Loans	0		0	
c) Other Increases	0		0	
6- Cash Received from Capital Increase		6,048,000		0
7- Cash Received from Emission Premiums		75,936		0
8- Other Cash Inflow		1,648,119		3,096,795
C- CASH OUTFLOW DURING THE PERIOD		178,955,395		164,908,374
1- Cash Outflow Resulting from Sales		126,947,087		96,018,820
a) Cost Of Sales	122,942,842		110,468,808	
b) Increases in Inventories	8,948,114		7,139,609	
c) Decreases in Liabilities (related to purchases)	239,455		0	
d) Increases in Liabilities (related to purchases)	0		(-17,053,189)	
e) Non-Cash Expenses such as Depreciation and Provisions	(-5,183,324)		(-4,536,408)	
f) Decreases in Inventories (-)	0		0	
2- Cash Outflow Related to Operations		20,472,921		19,138,132
a) Research and Development Expenses	987,367		890,002	
b) Marketing,Sales and Distribution Expenses	12,907,165		11,079,308	
c) General Administrative Expenses	13,904,378		18,628,885	
d) Expenses Not Requiring Cash Outflow	(-7,325,989)		(-11,460,063)	
3- Cash Outflow Related to Other Expenses and Losses		3,577,562		1,471,143
a) Expenses and Losses Related to Other Operations	3,577,562		1,471,143	
b) Non-Cash Expenses and Losses	0		0	
4- Cash Outflow Related to Financial Expenses		12,914,246		31,922,514
5- Cash Outflow Related to Extraordinary Expenditures and Losses		775,162		412,014
a) Extraordinary Expenditures and Losses	775,162		412,014	
b) Non-Cash Expenses and Losses	0		0	
6- Cash Outflow Related to Long Term Asset Investments		3,437,263		3,273,400
7- Principal Payments of Short Term Debt (not related to purchases)		8,065,606		5,653,345
a) Principal Payments of Securities	0		0	
b) Principal Payments of Loans Used	8,065,606		2,297,308	
c) Other Cash Outflow	0		3,356,037	
8- Principal Payments of Long Term Debt		0		5,062
a) Principal Payments of Securities	0		0	
b) Principal Payments of Loans Used	0		5,062	
c) Other Cash Outflow	0		0	
9- Taxes Paid and Other Levies		2,647,476		1,420,799
10- Dividends Paid		0		1,323,000
11- Other Cash Outflow		118,072		4,270,145
D- CASH AT THE END OF THE PERIOD		6,471,924		708,265
E- INCREASE / (DECREASE) IN CASH		5,763,659		(-16,869,341)

TÜRK PIRELLİ KABLO VE SİSTEMLERİ A.Ş.
SOURCES AND USES OF FUNDS STATEMENTS FOR THE YEAR ENDED DECEMBER 31,2002 AND 2001

(Million TL)

	Current Period 31-December-2002		Previous Period 31-December-2001	
A- SOURCES OF FUNDS		18,360,407		38,087,447
1- Sources from Operations	11,310,017		19,569,434	
a) Net Profit from Operations	-		3,977,826	
b) Depreciation (+)	5,838,379		5,109,707	
c) Other Non-Cash Expenses (+)	5,742,961		11,337,035	
d) Income Not Generating Cash Inflow (-)	(271,323)		(855,134)	
2- Sources from Extraordinary Profits	782,059		41,651	
a) Extraordinary Profit	782,059		41,651	
b) Non-Cash Expenses (-)	-		-	
c) Income Not Generating Cash Inflow (-)	-		-	
3- Decreases in Current Assets	-		-	
4- Decreases in Fixed Assets	-		-	
5- Increases in Current Liabilities	144,395		18,476,362	
6- Increases in Long Term Liabilities	-		-	
7- Increases in Capital (in cash)	6,048,000		-	
8- Capital Surplus	75,936		-	
B-USES OF FUNDS		18,360,407		38,087,447
1- Uses of Funds Related to Operational Losses	2,479,322		-	
a) Net Loss From Operations	2,479,322		-	
b) Depreciation (-)	-		-	
c) Other Non-Cash Expenses (-)	-		-	
d) Income Not Generating Cash Inflow (+)	-		-	
2- Uses of Funds Related to Extraordinary Losses	775,162		-	
a) Extraordinary Losses	775,162		-	
b) Other Non-Cash Expenses (-)	-		-	
c) Income Not Generating Cash Inflow (+)	-		-	
3- Taxes Paid and Other Levies	2,647,476		1,420,799	
4- Dividends Paid	-		1,323,000	
5- Increases in Current Assets	9,332,257		32,065,186	
6- Increases in Fixed Assets	3,126,190		3,273,400	
7- Decreases in Current Liabilities	-		-	
8- Decreases in Long Term Liabilities	-		5,062	
9- Decreases in Capital	-		-	
Change in Net Working Capital				
1- Increase in Net Working Capital	6,672,820		3,510,837	
2- Decrease in Net Working Capital	-		-	

