



2005 Annual Report



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Türk Prysmian Kablo ve Sistemleri A.Ş. at a Glance



Türk Prysmian Kablo ve Sistemleri A.Ş. has sustained its leadership as regards to innovation, technology, quality, and customer satisfaction in Turkey and in the international markets. The ownership of the cable factory which was established in 1964 in Mudanya and which belonged to Türk Siemens then acquired by Pirelli S.p.A. on 5 August 1999 and then by Goldman Sachs Capital Partners on 28 July 2005.

Prysmian Cable and Systems, with its 52 production plants, more than 12.000 employees, and a turnover of more than Euro 3.0 Billion, is one of the biggest cable producers that have the most advanced technology in 21 countries. Considering its advanced technology, research and development potential, the professional capabilities of its dynamic personnel and its strong resources, the leadership image of Prysmian Cable and Systems in the international markets is uncontested. Today, Türk Prysmian Kablo ve Sistemleri A.Ş. carries out its activities in a total area of 180.000 m² (covered area: 79.000 m²).

All the energy cables up to 220 kV, special cables used underground and underwater, copper conductor communication cables up to 3600 pairs, coaxial cables and optical fiber cables are in the product mix of Türk Prysmian Kablo ve Sistemleri A.Ş.. Our company is the owner of the unique thermal, mechanical, chemical and electrical research and test laboratory in the cable sector, this laboratory uses the most advanced technology, it is renovated at the end of 2005 and it is certificated by the Turkish Standards Institute. Besides all these our company performs "turn key" projects for cables and systems, and provides all our customers with unique and superior services.

With the innovative technology of the patented "AIRBAG™", which has a revolutionary characteristics and which is produced also in Turkey, the cables are integrated with an effective protection system against external mechanical impacts, flexibility and lightness are ensured, and the produced cables are longer and therefore the necessary attachments are reduced to a great extent and the mounting work is thus facilitated. Again, "AFUMEX™" cables which are novel and which must be used in our country in areas with a dense population and which do not evolve acids and emit

Türk Prysmian Kablo ve Sistemleri A.Ş. at a Glance

intense smoke and toxic gases in case of fire are produced by Türk Prysmian, therefore a protection of the highest level as regards life and property security during fires is ensured.

The installed capacity of Türk Prysmian Kablo ve Sistemleri A.Ş. is able to meet the whole demand of the domestic market and is also at a level to compete in the international market. Türk Prysmian Kablo ve Sistemleri A.Ş. which continues to be a privileged export center within the Prysmian Group exported 28% of its YTL276 million turnover by the end of December 2005.

Türk Prysmian Kablo ve Sistemleri A.Ş. which increases the effectiveness of its products and services everyday not only in Turkey, but also in global markets has proven the value it gives to human beings and to the environment by obtaining ISO/DQS 9001, ISO 14000 and OHSAS 18001 certifications in its sector.



Message from the Chairman



Dear Shareholders,

The ownership of our cable factory which was built in Mudanya in 1964 was transferred to Pirelli by Siemens in August 1999. On July 28, 2005 the shareholders of Pirelli Kablo ve Sistemleri (Pirelli Cable and Systems) changed and Prysmian was born on that date. Our new shareholder Goldman Sachs Capital Partners is one of the leading fund management firms in the world. In 2004, the sales value amounted to Euro 3.208 Billion and the operational income (EBIT) was Euro 110 Million, and as a result of the agreement concluded Pirelli sold these activities to Goldman Sachs Capital Partners. This change covers more than 12.000 personnel and 52 production facilities. The operational value of this change, including the intellectual property rights and a two year license of the Pirelli trademark, are Euro 1.3 Billion.

With the positive effects provided by this change, Türk Prysmian continued its leadership with respect to innovation, technology, quality and customer satisfaction, and in 2005 Türk Prysmian maintained its leading cable producer position in Turkey.

After a few years during which economic and social difficulties were suffered, in 2005 Turkey reached a good position as regards steady growth and rapid development, and became a country with a prospect of positive future in the international arena.

As a result of the positive changes experienced in Turkish economy in the past three years, in 2005 important developments occurred with respect to growth, inflation and employment. In 2004 the industrial production grew by 9.8%, whereas this figure was 5.3% at the end of 2005. We must mention the contribution of the private sector investments to this increase. The inflow of foreign capital is very important in order to ensure the continuity of this development. International capital based producer companies which have been in Turkey for a long time and which have provided employment have confidence in Turkey and these foreign capital companies express a desire to grow in Turkey, and therefore they make investments in our country. Since Turkey is a country which is sensitive for investments, new capital movements

Message from the Chairman

materialize with difficulty. Therefore, those companies which desire to come to Turkey to invest should not be discouraged. The transparent policies in this respect and positive steps taken to eliminate bureaucratic obstacles opened the way for foreign investments to come to Turkey. The most important indicator is that capital inflow in 2005 increased by 239% as compared to 2004, and reached the figure of USD9.673 Billion. It is to be noted that 56.7% of these investments came from the European Union. Due to the very good relations between Italy and Turkey, Italian companies have confidence in Turkey and they look at Turkey positively. Nowadays, Italy is one of the most important countries which invest in Turkey.

As a result of tight financial and monetary policies implemented in accordance with an extensive economic program, very important steps have been taken in order to ensure economic stability, and the country's performance has increased as regards macro-economic indicators. The very high and chronic inflation fell down to 9.3% (Consumer Price Index) in 2004 and to 7.72% in 2005 (Consumer Price Index). The continuation of this positive period in the Turkish economy will only be possible by respecting the budget discipline and tight monetary policies and by implementing structural reforms.

With the start of the negotiations between Turkey and the European Union, we believe that Turkey will be a full member of the European Union in a short period of time. Most of the factors that must be implemented for joining the European Union have already been implemented. For instance, economic cooperation which constitutes one of the important subjects was established by Turkey joining the Customs Union some time ago. Nowadays, some harmonization works are in progress to facilitate the commercial activities. So far, inflation and budget deficit were very important financial problems for Turkey. The tight economic policy implemented by the Government in recent years has given very positive results. When we look at the political factors, we can say that Europe expects a more stable political structure and more rapid changes in the legislation as regards harmonization with the European Union.

In 2005, the highest values in the history of our company were reached: net sales which amounted to YTL211 Million in 2004 increased by 31% in 2005 and reached the sum of YTL276 Million. Moreover, exports which were YTL59.9 Million in 2004 rose to YTL76.1 in 2005, meaning an increase of 27%. After the payment of taxes and other legal obligations, the net profit of our company increased by 600% as compared to 2004 and reached the sum of YTL 12.04 Million.

The installed capacity of our Mudanya factory is sufficient to meet all the demand of the domestic market and to compete in the international markets. We are increasing our marketing activities in the Turkic Republics where Turkey occupies a respectable position and in almost all countries in the Middle East. All these positive developments in Turkey show that big steps will be made in also the energy and telecommunication sectors. As regards energy and telecommunication fields in Turkey, our products have been used in an important part of the cable infrastructure. As regards new investments to be made in these sectors, we have no doubt that Türk Prysmian Kablo will play a very important part. This way, we desire to increase our contribution to the development of Turkey.

On behalf of our stakeholders and executives I would like to thank our customers who have had confidence in our company for many years, our shareholders with whom we always cooperate and our personnel who work with great dedication and self-sacrifice.

Following a very positive year, I hope that 2006 will be a healthy and successful year for our country, our company, and for you all and I present my best wishes to our shareholders.

HAKAN ÖZMEN
Chairman of the Board

Preliminary Information

Board of Directors

Hakan Özmen
Chairman

Valerio Battista
Vice Chairman

İshak Alaton
Member

Sabri Metin Ar
Member

Carlo Cammarata
Member

Ercan Karaismailoğlu
Member

Aldo Kaslowski
Member

Fabio Ignazio Romeo
Member

Executive Management

Hakan Özmen
Chief Executive Officer

Ercan Karaismailođlu
Chief Financial Officer

Halil İ. Kongur
Factory Director

Erkan Aydođdu
Logistics Manager

İ. Etem Bakaç
Domestic Sales Manager

Esat Baykal
Quality Manager

Abdurrahman Gungör
R&D and Quality Assurance Manager

Faik Kürkçü
Utilities Sales Manager

Murat Tezcan
Export Sales Manager

Yiđit Türsoy
Legal Affairs Manager

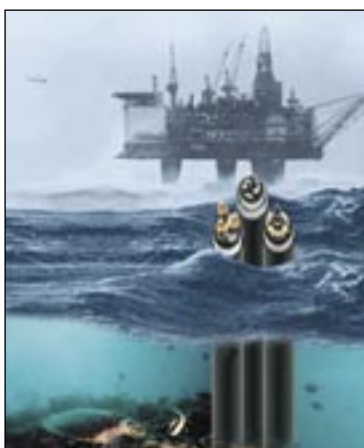
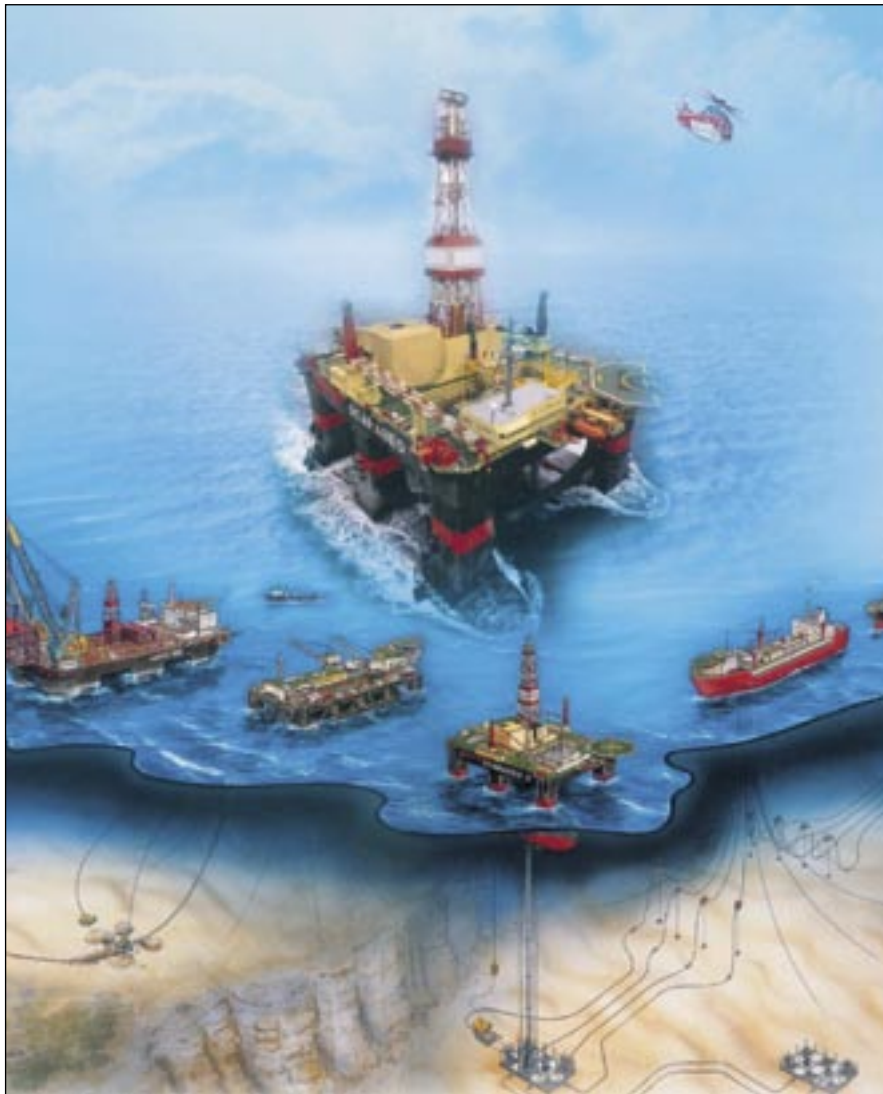
Okay Yıldız
Technical Service Manager

Sevda Yücel
Purchasing Manager

Agenda of the 43th Ordinary General Assembly of Türk Prysmian Kablo ve Sistemleri A.Ş. Dated 28.03.2006

- 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, the Profit Distribution of the Company and the Profit and Loss Statement for the trading period of 01.01.2005 - 31.12.2005,
- 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 01.01.2005 - 31.12.2005. Adoption of resolutions in respect of discharging the members of the Board of Directors,
- 5.** Adoption of a resolution concerning the Board of Directors' proposal for the distribution of the profits for the trading period of 01.01.2005 - 31.12.2005 and/or for setting of the loss arising from the reclassification or revision of the financial statements of year 2004 in accordance with CMB's communiqué dated 15 November 2003 Serial:XI No:25,
- 6.** To elect the new members of the Auditors whose terms have come to an end, and determination of their remunerations,
- 7.** To inform about the donations made during the year 2005,
- 8.** To accord the Chairman and Members of the Board liberty of action in conformity with articles 334 and 335 of the Turkish Commercial Code,
- 9.** Any other business.







General Economic Evaluation - 2005

Following the crisis in 2001, the positive results which were expected from the financial discipline, the strengthening of the banking sector, the structural reforms, the implementation of a floating rate of exchange regime which constituted the basic principles of the new economic stability program which started in May 2001 continued in 2005 as it had in the previous years and important results were obtained as regards macro-economic stability.

Price stability is an indispensable pre-condition for a sustainable growth in the middle term and in the long term. The monetary policies which started to be implemented in our country between 2001 and 2005 have reached the inflation targeting regime gradually, and if this continues in the same way it will make price stability permanent. Nowadays, the fact that the rate of inflation has been reduced to single column figures after thirty years and the fact that this reduction is not temporary, and even more important, the fact that a great majority of the population has adopted the view that it should not be temporary are very significant.

The decrease in the inflation rate continued in 2005, although a little slower than the past four years. At the end of 2005, the rate of inflation (consumer price index) was 7.72% which was very near the target of 8%. As regards 2006, it is expected that the rate of inflation will be 5.7% (official figure).

Although the developments in crude oil prices in the world were reflected negatively in the consumer price index in the first three quarters of the year, the said effects weakened in the last quarter. The trend of increase of the metal prices got stronger in the last quarter of the year and in the beginning of 2006 a price decrease is not expected. On December 12, 2005 oil prices hit the highest level seen since 1981. For this reason, oil and other raw material prices will constitute the important risk items as regards the inflation target for 2006.

The producer price index was quite steady and positive and it was decreased down to 2.66% at the end of 2005. With the exclusion of the items on which oil prices have a direct effect, it is observed that the manufacturing industry price increases are at a very low level. It is considered that

this is due to an increase in productivity, to the strong New Turkish Lira and also to the increasing foreign competition.

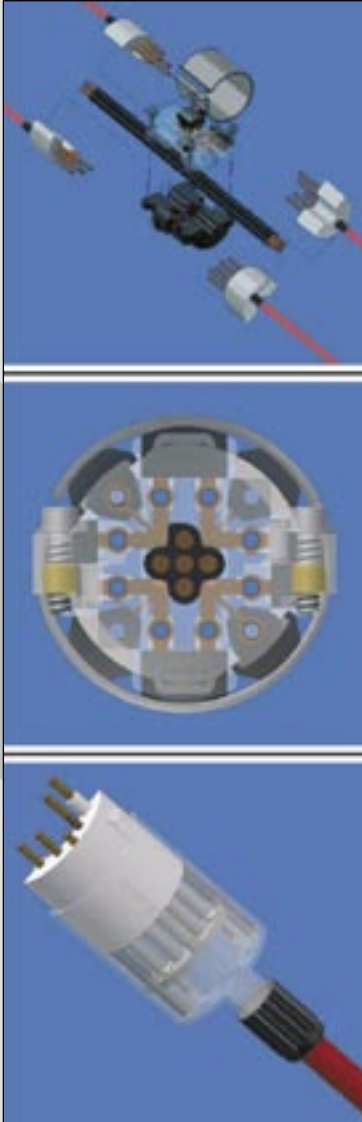
The indicators regarding investments show that the trend of rapid growth is continuing. As a result of the increasing consumption and investment demand due to the vitality of supply and demand developments, rapid increases in investment and consumption goods imports continued, and another reason for the high rate of increase in the imports of intermediate goods was the price increase of raw materials in the world. The continuation of the strong growth of the world economy, the opening of Turkish economy to the world and also productivity increase supported exports, but imports increased at a greater pace and the current account deficit rose. The current account deficit was more than 6% of the Gross National Product in 2005 and the foreign trade deficit rose by 24.9% and reached the figure of USD42.9 Billion. On the other hand in December 2005 exports reached a historical figure of which meant an increase of 6.4%, and the total foreign trade volume was USD189 Billion in 2005. The increasing trend in direct foreign investments and in long term loan utilization indicates that an important problem will not be experienced in the short term as regards financing the current account deficit. However, in the long term, the increase of the export potential will have a critical importance.

