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Türk Pirelli Kablo ve Sistemleri A.Ş.

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Türk Pirelli Kablo ve Sistemleri A.



at a Glance

Pirelli Cable and Systems is one of the most advanced cable producers operating in 22 countries, with 50 manufacturing facilities, more than 12.000 employees, and annual sales turnover of over 3.0 Billion Euros. Technological know-how combined with the potentials of research and development along with dynamic and professional makes Pirelli Cable and Systems abilities of a world leader in its market.

Türk Pirelli Kablo ve Sistemleri A.Ş. 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 A.Ş. 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 2003, 40 % of its annual sales of TL 154 Billion were exported.



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Türk Pirelli Kablo ve Sistemleri A.Ş. continues to penetrate into the national and international markets with its products and services. The Company is the first one in ISO/DQS 9001 and ISO 14000 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.



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Message from the Chairman

Dear Shareholders,

Last year the Turkish economy continued to recover from the long-lasting effects of the 2001 economic crisis, with increasing signs of a return to stable economic growth. Wholesale price inflation dropped to 18.4 % in December 2003, the first end-year rate below 20 % in over two decades, while exchange rates remained steady and interest rates declined. For the second year in a row, GNP growth exceeded 5 %. These tangible improvements primarily reflect the coherence and continuity of the government's economic policies.

However, economic reforms must be completed if we are to prevent Turkey's large public sector debt and interest burden from precipitating another crisis. Long-term stability requires that the government act without delay to enhance the transparency and accountability of public tenders and public expenditures, move forward in a rational manner with the privatization process, especially the sale of banks, modernize the agricultural support system and reform further the social security system. These reforms are essential if Turkey is to attract international investment, maintain IMF support of its economic reform program and improve its international credit rating. In this respect, we are given hope by the 12 % inflation and 5 % growth targets set jointly by the government and Central Bank, as they signal to us the government's determination to push forward with reforms.

Over the last two years, Türk Pirelli Kablo ve Sistemleri A.Ş. has responded to the slowdown in the global telecom market caused by overcapacity with a TL 2.1 Trillion restructuring program. In this period, our Company has raised its liquidity position to TL 19.3 Trillion from TL 5.9 Trillion a year earlier.

As a result, Türk Pirelli Kablo ve Sistemleri A.Ş. transformed its almost TL 3 Trillion loss in 2002 into a TL 5.3 net profit in 2003. This strong turnaround and the success of our internal restructuring have renewed our confidence and outlook.



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Chairman

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May I extend my sincere wishes that 2004 brings
prosperity and peace to our country, good health and
happiness to all members of Türk Pirelli Kablo ve
Sistemleri A.Ş. family and further achievements for
our Company.

BÜLENT ECZACIBAŞI
Chairman of the Board



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Board of Directors

Ferit Bülent Eczacıbaşı
Chairman

Valerio Battista
Vice Chairman

Giuseppe Moggi
Managing Director

Sabri Metin Ar
Member

İshak Alaton
Member

Aldo L. Kaslowski
Member

Piero Sierra
Member

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Executive Management

Giuseppe Moggi
Managing Director

Hakan Özmen
Chief Operations Officer

Muhittin Kızıler
Group Personnel Director

Halil İ. Kongur
Industrial Director

Kudret E. Ünal
Energy Cables Commercial
Director

İ. Etem Bakaç
Domestic Sales Manager

Esat Baykal
R&D and Quality Assurance Manager

Zafer Baykan
Telecom Cables Production Manager

Atila Biçici
Industrial Improvement Manager

S. Serdar Can
Marketing and Telecom Cables Sales
Manager

Saim Çubukçu
Group Purchasing Manager

Remzi Ejderoğlu
Group Information Technologies Manager

Ercan Karaismailoğlu
Finance and Administration Manager

Deniz R. Özilhan
Group Legal Affairs Manager

Murat Tezcan
Export Sales Manager

Okay Yıldız
Technical Service Manager

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Agenda

24th March 2004 Wednesday 11:00

1. Muster and election of the Presiding Council Officers to preside over the meeting,
2. Authorisation of the Presiding Council to sign the Minutes of Meeting,
3. 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 01.01.2003 - 31.12.2003,
4. 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 01.01.2003 - 31.12.2003. 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 2003,
5. Adoption of a resolution concerning the Board of Directors' proposal for the distribution of the profits for the trading period of 01.01.2003 - 31.12.2003,
6. To approve the modification of Section 15, 16, 24 of the Statutes, according to the request of Capital Market Board and according to the necessities of current time period,
7. To approve the modification of Section 6 of the Statutes and increase the Registered Capital ceiling according to the authorization of Capital Market Board,
8. Election of the Auditors and determination of their remunerations,
9. To discuss and approve, to increase the number of the members from 7 to 8 according to the terms of the article 10 of the Statutes and make election for the new empty board membership after the increase,
10. 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,
11. Closing.



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When we consider the basic economic indicators, we see that 2003 was a year in which the effects of the big economic crisis experienced in 2001 were considerably smaller than 2002. Within this framework, we can state that 2003 was a year in which a confidence and stability medium started to form in particular as a result of the fall in the inflation rate and the success obtained as regards growth.

Especially the reduction in the inflation rate and the reaching of the targets concerning economic growth, the jump in exports, the increase in industrial production and capacity utilization may be summarized as the main improvements in 2003.



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It is estimated that the economic growth in 2003 will be around 5 %. This economic growth indicates an important recovery in 2003. On the other hand, when the sources of the growth in the whole of the year are evaluated, it will be observed that the reason for the variables is the increase in exports and stocks.

In 2003 the inflation rate (consumer price index 18.4 %, wholesale price index 13.9) was below the target. When we consider foreign trade, we see that in 2003, in the first ten months exports reached the sum of US \$ 38.3 Billion. According to the estimates, by the end of 2003, exports will reach the sum of approximately US \$ 47 Billion. This indicates a considerable increase as regards exports in 2003.

The revaluation of the Turkish Lira which has an important role in the control of the inflation or, in other words, the fall of the parity may be considered as a handicap for exports under normal conditions. However, in the course of 2003, as regards Euro / US Dollar parity, the Euro gaining value against the US Dollar contributed a great deal to the exportation performance.

As regards imports, an increase was experienced in parallel to the revitalization of the economy. Since the production of industrial goods is dependent on the imported semi-finished goods, in the Turkish economy, in growth years, an increase in imports is considered normal to a certain extent. However, the increase in imports in 2003 and the resulting foreign trade deficit may be evaluated as somewhat high, and these factors should be followed carefully from the point of view of sustainability of the economic policies.

Imports which amounted US \$ 55.5 Billion in the first ten months of the year are expected to reach US \$ 68 Billion by the end of the year. Furthermore, according to the estimates, tourism revenues will amount to US \$ 8.7 Billion at the end of the year. On the other hand, the current account deficit was US \$ 4.1 Billion in the first ten months of the year. Depending on the increase in imports, the current account deficit increased in 2003. It is estimated that this deficit will reach the sum of around US \$ 7.7 by the end of the year.

On the other hand, in 2003 there was an important increase in the Central Bank foreign currency reserves. According to the Central Bank data, foreign currency reserves were US \$ 33 Billion in December 2003. The Central Bank foreign currency reserves which had fallen down below US \$ 16 Billion during the economic crisis in 2001 reached a somewhat satisfactory level in 2003.

It may be said that the Central Bank showed a good performance as regards monetary policy. In this respect, it can also be said that the Central Bank managed the loan program in good harmony with the Treasury, and as a result, in addition to the other positive developments, very important reductions in the interest rates and



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possibility of deferments were created.

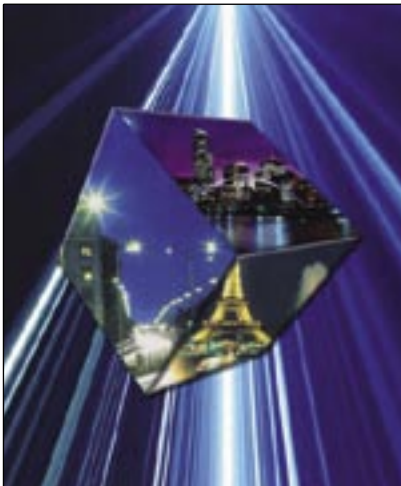
As regards public spending, for solving some acute problems which had been going on for a long time, the necessity of urgent improvement efforts to be spent at least gradually made itself felt strongly in 2003 too. The ratios of the health and education expenditures in the budget and in the gross national product should increase.

Furthermore, the state should increase infrastructure investments. In order not to experience serious problems in the years to come, it is absolutely necessary to carry out extensive re-structuring works in the social insurance system.

On the other hand, for the continuation of the economic stability, an important condition is that public policies should not deviate from the economic program at all prior to the municipal elections that will take place in March 2004.

In addition to all of those indicated above, it was seen that some weak points observed in the past years continued in 2003 too. In 2003, the improvements targeted with respect to rationalization of the management of the state organizations, arrangements in the agricultural sector, encouragement of foreign capital and increase of foreign capital inflow and privatization did not materialize to the extent that they were desired. Furthermore, in 2003 a significant success was not observed as regards employment possibilities.

However, in conclusion, the yearly inflation rate which was below the target, the satisfactory level of the foreign currency reserves, the stability in the foreign exchange rates, the respect of the economic program in general, the important increase in



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The stagnancy experienced in the world economy in 2002 continued almost the same way in 2003 too. In particular, in the European Union countries stagnancy worsened in 2003. An economic recovery was experienced in the third quarter in the United States of America and the growth rate increased. However, it will be necessary to see whether or not this recovery will be sustainable.

In general, international organizations are of the opinion that the world economy in 2004 will be better than 2003. For instance, the IMF experts expect that the world economy will grow 4.1 % in 2004. This means that an increase of 0.9 point in the growth is expected as compared to 2003. Together with the revitalization of the world economy, it is foreseen that the rate of increase of the world trade will be 5.4 %.

Under the circumstances, the revitalization of the world economy, the recovery experienced in the developed countries and the increase in the world trade volume will affect the Turkish economy positively. In particular, if the stagnancy in the European Union which is the most important market for Turkey comes to an end, then it will be possible for Turkey to go on increasing its exports. In the same way, and in parallel to these conditions, an increase in the tourism revenues too may be observed.

In 2004 it is expected that crude oil prices will decrease a little. It is thought that this will provide an advantage for Turkey with respect to the efforts for decreasing the inflation rate. On the other hand, when the world economy will improve, international interest rates will also rise a little. However, it should not be expected that the interest rates will climb to very high levels.

When the Turkish economy is considered in general, it can be said that in the economic circles the forecast for 2004 is positive in general, as it has been more than two years since the beginning of the implementation of the economic stability program which had started after the economic crisis of 2001, and the program is still in progress in the targeted direction.

Within this framework, it is expected that exports which were the motive force in the past two years will continue to increase in 2004 too. In addition to the increases in exports and tourism revenues in 2004, it is also expected that there will be a revitalization in investments as well. In the past two years, the growth in the economy was ensured mostly by utilizing the capacities which had been idle after the crisis. However, it is thought that the limit has been reached as regards the utilization of idle capacity.

Therefore, in order to fulfil the obligations of the new export contracts in 2004 and also to meet the domestic demand which is increasing slowly, it is thought that the companies will have to resort to new investments.



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The forecast as regards the inflation rate in 2004 is that the yearly inflation rate will fall in the first half of the year, and in the second half it will follow a horizontal path and may even rise a little. The Government's yearly inflation rate (consumer price index) target for 2004 has been disclosed as 12 %. On the other hand, it is thought that the Central Bank has sufficient foreign currency reserves to continue suitable policies in the floating foreign currency exchange system. Furthermore, the growth rate target for 2004 has been disclosed as 5 % by the Government.

On the other hand, in spite of the improvements and positive developments experienced in the Turkish economy in 2003, it is thought that some chronic problems should be on the agenda of the Government in 2004 too.

Within this framework, it is thought that in 2004 too priority should be given to such matters as high public expenditures and public deficits and over-employment in these establishments. In addition to this, it can be said that re-structuring of the banking system, management of domestic and foreign debts, foreign capital inflow, increase of fixed capital investments, rational materialization of privatization targets, and increase of employment possibilities will be some of the items on Turkey's agenda in 2004 too.

It is quite clear that the developments regarding the candidacy of Turkey to the European Union will be one of the main items on the agenda of Turkey. Within a general framework, it can be said that the European Union vision has clarified the way for Turkey with respect to structural reforms and improvements. Important developments to be materialized by Turkey until December 2004 as regards economic and political reforms within the "Copenhagen Criteria" will have meanings which are well beyond the diplomatic process going on between Turkey and the European Union.

In order to sustain the stability and growth of the economy, it is necessary to control the budget deficits closely in 2004. Another important point is the rational and consistent management of the foreign exchange policy. Again, an important loss of value of the Turkish Lira depending on the foreign exchange policy will affect the interest rates. In order to reach the budget targets, these two points should be followed carefully by the economy management.

Within all this framework, the continuation of the economic program implemented by reaching an agreement with IMF without any deviation in 2004 is very important for maintaining the existing economic balances. In this respect, and taking as basis the macro-economic balances ensured in 2003, in a medium where public expenditures and consolidated state budget are closely controlled, it is thought that a yearly inflation rate held within the target and a reasonable growth rate may improve the economic indicators of Turkey in 2004.

On the other hand, in case of worsening conditions in the world economy and a serious instability in the geographic region close to Turkey, the economic plan and program



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Contrary to the expectations that the effects of the crisis experienced in 2001 would end, 2003 was a year in which the companies which were active in the energy sector continued their process of recovery. In the energy sector, the cable industry included, investments were deferred due to lack of completion of organizational structuring in the public sector, and very few investments were made in the private sector. However, when one looks from the point of view of human resources, one observes that the companies in the cable sector continued their re-organization processes and decreased the number of their personnel, and ensured a productivity increase.

The cable sector in Turkey was not able to materialize the expected rate of growth in 2003. Since the demand was not sufficient and continuous due to the effects of the economic crisis, the producers that already had idle capacities could not use a large part of these idle capacities, as in the previous years. However, in spite of all that, the domestic energy cable market showed a growth of 5 % as compared to last year. The Turkish Energy Cable Sector, using its competition capability with respect to the advanced technology used in Turkey in recent years and also with respect to quality, marketed its products in foreign markets. Although the disadvantage of the exchange rate decreased their competition power, the Turkish cable companies exported nearly 40 % of their production.

As regards the new Public Contract Award Act No. 4734 which came into force as of January 1, 2003, enterprises and companies which were active in the energy, water, communication and telecommunication sectors were kept outside the scope of this Act as a result of Act No. 4964 which was published on August 15, 2003. This way, after the second half of 2002, the uncertainty experienced due to the expectations regarding the coming into force of the new Public Contract Award Act became even more critical in 2003 as a result of this legal amendment.

With the Electricity Market Act which had been prepared by the Ministry of Energy and Natural Resources in accordance with the European Union Electricity Directives and which had come into force as of February 20, 2001, the process of re-structuring the Energy Sector started and this sector assumed a new and liberal structure which was based on competition and which aimed at forming a free market. Furthermore, with this Act, the Energy Market Regulation Board was established with a view to inspecting and regulating the whole sector independently. With this more transparent structure of the sector, it was aimed to create a competitive environment with no discrimination, and to encourage investments by the private sector.



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Privatization is obligatory in our days where the rate of losses/leakages is around 20 %. Nowadays, public investments are restricted by the Treasury and the State Planning Organization. Investments are not made due to the fact that the necessary approvals are not obtained from these organizations. In the energy sector where production is mainly made by the public sector the aim should be the privatization of the distribution networks as soon as possible. This way, the financial support for ensuring technological investments and for using high quality materials will be met outside the state budget, and our greatest expectation is the growth and development of the sector and the reduction of the losses / leakages down to the levels experienced in the European Union countries.

The global crisis which had been affecting the telecommunication sector and which had been continuing as from the last quarter of 2001 lasted in 2003 as well. Türk Telekomünikasyon A.Ş. (TTAŞ) which was the biggest buyer in the domestic market reduced its purchases down to the lowest level in 2003 which in fact was the last year before its privatization. The expectations as regards war in our neighbouring countries which were our natural export areas, and security concerns after the war showed the expected effect, and the demand for telecommunication cables fell down to the lowest level as compared to recent years. In order to take measures against these simultaneous negative changes, a great importance was accorded to the re-structuring processes in our Telecommunications Department, and opportunities were sought for sales in the Western countries by using the sales channels of the Pirelli companies. In spite of a decrease in copper cable orders, with the continuation of the project for TTAŞ as regards fiber cables, the negative effects of 2003 - in which many producers had to face great difficulties - were brought down to a minimum level.