TÜRK PIRELLİ KABLO VE SİSTEMLERİ A.Ş.
STATEMENT OF COST SALES AT DECEMBER 31,2002 AND 2001

(Million TL)

PRODUCTION ACTIVITIES

A- Cost Of Raw Materials Used	100,599,113	92,139,550
B- Cost Of Direct Labour	5,076,748	3,778,563
C- General Production Overheads	17,092,290	15,303,668
D- Cost Of Semi Finished Goods Used	(961,192)	(1,289,087)
1- Beginning Inventory (+)	3,167,572	1,878,485
2- Ending Inventory (-)	(4,128,764)	(3,167,572)

COST OF FINISHED GOODS PRODUCED

E- Change In Finished Goods Inventory	(2,258,359)	(1,072,251)
1- Beginning Inventory (+)	1,914,035	841,784
2- Ending Inventory (-)	(4,172,394)	(1,914,035)

I.COST OF FINISHED GOODS SOLD

TRADING OPERATIONS

A- Beginning Merchandise Inventory	32,890	7,596
B- Purchases During The Period (+)	3,501,655	1,086,417
C- Ending Merchandise Inventory (-)	(174,562)	(32,890)

II.COST OF MERCHANDISE SOLD

III.COST OF SERVICES RENDERED

COST OF SALES (I+II+III)

	Current Period 31-December-2002	Previous Period 31-December-2001
PRODUCTION ACTIVITIES		
A- Cost Of Raw Materials Used	100,599,113	92,139,550
B- Cost Of Direct Labour	5,076,748	3,778,563
C- General Production Overheads	17,092,290	15,303,668
D- Cost Of Semi Finished Goods Used	(961,192)	(1,289,087)
1- Beginning Inventory (+)	3,167,572	1,878,485
2- Ending Inventory (-)	(4,128,764)	(3,167,572)
COST OF FINISHED GOODS PRODUCED	121,806,959	109,932,694
E- Change In Finished Goods Inventory	(2,258,359)	(1,072,251)
1- Beginning Inventory (+)	1,914,035	841,784
2- Ending Inventory (-)	(4,172,394)	(1,914,035)
I.COST OF FINISHED GOODS SOLD	119,548,600	108,860,443
TRADING OPERATIONS		
A- Beginning Merchandise Inventory	32,890	7,596
B- Purchases During The Period (+)	3,501,655	1,086,417
C- Ending Merchandise Inventory (-)	(174,562)	(32,890)
II.COST OF MERCHANDISE SOLD	3,359,983	1,061,123
III.COST OF SERVICES RENDERED	34,259	547,238
COST OF SALES (I+II+III)	122,942,842	110,468,804

TÜRK PIRELLİ KABLO VE SİSTEMLERİ A.Ş.

FOOTNOTES TO BALANCE SHEETS

AT 31 DECEMBER 2002 AND 2001

1. Primary operations of the Company

The primary operation of Türk Pirelli Kablo ve Sistemleri A.Ş. ("the Company") is producing, importing, exporting and trading of any kind of cable, conductor, machinery, apparatus and their spare parts and accessories.

2. Shareholders with a nominal share of 10% or more of capital

	31 December 2002		31 December 2001	
	Shareholding Percentage (%)	Shareholding Amount (million TL)	Shareholding Percentage (%)	Shareholding Amount (million TL)
Pirelli Cable Holding N.V.	83.75	8,230,599	83.75	3,165,615
Other	16.25	1,597,401	16.25	614,385
	100.00	9,828,000	100.00	3,780,000

3. Preference shares and the nature of privileges granted to such shares

None (2001: None).

4. Registered share capital limit

As of 31 December 2002, the Company's registered share capital limit is TL 10,000,000 million (2001: TL 10,000,000 million).

5. Capital increases during the period and their sources

The Company has increased its capital by 160 % from TL 3,780,000 million to TL 9,828,000 million (2001: None).

6. Marketable securities issued during the period excluding ordinary shares

None (2001: None).

7. Marketable securities representing debts which matured during the period

None (2001: None).

8. Movements in property, plant and equipment in the current period

	31 December 2002 million TL	31 December 2001 million TL
a) Total cost of property, plant and equipment purchased:	3,589,003	3,482,189
b) Total cost of property, plant and equipment sold or used as scrap:	102,170	23,758
c) Revaluation increase in the current period:	10,826,354	6,969,315
- In cost (+)	21,276,259	12,941,302
- In accumulated depreciation (-)	10,449,905	5,971,987
d) Construction in progress:	27,266	179,007

Description	Beginning Date	Ending Date	Total Amount (TL million)	Total expenditure in the current period (TL million)	Percentage of completion (%)
Invest (3263)	15.04.1999	31.12.2002	9,271,117	5,940,113	64
Invest (3922)	15.02.2002	15.02.2004	3,508,003	1,425,056	40

FOOTNOTES TO BALANCE SHEETS AT 31 DECEMBER 2002 AND 2001

9. Investment allowances to be utilised in the current and following periods

The amount of investment allowances utilised in the current year is TL 2,764,803 million (2001: TL 4,600,000 million). The amount of investment allowance that will be utilised in the following periods is TL 5,413,951 million (2001: TL 3,778,788 million).