As a natural result of this process, the desire of the population to invest in USD due to the high rate of inflation and due the inconsistent macro-economic policies has lost its importance significantly. As a result of the cautious monetary policy, the continuation of the budget discipline and the inflation rate which was near the targeted figure, the expectations keep their positive aspect.

Besides all these factors, the improvements in structural reforms, a three year budget plan, the maintenance of a middle term program,



Directors' Report



the beginning of the negotiations with the European Union for full membership, the monetary reform and the strengthening of the financial stability decreased the risk premium and increased the demand as regards investments in terms of New Turkish Liras. From 2002 onward, the basic tendency is to hold more financial values in New Turkish Liras in the portfolios of the economic units. Although there were some deviations from this trend due to external shocks, one of the results of the economic program was the reverse dollarization process. Following these developments, in general, longer terms were observed and gradual decreases in medium and long term real interest rates continued. The short term interest rate of 18% in the beginning of 2005 went gradually down to 13.5% by the end of 2005.

The primary surplus which was foreseen as YTL27.302 Billion in the beginning of the year reached the figure of YTL35.936 Billion and was more than 5% of the Gross National Product. On the other hand, the budget deficit for 2005 was limited to 2% of the Gross National Product, and it was disclosed that this was below the Maastrich criteria of 3%. According to the data disclosed by OECD, the national income was USD343.6 Billion and the highest national income increase in 2005 was experienced in Turkey by 13.8%. With these figures, Turkey became the 16th biggest economy in the world.

As regards international markets, in December Federal Open Market Committee (FOMC) announced its 13th interest rate increase and brought the interest rate to 4.25%, and the EURO/USD parity was 1.1844 by the end of the year.

In 2005, the successful privatization of such public organizations as Türk Telekom and Tüpraş and the sum of around USD17 Billion arising from these sales show that the Government is dead decided to continue with the privatization program which was one of the clauses in the letter of intent given to IMF.

On the other hand, as regards the decision taken in the European Union summit on December 17, 2004, the beginning of the negotiations for full membership on October 3, 2005 will ensure the continuity of the reforms within the framework of the program, and therefore it is expected that foreign capital inflow will increase.

General Economic Expectations - 2006

In the beginning of 2006, the main positive indicator as regards Turkish economy is the decrease of the inflation rate and the decrease in the interest rates of the Government bonds and therefore in the real interest rates. There exist some risks in reaching the inflation target and they are of internal and external origin, and one of the most important risks is the possibility of increase of the oil and raw material prices.

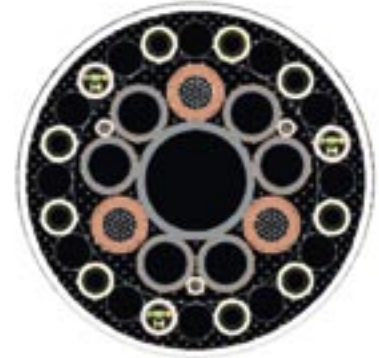
The strong growth of the world economy and the increase of the production in China, the U.S.A. and Asian countries led the way to an increase in energy demand. In 2006 in which the supply capacity will be limited and the demand will still be strong, an increase in oil prices will be unavoidable. It is foreseen that the oil prices may go up to USD70.

Global disequilibrium creates serious uncertainties. While the U.S.A. economy has the risks of growing current account deficit and obligations in terms of US Dollars increase and there is a pressure regarding the loss of value of the US Dollar, the international investors may demand higher USA bond revenues. In this case, the cost of the loans obtained by our country will carry a risk, and this may cause stagnancy in the capital movements in favour of our country. If the tendencies in the international liquidity conditions take a bad turn, fluctuations in the financial markets may occur and cause an uncertainty as regards inflation.

The slowing down of the decrease of the inflation rate in the beginning of 2006 makes unavoidable to slow down decrease of interest rates by Central Bank.

The reduction of the interest payments ensured a limitation of the negative effects of the social security expenditures which had been foreseen around YTL2 Billion in the budget of 2005. In the budget for 2006, it is planned that the share of the social security expenditures to the primary surplus will decrease down to 22% from 24%.

The safeguarding of the discipline in the financial policies will provide a guarantee for reaching the inflation target of 2006 and also for maintaining stability in the markets. Our company will go on with its policies in 2006 in the same way as those in recent years in order to eliminate financial and commercial risks.





Sector Analysis

The cable sector in Turkey went through a very big demand contraction as a result of the earthquake in 1999 and the economic crisis of 2001. Together with such negative aspects experienced in Turkey, the economic stagnancy which was felt in Europe, but which affected the whole world, influenced the exports of the cable producers, and the sector had very difficult days. Moreover, the lack of the necessary legal arrangements in the energy sector, the postponement of the privatization in the telecommunication and energy sectors led the way to a retardation of all the critical investments in the sector. Depending on these factors, in recent years there was an over capacity in the sector and the sector tried to stand on its feet and there was also price erosion, and therefore the sector could not develop properly.

In an environment where the biggest buyer was the Government, since the necessary investments which had been postponed for a long period were made by the end of 2004 and especially in 2005, a great movement was experienced in the sector last year. Since the construction sector had nearly stopped following the earthquake in 1999 and the investments necessary in the industry and for providing houses as a result of economic instability had not been made in the past, such investments accelerated in 2005 and there was an increase in the demand and the cable producers accelerated their investments and increased their capacity and the supply was able to meet the demand.

The growth rate of the domestic energy cable market grew by two digit figures last year and this trend will continue this year too. In the telecommunication sector which involves copper communication and optical fiber cables, the market showed an important growth in 2005 as compared to the previous year as a result of big investments made by Türk Telekom. Together with this growth, when we look at the IMMIB data, we observe that in 2005 exports rose by 27% on USD basis.

In this period where the works concerning the full membership to the European Union continue, important developments are experienced in the energy sector. Following a very long preparation period, the works concerning the expansion of the interconnected network



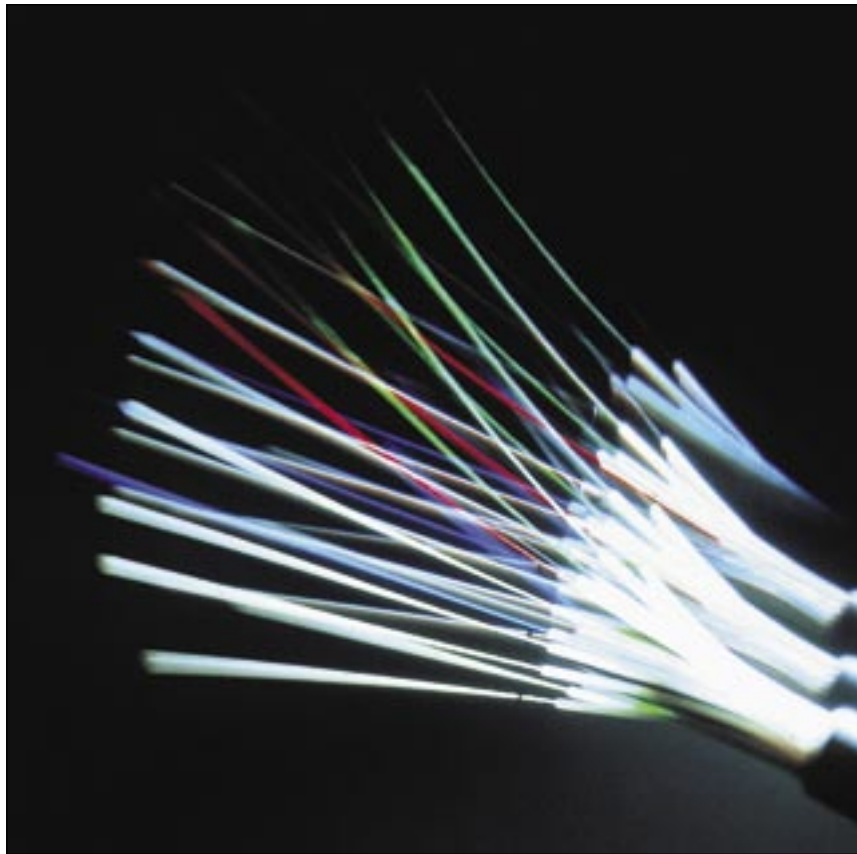
for the electrical integration of Turkey with Europe started on September 28, 2005 between the European Union and TEİAŞ. This project which is very important for Turkey is supported and financed by the European Commission. With this project which is in line with the policy of the expansion of the European Union Internal Electricity Market, this integration will be very important in order to meet the increasing electricity demand in Turkey in the years to come.

Works started in order to materialize a very important project in Turkey as regards medium voltage cables. This project aims at improving the electricity distribution networks by placing the aerial medium voltage lines underground, as they do not have sufficient capacity in some regions and the loss ratio is much higher than the world standards due to lack of maintenance and inspection. Additionally, these aerial medium voltage lines which have been used for a long time present a very bad appearance. With this project which will constitute one of the very important investments in the energy sector in Turkey, the problems regarding losses will be reduced down to a minimum and the project will contribute to the development of the sector.

The transmission and the distribution of electric energy should be carried out under reliable and economic conditions. Moreover, it is important to ensure the safety of human beings and property. For this reason, when choosing a cable, one must look at the cable's quality and service life, and not at its price. Maintenance costs arising in time due to the use of low quality products, additional energy losses and conditions which would affect lives and property should also be taken into account. In Europe, people consider cables as a long term investment. We are spending efforts in order to increase the awareness of the public with respect to cables. In Turkey, as from 2004, the gradual increase of the use of our Afumex products which have been used in Europe for a long time and which aim at protecting lives and property at a maximum level in case of fire goes to show that our efforts have been fruitful. It is clear that if we give the necessary information to the public to make them quality conscious, then this will also lead the way to the prevention of unfair competition.

Nearing the end of long and difficult times, the acceleration of the works regarding the membership of the European Union and the activities with respect to privatization indicate that Turkey will make big steps in the energy and telecommunication sectors, and that the development and growth of the sector will continue.





Financial Analysis

Financial Analysis

The detailed Balance Sheet and Income Statement for 2005 are enclosed. The explanations as regards assets and liabilities and income statement are given below.

Assets

Cash holdings amount to YTL5,612, of which YTL582 is in New Turkish Liras and the remainder in foreign currency.

Deposits in banks total YTL33,498,315, of which YTL16,469,151 is held in New Turkish Lira accounts and YTL17,029,164 in foreign currency accounts. In this group, there are checks to the sum of YTL4,550 delivered to the Social Security Organization and the Customs Bureau, which decreases the amount of our bank deposits.

Short term trade receivables reached the sum of YTL45,170,155. In this group, customer accounts amount to YTL28,396,983, of which YTL22,628,525 is from domestic customers and YTL5,768,458 from customers outside Turkey in foreign currency. The average collection period of our receivables was 73 days.

Rediscount on notes receivable to the sum of YTL17,467,034 was calculated as YTL695,851. The provision for doubtful domestic and foreign receivables is YTL11,675,154.

Amount due from related parties is YTL6,147,667 of which YTL6,086,752 is due from group companies and YTL60,915 due from company personnel.

Our inventories increased by 32.7% over the previous year and totaled the sum of YTL36,214,102. The total of raw materials and materials existing in the inventories amounted to YTL8,398,878, semi-finished goods to YTL10,999,017, commercial goods to YTL422,545, and finished goods to YTL14,144,079. The other inventories to the sum of YTL263,469 consist of scrap inventories. Advance payments made to foreign and domestic suppliers for orders received amount to YTL2,744,609. Provision for the inventories is YTL758,495.

Other receivables total YTL12,500,652, and consist of VAT receivable to the sum of YTL6,183,254, prepaid taxes to the sum of YTL5,589,131, expenses for the coming months and other receivables to the sum of YTL728,267.

Financial fixed assets amount to YTL2,920,351.

During the year, the expenses for tangible fixed assets amounted to YTL3,678,947 and the amount of tangible fixed assets which had been sold totaled YTL1,014,083. Net asset value was calculated as YTL50,389,679 by adding the additions of fixed tangible assets to the value of fixed tangible assets at the beginning of the year and deducting disposals and the accumulated depreciation. An important item within intangible fixed assets to the sum of YTL82,381 is the SAP software.

Financial Analysis

Liabilities

There is no bank loans indicated in financial debts in 2005 and 2004.

Trade payables decreased by 13.5% as compared to last year and were realized at YTL36,390,760. In trade payables, debts to domestic suppliers amounted to YTL20,882,956 and debts to foreign suppliers totaled YTL1,987,167.

Checks and notes issued for purchases on credit are to the sum of YTL13,779,766. From this amount, rediscount of notes payable totals YTL259,129.

Amount due to related parties is YTL6,044,768 of which YTL6,043,704 is due to group companies and YTL1,064 due to the shareholders.

Other current liabilities reached the sum of YTL13,390,403. Out of this sum, YTL6,242,283 consists of taxes, fund and social security deductions, YTL4,657,919 are for accrued expenses, and YTL1,451,081 consists of payables to the personnel, and the remainders are for other short term liabilities to be paid.

Provision for corporate tax for 2005 is YTL4,080,893.

In cases where the Labor Act deems it suitable, provision for severance indemnity payable to our personnel is YTL4,484,351 as of the end of the accounting period, the severance indemnity being calculated on the ceiling value of YTL1,770.62.

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 amounted to the level of YTL204,679.

At the end of the year, Inflation Adjustment to Shareholder Capital amounted to YTL72,937,515. Inflation adjustment differences to share capital amounted to YTL8,462,823 and Inflation adjustments differences to legal reserves totaled YTL64,474,692.

Net profit for the period increased by 600% compared to the previous year and was realized at YTL12,040,301.

Financial Analysis

Income Statement

Our gross sales increased by 93.5% as compared to last year, and reached the sum of YTL699,869,711. Our domestic sales totaled YTL495,514,263, and our exports YTL204,293,901. Other sales amounted to YTL61,547 consists of interest charged on credit sales.

Total sales deductions amounted to YTL423,665,773, of which YTL3,872,869 consisted of sales returns and YTL419,792,904 corresponded to sales discounts.

The cost of the goods sold totaled YTL231,691,499 which corresponded to 84% of our net sales. The cost of the goods sold included the cost of raw materials and auxiliary materials, direct labor, 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 12% of our net sales. Within this scope, in line with the importance accorded to research and development, our R&D expenses constituted 03% of our net sales revenue and reached the sum of YTL686,131.

Marketing, sales and distribution expenses accounted for 7% of the net sales and totaled YTL20,562,410, whereas general administrative expenses to the sum of YTL12,048,864 accounted for 4% of the net sales revenue.

Our other operating income decreased by 34% as compared to the previous year and reached the sum of YTL3,143,189, of which YTL1,803,405 was generated by the sale of scrap and raw material etc. and by purchasing bonuses, YTL451,066 consisted of rediscount income, YTL268,944 consisted of research and development grants, YTL53,321 consisted of income from reserved provisions and YTL566,453 consisted of other income.