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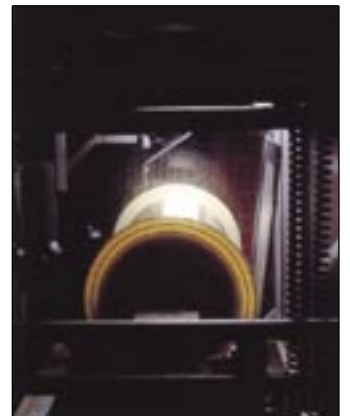
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The detailed Balance Sheet and Income Statement for 2003 are enclosed. The explanations as regards assets and liabilities and income statement are given below.



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Cash holdings amount to TL. 5.149 Million, of which TL. 713 Million is in Turkish Liras and the remainder in foreign currency.

Deposits in banks total TL. 19.043.716 Million, of which TL. 6.362.821 Million is held in Turkish Lira accounts and TL. 12.680.895 Million in foreign currency accounts. In this group, there is a check to the sum of TL. 7.002 Million 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. 31.940.347 Million. In this group, customer accounts amount to TL. 42.148.651 Million, of which TL. 28.152.908 Million is from domestic customers, and TL. 13.995.743 Million from customers outside Turkey in foreign currency. The average collection period of our receivables was 99 days.

Rediscount on notes receivable to the sum of TL. 3.711.160 Million was calculated as TL. 136.908 Million. The provision for doubtful domestic and foreign receivables is TL. 13.784.334 Million.

Our inventories increased by 32 % over the previous year and totaled the sum of TL. 28.813.259 Million. The total of raw materials and materials existing in the inventories amounted to TL. 6.496.465 Million, semi-finished goods to TL. 6.052.451 Million, commercial goods to TL. 158.188 Million, and finished goods to TL. 5.923.948 Million. The other inventories to the sum of TL. 231.631 Million consist of scrap inventories. Advance payments for orders received amount to TL. 10.317.647 Million, of which TL. 9.862.449 Million 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. 367.071 Million.

Other current assets total TL. 2.771.987 Million, and consist of VAT receivable to the sum of TL. 656.251 Million, prepaid taxes to the sum of TL. 1.873.793 Million, and expenses for the coming months to the sum of TL. 238.093 Million.

Financial fixed assets amount to TL. 3.768.000 Million.

During the year, the expenses for tangible fixed assets amounted to TL. 3.707.000 Million and the amount of tangible fixed assets which had been sold totalled TL. 400.000 Million. Net asset value was calculated as TL. 30.016.000 Million 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. 69.607 Million is the SAP software.



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Bank loans indicated in financial debts in 2002 was TL. 558.647 Million. The whole of this sum was paid in 2003.

Debts to suppliers decreased by 38 % as compared to last year and fell down to TL. 13.499.064 Million. Debts to domestic suppliers amounted to TL. 9.583.047 Million and debts to foreign suppliers totaled TL. 3.916.017 Million.

Checks and notes issued for purchases on credit are to the sum of TL. 20.045.504 Million. From this amount, rediscount of notes payable totals TL. 68.483 Million.

Other short term liabilities reached the sum of TL. 3.703.402 Million. Out of this sum, TL. 617.982 Million consists of taxes, fund and social security deductions, TL. 2.803.065 Million are for accrued expenses, and TL. 202.126 Million consists of wages, and the remainder are for other liabilities to be paid.

Provision for corporate tax for 2003 is TL. 458.630 Million.

In cases where the Labour Act deems it suitable, provision for severance indemnity payable to our personnel is TL. 4.979.796 Million as of the end of the accounting period, the severance indemnity being calculated on the ceiling value of TL. 1.390 Million.

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

The revaluation fund increased from TL. 27.878.211 Million in the previous year to TL. 35.299.063 Million.

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 Million.

At the end of the year, extraordinary reserves amounted to TL. 7.033.294 Million, and were composed of retained earnings from previous years.



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Our gross sales increased by 14 % as compared to last year, and reached the sum of TL. 223.558.064 Million. Our domestic sales totaled TL. 158.403.365 Million, and our exports TL. 64.853.182 Million. Other Sales amounted to TL. 301.517 Million consists of interest charged on credit sales.

Total sales deductions amounted to TL. 70.031.905 Million, of which TL. 1 898.569 Million consisted of sales returns and TL. 68.133.336 Million corresponded to sales discounts.

The cost of the goods sold totalled TL. 125.573.987 Million which corresponded to 82 % 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 14 % of our net sales. Within this scope, in line with the importance accorded to research and development, our R&D expenses constituted 05 % of our net sales revenue and reached the sum of TL. 791.743 Million.

Marketing, sales and distribution expenses accounted for 7 % of the net sales and totalled TL. 11.069.425 Million, whereas general administrative expenses to the sum of TL. 9.413.150 Million accounted for 6 % of the net sales revenue.

Our revenues from other activities increased by 58 % as compared to the previous year and reached the sum of TL. 7.882.727 Million, of which TL. 1.519.234 Million 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. 3.566.004 Million consisted of exchange rate profits, TL. 2.797.488 Million was generated by the sale of scrap, etc.. and by purchasing bonuses.

Interest expenses for bank loans and short term loan expenses composed of the difference in exchange rates as regards our foreign currency trade debts amounted to TL. 659.708 Million.

Other extraordinary revenues to the sum of TL. 158.179 Million consist of the reversal of provisions, insurance payments received for various damages during the year and profit on sales of fixed assets.

The Board of Directors
24.03.2004



Auditors' Report

 Independent
Auditor's Report

Auditors' Report

To the General Assembly of Türk Pirelli Kablo ve Sistemleri 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 Dr. M.Sabahattin Tezel, Ph.D. appointed to the accounting year 2003, 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 - of the Turkish Commercial Law and their results | : The records for the Period January 1, 2003 - December 31, 2003 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 Pirelli Kablo ve Sistemleri Anonim Şirketi for the period January 1, 2003 – December 31, 2003 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, 2003 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, 2003 - December 31, 2003 reflects the real results of the activities for the considered period.

It is observed from the resolution book and from the relevant documents that the preliminary permissions have been obtained in order to increase the ceiling of the registered company capital from TL. 10.000 Billion to TL. 80.000 Billion and that the resolution of the General Assembly is expected in this respect.

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

THE BOARD OF AUDITORS

M. Sabahattin Tezel, Ph.D.

M. İzzet Berk

Auditors' Report

Independent Auditor's Report

Independent Auditor's Report

Independent Auditor's Report, 1 January - 31 December 2003



Başaran Nas Serbest Muhasebeci
Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi
No:48 B Blok Kat 9 Akaretler
Beşiktaş 34357 İstanbul-Turkey
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1. We have examined the accompanying balance sheet of Türk Pirelli Kablo ve Sistemleri A.Ş. ("the Company") at 31 December 2003 and the related statement of income for the year then ended. Our examination was made in accordance with generally accepted auditing principles issued by the Capital Market Board ("CMB") and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.
2. The CMB has announced with its No.363 written declaration dated 27 June 2003 that, the companies' financial statements both prepared in accordance with the CMB's Communiqué XI/20 "communiqué concerning the rules and regulations for the presentation and preparation of the financial statements during high inflationary periods" ("Inflation Communiqué") and in accordance with other rules and regulations set out by the CMB, should be independently audited. In accordance with this declaration, Türk Pirelli Kablo ve Sistemleri A.Ş. prepared the accompanying financial statements in accordance with the CMB's rules and regulations except for the Inflation Communiqué as at 31 December 2003. In addition to the accompanying financial statements, the Company's audited inflation adjusted financial statements in accordance with the Inflation Communiqué as at 31 December 2003 has also been published.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects within the context described above, the financial position of Türk Pirelli Kablo ve Sistemleri A.Ş. at 31 December 2003 and the results of its operations for the year then ended in accordance with generally accepted accounting principles issued by the CMB, which are consistently applied (see balance sheet note 11).

4. **Additional paragraph for convenience translation into English:**

The effects of differences between accounting principles issued by CMB, the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") 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

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

Coşkun Şen, SMMM
Partner

İstanbul, 12 March 2004

Türk Pirelli Kablo ve Sistemleri A.Ş.
Balance Sheets Prepared Based On Historic Cost Basis - Assets
At December 31, 2003 and 2002

(Millions of Turkish Lira)

| | Current Period 31-December-2003 | | Previous Period 31-December-2002 | |
|--|------------------------------------|-------------------|-------------------------------------|--------------------|
| I- CURRENT ASSETS | | | | |
| A-Liquid Assets | | 19,334,399 | 85,603,380 | 6,471,924 |
| 1-Cash | 5,149 | | | 5,387 |
| 2-Banks | 19,043,716 | | | 5,930,982 |
| 3-Other Liquid Assets | 285,534 | | | 535,555 |
| B-Marketable Securities | | 0 | | 0 |
| 1-Quoted Shares | 0 | | | 0 |
| 2-Private Sector Bonds and Treasury Bills | 0 | | | 0 |
| 3-Government Bonds and Treasury Bills | 0 | | | 0 |
| 4-Other Marketable Securities | 0 | | | 0 |
| 5-Allowance for Marketable Securities | 0 | | | 0 |
| C-Short Term Trade Receivables | | 31,940,347 | | 43,850,412 |
| 1-Customers | 42,148,651 | | | 55,080,206 |
| 2-Notes Receivable | 3,711,160 | | | 2,869,536 |
| 3-Deposits and Guarantees | 1,778 | | | 1,080 |
| 4-Other Short Term Trade Receivables | 0 | | | 0 |
| 5-Discount on Receivables (-) | (136,908) | | | (115,494) |
| 6-Allowance for Doubtful Receivables (-) | (13,784,334) | | | (13,984,916) |
| D-Other Short Term Receivables | | 2,743,388 | | 3,417,195 |
| 1-Receivable from Shareholders | 0 | | | 0 |
| 2-Receivable from Investees | 0 | | | 0 |
| 3-Receivable from Participations | 0 | | | 0 |
| 4-Other Short Term Receivables | 6,351,238 | | | 7,631,490 |
| 5-Discount on Receivables (-) | 0 | | | 0 |
| 6-Allowance for Doubtful Receivables (-) | (3,607,850) | | | (4,214,295) |
| E-Inventories | | 28,813,259 | | 21,749,966 |
| 1-Raw Materials | 6,496,465 | | | 5,018,068 |
| 2-Work in Process | 6,052,451 | | | 4,128,764 |
| 3-Semi-Finished Goods | 0 | | | 0 |
| 4-Finished Goods | 5,923,948 | | | 4,172,394 |
| 5-Trading Goods | 158,188 | | | 174,562 |
| 6-Other Inventories | 231,631 | | | 256,553 |
| 7-Over Allowance for Inventories (-) | (367,071) | | | (214,435) |
| 8-Advances Given for Inventory Purchases | 10,317,647 | | | 8,214,060 |
| F-Other Current Assets | | 2,771,987 | | 1,384,745 |
| II- LONG TERM ASSETS | | | 33,784,913 | 27,571,682 |
| A-Long Term Trade Receivables | | 47 | | 47 |
| 1-Customers | 0 | | | 0 |
| 2-Notes Receivable | 0 | | | 0 |
| 3-Deposits and Guarantees | 47 | | | 47 |
| 4-Other Long Term Trade Receivables | 0 | | | 0 |
| 5-Discount on Receivables (-) | 0 | | | 0 |
| 6-Allowance for Doubtful Receivables (-) | 0 | | | 0 |
| B-Other Long Term receivables | | 0 | | 0 |
| 1-Receivable from Shareholders | 0 | | | 0 |
| 2-Receivable from Investments | 0 | | | 0 |
| 3-Receivable from Participations | 0 | | | 0 |
| 4-Other Long Term Receivables | 0 | | | 0 |
| 5-Rediscount on Receivables (-) | 0 | | | 0 |
| 6-Allowance for Doubtful Receivables (-) | 0 | | | 0 |
| C-Investments | | 3,768,000 | | 314,000 |
| 1-Restricted Marketable Securities | 0 | | | 0 |
| 2-Allowance for Restricted Marketable Securities (-) | 0 | | | 0 |
| 3-Investments | 20,000 | | | 20,000 |
| 4-Capital Commitments to Investments (-) | 0 | | | 0 |
| 5-Allowance for Investments (-) | (20,000) | | | (20,000) |
| 6-Affiliated Companies | 0 | | | 0 |
| 7-Capital Commitments to Affiliated Companies (-) | 0 | | | 0 |
| 8-Allowance for Affiliated Companies (-) | 0 | | | 0 |
| 9-Other Investments | 3,768,000 | | | 314,000 |
| D-Tangible Assets | | 29,931,025 | | 27,140,368 |
| 1-Land | 379,018 | | | 679,018 |
| 2-Land Improvements | 143,887 | | | 143,887 |
| 3-Buildings | 26,322,836 | | | 20,309,666 |
| 4-Machinery and Equipment | 58,959,724 | | | 47,982,433 |
| 5-Motor Vehicles | 1,805,203 | | | 1,471,667 |
| 6-Furnitures and Fixtures | 6,863,966 | | | 5,656,833 |
| 7-Other Tangible Assets | 25,846 | | | 23,054 |
| 8-Accumulated Depreciation (-) | (64,658,489) | | | (49,153,456) |
| 9-Construction in Progress | 65 | | | 65 |
| 10-Advances Given For Fixed Asset Purchases | 88,969 | | | 27,201 |
| E-Intangible Assets | | 69,607 | | 105,389 |
| 1-Preoperating Expenses | 0 | | | 0 |
| 2-Rights | 0 | | | 0 |
| 3-Research and Development Expenses | 0 | | | 0 |
| 4-Other Intangible Assets | 69,607 | | | 105,389 |
| 5-Advances Given for Intangible Asset Purchases | 0 | | | 0 |
| F-Other Long Term Assets | | 16,234 | | 11,878 |
| TOTAL ASSETS | | | 119,388,293 | 104,445,924 |