10. Account balances with shareholders, affiliates, subsidiaries and group companies

Trade	31 December 2002		31 December 2001	
	Receivables TL million	Payable TL million	Receivables TL million	Payable TL million
Group companies				
Pirelli Cavi E Sistemi SpA	-	-	351,944	878,109
Pirelli Cables and Systems SA	-	-	216,656	248,571
Pirelli Romania Cabluri ve Sisteme SA	-	-	245,225	18,669
Pirelli Cabos SA	-	-	413,423	-
Türk Pirelli Lastikleri A. Ş.	72,650	33,103	-	-
Pirelli Power Systems USA	-	104,451	-	-
Pirelli OEKW GmbH	-	-	104,923	5,991
Pirelli Cables Australia Ltd	141,479	-	67,372	-
Pirelli Cavi Telecom Spa	1,542,766	551,662	2,076,397	73,569
Pirelli Cavi e Sis. Energia	151,000	3,564,597	-	151,905
Pirelli Inform Spa	-	-	24,063	-
Pirelli Cables Ltd Hamsire	838,428	-	1,074,457	-
Pirelli Reinfenwerke	-	-	1,079	-
Fibre Ottiche Sud Fos SpA	-	735,077	-	826,196
Pirelli Metals Ltd.	-	3,409,704	-	8,990,055
Pirelli Cable Holding	-	-	95,108	-
Pirelli Cables Ltd. Newport	-	-	-	573,696
Pirelli Kabel und Sys.GMBH	-	8,869	-	1,454
Pirelli Cables and Systemes NV	590,286	-	246,608	-
MKM Magyar Kabel Müvek	2,064	224,331	-	-
Pirelli Telecom Kabel und Systeme	49,915	-	-	-
Pirelli Telecom Cables	46,523	-	-	-
Pirelli Tyres Limited	-	10,109	-	-
Total	3,435,111	8,641,903	4,917,255	11,768,215
Non-trade				
Group Companies				
Türk Pirelli Lastikleri A.Ş.	-	-	-	1,000,000
Shareholders				
Dividends payable to other shareholders	-	12,298	-	16,621

11. The valuation of inventories and other balance sheet items, costing and depreciation methods applied, changes in accounting policies compared to previous periods and the monetary effect of these policy changes, significant events or indicators that may affect the going concern and accrual concepts, and the reasons for these:

The Capital Markets Board ("CMB") has set out principles and rules relating to the preparation and presentation of financial statements and reports prepared on or after 31 December 1988 by companies and intermediary institutions in Communiqué XI/1, as amended and supplemented by other Communiqués (hereafter referred to as "generally accepted accounting principles issued by the CMB").

Accounting policies are as follows:

Marketable Securities

Marketable securities at the balance sheet date comprise the acquisition costs and related income accruals of government bonds and reverse repurchase agreement transactions with banks.

FOOTNOTES TO BALANCE SHEETS AT 31 DECEMBER 2002 AND 2001

Accounts receivable and payable

Accounts receivable and payable are valued at their historical costs. In addition, in accordance with Communiqué XI/13 dated 23 January 1996, notes receivables and payables (including cheques with due dates and policies but excluding advances, deposits and guarantees) and receivables and payables with due dates of over three months are discounted by using, the official rate announced by the Central Bank of Turkey 64 %, (2001:70%). LIBOR interest ratio of 1.38281 % (2001: %1.88) is used in the discount of foreign currency denominated receivables and payables.

Allowance for doubtful receivables

The Company has set up provision for those doubtful receivables against which legal action has been taken. For doubtful receivables denominated in foreign currencies, accrued foreign exchange rate differences have been included in the figure for doubtful receivables, and have also been reflected on foreign exchange income. Furthermore, the Company sets up provisions for total receivables at rates that are determined by the management in line with management policy.

Inventories

Inventories are valued at the lower of cost or net realisable value. The production cost system is determined on a process costing basis and the monthly weighted average method is applied. Physical stock counts are performed quarterly. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The percentage of completion method is used for contract work in progress. The costs and the progress payments related with the projects are not shown in the income statement until the end of the contract. Therefore, costs related with projects are recorded as "order advances given" in inventories and the progress payments are recorded as "order advances received" in liabilities.