Our other operating expenses increased by 76% as compared to the previous year and reached the sum of YTL3,912,925, of which YTL1,653,757 consisted of the cost of scrap and raw material etc. sales, YTL1,246,978 consisted of provision expenses, YTL361,124 consisted of rediscount expenses and YTL651,066 consisted of other expenses.

Financial income and expenses amounted to YTL6,118,473, of which YTL5,235,713 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, YTL654,209 consisted of exchange rate profits and YTL228,551 consisted of dividend from investments.

The Board of Directors
February 24, 2006

Auditors' Review Report

To the General Assembly of Türk Prysmian Kablo ve Sistemleri A.Ş.

Company Title	: Türk Prysmian Kablo ve Sistemleri A.Ş.
Head Office	: Mudanya
Capital	: YTL39,312,000.00
Activity	: Manufacturing of energy and telecommunication cables, insulated conductors
Auditors' names and duration of their appointment, their relation to the Company (partners or not)	: Hikmet TÜRKEN and Raşit YAVUZ appointed to the accounting year 2005, both are not the employees.
Number of Board of Directors 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.
Counts made at the Company treasury according to Article 353/1-3 of the Turkish Commercial Law and their results	: The records for the Period January 1, 2005 - December 31, 2005 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	: The obligatory monthly inspections of the records of securities were conducted and 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 Prysmian Kablo ve Sistemleri A.Ş. for the period January 1, 2005 - December 31, 2005 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, 2005 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, 2005 - December 31, 2005 reflects the real results of the activities for the considered period.

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

THE BOARD OF AUDITORS

Hikmet TÜRKEN

Raşit YAVUZ

Independent Auditor's Report

Convenience Translation Into English of Financial Statements for the Year Ended 31 December 2005 and Independent Auditor's Report Originally Issued in Turkish - See Note 45



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1. We have audited the accompanying balance sheet of Türk Prysmian Kablo ve Sistemleri A.Ş. ("the Company") at 31 December 2005 and the related statement of income for the year then ended in accordance with generally accepted auditing standards applicable to audit engagements issued by the Turkish Capital Market Board ("CMB"). 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 accompanying financial statements, present fairly, in all material respects, the financial position of Türk Prysmian Kablo ve Sistemleri A.Ş. as at 31 December 2005 and the results of its operations for the year then ended in accordance with generally accepted accounting principles issued by the CMB (note 2).

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

3. As disclosed in Note 2 to the accompanying financial statements, CMB's Communiqué XI/25 Communiqué Regarding Accounting Standards in Capital Markets ("Communiqué") came into effect for the first interim financial statements for periods after 1 January 2005. Communiqué Section 33 "First Time Application" paragraph 717 states that Companies are not required to prepare on a comparative basis the first statements of income, of cash flows and of changes in shareholders' equity prepared in accordance with this Communiqué. As the Company prepared its first financial statements as of 31 December 2005, the statement of income, of cash flows and of changes in shareholders' equity year ended 31 December 2005 and the related notes for the period between 1 January - 31 December 2005 have not been presented on a comparative basis with the comparable year ended 31 December 2004.
4. As further explained in note 44, enforcement proceedings peculiar to two negotiable instruments have been initiated against the Company amounting to USD15,500,000. The negotiable instruments including interests amounted to YTL37,050,963. The Company has opened legal cases for the repudiation of the debts. The legal cases are pending as of 31 December 2005 and the outcome of these cases is uncertain. No provision has been made in the accompanying financial statements.
5. Additional paragraph for convenience translation into English:

The effects of differences between accounting principles issued by CMB and 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
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Coşkun Şen, SMMM
Partner

İstanbul, 24 February 2006

Balance Sheet at 31 December 2005 and 31 December 2004

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	Notes	Audited 31 December 2005	Audited 31 December 2004
ASSETS			
Current Assets			
Cash and cash equivalents	4	35,214,687	28,003,663
Marketable securities	5	-	-
Trade receivables (net)	7	45,170,155	40,305,717
Finance lease receivables	8	-	-
Due from related parties (net)	9	6,147,667	8,277,346
Other receivables (net)	10	12,478,867	4,205,070
Biological assets (net)	11	-	-
Inventories (net)	12	36,214,102	27,298,952
Receivables on construction contracts (net)	14	-	250,868
Deferred tax assets	15	-	-
Other current assets		269,988	260,567
Non-current Assets			
Trade receivables (net)	7	47	47
Finance lease receivables (net)	8	-	-
Due from related parties (net)	9	-	-
Other receivables (net)	10	21,785	18,479
Financial assets (net)	16	2,920,351	2,920,351
Positive/negative goodwill (net)	17	-	-
Investment properties (net)	18	-	-
Property, plant and equipment (net)	19	50,389,679	52,159,043
Intangible assets (net)	20	82,381	103,054
Deferred tax assets	14	-	-
Other non-current assets	15	-	-
TOTAL ASSETS		188,909,709	163,803,157

Balance Sheet at 31 December 2005 and 31 December 2004

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

LIABILITIES	Notes	Audited 31 December 2005	Audited 31 December 2004
Current Liabilities		73,063,517	59,853,174
Financial liabilities (net)		-	-
Short-term portion of long-term financial liabilities (net)		-	-
Financial lease liabilities (net)		-	-
Other financial liabilities (net)		-	-
Trade payables (net)	7	36,390,760	42,070,699
Due to related parties (net)	9	6,044,768	2,399,390
Advances received	21	6,702,563	2,774,677
Construction contracts acquisition value (net)	13	3,173,919	-
Provisions	23	4,080,893	1,490,124
Deferred tax liabilities	14	3,280,211	2,837,634
Other current liabilities (net)	10	13,390,403	8,280,650
Non-current Liabilities		5,970,083	4,541,695
Financial liabilities (net)	6	-	-
Financial lease liabilities (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	-	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	5,970,083	4,541,695
Deferred tax liabilities	14	-	-
Other non-current liabilities (net)	10	-	-
MINORITY INTERESTS		-	-
SHAREHOLDERS' EQUITY		109,876,109	99,408,288
Share Capital	25	39,312,000	39,312,000
Share Capital Adjustments		-	-
Capital Reserves	26	72,937,515	72,937,515
Share premium		-	-
Reserves from cancelled shares		-	-
Revaluation funds		-	-
Revaluation funds of financial assets		-	-
Shareholders' equity restatement differences		72,937,515	72,937,515
Profit Reserves	27	343,426	114,614
Legal reserves		204,679	114,614
Status reserves		-	-
Extraordinary reserves		138,747	-
Special reserves		-	-
Investment and property sales gains to be transferred to the share capital		-	-
Translation reserves		-	-
Net income/(loss) for the period		12,040,301	-
Accumulated losses	28	(14,757,133)	(12,955,841)
Total shareholders' equity		188,909,709	163,803,157
Commitment and Contingencies	31		

The financial statements at 31 December 2005 and for the year then ended were approved by the Board of Directors on 24 February 2006.

The accompanying notes form an integral part of these financial statements.

Statement of Income For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	Notes	Audited 1 January - 31 December 2005
Operating revenues		
Revenues (net)	36	276,203,938
Cost of revenues (-)	36	(231,691,499)
Revenues from services (net)	36	-
Other operating income	36	-
Gross operating profit		44,512,439
Operating expenses (-)	37	(33,297,405)
Net operating profit		11,215,034
Other operating income	38	3,143,189
Other operating expenses (-)	38	(3,912,925)
Financial (expenses)/income (net)	39	6,118,473
Operating (loss)/income		16,563,771
Gain on net monetary position	40	-
Minority (Loss)/income	24	-
(Loss)/income before taxation on income		16,563,771
Taxation on Income	41	(4,523,470)
Net (loss)/income for the period		12,040,301
(Loss)/earnings per thousand shares (YTL)	42	0.31

Statement of Shareholders' Equity at 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	Share Capital	Inflation Adjustment to shareholders' equity	Share Premium	Share Revaluation Fund	Other adjustment to shareholders' equity	Translation reserves	Legal Reserves	Statute Reserves	Reserves and Retained Earnings	Net profit for the period	Accumulated Losses	Total
31 December 2004	39,312,000	-	-	-	72,937,515	-	114,614	-	-	-	(12,955,841)	99,408,288
Net income for the period	-	-	-	-	-	-	-	-	-	12,040,301	-	12,040,301
Dividends Paid	-	-	-	-	-	-	90,065	-	138,747	-	(1,801,292)	(1,572,480)
31 December 2005	39,312,000	-	-	-	72,937,515	-	204,679	-	138,747	12,040,301	(14,757,133)	109,876,109

The accompanying notes form an integral part of these financial statements.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

The primary operations of Türk Prysmian Kablo ve Sistemleri A.Ş. ("the Company"), established and operating in Turkey are the production, import, export and trading of cables, conductors, machinery, apparatus, their spare parts and accessories. The Company was established in 1964. The shareholders of the Company are Prysmian Cable Holding B.V. (83.75%) and Siemens Sanayi ve Ticaret A.Ş. Emekli ve Yardım Sandığı Vakfı (5.54%). The Company is registered with the Capital Markets Board ("CMB") and 15.55% of its shares have been quoted on the Istanbul Stock Exchange ("ISE").

The Company's previous name "Türk Pirelli Kablo ve Sistemleri A.Ş." changed to "Türk Prysmian Kablo ve Sistemleri A.Ş." with respect to the General Assembly decision dated on 26 September 2005. New name had been registered to T.C. Bursa Trade Register Office on 27 September 2005.

Company is operating in one sector, cable production and sale, and one geographical region. Product range of the Company includes all energy cables up to 220 kV, communication cables copper conductive cables and fiber optic cables. The factory of the Company is situated in Bursa Mudanya, and it contains thermic, mechanic, chemical, and electrical scientific research and test laboratories which have TSI adequacy, and a high level of technology.

The address of the registered office is Bursa Yolu No:1 16941 Mudanya Bursa. The Company has a 3.81% investment in Entek Elektrik Üretim A.Ş. (Note 16). At 31 December 2005, the average number of employees of the Company is 362 (31 December 2004: 315).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**2.1 Accounting policies:**

The Company prepares its financial statements in New Turkish Lira in accordance with accounting and reporting principles issued by the Capital Markets Board ("CMB"), Turkish Commercial Code, and Turkish tax legislation.

The Communiqué No: XI-25 "Communiqué on Accounting Standards in Capital Markets" ("Communiqué") issued by CMB on 15 November 2003 has been effective from the first interim financial period following 1 January 2005. In accordance with this Communiqué, companies may apply these accounting standards on 31 December 2003 or starting from the first annual or interim financial period subsequent to 31 December 2003. Accordingly, the Company prepared its financial statements in accordance with the Communiqué XI/20. "Communiqué concerning the rules and regulations for the preparation of the financial statements during the high inflationary periods" (Inflation Communiqué) until 31 December 2004, and started to prepare its financial statement in accordance with Communiqué No: XI/25 "Communiqué" on Accounting Standards in Capital Markets" effective from the first interim financial period following 1 January 2005.

These financial statements have been prepared by adjusting the statutory financial statements for the accounting standards set in Communiqué No: XI-25 "Communiqué on Accounting Standards in Capital Markets". The financial statements and the related notes have been disclosed in accordance with the standards declared by the CMB on 20 December 2004.

The Company began to prepare interim financial statements from 1 January 2005. Accordingly, for the period ended 31 December 2005 the statement of income, the statement of change in shareholders' equity and the statement of cash flow have not been presented on a comparative basis.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

2.2 Financial reporting in hyperinflationary periods:

Adjustments made to financial statements for the restatement for changes in the general purchasing power of the Turkish Lira at the period-end, are based on the 15th part of the Communiqué. These principles require that financial statements prepared in the currency of a hyperinflationary economy and financial statements prepared according to generally accepted accounting standards issued by the CMB, are 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 beginning of the hyperinflationary period in circumstances where the yearly price index at the balance sheet date exceeds the 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.

In addition, one of the characteristics that necessitates the application of this Communiqué (15th part) is in circumstances where people prefer to invest in foreign currency instead of Turkish Lira.

Financial statements as of 31 December 2004, has been expressed in New Turkish Lira ("YTL") in terms of the purchasing power of Turkish Lira at 31 December 2004. On 17 March 2005 CMB declared to companies registered in Turkey that the inflation adjustment of financial statements for the year 2005 was to be cease, as the hyperinflationary period had ended and other indicators regarding the continuation of a hyperinflation period had disappeared.

The financial statements at 31 December 2004 are expressed in New Turkish Lira in terms of the purchasing power of Turkish Lira at 31 December 2004. Indices and conversion factors used to restate the comparative amounts in the financial statements are as follows:

<u>Dates</u>	<u>Index</u>	<u>Conversion factors</u>	<u>Cumulative three - year inflation rate</u>	<u>Annual Inflation</u>
31 December 2004	8,403.8	1.000	69,7	13.8%
31 December 2003	7,382.1	1.138	181,1	13.9%
31 December 2002	6,478.8	1.297	227,3	30.8%

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

- 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.

2.3 Consolidation:

The Company does not have any financial assets for consolidation.

2.4 Comparatives:

Where necessary, comparative amounts have been reclassified to conform to changes in presentation in the current year so that the reclassification will result in a more appropriate presentation of events or transactions.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

2.5 Offsetting:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.6 New Turkish Lira:

Through the enactment of the Law numbered 5083 concerning the "Currency of the Republic of Turkey" in the Official Gazette dated 30 January 2004, New Turkish Lira ("YTL") and the New Kuruş ("YKr") have been introduced as the new currency of the Republic of Turkey, effective from 1 January 2005. The hundredth part of the YTL is the YKr (1 YTL=100YKr). When the prior currency, Turkish Lira ("TL"), values are converted into the YTL, one million TL is equivalent to one YTL (1 YTL). Accordingly, the currency of the Republic of Turkey is simplified by removing 6 zeroes from the TL.

All references made to Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to YTL at the conversion rate indicated as above. Consequently, effective from 1 January 2005, the YTL replaces the TL as a unit of account in keeping and presenting of the books, accounts and financial statements.

As stated in the announcement of CMB dated 30 November 2004, financial statements for the period ended 31 December 2005, including the prior period financial data which will be used for comparison purposes, are presented in YTL, and prior period financial statements are to be presented in YTL only for comparative purposes.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are summarised below:

3.1 Revenue recognition:

Net revenues represent the invoiced value of goods shipped. Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company, at the fair value of consideration received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as interest income on a time proportion basis that takes into account the effective yield on the asset (Note 36).

3.2 Inventories:

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories are materials, labour and an appropriate amount for factory overheads. The cost of inventories is determined on a process costing basis, the first in first out (FIFO) method. Inventories comprise of all raw material, direct labour, and other direct and indirect production costs. Financial expenses are not capitalized and are expensed as incurred occurred. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 12). The Company performs monthly stock counts.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

3.3 Tangible Assets:

Property, plant and equipment are carried at cost less accumulated depreciation (Note 19). Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets, except for land. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows;

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

Lands are not depreciated due to its infinite economic life.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposals of property, plant and equipment are included in the related income or expense accounts, as appropriate.

Expenses for repair and maintenance of property, plant and equipment are normally charged against income. They are, however, capitalised in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

3.4 Intangible assets:

Intangible assets comprise acquired computer software and development costs. They are recorded at their acquisition cost and amortised using the straight-line method over their estimated useful lives for a period not exceeding five years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount (Note 20).

3.5 Impairment of assets:

Tangible and intangible non-current assets are examined for any impairment resulting from an event or change, which leads the carrying amount to exceed its recoverable amount. An impairment loss is charged to income for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price or value in use.

3.6 Trade receivables

Trade receivables that are originated by the Company by providing goods or services directly to a debtor are carried at amortised cost using the effective yield method. Short-term trade receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

3.7 Financial liabilities:

Financial liabilities are recognised initially at proceeds received, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost using the effective yield method. Any difference between the proceeds and redemption value is recognised in the statements of income over the period of the borrowings.

3.8 Financial instruments and financial risk management:**a) Financial instruments and financial risk management*****Credit risk***

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. Material trade receivable balances comprise of receivables from dealers and intercompanies.