Türk Pirelli Kablo ve Sistemleri A.Ş.
Balance Sheets Prepared Based On Historic Cost Basis - Liabilities and Stockholders' Equity
At December 31, 2003 and 2002

| (Millions of Turkish Lira) | Current Period 31-December-2003 | | Previous Period 31-December-2002 | |
|---|------------------------------------|--------------------|-------------------------------------|--------------------|
| I- CURRENT LIABILITIES | | 50,799,592 | | 52,812,096 |
| A-Borrowings | | 0 | | 558,647 |
| 1-Bank Borrowings | 0 | | 558,647 | |
| 2-Current Portion of Long Term Bank Borrowing's | 0 | | 0 | |
| 3-Bonds | 0 | | 0 | |
| 4-Bills | 0 | | 0 | |
| 5-Other Borrowings | 0 | | 0 | |
| B-Trade Payables | | 33,476,085 | | 38,058,861 |
| 1-Suppliers | 13,499,064 | | 21,889,722 | |
| 2-Notes Payable | 20,045,504 | | 16,570,225 | |
| 3-Deposits and Guarantees | 0 | | 0 | |
| 4-Other Trade Payables | 0 | | 0 | |
| 5-Discount on Payables (-) | (68,483) | | (401,086) | |
| C-Other Short Term Payables | | 3,703,402 | | 5,202,603 |
| 1-Dividends Payable | 735 | | 12,298 | |
| 2-Payable to Investments | 0 | | 0 | |
| 3-Payable to Participations | 0 | | 0 | |
| 4-Accrued Expenses | 2,803,065 | | 3,835,520 | |
| 5-Taxes and Duties | 617,982 | | 1,052,830 | |
| 6-Deferred Payables to Government | 0 | | 0 | |
| 7-Other Short Term Payables | 282,324 | | 302,937 | |
| 8-Discount on Payables (-) | (704) | | (982) | |
| D-Advances Received | | 13,161,475 | | 8,444,554 |
| E-Accruals | | 458,630 | | 547,431 |
| 1-Accrual for Corporation Tax and Income Taxes | 458,630 | | 547,431 | |
| 2-Other Short Term Accruals | 0 | | 0 | |
| II- LONG TERM LIABILITIES | | 5,866,014 | | 6,299,065 |
| A-Borrowings | | 0 | | 0 |
| 1-Bank Borrowings | 0 | | 0 | |
| 2-Bonds | 0 | | 0 | |
| 3-Other Securities | 0 | | 0 | |
| 4-Other Borrowings | 0 | | 0 | |
| B-Trade Payables | | 0 | | 0 |
| 1-Suppliers | 0 | | 0 | |
| 2-Notes Payable | 0 | | 0 | |
| 3-Deposits and Guarantees | 0 | | 0 | |
| 4-Other Trade Payables | 0 | | 0 | |
| 5-Discount on Payables (-) | 0 | | 0 | |
| C-Other Long Term Payables | | 0 | | 0 |
| 1-Dividends Payable | 0 | | 0 | |
| 2-Payable to Investments | 0 | | 0 | |
| 3-Payable to Participations | 0 | | 0 | |
| 4-Deferred Payables to Government | 0 | | 0 | |
| 5-Other Long Term Payables | 0 | | 0 | |
| 6-Discount on Payables (-) | 0 | | 0 | |
| D-Advances Received | | 0 | | 0 |
| E-Accruals | | 5,866,014 | | 6,299,065 |
| 1-Reserve for Employee Termination Indemnity | 4,979,796 | | 6,089,065 | |
| 2-Other Long Term Accruals | 886,218 | | 210,000 | |
| III- STOCKHOLDERS' EQUITY | | 62,722,687 | | 45,334,763 |
| A-Share Capital | | 9,828,000 | | 9,828,000 |
| B-Capital Commitments (-) | | 0 | | 0 |
| C-Share Premium | | 108,756 | | 108,756 |
| D-Revaluation Surplus | | 38,753,063 | | 27,878,211 |
| 1-Revaluation Surplus on Tangible Assets | 35,299,063 | | 27,878,211 | |
| 2-Revaluation Surplus on Investments | 3,454,000 | | 0 | |
| 3-Rev. Surplus on Invest.Quoted in Ist.Stock Exch. | 0 | | 0 | |
| E-Reserves | | 11,740,579 | | 10,539,652 |
| 1-Legal Reserves | 1,281,639 | | 1,281,639 | |
| 2-Statutory Reserves | 0 | | 0 | |
| 3-Special Reserves | 0 | | 0 | |
| 4-General Reserves | 7,033,294 | | 7,033,294 | |
| 5-Cost Increase Fund | 2,224,719 | | 2,224,719 | |
| 6-Inc.to be Add.to Cap.from Share of Part.and Land Sal. | 1,200,927 | | 0 | |
| F-Income for the Year | | 5,312,145 | | 0 |
| G-Loss for the Year (-) | | 0 | | (3,019,856) |
| H- Accumulated Losses (-) | | (3,019,856) | | 0 |
| 1. Loss | (3,019,856) | | 0 | |
| 2. Loss | 0 | | 0 | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | | 119,388,293 | | 104,445,924 |

Türk Pirelli Kablo ve Sistemleri A.Ş.
Statements of Income Prepared Based On Historic Cost Basis
For The Years Ended December 31, 2003 and 2002

(Millions of Turkish Lira)

| | Current Period 31-December-2003 | Previous Period 31-December-2002 |
|---|------------------------------------|-------------------------------------|
| A- GROSS SALES | 223,558,064 | 196,854,700 |
| 1- Domestic Sales | 158,403,365 | 100,266,578 |
| 2- Export Sales | 64,853,182 | 96,112,894 |
| 3- Other Sales | 301,517 | 475,228 |
| B- SALES DEDUCTIONS (-) | (70,031,905) | (37,100,412) |
| 1- Sales Returns (-) | (1,898,569) | (1,694,668) |
| 2- Sales Discounts (-) | (68,133,336) | (35,405,744) |
| 3- Other (-) | 0 | 0 |
| C- NET SALES | 153,526,159 | 159,754,288 |
| D- COST OF SALES | (125,573,987) | (122,942,842) |
| GROSS MARGIN | 27,952,172 | 36,811,446 |
| E- OPERATING EXPENSES (-) | (21,274,318) | (27,798,910) |
| 1-Research and Development Expenses (-) | (791,743) | (987,367) |
| 2-Selling and Distribution Expenses (-) | (11,069,425) | (12,907,165) |
| 3-General and Administrative Expenses (-) | (9,413,150) | (13,904,378) |
| OPERATING PROFIT | 6,677,854 | 9,012,536 |
| F- OTHER INCOME | 7,882,727 | 4,999,950 |
| 1-Dividend Income from Investments | 0 | 0 |
| 2-Dividend Income from Participations | 0 | 0 |
| 3-Interest and Other Dividend Income | 1,519,234 | 121,122 |
| 4-Other | 6,363,493 | 4,878,828 |
| G- OTHER EXPENSES | (7,538,520) | (3,577,562) |
| H- FINANCING EXPENSE (-) | (659,708) | (12,914,246) |
| 1-Short Term Borrowing's (-) | (659,708) | (12,914,246) |
| 2-Long Term Borrowing's (-) | 0 | 0 |
| INCOME BEFORE EXTRAORDINARY ITEMS | 6,362,353 | (2,479,322) |
| I- EXTRAORDINARY INCOME | 158,179 | 782,059 |
| 1-Reversal of Provisions | 91,882 | 118,262 |
| 2-Income Related to Prior Periods | 28,618 | 1,109 |
| 3-Other | 37,679 | 662,688 |
| J- EXTRAORDINARY EXPENSE | (749,757) | (775,162) |
| 1-Expenses Related to Idle Time | 0 | 0 |
| 2-Expenses Related to Prior Periods | (590,600) | (674,586) |
| 3-Other | (159,157) | (100,576) |
| INCOME BEFORE TAXES | 5,770,775 | (2,472,425) |
| K- TAXES ON INCOME | (458,630) | (547,431) |
| NET INCOME FOR THE YEAR | 5,312,145 | (3,019,856) |

Türk Pirelli Kablo ve Sistemleri A.Ş.
Cash Flow Statements Prepared Based On Historic Cost Basis
For The Years Ended December 31, 2003 and 2002

(Millions of Turkish Lira)

| | Current Period 31-December-2003 | | Previous Period 31-December-2002 | |
|--|------------------------------------|-------------|-------------------------------------|-------------|
| A- CASH AT THE BEGINNING OF THE PERIOD | | 6,471,924 | | 708,265 |
| B- CASH INFLOW DURING THE PERIOD | | 179,503,362 | | 184,719,054 |
| 1- Cash Received from Sales | | 165,615,391 | | 164,363,653 |
| a) Net Sales | 153,526,158 | | 159,754,288 | |
| b) Decrease in Receivables (from sales) | 12,089,233 | | 4,609,365 | |
| c) Increase in Receivables (from sales) | 0 | | 0 | |
| 2- Cash Received from Other Incomes and Profits | | 7,882,727 | | 4,999,950 |
| 3- Cash Received from Extraordinary Incomes and Profits | | 158,179 | | 782,059 |
| 4- Cash Received from Increases in Current Liabilities (not related to purchases) | | 4,716,921 | | 6,801,337 |
| a) Securities Issued | 0 | | 0 | |
| b) From Loans | 0 | | 0 | |
| c) Other Increases | 4,716,921 | | 6,801,337 | |
| 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 | | 0 | | 6,048,000 |
| 7- Cash Received from Emission Premiums | | 0 | | 75,936 |
| 8- Other Cash Inflow | | 1,130,144 | | 1,648,119 |
| C- CASH OUTFLOW DURING THE PERIOD | | 166,640,887 | | 178,955,395 |
| 1- Cash Outflow Resulting from Sales | | 131,401,576 | | 126,947,087 |
| a) Cost Of Sales | 125,573,987 | | 122,942,842 | |
| b) Increases in Inventories | 7,063,293 | | 8,948,114 | |
| c) Decreases in Liabilities (related to purchases) | 4,915,379 | | 239,455 | |
| d) Increases in Liabilities (related to purchases) | 0 | | 0 | |
| e) Non-Cash Expenses such as Depreciation and Provisions | -6,151,083 | | -5,183,324 | |
| f) Decreases in Inventories (-) | 0 | | 0 | |
| 2- Cash Outflow Related to Operations | | 20,497,299 | | 20,472,921 |
| a) Research and Development Expenses | 791,743 | | 987,367 | |
| b) Marketing, Sales and Distribution Expenses | 11,069,425 | | 12,907,165 | |
| c) General Administrative Expenses | 9,413,150 | | 13,904,378 | |
| d) Expenses Not Requiring Cash Outflow | -777,019 | | -7,325,989 | |
| 3- Cash Outflow Related to Other Expenses and Losses | | 7,538,520 | | 3,577,562 |
| a) Expenses and Losses Related to Other Operations | 7,538,520 | | 3,577,562 | |
| b) Non-Cash Expenses and Losses | 0 | | 0 | |
| 4- Cash Outflow Related to Financial Expenses | | 659,708 | | 12,914,246 |
| 5- Cash Outflow Related to Extraordinary Expenditures and Losses | | 749,757 | | 775,162 |
| a) Extraordinary Expenditures and Losses | 749,757 | | 775,162 | |
| b) Non-Cash Expenses and Losses | 0 | | 0 | |
| 6- Cash Outflow Related to Long Term Asset Investments | | 3,300,707 | | 3,437,263 |
| 7- Principal Payments of Short Term Debt (not related to purchases) | | 558,647 | | 8,065,606 |
| a) Principal Payments of Securities | 0 | | 0 | |
| b) Principal Payments of Loans Used | 0 | | 8,065,606 | |
| c) Other Cash Outflow | 558,647 | | 0 | |
| 8- Principal Payments of Long Term Debt (not related to purchases) | | 0 | | 0 |
| a) Principal Payments of Securities | 0 | | 0 | |
| b) Principal Payments of Loans Used | 0 | | 0 | |
| c) Other Cash Outflow | 0 | | 0 | |
| 9- Taxes Paid and Other Levies | | 547,431 | | 2,647,476 |
| 10- Dividends Paid | | 0 | | 0 |
| 11- Other Cash Outflow | | 1,387,242 | | 118,072 |
| D- CASH AT THE END OF THE PERIOD | | 19,334,399 | | 6,471,924 |
| E- INCREASE / (DECREASE) IN CASH | | 12,862,475 | | 5,763,659 |

Türk Pirelli Kablo ve Sistemleri A.Ş.
Sources and Uses of Funds Statements Prepared Based On Historic Cost Basis
For The Years Ended December 31, 2003 and 2002

(Millions of Turkish Lira)

| | Current Period 31-December-2003 | | Previous Period 31-December-2002 | |
|--|------------------------------------|-------------------|-------------------------------------|-------------------|
| A- SOURCES OF FUNDS | | 14,670,975 | | 18,360,407 |
| 1- Sources from Operations | | 13,304,869 | | 11,310,017 |
| a) Net Profit from Operations | 6,362,353 | | 0 | |
| b) Depreciation (+) | 7,561,735 | | 5,838,379 | |
| c) Other Non-Cash Expenses (+) | 669,218 | | 5,742,961 | |
| d) Income Not Generating Cash Inflow (-) | (1,288,437) | | (271,323) | |
| 2- Sources from Extraordinary Profits | | 158,179 | | 782,059 |
| a) Extraordinary Profit | 158,179 | | 782,059 | |
| b) Non-Cash Expenses (-) | 0 | | 0 | |
| c) Income Not Generating Cash Inflow (-) | 0 | | 0 | |
| 3- Decreases in Current Assets | | 0 | | 0 |
| 4- Decreases in Fixed Assets | | 1,207,927 | | 0 |
| 5- Increases in Current Liabilities | | 0 | | 144,395 |
| 6- Increases in Long Term Liabilities | | 0 | | 0 |
| 7- Increases in Capital (in cash) | | 0 | | 6,048,000 |
| 8- Capital Surplus | | 0 | | 75,936 |
| B- USES OF FUNDS | | 14,670,975 | | 18,360,407 |
| 1- Uses of Funds Related to Operational Losses | | 0 | | 2,479,322 |
| a) Net Loss From Operations | 0 | | 2,479,322 | |
| b) Depreciation (-) | 0 | | 0 | |
| c) Other Non-Cash Expenses (-) | 0 | | 0 | |
| d) Income Not Generating Cash Inflow (+) | 0 | | 0 | |
| 2- Uses of Funds Related to Extraordinary Losses | | 749,757 | | 775,162 |
| a) Extraordinary Losses | 749,757 | | 775,162 | |
| b) Other Non-Cash Expenses (-) | 0 | | 0 | |
| c) Income Not Generating Cash Inflow (+) | 0 | | 0 | |
| 3- Taxes Paid and Other Levies | | 547,431 | | 2,647,476 |
| 4- Dividends Paid | | 0 | | 0 |
| 5- Increases in Current Assets | | 8,549,970 | | 9,332,257 |
| 6- Increases in Fixed Assets | | 2,900,114 | | 3,126,190 |
| 7- Decreases in Current Liabilities | | 1,923,703 | | 0 |
| 8- Decreases in Long Term Liabilities | | 0 | | 0 |
| 9- Decreases in Capital | | 0 | | 0 |
| CHANGE IN NET WORKING CAPITAL | | | | |
| 1- Increase in Net Working Capital | | 10,741,642 | | 6,672,820 |
| 2- Decrease in Net Working Capital | | | | |

Türk Pirelli Kablo ve Sistemleri A.Ş.
Statements of Cost Sales Prepared Based On Historic Cost Basis
At December 31, 2003 and 2002

(Millions of Turkish Lira)

| | Current Period 31-December-2003 | | Previous Period 31-December-2002 | |
|--|------------------------------------|-------------|-------------------------------------|-------------|
| PRODUCTION ACTIVITIES | | | | |
| A- Cost Of Raw Materials Used | | 91,343,996 | | 100,599,113 |
| B- Cost Of Direct Labour | | 5,969,845 | | 5,076,748 |
| C- General Production Overheads | | 19,767,608 | | 17,092,290 |
| D- Cost Of Semi Finished Goods Used | | (1,923,687) | | (961,192) |
| 1- Beginning Inventory (+) | 4,128,764 | | 3,167,572 | |
| 2- Ending Inventory (-) | (6,052,451) | | (4,128,764) | |
| COST OF FINISHED GOODS PRODUCED | | 115,157,762 | | 121,806,959 |
| E- Change In Finished Goods Inventory | | (1,751,554) | | (2,258,359) |
| 1- Beginning Inventory (+) | 4,172,394 | | 1,914,035 | |
| 2- Ending Inventory (-) | (5,923,948) | | (4,172,394) | |
| I. COST OF FINISHED GOODS SOLD | | 113,406,208 | | 119,548,600 |
| TRADING OPERATIONS | | | | |
| A- Beginning Merchandise Inventory | | 174,562 | | 32,890 |
| B- Purchases During The Period (+) | | 4,902,343 | | 3,501,655 |
| C- Ending Merchandise Inventory (-) | | (158,188) | | (174,562) |
| II. COST OF MERCHANDISE SOLD | | 4,918,717 | | 3,359,983 |
| III. COST OF SERVICES RENDERED | | 7,249,062 | | 34,259 |
| COST OF SALES (I+II+III) | | 125,573,987 | | 122,942,842 |

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis

Amounts expressed in millions of Turkish Lira

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

| | <u>31 December 2003</u> | | <u>31 December 2002</u> | |
|----------------------------|-----------------------------------|--|-----------------------------------|--|
| | Shareholding Percentage (%) | Shareholding Amount (TL million) | Shareholding Percentage (%) | Shareholding Amount (TL million) |
| Pirelli Cable Holding N.V. | 83.75 | 8,230,599 | 83.75 | 8,230,599 |
| Other | 16.25 | 1,597,401 | 16.25 | 1,597,401 |
| | 100.00 | 9,828,000 | 100.00 | 9,828,000 |

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

None (2002 : None).

4. Registered share capital limit

As of 31 December 2003, the Company's registered share capital limit is TL 10,000,000 million (2002: TL 10,000,000 million). The Board of Directors has decided to increase the registered share capital limit from TL 10,000,000 million to TL 80,000,000 million during the meeting held on 17 October 2003 based on the decision 2003/18. In accordance with the decision taken, the Company has applied to the CMB as of 27 October 2003. As a result of the application, the authorization related to registered capital limit increase to TL 80,000,000 has been obtained on 27 October 2003 with the decision OFD-1875/15736.