Long-term financial assets

For the purpose of these financial statements, shareholders of the Company and/or Group companies having a direct or indirect management or shareholding relationship that is more than or equal to 50% are considered as subsidiaries, and those with a share of 10-49% are considered as investments. Investments under 10% are stated as other long-term financial assets.

Long-term financial assets are stated at acquisition cost plus the nominal value of bonus shares received from these companies. The nominal value of bonus shares received is included in the revaluation reserve. Dividend income from subsidiaries and investments is accrued following the profit distribution declarations made by these companies.

Property, plant and equipment and depreciation

The acquisition costs of fixed assets that are subject to depreciation and the accumulated depreciation are subject to revaluation, which is computed by applying acquisition cost indices and procedures in accordance with rate of 59% announced by the Ministry of Finance.

Property, plant and equipment (except for land) are stated at revalued cost. Depreciation is based on revalued amounts except for land and buildings. For the purchases before 1995, depreciation of buildings and land and improvements is calculated using the straight-line method and for the purchases after 1995, the declining balance method is used. Depreciation of other fixed assets is calculated using the declining balance method based on the rates determined by Turkish tax law.

Depreciation is based on the following percentages:

	After 1995 %	Before 1995 %
Land and improvements	4	10
Buildings	2	4
Machinery and equipment	40	50
Motor vehicles	40	50
Furniture and fixtures	40	50
Special costs	during the contract period	
Other fixed assets	40	50

The subsequent expenditure on property, plant and equipment is only recognized as an asset when the expenditure improves the condition of the asset beyond its originally assessed standard of performance. Repair and maintenance costs are expensed in the related period.

FOOTNOTES TO BALANCE SHEETS AT 31 DECEMBER 2002 AND 2001

Intangible assets

Intangible assets are amortised over five years.

Repair and maintenance expenses

Fixed asset repair and maintenance expenses are included in the general and overhead expenses. However, repair and maintenance expenses, which improve the condition of assets and therefore lengthen their useful lives, are added to the cost of the assets.

Foreign currency transactions

Transactions in foreign currencies are translated into Turkish lira at the exchange rates prevailing at the dates of such transactions. Assets denominated in foreign currencies are translated at the bid exchange rates of the Central Bank of Turkey prevailing at the balance sheet dates. Liabilities denominated in foreign currencies are translated at the ask exchange rates of the Central Bank of Turkey prevailing at the balance sheet dates. Foreign exchange gains or losses arising from settlement and translation of foreign currency items are included in the related income and expense accounts, as appropriate.

Taxation on income

In accordance with the new Tax Law No. 4369 published in the Official Gazette dated 29 July 1998, effective from 1 January 1999 the corporate tax rate has been increased to 33 % including the fund levy.

With the new law, the calculation of income tax withholding has become conditional on the distribution of dividends. Prior to the change in the above-mentioned law, the calculation of income tax withholding was mandatory, regardless of whether the profits were distributed or not. Accordingly, unless the Company distributes dividends from 2002 profit, no further tax is payable other than the above-mentioned corporate tax. Dividends, including funds, paid by the Company are subject to a withholding tax calculated on the gross dividend to be paid at the rate of 16.5 % for private companies and 5.5 % for public (listed) companies.

If the Company has income exempt from corporation tax (except dividend income received from Turkish companies), this exempt income is subject to withholding tax regardless of whether the profits are distributed or not. According to the Council of State decision (dated 3 May 2000 numbered. 2000/1914), the Board of Ministers' decision regarding the withholding tax over utilised investment allowances has been annulled. However, this decision is still at the appeal stage and the outcome is not certain. In connection with this, the Company has paid TL 327,396 million of the withholding taxes over utilised investment allowances. The case is pending as at this report date.

The transfer of earnings to capital is not considered to be profit distribution and is accordingly not subject to withholding tax.

Within the context of the new tax law, companies will calculate their advance corporate tax at a rate of 25 % on their quarter end financial statements and will pay this advance tax, which will be deducted from the year-end tax, within forty-five days following the quarter end.

According to the Turkish tax legislation, losses can be carried forward and deducted from future taxable profits for up to five years.

The taxes on income payable amounting to TL 547,431 million (2001: TL 2,647,476 million) in the balance sheet is reflected as tax provision expense in the operating results.

Provision for employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law, are recognised in the accompanying financial statements as they are earned. In accordance with existing social legislation in Turkey, the Company is required to pay lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated without due cause and who retires. Such payments are calculated on the basis of 30 days pay limited to TL 1,260,150,000 (2001: TL 978,020,000) per year of employment at the rate or pay applicable at the date of retirement or termination. The Company has set up a provision for employee termination benefits amounting to TL 6,089,065 million (2001: TL 4,961,191 million) as at 31 December 2002.