The Company has established an effective control system, which is monitored by the management. Guarantees taken from dealers is another tool used in credit risk management.

Funding risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate, committed funding lines from high quality lenders.

Interest-rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

Foreign currency risk

The Company is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by the analysis of the foreign currency position.

b) Fair value of the financial instruments

Fair value is the amount at which a financial instrument can be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using the following assumptions:

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated at year-end bid rates declared by Central Bank of Turkey are considered to approximate its carrying value.

Financial assets including cash and amounts due from banks are considered to approximate their respective carrying values since they are translated at bid rates declared by the Central Bank of Turkey.

The carrying value of trade receivables along with the related allowances for uncollectibility is estimated to be their fair values.

Monetary liabilities

The fair values of short-term bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings and trade payables, which are denominated in foreign currencies are translated at period-end ask rates declared by the Central Bank of Turkey and accordingly their carrying amounts approximate their fair values.

3.9 Business Combinations:

None.

3.10 Foreign currency transactions:

Foreign currency transactions during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish Lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the statements of income.

3.11 Earnings per share:

Earnings per share disclosed in the statements of income are determined by dividing net income by the weighted average number of shares in existence during the year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus share issued without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

3.12 Subsequent events:

There are no subsequent events resulting in an adjustment to financial statements.

3.13 Provisions, contingent assets and liabilities:

Provisions are recognised when the Company has a present legal or constructive obligation or a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Warranty expenses are recorded as a result of repair and maintenance expenses based on statistical information for possible future warranty services.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial tables and treated as contingent assets or liabilities (Note 31).

3.14 Change in the accounting policies:

None.

3.15 Leasing:

None.

3.16 Related parties:

For the purpose of these financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them, investments, associated companies and joint venture partners are considered and referred to as related parties (Note 9).

3.17 Segment reporting:

None.

3.18 Construction type contracts:

Construction type contracts are presented in the financial statements based on the percentage of completion method.

3.19 Discontinued operations:

None.

3.20 Government grants and incentives:

Government grants, including non-monetary grants at fair value, are not recognised until there is reasonable assurance that the entity will comply with the conditions attached to them and that the grants will be received. A forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan. Even if the state incentives are obtained either by offsetting an obligation or in cash, they are recognised in the same method in financial statements.

3.21 Investment property:

None.

3.22 Taxes on income:

Corporation tax is payable at a rate of 30% for the year 2005 (31 December 2004: 33%) 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.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

3.23 Deferred income taxes:

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxes.

Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and deferred tax liabilities, related to income taxes levied by the same taxation authority, are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities.

3.24 Employment termination benefits:

Provision for employment termination benefit represents the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 23).

3.25 Cash and cash equivalents:

Cash and cash equivalents are valued with their nominal values. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid assets, whose maturity at the time of purchase is less than six months (Note 4).

3.26 Capital and Dividends:

Dividends receivable are recognised as income in the period when the right to receive payment is established and dividends payable are recognised as an appropriation of profit in the period in which they are declared.

3.27 Financial assets:

All the financial investments are initially valued over their costs which are the fair value of the acquisition including acquisition costs related to the investment. With respect to the financial assets where the Company has an interest below 20% or subsidiaries which are not included in the consolidation, when the financial investments do not have any quoted fair value; other methods to identify the fair value are not applicable; or a reasonable estimate cannot be performed, the face value of the financial asset is calculated by deducting, if any, the impairment provision from the cost adjusted for the purchasing power at 31 December 2004. Gains and losses resulting from the changes in the fair values of held for sale financial assets are indicated in the end of period results (Note 16).

3.28 Statement of cash flow:

The cash and cash equivalents represented in cash flow statement comprise of cash in hand and, bank deposits, with a maturity of less than three months, and reverse repo agreements with banks.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 4 - CASH AND CASH EQUIVALENT

	31 December 2005	31 December 2004
Cash-TL	582	311
Cash-Foreign currency	5,030	10,687
Bank-Demand deposit	94,137	157,982
Bank - YTL - Time deposit	16,379,564	5,635,550
Cheques and payment orders given	(4,550)	(281,250)
Bank-Export foreign currency	11,898	-
Bank-Foreign currency	212,305	27,188
Bank - USD - Time deposit	13,193,771	21,930,775
Bank - EUR - Time deposit	3,611,190	9,307
Cheques received	1,710,760	513,113
TOTAL	35,214,687	28,003,663

Maturities and interest rates for the time deposits are as follows:

	31 December 2005		31 December 2004	
	Maturity	Interest rate (%)	Maturity	Interest rate (%)
YTL Time Deposits	O/N	15,65	O/N	24,5
YTL Time Deposits	1 month – 3 months	17,5 – 18	-	-
Time Deposits USD	O/N	4	4 - 6 months	4,75 - 5
Time Deposits USD	4 Months	4,75	-	-
Time Deposits EUR	O/N	2,5	O/N	2,5

NOTE 5 - TRADING SECURITIES

None (2004: None).

NOTE 6 - FINANCIAL LIABILITIES

The Company does have any long and short-term bank loans as of 31 December 2005 and 31 December 2004.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES**Short term trade receivables:**

	31 December 2005	31 December 2004
Trade receivables	28,396,983	28,571,272
Notes receivables	17,467,034	12,340,696
Deposits and guarantees given	1,989	1,080
Doubtful receivables	11,675,154	11,575,433
Provision for doubtful receivables	(11,675,154)	(11,575,433)
Deferred financial income	(695,851)	(607,331)
TOTAL	45,170,155	40,305,717

The Company provided full provision for the receivables under legal follow-up. Foreign exchange differences accrued for foreign doubtful receivables are included in the provision and reflected to the foreign exchange income.

Short term trade payables:

	31 December 2005	31 December 2004
Trade payables	22,870,123	18,100,060
Notes payable	13,779,766	24,051,306
Deferred financial expenses	(259,129)	(80,667)
TOTAL	36,390,760	42,070,699

NOTE 8 - LEASING RECEIVABLES AND PAYABLES

None (2004: None).

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Amounts due from and due to related parties at period ends and a summary of transactions with related parties during the period are as follows:

	31 December 2005	31 December 2004
Due from group companies	6,086,752	8,230,707
Due from personnel	60,915	46,639
Due from related parties	6,147,667	8,277,346
Lawsuit guarantees received from group companies	120,752	-
Due to group companies	5,923,627	2,399,001
Due to the shareholders	1,064	389
Due to group companies	6,044,768	2,399,390

a) Due from group companies:**31 December 2005:**

	Currency	Principle	Foreign Exchange Rate	Principle (YTL)
Group Companies				
Prysmian Cabluri si Systeme SA	EURO	9,000.00	1.5875	14,288
Prysmian Cavi e Sistemi Telecom Italia S.r.l.	EURO	3,109,898.36	1.5875	4,936,964
Prysmian Kabel und Systeme GmbH	EURO	111,220.43	1.5875	176,562
Prysmian Cavi e Sistemi Energia Italia S.r.l.	EURO	43,342.16	1.5875	68,806
Prysmian Cavi e Sistemi Energia Italia S.r.l.	USD	18,150.00	1.3418	24,354
Prysmian Telecom Cables & Systems UK Ltd.	EURO	108,519.60	1.5875	172,275
Prysmian Telekom Kabel und System Deutschland GmbH	EURO	262,977.63	1.5875	417,477
	USD	13,000.00	1.3418	17,443
Prysmian MKM Magyar Kabel Muvek RT	EURO	99,234.37	1.5875	157,535
Prysmian Telecom Cables y Sistemas Espana S.L.	EURO	604.30	1.5875	959
Prysmian Cavi e Sistemi Energia S.r.l.	EURO	31,293.52	1.5875	49,678
Pirelli Telecom Cables CO. Ltd Wuxi	EURO	914.07	1.5875	1,451
	USD	305.00	1.3418	409
Prysmian Telecom Cables et Systemes France SA	EURO	30,583.50	1.5875	48,551
TOTAL				6,086,752

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

31 December 2004:

	Currency	Principle	Exchange rate	Principle (YTL)
Group Companies				
Pirelli Cables and Systems SA	EURO	51,687	1.8268	94,422
Pirelli Kabel und Systeme GmbH. & CO.	EURO	1,156,065	1.8268	2,111,900
Pirelli Cavi E Sistemi Energia Italia S.p.A.	USD	23,503	1.3421	31,543
Pirelli Cables Ltd.	EURO	193,905	1.8268	354,226
	USD	19,690	1.3421	26,426
Kablo Bratislava Spool	EURO	13,758	1.8268	25,133
Pirelli Cavi E Sistemi Energia S.p.A.	EURO	25,898	1.8268	47,310
Pirelli Romania Cabluri S.A.	EURO	211,370	1.8268	386,131
	USD	1,000	1.3421	1,342
Pirelli OekW GmbH	EURO	77,905	1.8268	142,317
Pirelli Cavi E Sistemi Telecom S.p.A.	EURO	2,076,724	1.8268	3,793,759
Pirelli Telecomunicações Brasil	USD	80,000	1.3421	107,368
Pirelli Telecom Kabel und System GmbH	EURO	300,673	1.8268	549,269
Pirelli Telecom Cables & Systems UK Ltd.	EURO	289,276	1.8268	528,449
Pirelli Telecom Cables Y Systemas	EURO	3,050	1.8268	5,572
	USD	17,481	1.3421	23,461
Pirelli Telecom Cables CO. Ltd Wuxi	EURO	914	1.8268	1,670
	USD	305	1.3421	409
TOTAL				8,230,707

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

b) Due to group companies:**31 December 2005:**

	Currency	Principle	Exchange rate	Principle (YTL)
Group Companies				
Prysmian Kabel und System GmbH	EURO	21,544	1.5952	34,367
Prysmian Metals Ltd	EURO	1,518,978	1.5952	2,423,074
Prysmian Cavi e Sistemi Energia S.r.l.	EURO	330,469	1.5952	527,164
Prysmian Cavi e Sistemi Energia S.r.l.	YTL	2,054,745	1.0000	2,054,745
Prysmian Cavi e Sistemi Energia Italia S.r.l.	EURO	425,207	1.5952	678,290
Prysmian Cable Systems PTE LTD.	EURO	23,352	1.5952	37,251
Prysmian Telekom Kabel und Systeme Deutschland GmbH.	EURO	1,034	1.5952	1,649
Eurelectric S.A.	EURO	52,513	1.5952	83,768
Prysmian Cabluri Si Systeme S.A.	USD	61.795	1.3483	83,318
TOTAL				5,923,627

31 December 2004:

	Currency	Principle	Exchange rate	Principle (YTL)
Group Companies				
Pirelli Kabel Und Systeme GmbH & Co	EURO	46,481	1.8356	85,320
Pirelli Metals Ltd.	EURO	175,986	1.8356	323,040
Pirelli Cavi E Sistemi Energia S.p.A.	YTL	712,820	1.0000	712,820
	EURO	460,790	1.8356	845,826
Pirelli Cavi E Sistemi Energia Italia S.p.A.	EURO	55,499	1.8356	101,874
Pirelli Cables Systems Pte Ltd.	EURO	6,075	1.8356	11,151
	USD	4,750	1.3486	6,406
Pirelli Telecom Kabel Und System GmbH	EURO	78	1.8356	143
Pirelli Cavi E Sistemi Telecom Italia S.p.A.	EURO	12,071	1.8356	22,158
Pirelli Cavi E Sistemi Telecom S.p.A.	YTL	43,956	1.0000	43,956
Pirelli Romania Cabluri SA	EURO	28,730	1.8356	52,737
	USD	13,575	1.3486	18,307
Fibre Ottiche Fos S.p.A.	EURO	25,279	1.8356	46,402
Pirelli Telecom Cables UK Ltd.	EURO	12,722	1.8356	23,353
	USD	37,866	1.3486	51,066
	GBP	1,214	2.5900	3,144
Türk Pirelli Lastikleri A.Ş.	YTL	51,298	1.0000	51,298
TOTAL				2,399,001

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

c) Sales to group companies:

Company	1 January - 31 December 2005
Prysmian Cabluri si Sisteme S.A.	647,753
Prysmian Cavi e Sistemi Telecom Italia S.r.l.	15,393,582
Prysmian Cables and Systems B.V.	399,123
Prysmian Kabel und Systeme GmbH	265,055
Prysmian Cavi e Sistemi Energia Italia S.r.l.	437,810
Prysmian Telekom Kabel und System Deutschland GmbH	4,955,797
Prysmian Telecom Cables & Systems UK Ltd.	2,066,113
Prysmian MKM Magyar Kabel Müvek RT.	196,030
Prysmian Cables & Systems International Ltd.	597,790
Prysmian Cables and Systems OY	271,555
Prysmian Telecom Cables y Sistemas Espana SL	10,432
Prysmian Kablo SRO	17,857
Prysmian Cables y Sistemas S.L.	1,756,830
Prysmian Telecom Cables et Systemes France SA	2,109,024
Prysmian OekW GmbH	214,490
TOTAL	29,339,241

d) Good, service and fixed asset purchases from group companies:**Domestic Purchases:**

	1 January - 31 December 2005
Çelikord A.Ş.(*)	88,543
Türk Pirelli Lastikleri A.Ş.(*)	849,652
TOTAL	938,195

(*) After the share transfer agreement signed on 28 July 2005 between Pirelli Group and Goldman Sachs Capital Partners (GSCP S.r.l.), Türk Pirelli Lastikleri A.Ş. and Çelikord A.Ş. are not classified as group company (Note 25).

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

Foreign Purchases: (1 January - 31 December 2005)

Company	Equipment & trade goods	Service	Fixed asset	Total
Fibre Ottiche Sud - F.O.S. S.r.l.	326,324	-	-	326,324
Prysmian Cavi e Sistemi Telecom Italia S.r.l.	989,378	-	-	989,378
Prysmian Telecom Cables et Systemes France S.A	21,968	-	-	21,968
Prysmian Telecom Cables & Systems Australia PTY Limited	-	-	17,824	17,824
Prysmian Cables and Systems Limited	17,993	-	-	17,993
Prysmian Kabel und Systeme GmbH	43,762	-	-	43,762
Pirelli Societe Per Azioni	-	5,282	-	5,282
Prysmian Cavi e Sistemi Energia Italia S.r.l.	2,124,658	-	500,011	2,624,669
Prysmian Metals Limited	6,228,958	-	-	6,228,958
Prysmian Cavi e Sistemi Energia Srl	-	5,469,179	28,867	5,498,046
Prysmian Cabluri si Sisteme SA	259,790	-	-	259,790
Prysmian Energie Cables Et Systemes France S.A	38,061	-	-	38,061
Prysmian Cabos e Sistemas do Brasil S.A	7,167	-	-	7,167
Prysmian Cable Systems Pte Ltd.	-	20,579	-	20,579
Prysmian Telekom Kabel und System Deutschland GmbH	-	10,642	-	10,642
Prysmian Cavi E Sistemi Telecom S.r.l.	-	47,014	-	47,014
TOTAL	10,058,059	5,552,696	546,702	16,157,457

e) Licence fees paid to group companies:

	1 January - 31 December 2005
Prysmian Cavi e Sistemi Telecom S.r.l.	47,014
Prysmian Cavi e Sistemi Energia S.r.l.	3,762,797
TOTAL	3,809,811

f) Dividend income:

	1 January - 31 December 2005
Entek Elektrik Üretim A.Ş.	228,551
TOTAL	228,551

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

g) Benefits provided to the management:

	1 January - 31 December 2005
Benefits	523,140
TOTAL	523,140

NOTE 10 - OTHER RECEIVABLES AND PAYABLES**a) Other receivables (Current assets):**

	31 December 2005	31 December 2004
Receivables from lawsuit (note 44)	101,795	-
Doubtful receivables	3,470,549	3,471,311
Provision for doubtful receivables	(3,470,549)	(3,471,311)
VAT deductible	4,635,722	8,956
Prepaid taxes	5,589,131	1,330,916
VAT receivable from export sales	986,600	1,580,525
VAT receivable from direct export sales	560,932	927,571
Other receivables	538,745	284,806
Job advances	32,000	45,000
Personnel advances	33,942	27,296
TOTAL	12,478,867	4,205,070

b) Other receivables (Non - current assets):

	31 December 2005	31 December 2004
Long term prepaid expenses	21,785	18,479
TOTAL	21,785	18,479

c) Other liabilities:

	31 December 2005	31 December 2004
Deferred revenue	594,703	2,157,678
Expense accruals	4,657,919	2,822,679
Taxes and funds payable	6,242,283	1,418,280
Payables to the personnel	1,451,081	1,544,479
Other short term liabilities	444,416	337,534
TOTAL	13,390,403	8,280,650

The amount of YTL1,681,565 as included in the expense accruals is related with the construction type contracts (31 December 2004: YTL1,764,010).