5. Capital increases during the period and their sources

None (2002: The Company has increased its capital by 160 % from TL 3,780,000 million to TL 9,828,000 million).

6. Marketable securities issued during the period excluding ordinary shares

None. (2002: None.).

7. Marketable securities representing debts which matured during the period

None (2002: None).

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis

Amounts expressed in millions of Turkish Lira

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

| | 31 December 2003 <u>TL million</u> | 31 December 2002 <u>TL million</u> |
|---|---------------------------------------|---------------------------------------|
| a) Total cost of property, plant and equipment purchased: | 3,238,939 | 3,589,003 |
| b) Total cost of property, plant and equipment sold or used as scrap: | 404,949 | 102,170 |
| c) Revaluation increase in the current period: | 7,425,210 | 10,826,354 |
| - In cost (+) | 15,534,137 | 21,276,259 |
| - In accumulated depreciation (-) | 8,108,927 | 10,449,905 |
| d) Construction in progress: | 89,034 | 27,266 |

| 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 | 31.12.2003 | 9,271,117 | 5,940,113 | 64 |
| Invest. (3922) | 15.02.2002 | 15.02.2004 | 3,508,003 | 1,569,614 | 45 |

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

The amount of investment allowances utilised in the current year is TL 748,131 million (2002: TL 2,764,803 million). The amount of investment allowances that will be utilised in the following periods is TL 5,269,393 million (2002: TL 5,413,951 million).

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis

Amounts expressed in millions of Turkish Lira

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

| | 31 December 2003 | | 31 December 2002 | |
|--|------------------|------------------|------------------|------------------|
| | Receivables | Payables | Receivables | Payables |
| | TL Million | TL Million | TL Million | TL Million |
| Trade | | | | |
| Group Companies | | | | |
| Pirelli Energie Cables et Sys. | - | 36,070 | - | - |
| Pirelli Cavi E Sist. Energia ITA | 370,119 | 153,627 | - | - |
| Pirelli Romania Cabluri ve Sisteme SA | 409,364 | 48,051 | - | - |
| Pirelli Cables Systems PTE | 142,004 | 9,371 | - | - |
| Çelikord A.Ş. | - | 21,144 | - | - |
| Türk Pirelli Lastikleri A.Ş. | - | 52,791 | 72,650 | 33,103 |
| Pirelli Power Systems USA | - | 186,884 | - | 104,451 |
| Pirelli Cables and Systems | 17,063 | - | - | - |
| Kalo Bratislava | 4,129 | - | - | - |
| Pirelli Submarine Telecom Sys Italia Spa | 7,860 | - | - | - |
| Pirelli Telecom Cables Y Systeme Espana | 122,645 | - | - | - |
| Pirelli OEKW GmbH | - | 3,699 | - | - |
| Pirelli Cables Australia Ltd | - | - | 141,479 | - |
| Pirelli Cavi Telecom Spa | 1,388,013 | 156,124 | 1,542,766 | 551,662 |
| Pirelli Cavi e Sis. Energia | - | 1,331,626 | 151,000 | 3,564,597 |
| Pirelli Cavi E Sistemi Telecom ITALIA | - | 10,170 | - | - |
| Pirelli Cables Ltd Hamsire | 158,062 | 37,403 | 838,428 | - |
| Pirelli Finlandiya | 139,302 | 46,646 | - | - |
| Fibre Ottiche Sud Fos SpA | - | 3,322 | - | 735,077 |
| Pirelli Metals Ltd. | - | - | - | 3,409,704 |
| Pirelli SPA | - | 16,945 | - | - |
| Pirelli Kabel und Sys. GMBH | 223,102 | - | - | 8,869 |
| Pirelli Cables and Systemes NV | 182,115 | - | 590,286 | - |
| MKM Magyar Kabel Müvek | - | - | 2,064 | 224,331 |
| Pirelli Telecom Kabel und Systeme | 832,020 | 27,722 | 49,915 | - |
| Pirelli Telecom Cables | 2,232,659 | - | 46,523 | - |
| Pirelli Tyres Limited | - | 9,539 | - | 10,109 |
| Total | 6,228,457 | 2,151,134 | 3,435,111 | 8,641,903 |
| Non-trade | | | | |
| Shareholders | | | | |
| Dividends payable to other shareholders | - | 735 | - | 12,298 |

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis

Amounts expressed in millions of Turkish Lira

11. The methods of valuation on inventories and other balance sheet items, depreciation and inventory calculations, 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 cut-off assumptions of the Company

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 (excluding Communiqués XI No. 20 and 21). These principles and rules are hereinafter 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.

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 48 %, (2002:64 %). LIBOR interest ratio of 1.15188 % (2002: 1.38281 %) 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 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” under inventories and the progress payments are recorded as “order advances received” under liabilities.

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis

Amounts expressed in millions of Turkish Lira

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 20-50 % are considered as investments. Investments under 20 % 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 rates given by Ministry of Finance. For the year ended at 31 December 2003, the revaluation rate was 28.5 %.

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 |
|-------------------------|----------------------------|-------------|
| | <u>%</u> | <u>%</u> |
| 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.

Intangible assets

Intangible assets are amortised over five years.

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis

Amounts expressed in millions of Turkish Lira

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

Corporation tax is payable at a rate of 30 % on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed. For the year 2004 the corporation tax rate is 33 %.

Dividends paid to non-resident corporations which have a place of business in Turkey or resident corporations are not subject to a withholding tax. Otherwise, dividends paid are subject to a withholding tax at the rate of 11 % (10 % effective from 1 January 2004). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 30 % (33 % in the fiscal year 2004) on their corporate income. Corporations declare advance tax till the 10th of the second month following each calander quarter and pay the advance tax till the end of the 17th day evening. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to be set off against other liabilities to the government.

Capital gains derived from the sale of equity investments and immovable held for not less than two years are tax exempt until 31 December 2004, if such gains are added to paid-in capital in the year in which they are sold.

After 24 April 2003, capital expenditures related to fixed assets, with some exceptions, over TL 5 billion are eligible for investment incentive allowance of 40 %, which is deductible from taxable income prior to calculation of the corporate income tax, without the requirement of an investment incentive certificate, and the amount of allowance is not subject to withholding tax. Investment allowances utilized within the scope of investment incentive certificates granted to applications filed prior to 24 April 2003 are subject to withholding tax at the rate of 19.8 %, irrespective of profit distribution.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis

Amounts expressed in millions of Turkish Lira

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under these principles tax provisions presented under short-term accrued liabilities amounts to TL 458,630 million (2002: TL 547,431 million) and are reflected to the accompanying income statement.

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 1,389,950,000 (2002: TL 1,260,150,000) 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 4,979,796 million (2002: TL 6,089,065 million) as at 31 December 2003.

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 recorded in the income statement until the end of the contract. Therefore, costs related to projects are recorded to "order advances given" under inventories and the progress payments are recorded to "order advances received" under liabilities.

Other balance sheet items

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

12. Subsequent events

Effective from 1 January 2004 the legal limit for employment termination benefit ceiling has been increased to TL. 1,485,430,000. The effect of this increase in the provision for employee termination benefit account is an increase of TL 327,491 million (2002: Effective from 1 January 2003 the legal limit for employment termination benefit ceiling has been increased to TL 1,323,950,000. The effect of this increase in the provision for employee termination benefit account is an increase of TL 292,935 million).

13. Contingent losses and gains

None (2002: None).

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

None (2002: None).

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis

Amounts expressed in millions of Turkish Lira

15. Mortgages or restrictions on assets

None (2002: None).

16. Total insurance coverage on assets

Total insurance coverage on assets as of 31 December 2003 is TL 189,080,270 million (2002: TL 211,544,509 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 26,292,556 million (2002: TL 30,465,574 million) as of 31 December 2003.

18. Commitments and contingent liabilities

The breakdown of commitments and contingent liabilities is as follows:

| | 31 December 2003 | 31 December 2002 |
|----------------------------|--------------------------|-------------------|
| | <u>TL million</u> | <u>TL million</u> |
| Letter of guarantee | 18,196,652 | 21,544,918 |
| Guarantees and bails given | = | <u>500</u> |
| | <u>18,196,652</u> | <u>21,545,418</u> |

19. Blocked deposits at banks

None (2002: 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 (2002: None).

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis

Amounts expressed in millions of Turkish Lira

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

| | 31 December 2003 <u>TL million</u> | 31 December 2002 <u>TL million</u> |
|---|---------------------------------------|---------------------------------------|
| Current assets | | |
| Other current assets | | |
| Checks to be collected | <u>285,534</u> | <u>535,555</u> |
| | <u>285,534</u> | <u>535,555</u> |
| Other short-term receivables | | |
| Short-term other receivables | | |
| Other doubtful receivables | 3,607,850 | 4,214,295 |
| VAT receivables (export) | 1,767,072 | 1,273,072 |
| VAT receivable (dir. export) | 924,186 | 2,094,717 |
| Other non-trade receivables | 13,639 | 22,320 |
| Job advances | 11,925 | 20,000 |
| Receivables from personnel | <u>26,566</u> | <u>7,086</u> |
| | <u>6,351,238</u> | <u>7,631,490</u> |
| Long-term financial assets | | |
| Other long-term financial assets | | |
| Other long-term financial assets (Entek A.Ş.) | <u>3,768,000</u> | <u>314,000</u> |
| | <u>3,768,000</u> | <u>314,000</u> |
| Intangible assets | | |
| Other intangible assets | | |
| SAP software | 309,631 | 300,713 |
| SAP software accumulated depreciation (-) | <u>(240,024)</u> | <u>(195,324)</u> |
| | <u>69,607</u> | <u>105,389</u> |
| Other short-term liabilities | | |
| Taxes, duties, and other withholding payable | | |
| Taxes and funds payable | 398,716 | 828,547 |
| Social security premiums payable | <u>219,266</u> | <u>224,283</u> |
| | <u>617,982</u> | <u>1,052,830</u> |

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis

Amounts expressed in millions of Turkish Lira

| | 31 December 2003 <u>TL million</u> | 31 December 2002 <u>TL million</u> |
|---|---------------------------------------|---------------------------------------|
| Income and gains from other operating activities | | |
| Income and gains from operating activities | | |
| Foreign exchange income | 3,566,004 | 2,613,233 |
| Raw materials sales income | 2,441,079 | 1,596,707 |
| Other income | <u>356,410</u> | <u>668,888</u> |
| | <u>6,363,493</u> | <u>4,878,828</u> |
| Expense and losses from other operating activities | | |
| Foreign exchange losses | 2,557,757 | 83,283 |
| Restructuring expenses | 2,006,712 | 1,723,309 |
| Scrap sales loss | 1,450,554 | 815,605 |
| Cost of raw materials sold | 973,319 | 276,577 |
| Export expenses | 167,474 | 273,222 |
| Other expenses | <u>382,704</u> | <u>405,566</u> |
| | <u>7,538,520</u> | <u>3,577,562</u> |
| Extraordinary income and gains | | |
| Other extraordinary income and gains | | |
| Fixed asset sale income | 28,338 | 481,123 |
| Income from insurance claims | 1,641 | 1,916 |
| Compensation income | - | 91,500 |
| Other extraordinary income and gains | <u>7,700</u> | <u>88,149</u> |
| | <u>37,679</u> | <u>662,688</u> |
| Extraordinary expense and losses | | |
| Other extraordinary income and losses | | |
| Other extraordinary expense and losses (Tax Funds) | 153,729 | - |
| Stock count differences | 4,571 | 2,742 |
| Mortgage expenses | - | 75,000 |
| Other extraordinary expense and losses | <u>857</u> | <u>22,834</u> |
| | <u>159,157</u> | <u>100,576</u> |

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis

Amounts expressed in millions of Turkish Lira

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

None (2002: None).

24. Doubtful receivables due from shareholders, affiliates and subsidiaries

None (2002: None).

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

The total provision for overdue and non-overdue receivables amounts to TL 17,392,184 million (2002: TL 18,199,211 million) at 31 December 2003. TL 14,059,660 million (2002: TL 10,762,865 million) out of this amount is legal doubtful receivable provision and the remaining amount of TL 3,332,524 (2002: TL 7,436,346 million) is general doubtful receivable provision.

26. The breakdown 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 2003:

| | Share (%) | Investment Amount Million TL | Net (Income/loss) | Gross (Income/loss) | Date of Financial Statement | Compliance with CMB Standards | Audited 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 | 3,768,000 | 16,710,384 | 20,589,633 | 30.09.03 | Not Suitable | No | - |

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis

Amounts expressed in millions of Turkish Lira

31 December 2002:

| | Share (%) | Investment Amount Million TL | Net (Income/loss) | Gross (Income/loss) | Date of Financial Statement | Compliance with CMB Standards | Audited 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 | - |

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

Due to the bonus shares issued by of Entek A.Ş. the Company's investment in Entek A.Ş. has increased by TL 3,454,000 million (2002:None).

28. Rights on immovables and their value

None (2002:None).

29. Revaluation of fixed assets in the last three years

| <u>Year</u> | <u>Revaluation on fixed assets TL million</u> | <u>Revaluation on accumulated depreciation TL million</u> | <u>Revaluation on net book value TL million</u> |
|---------------|---|---|---|
| December 2001 | 12,941,302 | 5,971,987 | 6,969,315 |
| December 2002 | 21,276,259 | 10,449,905 | 10,826,354 |
| December 2003 | 15,534,137 | 8,108,927 | 7,425,210 |

Türk Pirelli Kablo ve Sistemleri A.Ş.
Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis
Amounts expressed in millions of Turkish Lira
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 2003 | | | 31 December 2002 | | |
|--------------------------------------|-----------------------------|-------------------------|-------------------|-----------------------------|-------------------------|-------------------|
| | Amount in original currency | Valuation exchange rate | TL Million | Amount in original currency | Valuation exchange rate | TL Million |
| Cash | | | | | | |
| EUR | 2,495 | 1,745,072 | 4,354 | 1,488 | 1,703,477 | 2,535 |
| USD | 59 | 1,395,835 | 82 | 1,062 | 1,634,501 | 1,736 |
| GBP | - | - | - | 30 | 2,618,888 | 79 |
| Bank deposits | | | | | | |
| USD | 2,228,441 | 1,395,835 | 3,110,536 | 2,187,795 | 1,634,501 | 3,575,953 |
| EUR | 5,484,220 | 1,745,072 | 9,570,359 | 1,362,480 | 1,703,477 | 2,320,953 |
| Receivables | | | | | | |
| USD | 8,436,039 | 1,395,835 | 11,775,318 | 17,307,854 | 1,634,501 | 28,289,705 |
| EUR | 3,659,844 | 1,745,072 | 6,386,691 | 2,433,273 | 1,703,477 | 4,145,025 |
| GBP | 647 | 2,476,610 | 1,602 | 57,690 | 2,618,888 | 151,083 |
| Notes receivable | | | | | | |
| USD | 97,373 | 1,395,835 | 135,917 | 15,712 | 1,634,501 | 25,682 |
| EUR | 38,440 | 1,745,072 | 67,081 | - | - | - |
| Deposits given | | | | | | |
| USD | 500 | 1,395,835 | 698 | - | - | - |
| Doubtful receivables | | | | | | |
| USD | 9,293,159 | 1,395,835 | 12,971,717 | 6,341,366 | 1,634,501 | 10,364,969 |
| EUR | 333,411 | 1,745,072 | 581,826 | - | - | - |
| Other non-trade receivables | | | | | | |
| USD | - | - | - | 6 | 1,634,501 | 10 |
| EUR | 4,073 | 1,745,072 | 7,108 | - | - | - |
| Receivables from personnel | | | | | | |
| USD | 2,000 | 1,395,835 | 2,792 | 40 | 1,634,501 | 65 |
| Advances given | | | | | | |
| EUR | 144,907 | 1,745,072 | 252,873 | 655,153 | 1,703,447 | 1,116,039 |
| USD | 128,659 | 1,395,835 | 179,587 | 258,990 | 1,634,501 | 423,319 |
| GBP | - | - | - | 43,500 | 2,618,888 | 113,922 |
| Total foreign currency assets | | | 45,048,540 | | | 50,531,076 |

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis

Amounts expressed in millions of Turkish Lira

| | 31 December 2003 | | | 31 December 2002 | | |
|---|-----------------------------------|-------------------------------|--------------------------|-----------------------------------|-------------------------------|--------------------------|
| | Amount in original currency | Valuation exchange rate | TL Million | Amount in original currency | Valuation exchange rate | TL Million |
| Payables: | | | | | | |
| Accounts payable | | | | | | |
| EUR | 1,907,854 | 1,753,489 | 3,345,401 | 5,219,278 | 1,711,693 | 8,933,802 |
| USD | 2,975,505 | 1,402,567 | 4,173,345 | 614,333 | 1,642,384 | 1,008,971 |
| GBP | 29,075 | 2,489,556 | 72,384 | 52,311 | 2,632,577 | 137,713 |
| CHF | 38,500 | 1,123,942 | 43,272 | 14,996 | 1,177,167 | 17,653 |
| Notes payable | | | | | | |
| USD | 4,577,440 | 1,402,567 | 6,420,166 | 9,520,116 | 1,642,384 | 15,635,686 |
| EUR | 7,447,913 | 1,753,489 | 13,059,834 | - | - | - |
| Due-dated checks | | | | | | |
| USD | 327,020 | 1,402,567 | 458,667 | 273,544 | 1,642,384 | 449,264 |
| Order advances received | | | | | | |
| USD | 94,048 | 1,402,567 | 131,909 | 277,336 | 1,642,384 | 455,492 |
| EUR | 48,440 | 1,753,489 | 84,939 | - | - | - |
| Expense accruals | | | | | | |
| USD | 225,209 | 1,402,567 | 315,871 | 408,984 | 1,642,384 | 671,709 |
| EUR | 40,818 | 1,753,489 | 71,574 | 1,220,548 | 1,711,693 | 2,089,203 |
| Provision for guarantees | | | | | | |
| USD | 234,024 | 1,402,567 | 328,234 | - | - | - |
| Total foreign currency liabilities | | | <u>28,505,596</u> | | | <u>29,399,493</u> |

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Balance Sheets at 1 January-31 December 2003 and 2002 Prepared on Historical Cost Basis

Amounts expressed in millions of Turkish Lira

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

None (2002: None).