Revenues and expenses recognition

Revenues and expenses are recognised on an accrual basis. The percentage of completion method is used for contract work in progress. The costs and the progress payments related with the projects are not shown in the income statement until the end of the contract. Therefore, costs related to projects are recorded to "order advances given" in inventories and the progress payments are recorded to "order advances received" in liabilities.

Other balance sheet items

Other balance sheet items are stated at historical values in the financial statements.

FOOTNOTES TO BALANCE SHEETS AT 31 DECEMBER 2002 AND 2001

12. Subsequent events

Effective from 1 January 2003 the legal limit for employment termination benefit ceiling has been increased to 1,323,950,000 TL. The effect of this increase in the provision for employee termination benefit account is an increase of 292,935 million TL.

In relation to the year 2001, due to the decrease in the investment allowances the Company submitted additional corporate tax return and corrected withholding tax return and as result an amount of 104,315 million TL tax payable including interest thereon was paid.

13. Contingent losses and gains

None (2001: None).

14. Changes in accounting estimates which may have a material effect on the profitability ratios and the monetary value of such effects

None (2001: None).

15. Mortgages or restrictions on assets

None (2001: None).

16. Total insurance coverage on assets

Total insurance coverage on assets as at 31 December 2002 is TL 211,544,509 million (2001: TL 159,734,175 million)

17. Total guarantees and mortgages received as guarantees for receivables

The total amount of letters of guarantee, promissory notes, checks, mortgages and securities received for short-term receivables and order advances given is TL 30,465,574 million (2000: TL 26,217,534 million) as at 31 December 2002.

18. Commitments and contingent liabilities

The breakdown of commitments and contingent liabilities is as follows:

	31 December 2002 (million TL)	31 December 2001 (million TL)
Letter of guarantee	21,544,918	25,206,882
Guarantees and bails given	500	24,185,651
	21,545,418	49,392,533

19. Blocked deposits at banks

None (2001: None).

20. Market value of marketable securities and financial assets carried at cost and carrying value of marketable securities and financial assets shown at market value

The market value of the investments included in the long-term assets of the Company could not be assessed due to the fact that the shares are not traded on the İstanbul Stock Exchange. The long-term financial assets of the Company are valued at cost.

21. Marketable securities issued by shareholders, affiliates, subsidiaries

None (2001: None).

FOOTNOTES TO BALANCE SHEETS AT 31 DECEMBER 2002 AND 2001

22. Details of the "other" items in balance sheet which exceed 20% of the respective component or 5% of the total assets

	31 December 2002 (million TL)	31 December 2001 (million TL)
<i>Current assets</i>		
<i>Other current assets</i>		
Checks to be collected	535,555	268,425
	535,555	268,425
<i>Other short-term receivables</i>		
<i>Short-term other receivables</i>		
Other doubtful receivables	4,214,295	3,718,972
VAT receivables (export)	2,094,717	2,291,096
VAT receivable (dir. export)	1,273,072	389,687
Other non-trade receivables	22,320	41,468
Job advances	20,000	34,885
Receivables from personnel	5,644	6,068
Personnel advances	1,442	1,375
	7,631,490	6,483,551
<i>Other long-term receivables</i>		
<i>Long-term other receivables</i>		
Prepaid expenses	-	1,760
	-	1,760
<i>Long-term financial assets</i>		
<i>Other long-term financial assets</i>		
Affiliates	314,000	314,000
	314,000	314,000
<i>Intangible assets</i>		
<i>Other intangible assets</i>		
SAP software	300,713	272,548
SAP software accumulated depreciation (-)	(195,324)	(136,893)
	105,389	135,655
<i>Other short term liabilities</i>		
<i>Taxes, duties, and other withholding payable</i>		
Taxes and funds payable	828,547	775,113
Social security premiums payable	224,283	178,860
	1,052,830	953,973

FOOTNOTES TO BALANCE SHEETS AT 31 DECEMBER 2002 AND 2001

	31 December 2002 (Million TL)	31 December 2001 (Million TL)
<i>Other short term liabilities</i>		
<i>Short-term other liabilities</i>		
Payables to personnel	176,955	174,381
Other payables	81,563	64,719
Other liabilities payable	52,803	25,240
Payables to group companies (Türk Pirelli Lastikleri A.Ş.)	-	1,000,000
Deferred VAT	(8,384)	(111)
	302,937	1,264,229
<i>Income and gains from other operating activities</i>		
Foreign exchange income	2,613,233	26,773,155
Raw materials sales income	1,596,707	1,874,532
Other income	668,888	562,627
	4,878,828	29,210,314
<i>Expense and losses from other operating activities</i>		
Restructuring expenses	1,723,309	-
Scrap sales loss	815,605	768,348
Cost of raw materials sold	276,577	442,537
Export expenses	273,222	134,145
Foreign exchange losses	83,283	13,197
Other expenses	405,566	112,916
	3,577,562	1,471,143
<i>Extraordinary income and gains</i>		
<i>Other extraordinary income and gains</i>		
Fixed asset sale income	481,123	95,728
Compensation income	91,500	-
Research and development incentive premium	-	134,963
Stock count excess	-	4,459
Income from insurance claims	1,916	3,492
Other extra-ordinary income and gains	88,149	105,722
	662,688	344,364
<i>Extraordinary expense and losses</i>		
<i>Other extra ordinary income and losses</i>		
Mortgage expenses	75,000	-
Stock count differences	2,742	17,702
Lawyers fees	-	266,292
Consultancy fee	-	67,672
Investment provision registry	-	20,000
Fixed asset sales loss	-	4,182
Other extra ordinary expense and losses	22,834	26,006
	100,576	401,854