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 11 - BIOLOGICAL ASSETS

None (31 December 2004: None).

NOTE 12 - INVENTORIES

	31 December 2005	31 December 2004
Raw materials and supplies	8,398,878	9,012,471
Semi-finished goods	10,999,017	8,705,760
Finished goods	14,144,079	8,221,385
Trade goods	422,545	271,796
Other inventories	263,469	84,507
Provision for impairment	(758,495)	(667,435)
Order advances given	2,744,609	1,670,468
TOTAL	36,214,102	27,298,952

NOTE 13 - BALANCES RELATED TO CONSTRUCTION CONTRACTS

The Company has four construction type agreements signed with Türkiye Elektrik İletim Anonim Şirketi (TEİAŞ).

a) High Voltage 89/154 kV Hisar-Hasköy Ankara Cable Project:

Agreement date : 17 June 2004
 Agreement amount : YTL12,207,437
 Expected completion date : June 2006

The Company had issued 4 invoices to TEİAŞ regarding the contract as of 31 December 2005.

The Company applies a percentage of the completion method for the above mentioned construction type contract. According to this method, the Company had completed 84% of the project as of 31 December 2004 and 97% of the project as of 31 December 2005. Revenue recognised in the current period is YTL985,506 with YTL670,743 being reflected to the cost of goods sold.

Total amount of hold in pledge invoices related with the current period is YTL627,260 and the amount will be collected when the projects is completed with 100%.

As of 31 December 2005, the Company has no uncollected amount related with the invoices issued to TEİAŞ in the current period.

The Company's net liability for the construction type of contracts as of 31 December 2005 is YTL182,154.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

b) High Voltage 154 kV Balgat-Gölbaşı/Hasköy-Mamak Cable Project:

Agreement date	: 13 May 2005
Agreement amount	: YTL16,779,473
Expected completion date	: May 2006

The Company had issued 3 invoices to TEİAŞ regarding the contract as of 31 December 2005.

The Company applies a percentage of the completion method for the above mentioned construction type contract. According to this method, the Company had completed 67% of the project as of 31 December 2005. Revenue recognised in the current period is YTL11,811,257 with YTL8,210,872 being reflected to the cost of goods sold.

Total amount of hold in pledge invoices related with the current period is YTL3,380,177 and the amount will be collected when the projects is completed with 100%.

The Company's net liability for the construction type of contracts as of 31 December 2005 is YTL2,991,765.

c) High Voltage 154 kV Davutpaşa/İkitelli Cable Project:

Agreement date	: 9 November 2005
Agreement amount	: EUR13,183,172 + YTL17,196,838
Expected completion date	: April 2007

Since the project has started recently, the Company did not accrue any income as of 31 December 2005.

d) High Voltage 154 kV Alibeyköy/Etiler Cable Project:

Agreement date	: 27 December 2005
Agreement amount	: YTL17,358,899
Expected completion date	: December 2006

Since the project has started recently, the Company did not accrue any income as of 31 December 2005.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

The Company calculates deferred tax assets and liabilities based on temporary differences between the financials prepared in accordance with the CMB Communiqué No: XI-25 and financial statements prepared according to the Turkish Tax Legislation.

Deferred income taxes are calculated using a principal tax rate of 30% on temporary differences that are expected to be realised or settled in the following periods.

The temporary differences giving rise to deferred tax assets and deferred tax liabilities calculated over enacted tax rate at 31 December 2005 and 31 December 2004 are as follows:

	Temporary differences		Deferred tax assets/liabilities	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
Deferred tax asset				
Net difference between the tax base and the carrying value of inventories	(454,366)	645,837	(136,310)	193,751
Provision for doubtful receivables	1,256,999	1,421,527	377,100	426,458
Deferred financial expense-net	436,722	526,664	131,017	157,999
Expense accruals	7,078,552	4,070,753	2,123,566	1,221,226
	8,317,907	6,664,781	2,495,373	1,999,434
Deferred tax liabilities				
Net difference between the tax base and the carrying value of property, plant and equipment and intangible assets	11,408,634	12,484,212	3,422,590	3,745,264
Construction type contract income accruals	7,315,407	3,381,971	2,194,621	1,014,591
Other income accruals	527,907	257,378	158,373	77,213
	19,251,948	16,123,561	5,775,584	4,837,068
Deferred tax liability (Net)	(10,934,041)	(9,458,780)	(3,280,211)	(2,837,634)

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	1 January 2005	Charged to income statement	31 December 2005
Deferred tax liability	1,999,434	4,795,939	2,495,373
Net difference between the tax base and the carrying value of inventories	193,751	(330,061)	(136,310)
Provision for doubtful receivables	426,458	(49,358)	377,100
Deferred financial expense-net	157,999	(26,982)	131,017
Expense accruals	1,221,226	902,340	2,123,566
Deferred tax assets	4,837,068	938,516	5,775,584
Net difference between the tax base and the carrying value of property, plant and equipment	3,745,264	(322,674)	3,422,590
Construction type contract income accruals	1,014,591	1,180,031	2,194,622
Other income accruals	77,213	81,159	158,372
Deferred tax liability	(2,837,634)	(442,577)	(3,280,211)

NOTE 15 - OTHER CURRENT/NON-CURRENT ASSETS AND LIABILITIES

	31 December 2005	31 December 2004
Prepaid expenses	268,538	259,779
Other current liabilities	1,450	788
TOTAL:	269,988	260,567

NOTE 16 - FINANCIAL ASSETS

	31 December 2005		31 December 2004	
	%	Amount	%	Amount
Entek Elektrik Üretimi A.Ş.	3.81	2,920,351	3.81	2,920,351

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 17 - POSITIVE/NEGATIVE GOODWILL

None (2004: None).

NOTE 18 - INVESTMENT PROPERTIES

None (2004: None).

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	31 December 2004	Additions	Disposals	Transfers	31 December 2005
Cost					
Land	3,750,040	-	-	-	3,750,040
Buildings	43,466,688	180,415	(178,550)	-	43,468,553
Machinery and equipment	199,926,255	2,677,317	-	-	202,603,572
Motor vehicles, furniture and fixtures	21,928,032	821,215	(835,533)	-	21,913,714
Special costs	77,543	-	-	-	77,543
Total	269,148,558	3,678,947	(1,014,083)	-	271,813,422
Accumulated Depreciation					
Buildings	(18,750,497)	(766,454)	8,304	-	(19,508,647)
Machinery and equipment	(178,028,271)	(3,625,818)	-	-	(181,654,089)
Motor vehicles, furniture and fixtures	(20,366,589)	(434,190)	617,299	-	(20,183,480)
Special costs	(77,527)	-	-	-	(77,527)
Total	(217,222,884)	(4,826,462)	625,603	-	(221,423,743)
Advances given	233,369	-	(233,369)	-	-
Net Book Value	52,159,043	(1,147,515)	(621,849)	-	50,389,679

The Company performed an impairment test as of 31 December 2004. As a result of the impairment test, impairment on fixed assets except land and buildings amounting to YTL16,897,330 was realised, this impairment is reflected upon the related fixed assets on the above table.

The total depreciation charge for the current period is YTL4,826,462 and YTL21,885 for tangible and intangible fixed assets, respectively. YTL4,035,007 of this amount is reflected to the production costs and YTL813,340 of the amount is reflected to the operating expenses.

There is no collateral on the fixed assets of the Company at 31 December 2005 (2004: None).

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 20 - INTANGIBLE ASSETS

	31 December 2004	Additions	Disposals	31 December 2005
Cost	902,472	1,212	-	903,684
Accumulated amortisation	(799,418)	(21,885)		(821,303)
Net Book Value	103,054	(20,673)	-	82,381

The Company does not have any acquisition resulting in a goodwill as of 31 December 2005.

NOTE 21 - ADVANCES RECEIVED

	31 December 2005	31 December 2004
Order advances received (domestic)	6,646,127	1,796,912
Order advances received (foreign)	56,436	977,765
TOTAL	6,702,563	2,774,677

NOTE 22 - RETIREMENT PLANS

The Company does not have any retirement plans, except the employment termination benefits as disclosed in Note 23.

NOTE 23 - PROVISIONS

	31 December 2005	31 December 2004
Provision for employment termination benefits	4,484,351	3,473,193
Warranty expense provisions	557,255	263,981
Provision expense for disabled workers	433,521	433,521
Anadolu Bakır share transfer provision (Note31)	371,000	371,000
Other provisions	123,956	-
TOTAL	5,970,083	4,541,695

Provision for employment termination benefits

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and who achieves the retirement age (58 for women and 60 for men) and whose employment is terminated without due cause, is called up for military service, or dies. Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement.

At 31 December 2005 the amount payable consists of one month's salary limited to a maximum of YTL1,770.62. (31 December 2004: YTL1,574.74) for each year of service.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

The liability is not funded, as there is no funding requirement.

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. CMB Accounting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total provision:

	31 December 2005	31 December 2004
Discount rate (%)	5.49	5.45
Turnover rate to estimate the probability of retirement (%)	97.30	97.10

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL1,770.62 (1 January 2004: YTL1,574.74), which is effective from 1 January 2006, has been taken into consideration in calculating the reserve for employment termination benefit of the Company.

Movements in the provision for employment termination benefits during the period are as follows:

	31 December 2005
Opening	3,473,193
Paid during the year	(175,821)
Increase during the year	1,186,979
Closing	4,484,351

Average number of employees is as follows:

31 December 2005

Personnel	Member of labour union	Name of the union	Not member of labour union
Blue Collar	240	Birleşik Metal İş Sendikası	43
White Collar	-	-	79
TOTAL	240		122

31 December 2004

Personnel	Member of labour union	Name of the union	Not member of labour union
Blue Collar	224	Birleşik Metal İş Sendikası	16
White Collar	-	-	75
TOTAL	224		91

NOTE 24 - MINORITY INTERESTS

None (2004: None).

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 25 - SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL

The Company's historical authorised and paid-in share capital at 31 December 2005 and 31 December 2004 are as follows:

31 December 2005

Description	Percentage (%)	Amount (YTL)
Prysmian Cable Holding B.V.	83.75	32,922,392
Siemens San. ve Tic. A.Ş. Emekli ve Yard. Sand. Vakfı	5.54	2,179,067
Other	10.71	4,210,541
	100.00	39,312,000
Inflation adjustment difference		8,462,823
TOTAL		47,774,823

31 December 2004

Description	Percentage (%)	Amount (YTL)
Pirelli Cable Holding N.V.	83.75	32,922,392
Siemens San. ve Tic. A.Ş. Emekli ve Yard. Sand. Vakfı	5.54	2,179,067
Other	10.71	4,210,541
	100.00	39,312,000
Inflation adjustment difference		8,462,823
TOTAL		47,774,823

On 28 July 2005 Pirelli Group had signed a share transfer agreement with Goldman Sachs Capital Partners (GSCP S.r.l) for the sale of energy and telecom cable group.

Adjustment to share capital represents the restatement effect of cash contributions to share capital at 31 December 2004 purchasing power.

There are 39,312,000,000 (31 December 2004: 39,312,000,000) shares with nominal value TL1,000 each (31 December 2004: TL1,000).

Capital increase date	Capital increase amount (YTL)	Cash	Share premium	Revaluation surplus	Cost increase fund	Other
17 June 2004	29,484,000	-	-	26,058,354	2,224,719	1,200,927

In 2004, the Company has increased its capital by 300% from YTL9,828,000 to YTL39,312,000. Since the increase has been sourced from revaluation surplus and cost increase fund, it has been excluded in the shareholder capital during the inflation accounting. The increase table is as follows.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 26 - CAPITAL RESERVES

	31 December 2005	31 December 2004
Shareholders' equity restatement differences	72,937,515	72,937,515
TOTAL	72,937,515	72,937,515

Inflation adjusted amounts for the above mentioned balances and the inflation differences as of 31 December 2005 are as follows:

	Historical amounts	Restated amounts	Restatement difference
Capital	39,312,000	47,774,823	8,462,823
Legal reserves	204,679	220,542	15,863
Extraordinary reserves	138,747	138,747	-
Shareholders' equity restatement differences (*)	-	64,458,829	64,458,829
TOTAL	39,655,426	112,592,941	72,937,515

(*) The Company has offset "the Previous Year Losses" against other equity accounts in its inflation adjusted financial statements in accordance with the decision taken in the General Assembly on 25 October 2004. After the offset of the historic values of the other equity accounts, remaining inflation adjustment balances amounting to YTL64,458,829 have been represented as shareholders' equity restatement differences.

NOTE 27 - PROFIT RESERVES

Retained earnings as per the statutory financial statements, other than legal reserve requirements, are available for distribution subject to the legal reserve requirement referred to below.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Public companies distribute dividends according to CMB regulations as follows:

In accordance with Communiqué XI/25 section 15/399, the accumulated deficit that may arise as the balancing figure in the financial statements as a result of the first-time application of inflation accounting should be netted-off in the calculation of the distributable profit. In addition, the net-off of such accumulated deficit against current year income and retained earnings, if any, legal and extraordinary reserves and adjustment to share capital can be made according to the related Communiqué.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

In accordance with Communiqué XI/25, effective from 1 January 2004, companies are obliged to distribute at least 30% of their distributable profit arising from 2004 activity, which is calculated based on the financial statements prepared in accordance with IFRS. Based on the decision of the General Assembly, the distribution of a minimum of 30% of the distributable profit can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares.

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory shareholders' equity such as share capital, share premium, legal reserves, other reserves, special reserves and extraordinary reserves, are presented at their historical amounts. The difference between the inflated and historical amounts of these items is presented in shareholders' equity in total as a restatement difference.

The restatement difference of shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' losses, used in distribution of bonus shares and distribution of dividends to shareholders.

As of 31 December 2005 and 31 December 2004 details of the restatement differences of shareholders' equity are as follows:

	31 December 2005	31 December 2004
Capitals	39,312,000	39,312,000
Legal reserves	204,679	114,614
Extraordinary reserve	138,747	-
Shareholders' equity restatement differences	72,937,515	72,937,515
Net profit	12,040,301	-
Accumulated (deficit) / retained earnings	(14,757,133)	(12,955,841)
Total shareholders' equity	109,876,109	99,408,288

NOTE 28 - RETAINED EARNING

Net profit for the period on the balance sheet as at 31 December 2004 prepared in accordance with the CMB Communiqué Serial:XI No:20, amounts to YTL1,724,072; this profit was presented within the previous year's losses on the balance sheet together with the other differences arising in the first time adjustment process of the financial statements as of 1 January 2005 in accordance with the CMB Communiqué Serial:XI No:25.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005**Türk Prysmian Kablo ve Sistemleri A.Ş.**

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

The Company began to pay a dividend in the amount of YTL1,572,480 from the 2004 NET profit according to the statutory financial statements, starting on 25 April 2005 via the branches of Türk Ekonomi Bankası A.Ş.. Dividends of shareholders who have not received them as of 31 May 2005, have begun to be paid from company headquarters based in Mudanya as of 13 June 2005. The dividends distributed from the net period profit are offset against previous years losses in the statement of changes in shareholder's equity as of 31 December 2005.