32. Average number of personnel working during the period

The average number of personnel working during the period is 295, of which 75 are administrative and 220 other personnel (2002: 115 administrative and 337 other personnel, total 452 personnel).

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

a) Order advances given included under inventories which relate to the costs of "contract work in progress" amount to TL 9,199,449 million. Order advances taken relating to the progress payments on projects amount to TL 12,894,444 million. The costs and the progress payments related with the projects are not shown in the income statement.

b) In relation with the year 2002, due to the decrease in the investment allowance the Company has revised the corporate tax return and withholding tax return and as a result recorded a tax expense of TL 463,919 million in the current year income statement (2002: In relation with the year 2001, due to the decrease in investment allowances the Company revised corporate tax return and withholding tax return and as a result netted off TL 104,305 million tax liability from exports related VAT receivables.

c) The CMB has announced with its No.363 written declaration dated 27 June 2003 that, the companies' financial statements both prepared in accordance with the CMB's Communiqué XI/20 "communiqué concerning the rules and regulations for the presentation and preparation of the financial statements during high inflationary periods" ("Inflation Communiqué") and in accordance with other rules and regulations set out by the CMB, should be independently audited. In accordance with this declaration, Türk Pirelli Kablo ve Sistemleri A.Ş. prepared the accompanying financial statements in accordance with the CMB's rules and regulations except for the Inflation Communiqué as at 31 December 2003. In addition to the accompanying financial statements, the Company's audited inflation adjusted financial statements in accordance with the Inflation Communiqué as at 31 December 2003 has also been published.

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 differ from the accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). The effects of such differences have not been quantified. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in the financial position and cash flows in accordance with the accounting principles generally accepted in such countries and the IFRS.

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Statements of Income for Years 1 January – 31 December 2003 and 2002

Amounts expressed in millions of Turkish Lira

1. Depreciation and amortization expenses for the period

| | 31 December 2003 | 31 December 2002 |
|---|-------------------|-------------------|
| | <u>TL million</u> | <u>TL million</u> |
| a) Depreciation expense | 7,517,035 | 5,792,027 |
| - Normal depreciation expense | 6,099,788 | 4,003,340 |
| - Depreciation expense due to revaluation | 1,417,247 | 1,788,687 |
| b) Amortisation expense | 44,700 | 46,352 |

2. Rediscount and provision expenses for the period

| | 31 December 2003 | 31 December 2002 |
|---|-------------------|-------------------|
| | <u>TL million</u> | <u>TL million</u> |
| a) Provision for doubtful receivables expenses | 1,384,479 | 5,361,111 |
| b) Provision for employee termination benefits expenses | 1,023,375 | 1,127,874 |
| c) Rediscount expenses | 354,295 | (616,392) |
| d) Provision for diminution in value of stocks | 152,636 | 206,407 |
| e) Provision for disabled workers | 433,521 | - |
| f) Provision for restructuring expenses | 124,463 | - |
| g) Provision for guarantees expenses | 118,234 | - |
| | 3,591,003 | 6,079,000 |

3. Financial expenses for the period

| | 31 December 2003 | 31 December 2002 |
|--------------------------------------|-------------------|-------------------|
| | <u>TL million</u> | <u>TL million</u> |
| a) Capitalised on cost of production | - | - |
| b) Expensed | 659,708 | 12,914,246 |
| | 659,708 | 12,914,246 |

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

None (2002: None).

Türk Pirelli Kablo ve Sistemleri A.Ş.
Footnotes to Statements of Income for Years 1 January – 31 December 2003 and 2002
Amounts expressed in millions of Turkish Lira
5. Sales to and purchase from shareholders affiliates and subsidiaries

| | <u>31 December 2003</u> | | <u>31 December 2002</u> | |
|--|--------------------------------|----------------------------|-------------------------|---------------------|
| | Purchases TL million | Sales TL million | Purchases TL million | Sales TL million |
| Group companies | | | | |
| Pirelli Cavi E Sistemi Telecom Spa | 706,643 | 13,498,643 | 229,073 | 13,285,864 |
| Pirelli Romania Cabluri Sis. SA | 879,086 | 446,919 | 890,114 | 3,011 |
| Pirelli OEKW GmbH | 3,694 | - | - | 160,772 |
| Pirelli Energia Cabos E Sist. | 84,895 | - | - | - |
| Fibre Ottiche Sud F.O.S. | 505,954 | - | 3,024,061 | - |
| Pirelli Societe Per Azioni | 21,307 | - | - | - |
| Çelikord A.Ş. | 72,369 | 9,389 | - | - |
| Pirelli Cables and Systems N.V. | - | 1,622,461 | - | 1,030,604 |
| Pirelli Cables and Sys. Dietikon Switzerland | - | 25,596 | - | 53,427 |
| Pirelli Cable Systems Pte Ltd. | 8,539 | - | - | - |
| Pirelli Cavi E Sistemi Italia | 10,251 | - | - | - |
| Pirelli Cables Limited Accounts Payable | - | 1,430,785 | - | - |
| Pirelli Cables Et Sys. France | - | - | 3,418 | - |
| Pirelli Metals Ltd. | 37,390 | - | 16,445,325 | - |
| Pirelli Cavi E Sis. Energia | 6,300,717 | 2,702,209 | 472,295 | - |
| Pirelli Societe Generale | 15,614 | - | 15,594 | - |
| Pirelli Cables Ltd. Hamshire | 108,028 | 1,524,176 | - | 5,106,011 |
| Pirelli Telecom Cables & Sys. Hamshire | - | 13,149,785 | - | 265,722 |
| Pirelli Tyres Ltd. | 9,635 | - | 18,475 | - |
| Pirelli Kabel & Systeme GmbH. | - | - | 34,770 | - |
| Pirelli Energia Cables & System | 129,798 | - | 23,348 | - |
| Pirelli Telecomunicações Ca | - | - | 94,810 | - |
| Türk Pirelli Lastikleri A.Ş. | 1,088,976 | - | 572,759 | - |
| MKM Magyar Kabel Müvek | 1,795,459 | 2,924,183 | 207,304 | 1,982 |
| Pirelli Cables and Systeme OY | - | 448,286 | 1,341 | - |
| Pirelli Telecom Cables Y Sis. Espana | - | 8,557 | 168,437 | - |
| Pirelli Power Cables and Systems USA | - | - | 104,451 | - |
| Pirelli Cavi E Sis. Energia Italia | 117,827 | - | 13,915 | - |
| Pirelli Kabel und System Berlin | - | 1,356,998 | - | 842,900 |
| Pirelli Telecom Kabel und Sys. Berlin | 127,171 | 2,075,014 | - | 253,770 |
| Pirelli Power Cables and Sys. Australia | 61,656 | 864,670 | - | 173,176 |
| Kablo Bratislava Spol.s.r. | 169,912 | 8,519 | 724 | - |
| Total | 12,254,921 | 42,096,190 | 22,320,214 | 21,177,239 |

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Statements of Income for Years 1 January – 31 December 2003 and 2002

Amounts expressed in millions of Turkish Lira

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

None (2002: 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 TL 214,139 million (2002: TL 177,437 million).

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

None (2002: None).

9. Inventory costing method and procedures

The cost of inventories is determined based on process costing. The monthly weighted average method is used as at 31 December 2003 and 2002.

10. Reasons for non-performance of stock count procedures

Physical stock counts were performed as at 31 December 2003 and 2002.

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

| | 31 December 2003 | 31 December 2002 |
|-----------------------|--------------------|--------------------|
| | <u>TL million</u> | <u>TL million</u> |
| Communications cables | 36,467,717 | 57,725,824 |
| Energy cables | 114,585,867 | 96,830,697 |
| | 151,053,584 | 154,556,521 |

12. Sales incentives and subsidies

None (2002: None).

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Statements of Income for Years 1 January – 31 December 2003 and 2002

Amounts expressed in millions of Turkish Lira

13. Income and expenses related to prior years

| | 31 December 2003 | 31 December 2002 |
|---|-------------------------|-------------------------|
| | <u>TL million</u> | <u>TL million</u> |
| Income related to prior years | | |
| Income from tax related claims | 13,752 | - |
| Stamp tax return | 9,535 | - |
| Policy return | 5,331 | 1,109 |
| | 28,618 | 1,109 |
| Income and expenses related to prior years | | |
| Revised corporate tax for 2002 | 463,919 | - |
| Revised corporate tax for 2001 | 104,305 | - |
| Previous period invoices | 22,376 | 44,489 |
| Additional corporate tax and interest for 2000 | - | 286,897 |
| Correction of corporate tax provision for 2001 | - | 343,200 |
| | 590,600 | 674,586 |

14. Profit per share and profit distribution per share

As of 31 December 2003, profit per share (at per value of TL 1,000) is TL 540 (2002: Profit per share and profit distribution per share has not been calculated for the year ended 31 December 2002 since there were no profits).

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

| | Unit | 31 December 2003 | 31 December 2002 | Variance % |
|-----------------------|-----------|------------------|------------------|------------|
| Communications cables | Core- Km. | 1,976,110 | 4,852,118 | (60) |
| Energy cables | Cable-Ton | 30,233 | 33,697 | (10) |
| Fiber optic cables | Faser-Km. | 13,266 | 41,682 | (68) |

Türk Pirelli Kablo ve Sistemleri A.Ş.**Footnotes to Statements of Income for Years 1 January – 31 December 2003 and 2002***Amounts expressed in millions of Turkish Lira***16. Changes in quantity of goods sold and services to be provided during the period**

| | Unit | 31 December 2003 | 31 December 2002 | Variance % |
|-----------------------|-----------|------------------|------------------|------------|
| Communications cables | Core- Km. | 1,884,722 | 4,914,071 | (62) |
| Energy cables | Cable-Ton | 30,422 | 32,699 | (7) |
| Fiber optic cables | Faser-Km. | 8,918 | 8,193 | 9 |

Auditors' Report

Independent
Auditor's Report

Independent Auditor's Report

Independent Auditor's Report, 1 January - 31 December 2003



Başaran Nas Serbest Muhasebeci
Mali Müşavirlik A.Ş.
a member of
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1. We have examined the accompanying inflation adjusted balance sheet of Türk Pirelli Kablo ve Sistemleri A.Ş. ("the Company") at 31 December 2003 and the related inflation adjusted statement of income for the year then ended. All these financial statements are expressed in terms of the purchasing power of Turkish Lira at 31 December 2003. Our examination was made in accordance with generally accepted auditing principles issued by the Capital Market Board ("CMB") and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.
2. In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of Türk Pirelli Kablo ve Sistemleri A.Ş. as at 31 December 2003 and the results of its operations for the year then ended in accordance with generally accepted accounting principles issued by the CMB (see balance sheet note 11).

Without qualifying our opinion we draw your attention to the following matters:

3. As disclosed in balance sheet notes 11 and 33 (b) to the accompanying financial statements, the CMB's Communiqué XI/20 "communiqué concerning the rules and regulations for the presentation and preparation of the financial statements during high inflationary periods" ("Inflation Communiqué") has been effective commencing from 1 January 2003. Besides, the Company has prepared its financial statements in accordance with the Inflation Communiqué for the first time during the period between 1 January - 31 December 2003. Consequently, in the accompanying financial statements, the income statement and the related footnotes for the period between 1 January - 31 December 2003 have not been presented on a comparative basis.
4. In addition to the accompanying financial statements, the Company's audited financial statements, which have not been prepared in accordance with the Inflation Communiqué, as at 31 December 2003 have also been published.

Additional paragraph for convenience translation into English:

5. The effects of differences between accounting principles issued by CMB, the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") 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 IFRS.

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

Coşkun Şen, SMMM
Partner

İstanbul, 12 March 2004

Türk Pirelli Kablo ve Sistemleri A.Ş.
Inflation Adjusted Balance Sheets - Assets
At December 31, 2003 and 2002