23. Receivables from and payables to personal included under other receivables and other long- or short-term liabilities accounts and exceeding 1% of total assets:

None (2001: None).

FOOTNOTES TO BALANCE SHEETS AT 31 DECEMBER 2002 AND 2001

24. Doubtful receivables due from shareholders, affiliates and subsidiaries:

None (2001: None).

25. Provisions for doubtful receivables for overdue and non-overdue receivables

The total provision for overdue and non-overdue receivables amounts to TL 18,199,211 million (2001: TL 12,838,100 million). TL 10,762,865 million (2001: TL 9,106,713 million) out of TL 18,199,211 million is legal doubtful receivable provision and the remaining amount of TL 7,436,346 (2001: TL 3,731,387 million) is general doubtful receivable provision.

26. The break-down of affiliates and subsidiaries having an indirect shareholding and management relationship with the Company and the participation rates and amounts of these affiliates and subsidiaries**31 December 2002:**

	Share (%)	Investment amount TL million	Net income/ (loss)	Gross income/ (loss)	Date of financial statements	Compliance with CMB Standards	Audit or not	Opinion on audit report
Subsidiaries								
Anadolu Metal Bakır San. A.Ş.	20	20,000	(2,189,061)	(2,189,061)	31.12.00	Not Suitable	No	-
Provision for diminishing in value		(20,000)						
Other Financial Assets								
Entek A.Ş.	4	314,000	23,730,239	26,776,960	31.12.02	Not Suitable	No	-

31 December 2001:

	Share (%)	Investment amount TL million	Net income/ (loss)	Gross income/ (loss)	Date of financial statements	Compliance with CMB Standards	Audit or not	Opinion on audit report
Subsidiaries								
Anadolu Metal Bakır San. A.Ş.	20	20,000	(2,189,061)	(2,189,061)	31.12.00	Not Suitable	No	-
Provision for diminishing in value		(20,000)						
Other Financial Assets								
Entek A.Ş.	4	314,000	1,751,000	1,772,768	31.12.00	Not Suitable	No	-

27. Bonus shares received from affiliates and subsidiaries obtained through internally funded capital increases of investments and associates

None (2001: None).

28. Rights on immovables and their value

None (2001: None).

FOOTNOTES TO BALANCE SHEETS AT 31 DECEMBER 2002 AND 2001

29. Revaluation of fixed assets in the last three years

Year	Revaluation on fixed assets TL million	Revaluation on accumulated depreciation TL million	Revaluation on net book value TL million
December 2000	9,897,170	4,973,845	4,923,325
December 2001	12,941,302	5,971,987	6,969,315
December 2002	21,276,259	10,449,905	10,826,354

30. Receivables and payables denominated in foreign currency having no foreign exchange rate guarantees; foreign currency denominated assets and rates applied at balance sheet date

Assets:

	31 December 2002			31 December 2001		
	original currency	exchange rate	TL million	original currency	exchange rate	TL million
Cash						
EUR	1,488	1,703,477	2,535	-	-	-
USD	1,062	1,634,501	1,735	1,665	1,438,559	2,395
GBP	30	2,618,888	79	-	-	-
Bank deposits						
USD	2,187,795	1,634,501	3,575,953	305,273	1,439,567	439,461
EUR	1,362,480	1,703,477	2,320,954	-	-	-
ITL	-	-	-	3,101,748	654,93	2,031
Receivables						
USD	17,307,854	1,634,501	28,289,705	17,430,410	1,439,567	25,092,243
EUR	2,433,273	1,703,477	4,145,025	3,078,174	1,268,115	3,903,479
GBP	57,690	2,618,888	151,083	636,932	2,081,497	1,325,772
Singapore dollar	-	-	-	291,984	779,113	227,489
ITL	-	-	-	123,702,482	654,93	81,016
FRF	-	-	-	175,314	193,323	33,892
DM	-	-	-	56,029	648,377	36,328
Cheques in portfolio						
USD	-	-	-	118,000	1,439,567	169,869
Notes receivable						
USD	15,712	1,634,501	25,682	-	-	-
Deposits given						
DM	-	-	-	240	648,377	156
Doubtful receivables						
USD	6,341,366	1,634,501	10,364,969	6,661,993	1,439,567	9,590,385
Other non-trade receivables						
USD	6	1,634,501	10	21,702	1,439,567	31,241
Receivables from personnel						
USD	40	1,634,501	65	-	-	-
Advances given						
EUR	655,153	1,703,447	1,116,039	916,868	1,268,115	1,162,694
DM	-	-	-	404,534	648,377	262,291
USD	258,990	1,634,501	423,320	170,273	1,439,567	245,119
GBP	43,500	2,618,888	113,922	-	-	-
Total foreign currency assets			50,531,076			42,605,861