Previous years' losses that the Company accounted for in the balance sheet as at 31 December 2005 in accordance with the CMB Communiqué Serial:XI No:25 amounts to YTL14,757,133.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 29 - FOREIGN CURRENCY POSITION

The table below summarises the foreign currency position risk of the Company as at 31 December 2005 and 31 December 2004. YTL equivalents of foreign currency denominated assets and liabilities held by Company at 31 December 2005 and 31 December 2004 are as follows:

31 December 2005	EURO Original Currency	YTL	USD		GBP		CHF		TOTAL	
			Original Currency	YTL	Original Currency	YTL	Original Currency	YTL	Original Currency	YTL
Assets:										
Cash and cash equivalents	2,369,403.23	3,761,427.63	12,166,762.47	16,325,361.88	-	-	-	-	-	20,086,789.51
Trade receivables (Net)	1,515,631.53	2,406,065.05	4,708,538.97	6,317,917.59	-	-	-	-	-	8,723,982.64
Due from related parties (Net)	3,807,587.94	6,044,545.85	31,455.00	42,206.32	-	-	-	-	-	6,086,752.17
Other receivables (Net)	-	-	3,100.65	4,160.45	-	-	-	-	-	4,160.45
Inventories (Net)	579,860.20	920,528.07	9,831.95	13,192.51	6,866.50	15,876.03	855.00	871.07	-	950,467.68
	8,272,482.90	13,132,566.60	16,919,689.04	22,702,838.75	6,866.50	15,876.03	855.00	871.07	871.07	35,852,152.45
Liabilities:										
Trade payables (Net)	4,041,573.33	6,447,117.78	15,522,455.10	20,928,926.21	283.71	659.40	-	-	-	27,376,703.39
Due to related parties (Net)	2,373,095.97	3,785,562.69	61,795.17	83,318.43	-	-	-	-	-	3,868,881.12
Advances received	33,068.05	52,750.15	389,845.24	525,628.34	-	-	-	-	-	578,378.49
Expense accruals	-	-	195,744.20	263,921.90	-	-	-	-	-	263,921.90
Other liabilities (Net)	882,061.23	1,407,064.07	868,796.16	1,171,397.86	-	-	-	-	-	2,578,461.94
	7,329,798.58	11,692,494.69	17,038,635.87	22,973,192.74	283.71	659.40	-	-	-	34,666,346.84
Net foreign currency position	942,684.32	2,440,071.91	(118,946.83)	(270,353.99)	6,582.79	15,216.63	855.00	871.07	871.07	1,185,805.63

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

31 December 2004	EURO		USD		GBP		CHF		TOTAL	
	Original Currency	YTL	Original Currency	YTL	Original Currency	YTL	Original Currency	YTL	Original Currency	YTL
Assets:										
Cash and cash equivalents	10,352.07	18,911.16	16,361,706.45	21,959,046.23	-	-	-	-	-	21,977,957.39
Trade receivables (Net)	1,796,603.48	3,282,035.24	4,024,921.19	5,401,846.72	-	-	-	-	-	8,683,881.96
Due from related parties (Net)	4,401,224.51	8,040,156.93	142,018.60	190,603.17	-	-	-	-	-	8,230,760.10
Other receivables (Net)	4,060.00	7,416.81	6.00	8.05	-	-	321.10	379.09	-	7,803.95
Inventories (Net)	576,116.72	1,052,450.02	379,287.20	509,041.35	1,214.33	3,128.72	-	-	-	1,564,620.09
	6,788,356.78	12,400,970.16	20,907,939.44	28,060,545.52	1,214.33	3,128.72	321.10	379.09	379.09	40,465,023.49
Liabilities:										
Trade payables (Net)	5,684,909.93	10,435,220.67	19,384,086.87	26,141,379.55	283.71	734.81	449.50	534.09	-	36,577,869.12
Due to related parties (Net)	823,710.52	1,512,003.03	56,190.13	75,778.01	1,214.33	3,145.11	-	-	-	1,590,926.15
Advances received	17,629.52	32,360.75	1,631,484.83	2,200,220.44	-	-	-	-	-	2,232,581.19
Expense accruals	0.00	0.00	195,744.20	263,980.63	-	-	-	-	-	263,980.63
Other liabilities (Net)	264,961.80	486,363.88	733,057.03	988,600.71	3,250.00	8,417.50	-	-	-	1,483,382.09
	6,791,211.77	12,465,948.33	22,000,563.06	29,669,959.34	4,748.04	12,297.42	449.50	534.09	534.09	42,148,739.18
Net foreign currency position	(2,854.99)	(64,978.17)	(1,092,623.62)	(1,609,413.82)	(3,533.71)	(9,168.70)	(128.40)	(155.00)	(155.00)	(1,683,715.69)

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 30 - GOVERNMENT GRANTS**a) Investment incentive:**

Investment allowances utilised within the scope of investment incentive certificates granted prior to 24 April 2003 are eligible for investment incentive allowance of 40%, in accordance with the income tax law No. 4842 and 5024. If the income of the Company is not enough investment incentive can be transferred to the following years. "Investment incentive document" is a must in order to make use of the investment incentive. A 19.8% stoppage is paid for the investment incentives received in accordance with the law before 24 April 2003. In the scope of the investment incentive, the Company has an exception for VAT and custom taxes for imports from the countries except European Union members.

Total investments subject to investment allowances amount to YTL1,133,150 in 2005 (31 December 2004 YTL544,873)

Construction in progress	
Subject of the investment:	Production of electric motor, generator and transformer
Type of investment:	Extension - modernisation
Incentive no:	3922
Date of incentive:	25 March 2002
Date of start:	15 February 2002
Date of end:	15 February 2005
Total amount:	YTL3,508,000
Subject of the investment:	Telecom and energy cables (Air Guard, Afumex and MV/HV)
Type of investment:	Extension - modernisation
Incentive no:	4644
Date of incentive:	6 May 2005
Date of start:	11 April 2005
Date of end:	11 April 2007
Total amount:	YTL4,434,788

The Company applied to the Under secretariat of the Treasury for the cancellation of the Incentive Certificate No. 3922 on 20 June 2005. The cancellation approved by the Under secretariat of Treasury on 16 December 2005 following the preparation of the investment completion visa. As of 31 December 2005, the Company possesses only Investment Incentive Certificate no 4644, dated 6 May. The Company benefits from investment allowance at the rate of 40% of the expenses made qualifying for the new arrangements related to investment allowance of the Income Tax Law amended by the laws no 4842 and 5024.

The Company received an investment allowance in the amount of YTL1,133,150 at the rate of 40% from the tax base as a result of the investment costs incurred in the year 2005.

b) Research and development incentive (R&D):

In accordance with the Income Tax Law 89/9 and Corporate Tax Law 14/6, which has been changed through a law no 5228, 40% of the research and development expenditures on technology and knowledge research made by the Company itself are exempt from corporate tax.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

In order for an expense to be considered as a subject to R&D tax exemption, it has to be an expense realised in the structure of the enterprise for the exclusive use of new technology and information research. In other words, the expense has to be made within the scope of an R&D activity. An R&D exemption is not calculated over payments from the depreciation amounts calculated for the economical assets subject to depreciation, and expenses not directly linked with R&D activities.

Total investments subject to research and development allowances amount to YTL234,179 YTL in 2005 (31 December 2004: YTL163,680).

c) Research and development TÜBİTAK support:

The Company makes periodical applications to Turkish Scientific and Technical Research Association (TÜBİTAK) for the below mentioned R&D projects in order to obtain research and development grant in the scope of Communiqué related to R&D Research and Development Grants, No 98/10 dated 4 November 1998 of the Monetary and Credit Coordination Board, obtained based on the authority granted by Article 4 of decision related to State Aids for Exports, No 94/6401 dated 27 December 1994, of the Council of Ministers.

TİDEB 3040072 - Research and development for cables with airbag support:		
	2004/1. Period	2004/2. Period
TÜBİTAK source	22,825	79,857
DTM source	7,152	25,022
TOTAL	29,977	104,879

TİDEB 3040072 - Research and development for cables with airbag support (89/154 kV and 127/220 kV)		
	2004/1. Period	2004/2. Period
TÜBİTAK source	-	102,098
DTM source	-	31,990
TOTAL	-	134,088

Total support received in 2005 from the activities made in 2004, is YTL268,944.

NOTE 31 - PROVISIONS COMMITMENTS AND CONTINGENT LIABILITIES**a) Provisions:**

	31 December 2005	31 December 2004
Provision for employment termination benefit	4,484,351	3,473,193
Provision impairment on inventory	758,495	667,435
Provision for doubtful receivables	11,675,154	11,575,433
Provision for warranty expenses	557,255	263,981
Provision for disabled workers	433,521	433,521
Anadolu Bakır share transfer provision (*)	371,000	371,000
Other provisions	123,956	-
TOTAL	18,279,776	16,784,563

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

(*) The Company sued Anadolu Bakır Metal San. ve Tic. A.Ş., in which the Company owned a 20% share, for violation of the share transfer contract. As a result of the decision of the İstanbul Sixth Commercial Court of the First Instance, shares of Anadolu Bakır Metal San. ve Tic. A.Ş. have been transferred to the defendant. The transfer price of USD200,000 (equivalent to YTL371,000) was collected from the defendant and was reflected to the income statement. As the defendant went to the court of appeal, the Company provided a provision of YTL371,000.

b) Commitments and contingent liabilities:

	31 December 2005	31 December 2004
Guarantee letters received	10,630,249	6,953,473
Mortgages received	2,000	2,000
TOTAL	10,632,249	6,955,473

	31 December 2005	31 December 2004
Bank guarantee letters given (*)	45,516,825	15,007,725
Export commitments	-	-
TOTAL	45,516,825	15,007,725

(*) Total YTL45,516,825 includes the guarantee letter given to the following cases. Please refer to Note 44 for further information.

Date : 19 August 2005
 Court : İstanbul 11. Trade Court
 Lawsuit no : 2005/828
 Total amount : YTL3,015,754

Date : 6 October 2005
 Court : İstanbul 6. Execution office
 Lawsuit no : 2005/12363
 Total amount : YTL7,902,000

Date : 24 October 2005
 Court : İstanbul 3. Execution office
 Lawsuit no : 2005/1261
 Total amount : YTL11,804,630

The Company has no open export commitment at 31 December 2005.

NOTE 32 - BUSINESS COMBINATIONS

None (2004: None).

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 33 - SEGMENT REPORTING

The Company operates in one unique business (cable production and sale) and geographical segment. Therefore, segment reporting is not required (2004: None).

NOTE 34 - SUBSEQUENT EVENTS

After the balance sheet date Siemens Sanayi ve Ticaret A.Ş. Emekli ve Yardım Sandığı Vakfı' share in the Company's capital is 5.06%.

NOTE 35 - DISCONTINUING OPERATIONS

None (2004: None).

NOTE 36 - OPERATING REVENUE

	1 January - 31 December 2005
Domestic sales	495,514,263
Export sales	204,293,901
Other income	61,547
Sales discounts	(423,665,773)
Cost of sales	(231,691,499)
TOTAL	44,512,439

Changes in quantity of groups of goods sold and services to be provided during the period are as follows:

Group of sales	Terms of quantity	Sales amount (1 January - 31 December 2005)
Telecom cables	Core-Km	2,880,370
Energy cables	Cable-Ton	45,727
Fiber optic cables	Faser-Km	13,930

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 37 - OPERATING EXPENSES

	1 January - 31 December 2005
Research and development expenses	686,131
General administrative expenses	12,048,864
General administrative expenses	20,562,410
TOTAL	33,297,405

The details of the operating expenses as follows:

a) Research and development expenses:

	1 January - 31 December 2005
Personnel expenses	410,634
Project costs	57,108
Amortisation expenses	35,445
Other expenses	182,944
TOTAL	686,131

b) General administrative expenses:

	1 January - 31 December 2005
Licence expenses	6,452,111
Personnel expenses	2,530,473
Other administrative expenses	1,958,288
Outsourced service expenses	380,388
Amortisation expenses	727,604
TOTAL	12,048,864

c) Sales and marketing expenses:

	1 January - 31 December 2005
Packaging expenses	7,134,282
Sales and guarantee letters commissions	4,997,000
Transportation expenses	4,538,450
Personnel expenses	2,168,867
Other sales and distribution expenses	1,673,520
Amortisation expenses	50,291
TOTAL	20,562,410

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 38 - OTHER INCOME/(EXPENSE) AND OTHER PROFIT/(LOSSES)

	1 January - 31 December 2005
Other operating income	
Rediscount income	451,066
Raw material etc, sales income	1,250,619
Scrap goods sales gain	552,786
Gain from provisions	53,321
Income from Research & Development (TÜBİTAK) (Note 30)	268,944
Other income	566,453
Total other operating income	3,143,189
Other operating expense (-)	
Provision expenses	(1,246,978)
Rediscount expenses	(361,124)
Raw material etc. sales expense	(797,526)
Cost of scrap sales	(856,231)
Other expenses	(651,066)
Total other operating expenses (-)	(3,912,925)

NOTE 39 - FINANCIAL (EXPENSES)/INCOME

	1 January - 31 December 2005
Foreign exchange income	654,209
Interest income	5,638,942
Guarantee letter expense	(2,229)
Bank commissions and other financial expenses	(91,666)
Eximbank interest expense	(309,334)
Dividend income	228,551
TOTAL	6,118,473

NOTE 40 - GAIN/(LOSSES) ON NET MONETARY POSITION

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is not necessary for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. In accordance with the decision, there is no monetary gain/loss for the twelve month period ended 31 December 2005.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 41 - TAXATION

Corporation tax is payable at a rate of 30% (2004: 33%) 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.

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 10% (2004: 10%). 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% (2004: 33%) on their corporate income. Advance tax is payable by the 15th 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.

Interest income on Turkish government bonds and treasury bills is subject to corporation tax. 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 four months 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.

Total prepaid taxes as of 31 December 2005 is YTL3,943,861. Taxes on income for the twelve month period ended 31 December 2005 are summarised as follows:

	1 January - 31 December 2005
Current year corporate tax	(4,080,893)
Deferred tax	(442,577)
Total tax expense	(4,523,470)

NOTE 42 - EARNINGS PER SHARE

	1 January - 31 December 2005
Net profit for the year (YTL)	12,040,301
Number of shares with a nominal value TL1,000 each	39,312,000,000
Earnings per share (YTL)	0.31

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 43 - CASH FLOW STATEMENT**1 January 2005 - 31 December 2005****A. CASH FLOW FROM OPERATING ACTIVITIES****8,966,096****Net profit before taxation (+)****16,563,771****Adjustments:**

Amortisation (+)	4,847,135
Employment termination benefit	1,186,979
Interest income (-)	(2,955,289)
Interest expense (+)	309,333
Income from marketable securities or long term investments (-)	(228,551)
Change in the provision for doubtful receivables	99,721
Change in the deferred financial income	88,520
Change in the deferred financial expense	(178,462)

Change in asset and liabilities:

Change in trade receivables	(5,052,679)
Change in from related companies	2,129,679
Change in inventories	(8,915,150)
Change in other receivables	(4,229,739)
Change in other long term receivables	(3,306)
Change in trade payables	(5,501,477)
Change in due to related parties	3,645,378
Change in other short term liabilities	12,211,558
Change in liabilities for long term financial leasing	417,230
Taxes payable	(5,292,735)
Employment termination benefits paid	(175,820)

Net cash generated from the operating activities**8,966,096****B. CASH FLOW FROM INVESTMENT ACTIVITIES****(2,828,547)**

Fixed asset additions (-)	(3,678,947)
Cash provided from the fixed asset sales (+)	621,849
Dividend income (+)	228,551

Cash generated from investment activities**(2,828,547)****C. CASH FLOW FROM FINANCIAL ACTIVITIES****1,073,475**

Interest paid (-)	(309,334)
Interest received (+)	2,955,289
Dividends paid (-)	(1,572,480)

Net cash generated from financial activities**1,073,475****Net increase in cash and cash equivalents****7,211,024****7,211,024****Cash and cash equivalents at the beginning of period****28,003,663****Cash and cash equivalents at the end of period****35,214,687**

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005

Türk Prysmian Kablo ve Sistemleri A.Ş.