(Millions of Turkish Lira)

| | Current Period 31-December-2003 | | Previous Period 31-December-2002 | |
|--|------------------------------------|--------------------|-------------------------------------|--------------------|
| I- CURRENT ASSETS | | 86,793,697 | | 88,433,388 |
| A-Liquid Assets | | 19,334,399 | | 7,371,521 |
| 1-Cash | 5,149 | | 6,136 | |
| 2-Banks | 19,043,716 | | 6,755,388 | |
| 3-Other Liquid Assets | 285,534 | | 609,997 | |
| B-Marketable Securities | | 0 | | 0 |
| 1-Quoted Shares | 0 | | 0 | |
| 2-Private Sector Bonds and Treasury Bills | 0 | | 0 | |
| 3-Government Bonds and Treasury Bills | 0 | | 0 | |
| 4-Other Marketable Securities | 0 | | 0 | |
| 5-Allowance for Marketable Securities | 0 | | 0 | |
| C-Short Term Trade Receivables | | 31,598,372 | | 49,636,947 |
| 1-Customers | 42,148,651 | | 62,736,355 | |
| 2-Notes Receivable | 3,711,160 | | 3,268,401 | |
| 3-Deposits and Guarantees | 1,778 | | 1,230 | |
| 4-Other Short Term Trade Receivables | 0 | | 0 | |
| 5-Discount on Receivables (-) | (478,883) | | (440,220) | |
| 6-Allowance for Doubtful Receivables (-) | (13,784,334) | | (15,928,819) | |
| D-Other Short Term Receivables | | 2,743,388 | | 3,892,185 |
| 1-Receivable from Shareholders | 0 | | 0 | |
| 2-Receivable from Investees | 0 | | 0 | |
| 3-Receivable from Participations | 0 | | 0 | |
| 4-Other Short Term Receivables | 6,351,238 | | 8,692,267 | |
| 5-Discount on Receivables (-) | 0 | | 0 | |
| 6-Allowance for Doubtful Receivables (-) | (3,607,850) | | (4,800,082) | |
| E-Inventories | | 30,345,551 | | 25,955,510 |
| 1-Raw Materials | 6,496,465 | | 5,715,579 | |
| 2-Work in Process | 5,955,096 | | 5,141,635 | |
| 3-Semi-Finished Goods | 0 | | 0 | |
| 4-Finished Goods | 6,574,360 | | 5,352,409 | |
| 5-Trading Goods | 158,188 | | 198,826 | |
| 6-Other Inventories | 231,631 | | 292,215 | |
| 7-Over Allowance for Inventories (-) | (367,071) | | (244,241) | |
| 8-Advances Given for Inventory Purchases | 11,296,882 | | 9,499,087 | |
| F-Other Current Assets | | 2,771,987 | | 1,577,225 |
| II- LONG TERM ASSETS | | 69,221,231 | | 77,048,454 |
| A-Long Term Trade Receivables | | 47 | | 53 |
| 1-Customers | 0 | | 0 | |
| 2-Notes Receivable | 0 | | 0 | |
| 3-Deposits and Guarantees | 47 | | 53 | |
| 4-Other Long Term Trade Receivables | 0 | | 0 | |
| 5-Discount on Receivables (-) | 0 | | 0 | |
| 6-Allowance for Doubtful Receivables (-) | 0 | | 0 | |
| B-Other Long Term receivables | | 0 | | 0 |
| 1-Receivable from Shareholders | 0 | | 0 | |
| 2-Receivable from Investments | 0 | | 0 | |
| 3-Receivable from Participations | 0 | | 0 | |
| 4-Other Long Term Receivables | 0 | | 0 | |
| 5-Rediscount on Receivables (-) | 0 | | 0 | |
| 6-Allowance for Doubtful Receivables (-) | 0 | | 0 | |
| C-Investments | | 2,565,305 | | 2,565,306 |
| 1-Restricted Marketable Securities | 0 | | 0 | |
| 2-Allowance for Restricted Marketable Securities (-) | 0 | | 0 | |
| 3-Investments | 0 | | 0 | |
| 4-Capital Commitments to Investments (-) | 0 | | 0 | |
| 5-Allowance for Investments (-) | 0 | | 0 | |
| 6-Affiliated Companies | 0 | | 0 | |
| 7-Capital Commitments to Affiliated Companies (-) | 0 | | 0 | |
| 8-Allowance for Affiliated Companies (-) | 0 | | 0 | |
| 9-Other Investments | 2,565,305 | | 2,565,306 | |
| D-Tangible Assets | | 66,452,956 | | 74,238,628 |
| 1-Land | 3,294,121 | | 4,330,969 | |
| 2-Land Improvements | 0 | | 0 | |
| 3-Buildings | 38,188,880 | | 38,266,873 | |
| 4-Machinery and Equipment | 164,712,733 | | 169,470,019 | |
| 5-Motor Vehicles | 3,884,402 | | 3,896,287 | |
| 6-Furnitures and Fixtures | 26,752,705 | | 26,809,334 | |
| 7-Other Tangible Assets | 68,115 | | 73,832 | |
| 8-Accumulated Depreciation (-) | (170,537,034) | | (168,639,742) | |
| 9-Construction in Progress | 65 | | 74 | |
| 10-Advances Given For Fixed Asset Purchases | 88,969 | | 30,982 | |
| E-Intangible Assets | | 202,923 | | 244,467 |
| 1-Preoperating Expenses | 0 | | 0 | |
| 2-Rights | 0 | | 0 | |
| 3-Research and Development Expenses | 0 | | 0 | |
| 4-Other Intangible Assets | 202,923 | | 244,467 | |
| 5-Advances Given for Intangible Asset Purchases | 0 | | 0 | |
| F-Other Long Term Assets | | 0 | | 0 |
| TOTAL ASSETS | | 156,014,928 | | 165,481,842 |

Türk Pirelli Kablo ve Sistemleri A.Ş.
Inflation Adjusted Balance Sheets - Liabilities and Stockholders' Equity
At December 31, 2003 and 2002

(Millions of Turkish Lira)

| | Current Period 31-December-2003 | | Previous Period 31-December-2002 | |
|---|------------------------------------|----------------------|-------------------------------------|----------------------|
| I- CURRENT LIABILITIES | | 51,445,354 | | 60,638,126 |
| A-Borrowings | | 0 | | 639,299 |
| 1-Bank Borrowings | 0 | | 636,299 | |
| 2-Current Portion of Long Term Bank Borrowing's | 0 | | 0 | |
| 3-Bonds | 0 | | 0 | |
| 4-Bills | 0 | | 0 | |
| 5-Other Borrowings | 0 | | 0 | |
| B-Trade Payables | | 33,043,847 | | 43,705,484 |
| 1-Suppliers | 13,062,797 | | 24,932,394 | |
| 2-Notes Payable | 20,045,504 | | 18,873,486 | |
| 3-Deposits and Guarantees | 0 | | 0 | |
| 4-Other Trade Payables | 0 | | 0 | |
| 5-Discount on Payables (-) | (64,454) | | (100,396) | |
| C-Other Short Term Payables | | 3,703,402 | | 5,925,765 |
| 1-Dividends Payable | 735 | | 14,008 | |
| 2-Payable to Investments | 0 | | 0 | |
| 3-Payable to Participations | 0 | | 0 | |
| 4-Accrued Expenses | 2,803,065 | | 4,368,657 | |
| 5-Taxes and Duties | 617,982 | | 1,199,173 | |
| 6-Deferred Payables to Government | 0 | | 0 | |
| 7-Other Short Term Payables | 282,324 | | 345,045 | |
| 8-Discount on Payables (-) | (704) | | (1,118) | |
| D-Advances Received | | 14,239,475 | | 9,747,054 |
| E-Accruals | | 458,630 | | 623,524 |
| 1-Accrual for Corporation Tax and Income Taxes | 458,630 | | 623,524 | |
| 2-Other Short Term Accruals | 0 | | 0 | |
| II- LONG TERM LIABILITIES | | 5,866,014 | | 7,174,635 |
| A-Borrowings | | 0 | | 0 |
| 1-Bank Borrowings | 0 | | 0 | |
| 2-Bonds | 0 | | 0 | |
| 3-Other Securities | 0 | | 0 | |
| 4-Other Borrowings | 0 | | 0 | |
| B-Trade Payables | | 0 | | 0 |
| 1-Suppliers | 0 | | 0 | |
| 2-Notes Payable | 0 | | 0 | |
| 3-Deposits and Guarantees | 0 | | 0 | |
| 4-Other Trade Payables | 0 | | 0 | |
| 5-Discount on Payables (-) | 0 | | 0 | |
| C-Other Long Term Payables | | 0 | | 0 |
| 1-Dividends Payable | 0 | | 0 | |
| 2-Payable to Investments | 0 | | 0 | |
| 3-Payable to Participations | 0 | | 0 | |
| 4-Deferred Payables to Government | 0 | | 0 | |
| 5-Other Long Term Payables | 0 | | 0 | |
| 6-Discount on Payables (-) | 0 | | 0 | |
| D-Advances Received | | 0 | | 0 |
| E-Accruals | | 5,866,014 | | 7,174,635 |
| 1-Reserve for Employee Termination Indemnity | 4,979,796 | | 6,935,445 | |
| 2-Other Long Term Accruals | 886,218 | | 239,190 | |
| III- STOCKHOLDERS' EQUITY | | 98,703,560 | | 97,669,081 |
| A-Share Capital | | 9,828,000 | | 9,828,000 |
| B-Capital Commitments (-) | | 0 | | 0 |
| C-Share Premium | | 108,756 | | 108,756 |
| D-Revaluation Surplus | | 0 | | 0 |
| 1-Revaluation Surplus on Tangible Assets | 0 | | 0 | |
| 2-Revaluation Surplus on Investments | 0 | | 0 | |
| 3-Rev. Surplus on Invest.Quoted in Ist.Stock Exch. | 0 | | 0 | |
| E-Reserves | | 8,314,933 | | 8,314,933 |
| 1-Legal Reserves | 1,281,639 | | 1,281,639 | |
| 2-Statutory Reserves | 0 | | 0 | |
| 3-Special Reserves | 0 | | 0 | |
| 4-General Reserves | 7,033,294 | | 7,033,294 | |
| 5-Cost Increase Fund | 0 | | 0 | |
| 6-Inc.to be Add.to Cap.from Share of Part.and Land Sal. | 0 | | 0 | |
| 7-Net Income for the Prior Period | 0 | | 0 | |
| F-Adjustment to Shareholder Capital | | 249,503,267 | | 249,503,267 |
| G-Net Income for the Period | | 1,034,479 | | 0 |
| H-Loss for the Period (-) | | 0 | | 0 |
| I- Prior Year Gains (-) | | 0 | | 0 |
| J- Prior Year Losses (-) | | (170,085,875) | | (170,085,875) |
| 1. Year Losses | 0 | | 0 | |
| 2. Year Losses | 0 | | 0 | |
| K- Translation Gain or Loss | | 0 | | 0 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | | 156,014,928 | | 165,481,842 |

Türk Pirelli Kablo ve Sistemleri A.Ş.
Inflation Adjusted Statements of Income
For The Year Ended December 31, 2003

| (Millions of Turkish Lira) | Current Period 31-December-2003 | |
|---|------------------------------------|----------------------|
| A- GROSS SALES | | 229,239,426 |
| 1- Domestic Sales | 162,250,980 | |
| 2- Export Sales | 66,682,355 | |
| 3- Other Sales | 306,091 | |
| B- SALES DEDUCTIONS (-) | | (71,659,087) |
| 1- Sales Returns (-) | (1,930,476) | |
| 2- Sales Discounts (-) | (69,728,611) | |
| 3- Other (-) | 0 | |
| C- NET SALES | | 157,580,339 |
| D- COST OF SALES | | (133,029,721) |
| GROSS MARGIN | | 24,550,618 |
| E- OPERATING EXPENSES (-) | | (22,299,908) |
| 1-Research and Development Expenses (-) | (760,134) | |
| 2-Selling and Distribution Expenses (-) | (11,325,904) | |
| 3-General and Administrative Expenses (-) | (10,213,870) | |
| OPERATING PROFIT | | 2,250,710 |
| F- OTHER INCOME | | 8,042,562 |
| 1-Dividend Income from Investments | 0 | |
| 2-Dividend Income from Participations | 0 | |
| 3-Interest and Other Dividend Income | 1,547,334 | |
| 4-Other | 6,495,228 | |
| G- OTHER EXPENSES | | (7,700,795) |
| H- FINANCING EXPENSE (-) | | (728,593) |
| 1-Short Term Borrowing's (-) | (728,593) | |
| 2-Long Term Borrowing's (-) | 0 | |
| INCOME BEFORE EXTRAORDINARY ITEMS | | 1,863,884 |
| I- EXTRAORDINARY INCOME | | 421,093 |
| 1-Reversal of Provisions | 95,162 | |
| 2-Income Related to Prior Periods | 29,634 | |
| 3-Other | 296,297 | |
| J- EXTRAORDINARY EXPENSE | | (753,846) |
| 1-Expenses Related to Idle Time | 0 | |
| 2-Expenses Related to Prior Periods | (596,245) | |
| 3-Other | (157,601) | |
| K- NET MONETARY GAIN OR LOSS | | (20,859) |
| INCOME BEFORE TAXES | | 1,510,272 |
| L- TAXES ON INCOME | | (475,793) |
| NET INCOME FOR THE YEAR | | 1,034,479 |

Türk Pirelli Kablo ve Sistemleri A.Ş.
Inflation Adjusted Cash Flow Statements
For The Year Ended December 31, 2003

(Millions of Turkish Lira)

| | Current Period | |
|---|-------------------------|--------------------|
| | 31-December-2003 | |
| A- CASH AT THE BEGINNING OF THE PERIOD | | 7,371,521 |
| B- CASH INFLOW DURING THE PERIOD | | 192,335,335 |
| 1- Cash Received from Sales | | 177,724,737 |
| a) Net Sales | 157,580,339 | |
| b) Decrease in Receivables (from sales) | 20,144,398 | |
| c) Increase in Receivables (from sales) | 0 | |
| 2- Cash Received from Other Incomes and Profits | | 8,042,562 |
| 3- Cash Received from Extraordinary Incomes and Profits | | 421,092 |
| 4- Cash Received from Increases in Current Liabilities (not related to purchases) | | 4,492,421 |
| a) Securities Issued | 0 | |
| b) From Loans | 0 | |
| c) Other Increases | 4,492,421 | |
| 5- Cash Received from Increases in Long Term Liabilities (not related to purchases) | | 0 |
| a) Securities Issued | 0 | |
| b) From Loans | 0 | |
| c) Other Increases | 0 | |
| 6- Cash Received from Capital Increase | | 0 |
| 7- Cash Received from Emission Premiums | | 0 |
| 8- Other Cash Inflow | | 1,654,523 |
| C- CASH OUTFLOW DURING THE PERIOD | | 180,372,457 |
| 1- Cash Outflow Resulting from Sales | | 144,305,934 |
| a) Cost Of Sales | 133,029,721 | |
| b) Increases in Inventories | 4,390,042 | |
| c) Decreases in Liabilities (related to purchases) | 10,697,578 | |
| d) Increases in Liabilities (related to purchases) | 0 | |
| e) Non-Cash Expenses such as Depreciation and Provisions | -3,811,407 | |
| f) Decreases in Inventories (-) | 0 | |
| 2- Cash Outflow Related to Operations | | 21,133,101 |
| a) Research and Development Expenses | 760,134 | |
| b) Marketing, Sales and Distribution Expenses | 11,325,904 | |
| c) General Administrative Expenses | 10,213,870 | |
| d) Expenses Not Requiring Cash Outflow | -1,166,807 | |
| 3- Cash Outflow Related to Other Expenses and Losses | | 7,700,795 |
| a) Expenses and Losses Related to Other Operations | 7,700,795 | |
| b) Non-Cash Expenses and Losses | 0 | |
| 4- Cash Outflow Related to Financial Expenses | | 728,593 |
| 5- Cash Outflow Related to Extraordinary Expenditures and Losses | | 753,845 |
| a) Extraordinary Expenditures and Losses | 753,845 | |
| b) Non-Cash Expenses and Losses | 0 | |
| 6- Cash Outflow Related to Long Term Asset Investments | | 3,278,441 |
| 7- Principal Payments of Short Term Debt (not related to purchases) | | 636,299 |
| a) Principal Payments of Securities | 0 | |
| b) Principal Payments of Loans Used | 0 | |
| c) Other Cash Outflow | 636,299 | |
| 8- Principal Payments of Long Term Debt (not related to purchases) | | 0 |
| a) Principal Payments of Securities | 0 | |
| b) Principal Payments of Loans Used | 0 | |
| c) Other Cash Outflow | 0 | |
| 9- Taxes Paid and Other Levies | | 640,687 |
| 10- Dividends Paid | | 0 |
| 11- Other Cash Outflow | | 1,194,762 |
| D- CASH AT THE END OF THE PERIOD | | 19,334,399 |
| E- INCREASE / (DECREASE) IN CASH | | 11,962,878 |

Türk Pirelli Kablo ve Sistemleri A.Ş.
Inflation Adjusted Statement of Cost Sales
At December 31, 2003

(Millions of Turkish Lira)

| | Current Period 31-December-2003 | |
|--|------------------------------------|--------------------|
| PRODUCTION ACTIVITIES | | |
| A- Cost Of Raw Materials Used | | 96,209,986 |
| B- Cost Of Direct Labour | | 6,106,319 |
| C- General Production Overheads | | 20,171,800 |
| D- Cost Of Semi Finished Goods Used | | (813,461) |
| 1- Beginning Inventory (+) | 5,141,635 | |
| 2- Ending Inventory (-) | (5,955,096) | |
| COST OF FINISHED GOODS PRODUCED | | 121,674,644 |
| E- Change In Finished Goods Inventory | | (1,099,121) |
| 1- Beginning Inventory (+) | 5,108,168 | |
| 2- Ending Inventory (-) | (6,207,289) | |
| I.COST OF FINISHED GOODS SOLD | | 120,575,523 |
| TRADING OPERATIONS | | |
| A- Beginning Merchandise Inventory | | 198,826 |
| B- Purchases During The Period (+) | | 4,949,536 |
| C- Ending Merchandise Inventory (-) | | (158,188) |
| II.COST OF MERCHANDISE SOLD | | 4,990,174 |
| III.COST OF SERVICES RENDERED | | 7,464,023 |
| COST OF SALES (I+II+III) | | 133,029,720 |

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

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

| | <u>31 December 2003</u> | | <u>31 December 2002</u> | |
|----------------------------|----------------------------|-------------------------|----------------------------|-------------------------|
| | Shareholding Percentage | Shareholding Amount | Shareholding percentage | Shareholding Amount |
| | (%) | <u>Million TL</u> | (%) | <u>Million TL</u> |
| Pirelli Cable Holding N.V. | 83.75 | 8,230,599 | 83.75 | 8,230,599 |
| Other | 16.25 | 1,597,401 | 16.25 | 1,597,401 |
| | <u>100.00</u> | <u>9,828,000</u> | <u>100.00</u> | <u>9,828,000</u> |

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

None (2002: None).