FOOTNOTES TO BALANCE SHEETS AT 31 DECEMBER 2002 AND 2001

Payables:

	31 December 2002			31 December 2001		
	original currency	exchange rate	TL million	original currency	exchange rate	TL million
Accounts payable						
EUR	5,219,278	1,711,693	8,933,801	2,300,125	1,274,231	2,930,891
USD	614,333	1,642,384	1,008,970	6,909,945	1,446,510	9,995,305
DM	-	-	-	1,064,955	651,504	693,822
GBP	52,311	2,632,577	137,714	293,916	2,092,377	614,983
CHF	14,996	1,177,167	17,653	-	-	-
ATS	-	-	-	61,931	92,602	5,735
Policies given to suppliers						
USD	9,520,116	1,642,384	15,635,686	5,469,083	1,446,510	7,911,083
Due-dated checks						
USD	273,544	1,642,384	449,264	-	-	-
Order advances received						
USD	277,336	1,642,384	455,493	1,127,810	1,446,510	1,631,388
Expense accruals						
USD	408,984	1,642,384	671,709	16,974	1,446,510	24,553
EUR	1,220,548	1,711,693	2,089,204	-	-	-
DM	-	-	-	307	651,504	200
Total foreign currency liabilities			29,399,494			23,807,960

31. Mortgages, endorsements and other guarantees given on behalf of shareholders, affiliates and subsidiaries

None. (2001: At 31 December 2001 there are no guarantees, commitments and securities given to shareholders, affiliates and subsidiaries. In 2001, the collateral given for Anadolu Metal Bakır Sanayi A.Ş. and guarantees taken in respect of the aforementioned collateral were closed off and these transactions had no impact on the financial statements.)

32. Average number of personnel working during the period

The average number of personnel working during the period is 452, of which 115 are administrative and 337 other personnel (2001: 130 administrative and 383 other personnel, total 513 personnel).

33. Other matters that may have a material effect on, or prevent the clear understanding of the financial statements

None (2001: None.)

34. Explanation added for convenience translation into English

As indicated in Note 11, the accompanying financial statements are prepared and presented in accordance with the accounting and reporting principles issued by the Turkish Capital Market Board, which are different from the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Accounting Standards ("IAS"). The effects of such differences have not been quantified. Accordingly, the accompanying financial statements are not intended to present financial position and results of operation and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IAS.

TÜRK PIRELLİ KABLO VE SİSTEMLERİ A.Ş.
FOOTNOTES TO STATEMENTS OF THE PERIODS
1 JANUARY-31 DECEMBER 2002 AND 2001

FOOTNOTES TO STATEMENTS OF THE PERIODS
1 JANUARY-31 DECEMBER 2002 AND 2001

1. Depreciation and amortization expenses for the period

	31 December 2002 TL million	31 December 2001 TL million
a) Depreciation expense	5,792,027	5,067,433
- Normal depreciation expense	4,003,340	3,693,881
- Depreciation expense due to revaluation	1,788,687	1,373,552
b) Amortisation expense	46,352	42,276

2. Rediscount and provision expenses for the period

	31 December 2002 TL million	31 December 2001 TL million
Provision for doubtful receivables expenses	5,361,111	8,745,640
Provision for employee termination benefits expenses	1,127,874	1,650,641
Rediscount expenses	(616,392)	101,418
Other provisions for liabilities and expenses	206,407	—
	6,079,000	10,505,727

3. Financial expenses for the period

	31 December 2002 TL million	31 December 2001 TL million
a) Capitalised on cost of production	-	-
b) Expensed	12,914,246	31,922,514
	12,914,246	31,922,514

4. Amounts of financial expenses related to shareholders, affiliates, subsidiaries and other related parties

None (2001: None).