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 44 - DISCLOSURE OF OTHER MATTERS, WITH MATERIAL EFFECT ON FINANCIAL STATEMENTS, REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND INTERPRETING THE FINANCIAL STATEMENTS**a) Foreign currency purchases agreement:**

As of 31 December 2005, the Company bought foreign exchange amounting to USD3,727,200 and total amount of cost related with this transaction is classified under "Financial income and expense". Total amount of ongoing agreement is USD2,275,000 and there is YTL137,579 expense accrual related with this transaction.

b) Payment terms of court cases:

Enforcement proceedings (peculiar to negotiable instruments) have been initiated against the Company for an amount of YTL7,539,387 by Hüsrev Akın, a shareholder of Anadolu Bakır in which the Company previously had a shareholding. A preliminary injunction was secured by the same court by submitting a letter of guarantee for 40% of the total amount in the court files. In this way, the amount deposited in the cashier's office which was subject to enforcement proceedings amounting to YTL7,539,387 was prevented from being paid to the creditor, even though a motion of objection to the preliminary injunction was filed by the creditor. All these objections were overruled on 4 October 2005 by the court.

Pirelli Cable Holding N.V. undertook guarantor ship for the Company in the amount of YTL15,000,000. In this respect, Pirelli Cable Holding N.V. (with new name Prysmian Cable Holding B.V.) sent USD6,085,130 (YTL8,003,795) to the Company. This amount had been presented in the 30 September 2005 financial statements under "Payable to group companies" and Other receivables". In addition, the payment performed to the İstanbul 6. Execution Office (YTL7,902,000) on 23 August 2005 was returned to the Company on 6 October 2005 in response to the given guarantee letter. After this return, the Company returned USD5,808,526 to the guarantor Pirelli Cable Holding N.V.

YTL101,795 presented in "Other receivables" is the payment to the court. If the case results in favour of the Company, this amount can be returned to the Company (Note 10). YTL120,752 in the "Payables to group companies" is the amount of the court costs that will be paid by Prysmian Cable Holding B.V. (Note 9).

In addition to the afore mentioned payment order, on 14 October 2005, a payment order for USD12,000,000 (YTL29,511,576.68 with interest) was sent to the Company by the shareholder of Anadolu Bakır. A preliminary injunction was secured by the court by submitting a letter of guarantee for 40% of the total amount (YTL11,804,630.67) in the court files.

All the above mentioned cases are pending as of the date of the report and no provision has been made in the 31 December 2005 financial statements.

Notes to the Year End Financial Statements For the Twelve Month Period Ended 31 December 2005**Türk Prysmian Kablo ve Sistemleri A.Ş.**

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOT 45 - CONVENIENCE TRANSLATION INTO ENGLISH

As indicated in Note 2, 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.

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1- Observance Declaration Regarding Corporate Governance Principles

With its 41 years of experience in Turkey, Türk Prysmian Kablo ve Sistemleri A.Ş. is one of the prominent and most experienced companies in its sector. As from its establishment, together with its Board of Directors and Executive Management, it has adopted the corporate structure and governance principles in its relations with the Company's shareholders, and different stakeholders.

The established structure of the company and its management style are in compliance with the general outlines of the Capital Market Board - Corporate Governance Principles indicated in the Capital Market Board decision dated July 4, 2003 and No. 35/835.

Moreover, since Türk Prysmian Kablo ve Sistemleri A.Ş. is within the Prysmian Cables and Systems Group which has a world-wide network system and company activities, Türk Prysmian is subject to the corporate governance principles of the Prysmian Cables and Systems Group (PC&S).

The Company, at all times, carries out business in consciousness of its social responsibilities as regards to relations with the public, customers and suppliers and by adhering to ethical values of the business world, aims to enhance its studies and activities in this respect.

During the activity period ending as of 31.12.2005, the Company complied with the Corporate Governance Principles published by Capital Market Board and conducted its activities by adopting these principles with the exception of the following;

- Representation of Minority shares in the Board of Directors
- Management of Cumulative Voting Rights
- Shareholders Relations Department
- Corporate Governance Committee
- Disclosure of Real Person Dominant Shareholder(s)

The particulars and grounds of non-compliance with the afore listed are clarified in the relevant sections of the report.

Governance Structure: Based on the main parts of the Corporate Governance Principles set out by the Capital Market Board (CMB), the works carried out by the company during the relevant period, along with other efforts and practices, are detailed herein below;

PART I - SHAREHOLDERS

2- Unit for the Relations with the Shareholders

For the time being, the company has not established a "Shareholders Relations Department" due to its size and also due to the fact that the shares presented to the public are at a low level. However, the duties and responsibilities of the "Shareholders Relations Department" are undertaken by the "Financial Management Department". Inquiries in oral or written form addressed to this department, are replied as soon as possible, within the context of public information.

3- Exercise of Rights By The Shareholders To Obtain Information

During the relevant period, we received requests from the shareholders as regards to information about conversion of share certificates, attendance in the General Assembly, distribution of dividends, transfer of shares, change of commercial

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title and how to use the dividend coupons issued for the year 2004. As such requests were generally made on the phone, statistically, it was not possible to quantify the requests and the responses given to such requests. In its relations with the shareholders and in general, with the finance community, the Company, being conscious of reciprocal roles, makes every endeavor at all times to establish active and transparent dialogue with its shareholders and corporate investors.

The investors can find information about our Company on the web site (www.prysmian.com.tr); for further inquiries, they are directed to the following e-mail address, telephone and fax numbers:

E-mail: tpks@prysmian.com; Telephone No: (0224) 270 30 00; Fax No: (0224) 270 30 24

In the Company's Articles of Association, there is no reference permission given for appointment of an individual auditor; in fact, no demand was made during the activity period for appointment of a special auditor.

4- Information about the General Assembly

The General Assembly meets as an Ordinary and as an Extra-ordinary General Assembly. The Ordinary General Assembly may convene either in the Company's Head Office (Mudanya) or in İstanbul within a period of 3 months following the company's accounting period. These meetings can be observed by the stakeholders and press organs.

During the year 2005, the General Assembly convened 5 times in the Company's Head Office, one in the forms of ordinary meeting (30.03.2005) and the other four as extra-ordinary meetings (30.06.2005, 22.08.2005, 26.09.2005 and 23.12.2005). The shareholders representing more than 89% of the shares attended to the said meetings.

The shareholders are invited to the General Assembly by indicating the place, the time and the agenda of the meeting, and also by advertisement. The invitation is effected at least 14 days before the meeting. The date of the invitation and the date of the meeting are not included in these 14 days. As a legal requirement, the invitation is made to the holders of registered shares by pre-paid registered mail. Moreover, the agenda of the meeting, copy of the proxy, and amended form of Company's Articles of Association (if any) are published in the Trade Registry Gazette, one of the newspapers with circulation all over Turkey and also, in a local newspaper.

No period is designated for registration in the shareholders' book by the holders of registered shares who will attend the General Assembly meeting. Within the frame of the preparations for the General Assembly, letters from Central Registry Agency (MKK), concerned bank and other intermediary organs showing blocking of share certificates, or certifying ownership status are requested 1 week before the date of the General Assembly meeting.

In the General Assembly meeting, the shareholders exercise the right to ask questions and to submit their recommendations. Such questions are answered by the company management, and the recommendations (if any) are taken into consideration as well.

As indicated in the Company's Articles of Association, the General Assembly is authorized to make the decisions indicated below:

- 1- Acceptance of the Board of Directors' Report and the Auditor's Report,
- 2- Review and approval of the Balance Sheet, Profit and Loss Account and the use of net profit and determination of profit share subject to distribution,
- 3- Determination of number of Directors; and election, dismissal, removal re-election and remuneration of the same.
- 4- Determination of number of auditors; and election and remuneration of the same.

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Performance of the activities listed below requires prior or subsequent approval or acceptance of the General Assembly.

- 1- Annual investment and finance plan prepared by the Board of Directors;
- 2- Purchase and sale of real estate and mortgage of Company's real estate;
- 3- Establishment of branches and partnerships (sub-branches), and acquisition or sale of participations;
- 4- Starting to work in new production areas;
- 5- Other businesses and transactions required in the Turkish Commercial Code.

The shareholders may have access to the minutes of General Assembly meeting in the Company's Head Office, Internet site and also in İstanbul Stock Exchange Bulletins.

5- Voting and Minority Rights

None of the shareholders of Türk Prysmian Kablo ve Sistemleri A.Ş. has a preferential or privileged voting right; all the votes have the same weight. Minority rights are arranged according to the relevant provisions of the Turkish Commercial Code.

The shareholders may be represented in the General Assembly by other shareholders or by third parties. However, the regulations of the Capital Market Board as regards to voting by proxy are reserved.

The cumulative voting right in order to ensure representation of minorities in the Board of Directors is not included in the Company's Articles of Association.

6- Profit Distribution Policy and Profit Distribution Time

There is no privilege as regards to participation in the company's profit; the dividend policy of the company is arranged in accordance with the Company's Articles of Association, Capital Market Law and Turkish Commercial Code.

The decision regarding the distribution of profit is made by the Board of Directors in accordance with the relevant provisions of the Company's Articles of Association, and the transactions relating to distribution of profit are executed within the legal period following the approval of the said decision by the General Assembly.

7- Transfer of Shares

There is no provision in the Company's Articles of Association restricting transfer of shares; provisions of Articles 416-418 of Turkish Commercial Code are applied in case of any demand by a shareholder for transfer of whole or part of registered shares owned by him.

PART II - PUBLICITY AND TRANSPARENCY

8- Company's Information Policy

Any and all kinds of communication with external sources regarding to Company's documents and information is performed at all times in consultation with the Managing Director - by the Public Relations in respect of communications with the press, and by the Financial Management as regards to corporate investors, competent authorities and shareholders.

The Company undertakes to ensure equal treatment for all categories of shareholders by avoiding any preferential treatment. With the exception of those considered as trade secrets, the Company responds all the questions pursuant to

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the equity and impartiality principles and ensures establishment of constant communication between the management and the shareholders in accordance with the existing legislation.

Publicity policy is disclosed for the first time to public in the Company's activity report accompanied by Corporate Governance Report for the year 2004, as well as in the investor relations section of Internet site.

9- Declaration of Special Status

Number of Declarations Issued on Special Status during 2005: **44**

Number of Additional Declaration Requests made by the CMB and İSE: **1**

There is no sanction applied by the Capital Market Board against failure to provide declaration on special status in time.

Since the company shares are not quoted abroad, no special status declaration has been made at a stock exchange, other than İstanbul Stock Exchange.

10- Company's Internet Site and It's Content

The investors may have access to the relevant documents such as the Company's Annual Report and Ethical Code both in Turkish and in English on the web site (www.prysmian.com.tr). Moreover, our Internet site under the following titles is presented to the attention of the investors.

- Trade Registry information,
- Latest status of partnership structure,
- Latest status of BOD Directors, Members of Auditors' Board and top level executives,
- Latest status of the Company's Articles of Association (AOA) and date/number of the Trade Registry Gazette where the amended form of AOA is published,
- Activity Reports for the last three years,
- Declaration of Special Status,
- Corporate Governance Observance Report,
- Attendance list, agenda and minutes of General Assembly meetings held during the last three years,
- Proxy format,
- Periodical financial tables and independent audit reports,
- Public offering explanations and circulars,
- News and frequently asked questions.

Due to inapplicability of the remaining provisions of Clause 1.11.5 Section II of the Corporate Governance Principles of the Capital Market Board, they are not included in the Internet site.

11- Disclosure of the Real Person Dominant Shareholder(s)

There is no special status regarding the Company's real persons and owners which may affect the investors if disclosed to public; our studies for collection of detailed information on this subject are in progress.

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12- Disclosure of the Persons Having Potential for Insider Trading

None of the employees of Türk Prysmian Kablo ve Sistemleri A.Ş. is allowed to deal in purchase and sale of share certificates belonging to Türk Prysmian Kablo ve Sistemleri A.Ş. on the basis of the information obtained by virtue of office.

The names of the BOD Directors, Members of Auditors' Board and Top Level Executives are listed in the Company's Activity Report and Investor Relations Section of the Internet site.

The names of the persons having the potential for insider trading as of the date of the report are given herein below;

Hakan Özmen	: Chairman of the BOD, Managing Director and CEO
Valerio Battista	: Vice-Chairman
İshak Alaton	: Board Member
Sabri Metin Ar	: Board Member and Member of Auditors' Committee
Carlo Cammarata	: Board Member
Ercan Karaismailoğlu	: Board Member and Member of Auditors' Committee
Aldo L.Kaslowski	: Board Member and Member of Auditors' Committee
Fabio Ignazio Romeo	: Board Member

Halil İ.Kongur	: Factory Director
Erkan Aydoğdu	: Logistics Manager
İ. Etem Bakaç	: Domestic Sales Manager
Esat Baykal	: Quality Manager
Abdurrahman Güngör	: R&D and Quality Assurance Manager
Faik Kürkçü	: Utilities Sales Manager
Murat Tezcan	: Export Sales Manager
Law. Yiğit Türsoy	: Legal Affairs Manager
Okay Yıldız	: Technical Service Manager
Sevda Yücel	: Purchasing Manager
Anıl Kovalı	: Chief of General Accounting
Ceyhun Tolungüç	: Chief of Planing and Control

Haluk Erdem	: Partner
Adem Kefelioğlu	: Auditor
Aysel Tezcan	: Auditor
Coşkun Şen	: Partner
Fikret Sebilcioğlu	: Auditor
Fatih Mehmet Şen	: Auditor
Zeynep Sözmen	: Auditor

Law. Fadlullah Cerrahoğlu	: Lawyer
Law. Şelale Kartal	: Lawyer

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PART III - STAKEHOLDERS

13- Notification of Stakeholders

Basic Management Principles

The basic management principles which regulate the relations between the Executive Management, shareholders, employees of the Company and third parties (customers, suppliers and any person or organization with which the company has relation) are indicated below.

Honesty: We make every endeavor to ensure strict adherence to the honesty principles in all our business activities and our relations with our clients, employees, shareholders and other companies, institutions and organizations.

Reliability: We furnish understandable, rational and correct information to our customers, shareholders and employees, and provide all the services as required by our undertakings.

Impartiality: We do not have sexual, religious, lingual, racial and ethnical prejudice against our customers, suppliers, employees and shareholders.

Observance: We respect all laws, legislations and standards.

Secrecy: Excluding the authorities designated by the law, we do not share with any person or organization the information relating to the transactions executed with respect of our Shareholders, customers, suppliers, employees and business partners.

Transparency: Excluding the information considered as trade secret and those not yet disclosed to public, we publicize all information whether of financial nature or not in the most accurate, complete, rational, interpretable and accessible manner according to the relevant legislation.

Social Responsibility: In our practices and investments, utmost attention is given to the particulars such as social benefits and improvement of our sector and conservation of reliability, as well as effective Company image and the activities are carried out in full respect to all the arrangements made protection of environment, consumer and public health.

The stakeholders are notified through Internet site and İstanbul Stock Exchange by issuing special status declaration. Further to this announcement, the agenda of the General Assembly is informed to the attendants in the Trade Registry Gazzete and by registered mail; the decisions passed in the meeting are also published in the Trade Registry Gazzete in the most distinct and understandable manner. Moreover, information is given to the Capital Market Board (SPK) Ministry of Industry and Undersecretariat of Treasury and application is made by the Company and the necessary permissions are obtained from the said authorities. The public announcements relating to the General Assembly meetings are made in one of the local and national newspapers.

Additionally, the Company employees are notified through intranet system, general circulations by e-mail and annual presentation meetings.