4. Registered share capital limit

As of 31 December 2002, the Company's registered share capital limit is TL 10,000,000 million (2002: TL 10,000,000 million). The Board of Directors has decided to increase the registered share capital limit from TL 10,000,000 million to TL 80,000,000 million during the meeting held on 17 October 2003 based on the decision 2003/18. In accordance with the decision taken, the Company has applied to the CMB as of 27 October 2003. As a result of the application, the authorization related to registered capital limit increase to TL 80,000,000 has been obtained on 27 October 2003 with the decision OFD-1875/15736.

5. Capital increases during the period and their sources

None (2002: The Company has increased its capital by 160 % from TL 3,780,000 million to TL 9,828,000 million).

6. Marketable securities issued during the period excluding ordinary shares

None (2002 None).

7. Marketable securities representing debts which matured during the period

None (2001: None).

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

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

| | 31 December 2003 | 31 December 2002 |
|---|-------------------------|-------------------|
| | <u>TL million</u> | <u>TL million</u> |
| a) Total cost of property, plant and equipment purchased: | 3,216,673 | 4,641,629 |
| b) Total cost of property, plant and equipment sold or used as scrap: | 1,356,394 | 467,347 |
| c) Construction in progress: | 89,034 | 31,056 |

| 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 | 31.12.2003 | 9,271,117 | 5,940,113 | 64 |
| Invest. (3922) | 15.02.2002 | 15.02.2004 | 3,508,003 | 1,569,614 | 45 |

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

The amount of investment allowances utilised in the current year is TL 748,131 million (2002: TL 3,149,111 million). The amount of investment allowances that will be utilised in the following periods is TL 5,269,393 million (2002: TL 5,413,951 million).

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

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

| | 31 December 2003 | | 31 December 2002 | |
|--|--------------------------|-----------------------|--------------------------|-----------------------|
| | Receivable TL million | Payable TL million | Receivable TL million | Payable TL million |
| Trade | | | | |
| Group Companies | | | | |
| Pirelli Energie Cables et Sys. | - | 36,070 | - | - |
| Pirelli Cavi E Sist. Energia ITA | 370,119 | 153,627 | - | - |
| Pirelli Romania Cabluri ve Sisteme SA | 409,364 | 48,051 | - | - |
| Pirelli Cables Systems PTE | 142,004 | 9,371 | - | - |
| Çelikord A.Ş. | - | 21,144 | - | - |
| Türk Pirelli Lastikleri A.Ş. | - | 52,791 | 82,748 | 37,704 |
| Pirelli Power Systems USA | - | 186,884 | - | 118,970 |
| Pirelli Cables and Systems | 17,063 | - | - | - |
| Kalo Bratislava | 4,129 | - | - | - |
| Pirelli Submarine Telecom Sys Italia Spa | 7,860 | - | - | - |
| Pirelli Telecom Cables Y Systeme Espana | 122,645 | - | - | - |
| Pirelli OEKW GmbH | - | 3,699 | - | - |
| Pirelli Cables Australia Ltd | - | - | 161,144 | - |
| Pirelli Cavi Telecom Spa | 1,388,013 | 156,124 | 1,757,211 | 628,343 |
| Pirelli Cavi e Sis. Energia | - | 1,331,626 | 171,989 | 4,060,076 |
| Pirelli Cavi E Sistemi Telecom ITALIA | - | 10,170 | - | - |
| Pirelli Cables Ltd Hamsire | 158,062 | 37,403 | 954,970 | - |
| Pirelli Finland | 139,302 | 46,646 | - | - |
| Fibre Ottiche Sud Fos SpA | - | 3,322 | - | 837,253 |
| Pirelli Metals Ltd. | - | - | - | 3,883,653 |
| Pirelli SPA | - | 16,945 | - | - |
| Pirelli Kabel und Sys. GMBH | 223,102 | - | - | 10,102 |
| Pirelli Cables and Systemes NV | 182,115 | - | 672,336 | - |
| MKM Magyar Kabel Müvek | - | - | 2,350 | 255,513 |
| Pirelli Telecom Kabel und Systeme | 832,020 | 27,722 | 56,853 | - |
| Pirelli Telecom Cables | 2,232,659 | - | 52,989 | - |
| Pirelli Tyres Limited | - | 9,539 | - | 11,514 |
| Total | 6,228,457 | 2,151,134 | 3,912,590 | 9,843,128 |
| Non- trade | | | | |
| Shareholders | | | | |
| Dividends payable to other shareholders | - | 735 | - | 14,007 |

Türk Pirelli Kablo ve Sistemleri A.Ş.**Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003**

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

11. The method of valuation on inventories and other balance sheet items, depreciation and inventory calculation, 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 cut-off assumption of the Company

The Capital Market Board ("CMB") has set out rules and regulations relating to the preparation and presentation of financial statements and reports, by Communiqué XI/1 as amended and supplemented by other Communiqués, by the Communiqué XI/20 (effective from 1 January 2003) "Communiqué concerning the rules and regulations for the presentation and preparation of the financial statements during the high inflationary periods". All these rules and regulations will hereafter be referred to as Generally Accepted Accounting Standards issued by the CMB. Accordingly, the Company has prepared its financial statements in accordance with the Turkish Commercial Code, tax legislation and the generally accepted accounting principles issued by the CMB.

The Communiqué XI/20; "Communiqué concerning the rules and regulations for the presentation and preparation of the financial statements during the high inflationary periods" ("Inflation Communiqué"), and the Communiqué XI/21; "Communiqué concerning the rules and regulations for the preparation of the consolidated financial statements" ("Consolidation Communiqué") were came into effect at November 2001. Companies whose accounting periods are ending on 31 December 2003, will prepare their financial statements in accordance with the Inflation Communiqué and Consolidation Communiqué for the first time as of 31 December 2003 and will continue in the first interim period and following periods, accordingly. The Company has implemented the Inflation Communiqué for the first time for the 31 December 2003 financial statements and the opening financial statements as at 31 December 2002.

Since the Company prepared its financial statements in accordance with the Inflation Communiqué for the first time at 31 December 2002, the income statement and the related footnotes for the year 2002 have not been prepared, and consequently the income statement and the related footnotes for the year ended 31 December 2003 have not been presented comparatively (balance sheet footnote 33).

The amount of TL 170,085,875 million, which has been calculated as a result of deducting the Company's adjusted liabilities and equity balances from adjusted assets at 31 December 2002 has been classified under equity as "Prior year losses".

Since the Company has no subsidiaries and associates; the Company is not subject to Consolidation Communiqué rules.

Principles applied at the financial statements adjusted in accordance with inflation:

Adjustments made to financial statements for the restatement for the changes in the general purchasing power of the Turkish Lira at the period-end is based on the Inflation Communiqué. These principles require that financial statements prepared in the currency of a hyperinflationary economy, financial statements prepared according to generally accepted accounting standards issued by CMB, be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One other characteristic that necessitates the application of this communiqué is; the hyperinflationary period begins if the yearly price index at the balance sheet date exceeds price index at the beginning of the previous three-year period (including the related period) by 100 %, and the price index at the balance sheet date of the related accounting period increases by 10 % or more compared to the beginning of that period.

Türk Pirelli Kablo ve Sistemleri A.Ş.**Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003**

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

The indices and conversion factors used to restate these financial statements as of 31 December 2003 are as follows:

| Dates | Indices | Conversion Factors |
|------------------|----------------|---------------------------|
| 31 December 2003 | 7,382.1 | 1.000 |
| 31 December 2002 | 6,478.8 | 1.139 |

The main procedures for the above-mentioned restatement are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date.
- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant conversion factors. Additions to property, plant and equipment in the year of acquisition are restated by applying the relevant conversion factors.
- All items in the statement of income are restated by applying the relevant conversion factors (monthly, yearly average) in order to be presented at the purchasing power of the balance sheet date.
- The effect of inflation on the net monetary asset position of the Company is included in the statement of income as gain or loss on net monetary position.

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.

Receivables and payables

Receivables and payables are stated at book values. The financial cost incurred both in receivables and payables are discounted by the internal rate of return of treasury bonds or by the market interest rate and related accounts are restated at the remaining value after deducting this amounts.

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.

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

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. Inventories are adjusted for inflation at balance sheet dates.

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" under inventories and the progress payments are recorded as "order advances received" under 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 20 % - 50 % are considered as investments. Investments under 20 % are stated as 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 intangibles

Property, plant and equipment and intangible assets are carried at cost less accumulated depreciation in each case restated to equivalent purchasing power at 31 December 2003 in line with article 11 of the Inflation Communiqué. Depreciation and amortization are provided retroactively on the restated amounts of property, plant and equipment and intangible assets on a straight-line basis.

Depreciation is based on the following percentages:

| | <u>Economic life</u> | <u>Method</u> |
|--------------------------|----------------------|----------------------------|
| Buildings | 20-50 years | Straight line depreciation |
| Machinery and equipments | 5-15 years | Straight line depreciation |
| Vehicles | 5 years | Straight line depreciation |
| Furniture and fixtures | 2-5 years | Straight line depreciation |
| Special costs | 5-10 years | Straight line depreciation |
| Rights | 8-20 years | Straight line depreciation |

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

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

Corporation tax is payable at a rate of 30 % on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed. Corporation tax rate on the total income of fiscal year 2004 will be 33 %.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 11 % (10 % effective from 1 January 2004). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 30 % (33 % for the fiscal year 2004) on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

Capital gains derived from the sale of equity investments and immovable held for not less than two years are tax exempt until 31 December 2004, if such gains are added to paid-in capital in the year in which they are sold.

Capital expenditures, with some exceptions, over TL 5 billion (TL 6 billion for 2004) are eligible for investment incentive allowance of 40 %, which is deductible from taxable income prior to calculation of the corporate income tax, without the requirement of an investment incentive certificate, and the amount of allowance is not subject to withholding tax. Investment allowances utilized within the scope of investment incentive certificates granted prior to 24 April 2003 are subject to withholding tax at the rate of 19.8 %, irrespective of profit distribution.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

the 15th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under these principles, tax provisions presented under short-term accrued liabilities amounts to TL 458,630 million (2002: TL 623,524 million) and are reflected to the accompanying income statement.

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 1,389,950,000 (2002: 1,260,150,000) 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 4,979,796 million (2002: TL 6,935,445 million) as at 31 December 2003.

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" under inventories and the progress payments are recorded to "order advances received" under liabilities.

Other balance sheet items

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

12. Subsequent events

Effective from 1 January 2004 the legal limit for employment termination benefit ceiling has been increased to 1,485,430,000 TL. The effect of this increase in the provision for employee termination benefit account is an increase of TL 327,491 million (2002: 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 TL 292,935 million)

13. Contingent losses and gains

None (2002: None).

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

None (2002: None).

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

15. Mortgages or restrictions on assets

None (2002 : None).

16. Total insurance coverage on assets

Total insurance coverage on assets as at 31 December 2003 is TL 189,080,270 million (2002: TL 240,949,196 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 as of 31 December 2003 is TL 26,292,556 million (2002: TL 34,780,289 million) .

18. Commitments and contingent liabilities

The breakdown of commitments and contingent liabilities is as follows:

| | 31 December 2003 | 31 December 2002 |
|----------------------------|--------------------------|-------------------|
| | <u>TL million</u> | <u>TL million</u> |
| Letter of guarantee | 18,196,652 | 24,539,662 |
| Guarantees and bails given | - | <u>570</u> |
| | <u>18,196,652</u> | <u>24,540,232</u> |

19. Blocked deposits at banks

None (2002: 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 historic cost of long-term financial assets excluding any increase through revaluation fund are adjusted for inflation at balance sheet dates.

21. Marketable securities issued by shareholders, affiliates, subsidiaries

None (2002: None).

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

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

| | 31 December 2003 <u>TL million</u> | 31 December 2002 <u>TL million</u> |
|---|---------------------------------------|---------------------------------------|
| Current assets | | |
| Other current assets | | |
| Checks to be collected | <u>285,534</u> | <u>609,997</u> |
| | <u>285,534</u> | <u>609,997</u> |
| Other short-term receivables | | |
| Short-term other receivables | | |
| Other doubtful receivables | 3,607,850 | 4,800,082 |
| VAT receivables (direct export) | 1,767,072 | 1,450,030 |
| VAT receivables (export) | 924,186 | 2,385,883 |
| Other non-trade receivables | 13,639 | 25,422 |
| Job advances | 11,925 | 22,780 |
| Receivables from personnel | <u>26,566</u> | <u>8,070</u> |
| | <u>6,351,238</u> | <u>8,692,267</u> |
| Long-term financial assets | | |
| Other long-term financial assets | | |
| Other financial assets (Entek A.Ş.) | <u>2,565,305</u> | <u>2,565,306</u> |
| | <u>2,565,305</u> | <u>2,565,306</u> |
| Intangible assets | | |
| Other intangible assets | | |
| SAP software | 792,937 | 697,553 |
| SAP software accumulated depreciation (-) | <u>(590,014)</u> | <u>(453,086)</u> |
| | <u>202,923</u> | <u>244,467</u> |
| Other short-term liabilities | | |
| Taxes, duties, and other withholding payable | | |
| Taxes and funds payable | 398,716 | 943,715 |
| Social security premiums payable | <u>219,266</u> | <u>255,458</u> |
| | <u>617,982</u> | <u>1,199,173</u> |

Türk Pirelli Kablo ve Sistemleri A.Ş.**Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003***Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003*

31 December 2003

TL million**Income and gains from other operating activities**

| | |
|----------------------------|----------------|
| Foreign exchange income | 3,631,120 |
| Raw materials sales income | 2,487,496 |
| Other income | <u>376,612</u> |
| | 6,495,228 |

Expense and losses from other operating activities

| | |
|----------------------------|------------------|
| Foreign exchange loss | 2,569,048 |
| Restructuring expenses | 2,084,108 |
| Scrap sales loss | 1,493,366 |
| Cost of raw materials sold | 983,317 |
| Export expenses | 170,260 |
| Other ordinary expenses | <u>400,696</u> |
| | <u>7,700,795</u> |

Extraordinary income and gains**Other extraordinary income and gains**

| | |
|--------------------------------------|----------------|
| Fixed asset sales income | 286,809 |
| Income from insurance claims | 1,637 |
| Compensation income | - |
| Other extraordinary income and gains | <u>7,851</u> |
| | <u>296,297</u> |

Extraordinary expense and losses**Other extraordinary income and losses**

| | |
|--|----------------|
| Other extraordinary expense and losses (Tax Funds) | 152,117 |
| Stock count differences | 4,602 |
| Mortgage expenses | - |
| Other extraordinary expense and losses | <u>882</u> |
| | <u>157,601</u> |

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

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

None (2002: None).

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

None (2002: None).

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

The total provision for overdue and non-overdue receivables amounts to TL 17,392,184 million (2002: TL 20,728,901 million). TL 14,059,660 million (2002: TL 12,258,903 million) out of this amount is legal doubtful receivable provision and the remaining amount of TL 3,332,524 million (2002: TL 8,469,998 million) is general doubtful receivable provision.