5. Sales to and purchase from shareholders affiliates and subsidiaries

	31 December 2002		31 December 2001	
	Purchases TL million	Sales TL million	Purchases TL million	Sales TL million
Affiliates				
Anadolu Metal Bakır Sanayi A.Ş.	—	—	2,840,413	—
Group companies				
Pirelli Cables and Sytems SA	-	-	7,716,454	-
Pirelli Cavi E Sistemi Telecom Spa	229,073	13,285,864	3,774,364	9,799,750
Pirelli Romania Cabluri Sis. SA	890,114	3,011	469,359	610,262
Pirelli OEKW GmbH	-	160,772	-	119,798
Pirelli Direzlonne Comunica Esterne	-	-	465	-
Fibre Ottiche Sud F.O.S.	3,024,061	-	1,595,523	6
Pirelli Telecom Brazilya	-	-	-	5,454,802
Pirelli Cables Australia	-	-	-	70,072
Pirelli Cables And Systems N.V.	-	1,030,604	-	481,363
Pirelli Cables and sys.Dietikon	-	53,427	-	1,702,825
Pirelli Cables Ltd. Newport	-	-	1,163,243	-
Pirelli Cables Ltd. Lancashire	-	-	2,023	-
Pirelli Cables Et Sys. France	3,418	-	520,320	-
Pirelli Metals Ltd.	16,445,325	-	10,277,875	-
Pirelli Cavi E Sis. Energia	472,295	-	83,924	329,393
Pirelli Societe Generale	15,594	-	7,735	-
Pirelli Cables Ltd. Hamshire	-	5,106,011	11,084	1,177,978
Pirelli Telecom Cables & Sys.Hamshire	-	265,722	-	-
Pirelli Tyres Ltd.	18,475	-	26,177	-
Pirelli Kabel & Systeme GmbH.	34,770	-	3,750	-
Pirelli Energia Cables & System	23,348	-	-	-
Pirelli Telecomunicações Ca	94,810	-	-	-
Türk Pirelli Lastikleri A.Ş.	572,759	-	-	-
MKM Magyar Kabel Müvek	207,304	1,982	-	-
Pirelli Cables and Systeme OY	1,341	-	-	-
Pirelli Telecom Cables Y Sis.Espana	168,437	-	-	-
Pirelli Power Cables and Systems USA	104,451	-	-	-
Pirelli Cavi E Sis.Energia Italia	13,915	-	-	-
Pirelli Kabel und System Berlin	-	842,900	-	-
Pirelli Telecom Kabel und Sys.Berlin	-	253,770	-	-
Pirelli Power Cables and Sys.Australia	-	173,176	-	-
Kablo Bratislava spol.s.r.	724	-	-	-
Total	22,320,214	21,177,239	25,652,296	19,746,249

FOOTNOTES TO STATEMENTS OF THE PERIODS
1 JANUARY-31 DECEMBER 2002 AND 2001

6. Interest, rent and other charges paid to and received from shareholders, affiliates, subsidiaries

None (2001: None).

7. Total salaries and benefits paid to the members of the Board of Directors, General Manager, General Coordinator, Assistant General Manager and other executive management

The benefits and salaries to the mentioned managers amount to TL177,437 million. (2001: TL296,485 million TL).

8. Changes in the depreciation calculation method and their effect on the depreciation expenses for the period

None (2001: None).

9. Inventory costing method and procedures

The cost of inventories is determined on process costing. The monthly weighted average method is used as at 31 December 2002 and 2001.

10. Reasons for non-performance of stock count procedures

Physical stock counts were performed as at 31 December 2002 and 2001.

11. Scrap sales in domestic and export sales accounts exceeding 20 % of total sales

	31 December 2002 TLmillion	31 December 2001 TLmillion
Communications cables	57,725,824	68,211,150
Energy cables	96,830,697	73,380,544
	154,556,521	141,591,694

12. Sales incentives and subsidies

None (2001: None).

FOOTNOTES TO STATEMENTS OF THE PERIODS
1 JANUARY-31 DECEMBER 2002 AND 2001

13. Income and expenses related to prior years

	31 December 2002 TL million	31 December 2001 TL million
Income related to prior years		
Collection of overpaid dividend	-	25,999
Return of bill of exchange	1,109	-
	1,109	25,999
Expenses related to prior years		
Invoices dated before 31.12.2000	-	10,160
Previous period invoices	44,489	-
Additional corporate tax and interest for 2000	286,897	-
Additional tax provision for 2001	343,200	-
	674,586	10,160

14. Profit per share and profit distribution per share

No profit per share and profit distribution per share has been calculated since the Company incurred losses for the period ended 31 December 2002

15. Changes in quantity of good produced and services to be provided during the period

	Unit	31 December 2002	31 December 2001	Variance %
Communications cables	Km.	4,852,118	5,185,938	(7)
Energy cables	Ton	33,697	32,392	4
Fiber optic cables	Km.	41,682	64,603	(35)

16. Changes in quantity of goods sold and services to be provided during the period

	Unit	31 December 2002	31 December 2001	Variance %
Communications cables	Km.	4,914,071	5,284,482	(7)
Energy cables	Ton	32,699	32,008	2
Fiber optic cables	Km.	8,193	64,432	(87)



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