26. The breakdown 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 2003:

| | Share (%) | Investment Amount Million TL | Net income /(loss) | Gross income/(loss) | Date of financial statements | Compliance with CMB Standards | Audited or not | Opinion on audit report |
|---|-----------|------------------------------|--------------------|---------------------|------------------------------|-------------------------------|----------------|-------------------------|
| Subsidiaries | | | | | | | | |
| Anadolu Metal Bakır San. A.Ş. | 20 | 108,506 | (2,189,061) | (2,189,061) | 31.12.00 | Not suitable | No | - |
| Provision for diminishing in value | | (108,506) | | | | | | |
| Other Long Term Financial Assets | | | | | | | | |
| Entek A.Ş. | 4 | 2,565,305 | 16,710,384 | 20,589,633 | 30.09.03 | Not suitable | No | - |

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

31 December 2002:

| | Share (%) | Investment Amount Million TL | Net income / (loss) | Gross income/ (loss) | Date of financial statements | Compliance with CMB Standards | Audited or not | Opinion on audit report |
|---|-----------|------------------------------|---------------------|----------------------|------------------------------|-------------------------------|----------------|-------------------------|
| Subsidiaries | | | | | | | | |
| Anadolu Metal Bakır San. A.Ş. | 20 | 108,506 | (2,189,061) | (2,189,061) | 31.12.00 | Not suitable | No | - |
| Provision for diminishing in value | | (108,506) | | | | | | |
| Other Long Term Financial Assets | | | | | | | | |
| Entek A.Ş. | 4 | 2,565,305 | 23,730,239 | 26,776,960 | 31.12.02 | Not suitable | No | - |

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

Since share capital increase of Entek A.Ş. is due to addition of revaluation increase fund to share capital, the inflation adjustment has been made by excluding the revaluation increase fund. After the restatement the inflation adjusted carrying value of Entek A.Ş. amounted to TL 2,565,305 million.

28. Rights on immovables and their value

None (2002: None).

29. Revaluation of fixed assets in the last three years

Within these financial statements, with the application of Inflation Communiqué, the revaluation funds, resulting from inflation, have been eliminated in the restatement process. As of 31 December 2003 the tangible assets have been revalued by 28.5 % (2002: 59 %) in the historic statutory financial statements. The last three years' revaluation fund is presented below:

| Year | Revaluation on fixed assets TL million | Revaluation on accumulated depreciation TL million | Revaluation on net book value TL million |
|---------------|---|---|---|
| December 2001 | 12,941,302 | 5,971,987 | 6,969,315 |
| December 2002 | 21,276,259 | 10,449,905 | 10,826,354 |
| December 2003 | 15,534,137 | 8,108,927 | 7,425,210 |

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

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 2003 | | | 31 December 2002 | | |
|--------------------------------------|-----------------------------|-------------------------|-------------------|-----------------------------|-------------------------|-------------------|
| | Amount in original currency | Valuation exchange rate | TL million | Amount in original currency | Valuation exchange rate | TL million |
| Cash | | | | | | |
| EUR | 2,495 | 1,745,072 | 4,354 | 1,488 | 1,703,477 | 2,535 |
| USD | 59 | 1,395,835 | 82 | 1,062 | 1,634,501 | 1,736 |
| GBP | - | - | - | 30 | 2,618,888 | 79 |
| Bank deposits | | | | | | |
| USD | 2,228,441 | 1,395,835 | 3,110,536 | 2,187,795 | 1,634,501 | 3,575,953 |
| EUR | 5,484,220 | 1,745,072 | 9,570,359 | 1,362,480 | 1,703,477 | 2,320,953 |
| Receivables | | | | | | |
| USD | 8,436,039 | 1,395,835 | 11,775,318 | 17,307,854 | 1,634,501 | 28,289,705 |
| EUR | 3,659,844 | 1,745,072 | 6,386,691 | 2,433,273 | 1,703,477 | 4,145,025 |
| GBP | 647 | 2,476,610 | 1,602 | 57,690 | 2,618,888 | 151,083 |
| Notes receivable | | | | | | |
| USD | 97,373 | 1,395,835 | 135,917 | 15,712 | 1,634,501 | 25,682 |
| EUR | 38,440 | 1,745,072 | 67,081 | - | - | - |
| Deposits given | | | | | | |
| USD | 500 | 1,395,835 | 698 | - | - | - |
| Doubtful receivables | | | | | | |
| USD | 9,293,159 | 1,395,835 | 12,971,717 | 6,341,366 | 1,634,501 | 10,364,969 |
| EUR | 333,411 | 1,745,072 | 581,826 | - | - | - |
| Other non-trade receivables | | | | | | |
| USD | - | - | - | 6 | 1,634,501 | 10 |
| EUR | 4,073 | 1,745,072 | 7,108 | - | - | - |
| Receivables from personnel | | | | | | |
| USD | 2,000 | 1,395,835 | 2,792 | 40 | 1,634,501 | 65 |
| Advances given | | | | | | |
| EUR | 144,907 | 1,745,072 | 252,873 | 655,153 | 1,703,447 | 1,116,039 |
| USD | 128,659 | 1,395,835 | 179,587 | 258,990 | 1,634,501 | 423,319 |
| GBP | - | - | - | 43,500 | 2,618,888 | 113,922 |
| Total foreign currency assets | | | 45,048,540 | | | 50,531,076 |

Türk Pirelli Kablo ve Sistemleri A.Ş.
Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003
Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

| | <u>31 December 2003</u> | | | <u>31 December 2002</u> | | |
|---|------------------------------------|--------------------------------|-------------------|------------------------------------|--------------------------------|-------------------|
| | <u>Amount in original currency</u> | <u>Valuation exchange rate</u> | <u>TL million</u> | <u>Amount in original currency</u> | <u>Valuation exchange rate</u> | <u>TL million</u> |
| Payables: | | | | | | |
| Accounts payable | | | | | | |
| EUR | 1,907,854 | 1,753,489 | 3,345,401 | 5,219,278 | 1,711,693 | 8,933,802 |
| USD | 2,975,505 | 1,402,567 | 4,173,345 | 614,333 | 1,642,384 | 1,008,971 |
| GBP | 29,075 | 2,489,556 | 72,384 | 52,311 | 2,632,577 | 137,713 |
| CHF | 38,500 | 1,123,942 | 43,272 | 14,996 | 1,177,167 | 17,653 |
| Policies given to suppliers | | | | | | |
| USD | 4,577,440 | 1,402,567 | 6,420,166 | 9,520,116 | 1,642,384 | 15,635,686 |
| EUR | 7,447,913 | 1,753,489 | 13,059,834 | - | - | - |
| Due-dated checks | | | | | | |
| USD | 327,020 | 1,402,567 | 458,667 | 273,544 | 1,642,384 | 449,264 |
| Order advances received | | | | | | |
| USD | 94,048 | 1,402,567 | 131,909 | 277,336 | 1,642,384 | 455,492 |
| EUR | 48,440 | 1,753,489 | 84,939 | - | - | - |
| Expense accruals | | | | | | |
| USD | 225,209 | 1,402,567 | 315,871 | 408,984 | 1,642,384 | 671,709 |
| EUR | 40,818 | 1,753,489 | 71,574 | 1,220,548 | 1,711,693 | 2,089,203 |
| Guarantee Provisions | | | | | | |
| USD | 234,024 | 1,402,567 | 328,234 | - | - | - |
| Total foreign currency liabilities | | | 28,505,596 | | | 29,399,493 |

Balances per 31 December 2003 are stated on historical cost basis.

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

None (2002: None).

32. Average number of personnel working during the period

The average number of personnel working during the period is 295, of which 75 are administrative and 220 other personnel (2002: 115 administrative and 337 other personnel, total 452 personnel).

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

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

a) After the inflation adjustment as of 31 December 2003, "Order Advances Given" includes the costs amounting TL 10,073,970 million, "Order Advances Taken" includes progress payments amounting to TL 13,591,788 million. The costs and the progress payments related with the projects are not shown in the income statement until the project is completed.

b) In relation with the year 2002, due to the decrease in the investment allowance the Company has revised the corporate tax return and withholding tax return and as a result recorded a tax expense of TL 468,013 million in the current year income statement (2002 : In relation with the year 2001, due to the decrease in investment allowances the Company revised corporate tax return and withholding tax return and as a result netted off TL 105,225 million tax liability from exports related VAT receivables.

c) The Inflation Communiqué (XI/20) of CMB has been effective commencing from 1 January 2003. Since the Company prepared its financial statements in accordance with the Inflation Communiqué for the first time at 31 December 2002, the income statement and the related footnotes for the year 2002 have not been prepared, and consequently the income statement and the related footnotes for the year ending 31 December 2003 have not been presented comparatively (balance sheet footnote 11).

d) The financial statements of the Company as at 31 December 2003, which have been prepared in accordance with generally accepted accounting principles issued by the CMB, have been independently audited.

e) The sources of "Share capital restatement differences" as of 31 December 2003 and 31 December 2002 are explained below:

| 2003 | Historical Values | Restated Values | Share capital inflation correction differences |
|------------------------|------------------------------|----------------------------|---|
| Share capital | 9,828,000 | 41,966,553 | 32,138,553 |
| Share premium | 108,756 | 204,402 | 95,646 |
| Legal reserves | 1,281,639 | 36,409,467 | 35,127,828 |
| Extraordinary reserves | 7,033,294 | 189,174,535 | 182,141,241 |
| | 18,251,689 | 267,754,956 | 249,503,267 |

Türk Pirelli Kablo ve Sistemleri A.Ş.**Footnotes to Inflation Adjusted Balance Sheet at 1 January - 31 December 2003***Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003*

| 2002 | Historical Values | Restated Values | Share capital inflation Correction differences |
|------------------------|------------------------------|----------------------------|---|
| Share capital | 9,828,000 | 41,966,553 | 32,138,553 |
| Share premium | 108,756 | 204,402 | 95,646 |
| Legal reserves | 1,281,639 | 36,409,467 | 35,127,828 |
| Extraordinary reserves | 7,033,294 | 189,174,535 | 182,141,241 |
| | 18,251,689 | 267,754,956 | 249,503,267 |

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 differ from the accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). The effects of such differences have not been quantified. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in the financial position and cash flows in accordance with the accounting principles generally accepted in such countries and the IFRS.

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Income Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

1. Depreciation expenses and redemption and deplation allowances for the period

31 December 2003

TL million

| | |
|---|-----------|
| a) Depreciation expenses: | 8,381,622 |
| b) Redemption and deplation allowances: | 49,699 |

2. Rediscount and provision expenses for the period

31 December 2003

TL million

| | |
|--|------------------|
| a) Doubtful receivables provision expenses | 1,469,674 |
| b) Employment termination benefit expenses | 1,023,375 |
| c) Rediscount expenses | 385,581 |
| d) Provision for dimunition in value of stocks | 159,132 |
| e) Provision for disabled workers | 440,921 |
| f) Restructuring provision expenses | 124,463 |
| g) Guarantee provision expenses | <u>127,827</u> |
| | <u>3,730,973</u> |

3. Financial expenses for the period

31 December 2003

TL million

| | |
|--|--------------------|
| a) Foreign currency income (balance sheet note 22) | 3,631,120 |
| b) Interest income/expense -net | 728,593 |
| c) Net monetary position loss | (20,859) |
| d) Foreign currency losses (balance sheet note 22) | <u>(2,569,048)</u> |
| | <u>1,769,806</u> |

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

None.

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Income Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

5. Sales to and purchase from shareholders affiliates and subsidiaries

| | <u>31 December 2003</u> | |
|--|--------------------------|--------------------------|
| | Purchases | Sales |
| | TL million | TL million |
| Group Companies | | |
| Pirelli Cavi E Sistemi Telecom Spa | 722,708 | 13,798,749 |
| Pirelli Romania Cabluri Sis. SA | 905,546 | 405,237 |
| Pirelli OEKW GmbH | 3,716 | - |
| Pirelli Energia Cabos E Sist. | 87,918 | - |
| Fibre Ottiche Sud F.O.S. | 515,818 | - |
| Pirelli Societe Per Azioni | 21,877 | - |
| Çelikord A.Ş. | 73,413 | 9,493 |
| Pirelli Cables and Systems N.V. | - | 1,655,827 |
| Pirelli Cables and Sys. Dietikon Switzerland | - | 26,350 |
| Pirelli Cable Systems Pte Ltd. | 8,868 | - |
| Pirelli Cavi E Sistemi Italia | 10,488 | - |
| Pirelli Cables Limited Accounts Payable | - | 1,443,758 |
| Pirelli Metals Ltd. | 38,254 | - |
| Pirelli Cavi E Sis. Energia | 6,454,484 | 2,763,984 |
| Pirelli Societe Generale | 16,083 | - |
| Pirelli Cables Ltd. Hamshire | 111,149 | 1,619,798 |
| Pirelli Telecom Cables & Sys. Hamshire | - | 13,445,765 |
| Pirelli Tyres Ltd. | 9,635 | - |
| Pirelli Energia Cables & System | 133,438 | - |
| Türk Pirelli Lastikleri A.Ş. | 1,122,130 | - |
| MKM Magyar Kabel Müvek | 1,907,280 | 2,990,194 |
| Pirelli Cables and Systeme OY | - | 457,711 |
| Pirelli Telecom Cables Y Sis. Espana | - | 8,739 |
| Pirelli Cavi E Sis. Energia Italia | 121,209 | - |
| Pirelli Kabel und System Berlin | - | 1,396,122 |
| Pirelli Telecom Kabel und Sys. Berlin | 130,676 | 2,115,357 |
| Pirelli Power Cables and Sys. Australia | 63,230 | 881,562 |
| Kablo Bratislava Spol.s.r. | <u>177,575</u> | <u>5,001</u> |
| Total | <u>12,635,495</u> | <u>43,023,647</u> |

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Income Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

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

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 TL 219,100 million.

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

None (2002: None).

9. Inventory costing method and procedures

The cost of inventories is determined on process costing. The FIFO method is used as at 31 December 2003.

10. Reasons for non-performance of stock count procedures

Physical stock counts were performed as at 31 December 2003 and 2002.

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

| | 2003 Million TL |
|-----------------------|----------------------------------|
| Communications cables | 37,357,186 |
| Energy cables | <u>117,367,939</u> |
| | <u>154,725,125</u> |

12. Sales incentives and subsidies

None.

Türk Pirelli Kablo ve Sistemleri A.Ş.

Footnotes to Inflation Adjusted Income Balance Sheet at 1 January - 31 December 2003

Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of TL at 31 December 2003

13. Income and expenses related to prior years

31 December 2003
TL million

Income related to prior years:

| | |
|------------------------|----------------------|
| Income from tax claims | 14,240 |
| Stamp tax return | 9,873 |
| Policy return | 5,521 |
| | <u>29,634</u> |

Expenses related to prior years:

| | |
|--|-----------------------|
| Correction of corporate tax provision for 2002 | 468,013 |
| Correction of corporate tax provision for 2001 | 105,225 |
| Previous period invoices | 23,007 |
| | <u>596,245</u> |

14. Profit per share and profit distribution per share

As of 31 December 2003 profit per share at cost of 1,000 TL over net profit for the period is 105 TL.

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

| | Unit | 31 December 2003 | 31 December 2002 | Variance % |
|-----------------------------|-----------|------------------|------------------|------------|
| Communications cables prod. | Core- Km. | 1,976,110 | 4,852,118 | (60) |
| Energy cables production | Cable-Ton | 30,233 | 33,697 | (10) |
| Fiber optic cables | Faser-Km. | 13,266 | 41,682 | (68) |

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

| | Unit | 31 December 2003 | 31 December 2002 | Variance % |
|-----------------------|-----------|------------------|------------------|------------|
| Communications cables | Core-Km. | 1,884,722 | 4,914,071 | (62) |
| Energy cables | Cable-Ton | 30,422 | 32,699 | (7) |
| Fiber optic cables | Faser-Km. | 8,918 | 8,193 | 9 |

Türk Pirelli Kablo ve Sistemleri A.Ş. INSTITUTIONAL MANAGEMENT PRINCIPLES

With its past of 40 years, Türk Pirelli Kablo ve Sistemleri A.Ş. is one of the deep-rooted companies in Turkey, and as from its establishment, together with its Board of Directors and all other executive authorities, it has in fact adopted the basic principles of institutional structure and management in its relations with its shareholders and other interested parties and also in its relations with its personnel.

The deep-rooted structure and way of management of the company are in line with the general outlines of the Capital Market Board Institutional Management Principles indicated in the Capital Market Board decision dated July 4, 2003 and No. 35/835. In addition to this, since Türk Pirelli Kablo ve Sistemleri A.Ş. is under the roof of the Pirelli Group which has world-wide institutional activities, and forms a part of the international operations of this big institutional group, it is subject to the institutional principles of the Pirelli Group.

The company is continuing its activities by always being conscious of its social responsibilities in such matters as relations with its customers and suppliers, human resources policy, minority rights, and environment friendly attitude, and is going on with improvement studies in this context by also taking as basis the ethical values of the business world.

Türk Pirelli Kablo ve Sistemleri A.Ş.

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