Please see: 8. Company's Information Policy

Please see: PC&S Group Values and Ethical Code/Article 9 - Information

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14- Participation of Stakeholders in the Management

Participation of stakeholders in the management is enabled in the General Assembly meetings according to the principles set out by the Capital Market Board for the shareholders; as to suppliers and customers, necessary arrangement is made in the meetings with the suppliers, customers and dealers, also paying visits to the same. With regards to employees, meetings are held at least two times a year to evaluate the Company's activities and to furnish information about the Company's targets and strategies and to receive feed back as well.

Moreover, by encouraging team work to develop work conduct procedures and processes undertaken by the Company's employees, special project groups are created. As a part of employee satisfaction questionnaire arranged during the year 2005, "Voice of Employee Project" is initiated to enable effective participation of the Company's employees in the management relating to corporate affairs.

15- Human Resources Policy

In Türk Prysmian Kablo ve Sistemleri A.Ş., Human Resources Policy is based on fundamentals such as "Promptness, Innovation, Professional Excellence, Transparency, Integration". Our policy is to form a structure which will ensure constant improvement of business, individuals and organization in the direction of the company's strategies.

By adopting "equal opportunity" principle, our Company awards the same learning, training, development and career opportunities to its employees of different religion, language, culture and sex.

In our organizational structure; positions, limits of authority and responsibilities are explicitly and literally determined within the frame of job descriptions, and they are presented to the attention of all of our employees through the Company's intranet system.

Within the concept of human resources, Personnel Management is responsible for intra-company communication under the leadership of the CEO.

No verbal or written complaint is raised by the Company's employees about discrimination or other issues.

Please see: PC&S Group Values and Ethical Code/Article 6 - Human Resources

16- Information Regarding Relations with the Customers and Suppliers

Please see: PC&S Group Values and Ethical Code/Article 4 - Customers

17- Social Responsibility

Türk Prysmian Kablo ve Sistemleri A.Ş. is the holder of ISO 14001 Environment Management System certificate since 1997. The environmental affect of business activities, and the services purchased by our Company are determined within the frame of ISO 14001 Environment Management System and studies are carried out continuously for elimination or minimization of these affects. All of these studies are performed with the philosophy of continuous improvement and in full compliance with the Türk Prysmian Kablo ve Sistemleri A.Ş. Environment Policy defined by the top management.

The legal obligations relating to environment are followed and fulfilled at all times, without failure. Türk Prysmian Kablo ve Sistemleri A.Ş. holds all the legal permissions required in respect of environment. These permissions may be listed as Emission Permission, Opening License for the 1st Class Non-sanitary Establishments and Provisional Storage Permission for hazardous refuses.

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The activities carried out by Türk Prysmian Kablo ve Sistemleri A.Ş. are not within the scope of Environmental Affect Evaluation Regulations (EAER). There exists an official letter obtained from Bursa Provincial Office/Environment and Forestry Directorate, in charge of environmental affairs, indicating that our Company is not subject to preliminary survey in respect of EAER.

No law suit has been filed against our Company for causing environmental pollution.

Our Company performs its duties within the scope of social responsibilities by supporting social, cultural and various sporting activities in compliance with the principles set out by Prysmian Cables and Systems Group and also, by participating in and making contributions, both in cash and in rem, to the public institutions and organizations.

Please see: 13. Notification of Stakeholders / Social responsibilities

Please see: PC&S Group Values and Ethical Code / Article 5 - Community - Article 7 - Environment

PART IV - BOARD OF DIRECTORS

18- Structure of the Board of Directors, its Formation, and Independent Members

In the Company's Articles of Association, it is expressly stated that the tasks and responsibilities of the Board of Directors are subject to the basic provisions defined pursuant to Turkish Commercial Code and the adaptations in the Company's Articles of Association.

The formalities relating to appointment, re-election, qualification and replacement of BOD Directors are performed according to the Company's Articles of Association and the provisions of Turkish Commercial Code.

Structure of the Board of Directors

POSITION	MEMBERS	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT
Chairman and Managing Director	Hakan Özmen	X		
Vice Chairman	Valerio Battista		X	
Board Member	Ercan Karaismailoğlu	X		
Board Member	Fabio Ignazio Romeo		X	
Board Member	Carlo Cammarata		X	
Board Member	İshak Alaton		X	X
Board Member	Aldo L. Kaslowski		X	X
Board Member	Sabri Metin Ar		X	X

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POST	MEMBERS	FIRST APPOINTMENT	LATEST-APPOINTMENT
Chairman Managing Director	Hakan Özmen	26.03.2004	22.08.2005
Vice Chairman	Valerio Battista	28.03.2002	22.08.2005
Board Member	Ercan Karaismailoğlu	22.08.2005	-
Board Member	Fabio Ignazio Romeo	22.08.2005	-
Board Member	Carlo Cammarata	22.08.2005	-
Board Member	İshak Alaton	24.06.2002	27.12.2005
Board Member	Aldo L. Kaslowski	23.12.1998	27.12.2005
Board Member	Sabri Metin Ar	23.12.1998	27.12.2005

Due to the fact that our Company is among the Prysmian Group of Companies operating in international arena and non-existence of an executive agency of Prysmian in our country, we were obliged to elect an executive Chairman among the local nominees.

The declarations containing the provisions of Section IV.3.3.5 of Corporate Governance Principles set out by Capital Market Board are submitted to our Company by the independent Directors.

As the Directors other than the independent Directors already hold office in Prysmian Group of Companies, it is not possible for them to work in another position pursuant to relevant Labor Law. There is no provision restricting independent Directors to undertake duty(s) outside the Company; because, services rendered by independent Directors in different sectors are vital for broadening of Company's vision and independency of Directors in their activities.

19- Characteristics of the Board Members

Age Profile of the Board Members;

AGE GROUP	18-30	31-40	41-50	51-60	61-65	66-70	71 and Over
Number of Persons		2	2	2		1	1

The Board of Directors is composed of members who have knowledge and ability to understand and analyze the financial tables, and legal know-how to conduct daily operations and the long term activities of the Company, which includes specialization in various fields in such a way to declare opinion relating to Company's management.

The Board Members are nominated among the persons with higher education and who have knowledge on the Company's field of activity and adequate experience gained through services in private sector.

The credentials required for the Board Members are not set out in the Company's Articles of Association.

20- Mission, Vision and Strategic Targets of the Company

Please see: PC&S Group Values and Ethical Code / Targets and Values

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21- Risk Management and Internal Audit Mechanism

In order to ensure effective conduct of risk management, Risk Management Division has been put into operation as of 2002. This division developed processes for effective risk management applicable within the Company's body and Prysmian Cables and Systems Group and implemented projects in this context.

The internal audit unit of the Company is temporarily suspended upon signing of share transfer agreement between Pirelli Group and Goldman Sachs Capital Partners on 2005; presently, the duties and responsibilities of this unit are performed within the scope of Group's central internal auditing system.

The internal audit system of the Company is organized in such a way to provide appropriate clarification on all the Company's activities and to ensure an adequate auditing system.

The responsibility regarding internal auditing system lies with the Board of Directors, and the Board of Directors, besides providing the major guidelines of the system, undertakes verification of sufficiency and effectiveness of the audit system

The Audit Committee comprises of three Directors. Two Directors holding office in the Audit Committee are the persons who are not directly engaged in Company's activities and management; while the third person is the Director in charge of Company's Financial Affairs (CFO). The Audit Committee meets regularly as indicated in the relevant communiqué of the Capital Market Board and the representative of the External Auditing Company may be invited to these meetings.

The aim of the Audit Committee is to provide assistance to the Board of Directors during fulfillment of long-term obligations as regards to accounting and finance reporting applications, policies and procedures, as well as evaluation of quality and risk management of Company's internal auditing systems.

The internal auditing and periodical audit activities ensure accomplishment of necessary controls to observe whether compliance with the procedures, policies and strategies is achieved or not. Apart from the audit functions of the Internal Audit Division, the Internal Audit Department of Prysmian Cables and Systems Group performs internal auditing of Türk Prysmian Kablo ve Sistemleri A.Ş., in addition to the auditing services rendered regularly by the External Audit Company.

Moreover, there is also a Planning and Control Division which presents detailed monthly reports to the Managing Director and Executive Management and provides useful and comprehensive information for the following specific activities.

Information regarding to relations with PWC, independent audit company: <http://www.pwc.com/tr>, and Information regarding to BDO, tax audit company: <http://www.denet.com.tr>

22-Authorities and Responsibilities of the Board Members and Executives

The Board of Directors performs the following tasks:

- Review and approval of strategic, corporate, industrial and financial plans,
- Delegation of necessary powers to the Managing Director, withdrawal of authorization, and determination of limits of authority as well as form and duration of authorization,
- Regular comparison of the results with the budgets, and by taking into account the information received from the

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Internal Audit Committee and Managing Director, and giving special attention to conflicts of interest, observation of general performance in this field,

- Review and approval of the transactions having economical and financial affect, or special influence on equity capital by showing due consideration to the transactions of the relevant parties,
- As organized by the Managing Director, verification of the organizational status and the adequacy of the administrative structure of the Company,
- Furnishing of information to the shareholders about the General Assembly meetings.

The powers and responsibilities of the BOD Directors are clearly defined in Article 10 of Articles of Association; as the powers and responsibilities conferred upon the BOD Directors may be subject to change at any time bound to dynamic structure of the Company and the business life, it is deemed necessary to detail the powers and responsibilities in the corporate signature circular.

23- Fundamentals Regarding To Activities of Board of Directors

The Board of Directors meets at least in quarterly periods. Unless otherwise is agreed, the Board Members are equipped with necessary documents and information within a reasonable time before the meeting in order to allow them to express their opinion about the issues subject to argument.

There is a Board Secretariat responsible for supply of information to the Board Members and establishment of communication with the directors. Although our Company has no reserve about inscription of the detailed and reasonable justification of negative vote and notification of company auditors and public opinion at times when different opinion is declared in the Board meeting and /or opposition is raised to the resolution passed by the Board; since such a situation was not encountered, no such application was effected.

Company pays careful attention to actual participation to Board Meetings on the matters specified in article 2.17.4 of section IV of CMB corporate Governance Principles. Questions of the members raised during the meeting are reflected in the resolution. In order to ensure equal positioning among members, no member has been granted the right to veto or weighted vote.

Board of Directors has convened 28 times during the year 2005.

24- Restriction of Competition and Transactions With the Company

In the Ordinary General Assembly which takes place every year, the Board Members are liberated by our shareholders according to Articles 334 and 335 of the Turkish Commercial Code.

25- Ethical Code

A pyramid structure is adopted in our system in respect of applicable principles and procedures, and this system can be summarized as follows:

Ethical Code: These rules encompass the general principles - transparency, equity and loyalty - which form the business relations of the Company in every level. Our Company, with the belief that business ethics must be pursued alongside business success, carries out its internal and external transactions in accordance with the principles set out in this Code.

Internal Audit System: This system is a population of "instruments" with a view to reaching reasonably the targets

Corporate Governance Principles Compliance Report

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regarding operational efficiency and effectiveness, reliability of financial and administrative information, observance to laws and legislation, and even protection of the Company's assets against possible fraud. The internal audit system which is based on common practices and defined within this frame, is applied to all corporate levels.

Lines of Conduct: The Lines of Conduct stipulate special rules concerning relations with the representatives of the Public Administration, and these rules classify good lines of conduct as "performable", and bad lines of conduct as "non-performable", and by this way, provide clear definition of major operational practices stipulated in the Ethical Principles.

Internal Executive Procedures and Policies of the Company: These items cover the main business areas as a natural extension of the internal audit system. Therefore, they determine the internal rules concerning the main activities of the Company.

Türk Prysmian determines organizational principles and intra-structure relating to employees and executives by adopting procedures and policies covering Personnel rights, Recruitments, Purchasing/Sales activities, Investments, Protection of Environment, Information Systems, Inventory, and Intellectual Property Rights.

All the procedures and policies are presented to the employees in the updated form on the intranet page of the Company.

Also, please see: PC&S Group Values and Ethical Code

26. Number and Structure of the Committees Formed Within Board of Directors and Liberty of Action

Title of the Committee	Number of Annual Meetings (Min.)	Number of Members	Number of Independent Members
Audit Committee	4	3	2

Members of Audit Committee: Aldo L.Kaslowski, Sabri Metin Ar and Ercan Karaismailoğlu

The Corporate Governance Committee and other committees are not formed as of 31.12.2005. The company is carrying out its activities to form the corporate Governance Committee.

27- Financial Rights of the Board of Directors

The rights of the BOD Members are agreed upon in the General Assembly meeting; no award is considered in determination of financial rights of the BOD Members depending on their individual performance, or reflecting the performance of the Company.

The total amount of payments effected in favor of BOD Members and other executive bodies during the year 2005 is recorded as YTL165,058.

Chairman of the Board of Directors

Hakan ÖZMEN

Prysmian Group Values and Ethical Code

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Prysmian Ethical Code

Ethical business conduct is critical to our business and a shared responsibility of all members of the Prysmian Group. Each employee is responsible for protecting our most valuable asset - our reputation. This Code of Ethics (the "Code") applies to anyone conducting business on behalf of Prysmian or any of its subsidiaries, including but not limited to all managers, officers, employees, agents, representatives, lobbyists, interns, contractors, suppliers, and consultants ("Covered Parties"), and seeks to guide our legal and ethical responsibilities, to deter wrongdoing, and to promote:

- compliance with applicable laws, rules and regulations;
- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- the integrity of our financial information, which influences the decisions of management and our Board of Directors, as well as the ways in which the outside world perceives and evaluates us;
- full, fair, accurate, timely and understandable disclosure in reports and documents we file with or submit to government authorities and in other public communications; and
- accountability for adherence to this Code, including prompt internal reporting of any suspected violations.

To meet these objectives, this Code encourages Covered Parties to express any concerns they may have relating to corporate accountability. No discrimination or retaliation against any person who, in good faith, reports such concerns will be tolerated. Anyone who retaliates against an individual under such circumstances will be subject to disciplinary action, up to and including termination of employment.

All Covered Parties must read, understand, and adhere to this Code and all other applicable company policies. Violations of law, this Code or other Company policies or procedures can lead to disciplinary action, up to and including termination of employment and/or termination of business relations.

ARTICLE 1 - PREMISE

The Prysmian Group structures its own internal and external activities according to the principles set forth in this Code, with the conviction that ethics in the conduct of business activities must be pursued at the same time and with equal emphasis as the economic success of the business.

The Prysmian Group is committed to conducting its business in accordance with the highest standards of ethical behaviour, complying with all applicable laws and regulations, avoiding even the appearance of unethical or illegal conduct.

ARTICLE 2 - OBJECTIVES AND VALUES

The primary objective of the Prysmian Group is to create value for the shareholders. Industrial and financial strategies and the resulting operative conduct, based on the efficient use of resources, are oriented to achieving this goal.

In pursuing this objective Prysmian Group Companies and all Covered Parties must unfailingly comply with the following principles:

- as active and responsible members of the communities in which we operate, we are committed to respecting all applicable laws wherever we do business, and to following all commonly accepted principles of business ethics, such

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as transparency, honesty and loyalty;

- we refuse to engage in any illegitimate, unfair, or in any way questionable behavior (vis-à-vis the community, public authorities, customers, employees, investors and competitors) to achieve economic targets, which we pursue only through excellent performance, quality, competitive products and services, based on experience, customer care and innovation;
- we establish organizational controls designed to prevent Covered Parties from violating these requirements of lawfulness, transparency, honesty and loyalty, and supervise their observance and implementation;
- we impose consequences for any violations of these policies and principles;
- we maintain accurate books and records, and assure the investors and the community in general total transparency about our activities;
- we are committed to fair competition, which benefits us as well as all market operators, customers and stakeholders;
- we pursue excellence and competitiveness in the market place, offering quality services and products;
- we safeguard and enhance the value of all our employees;
- we respect the environment and use natural resources responsibly, with the goal of advancing sustainable development and protecting the rights of future generations.

ARTICLE 3 - SHAREHOLDERS

The Prysmian Group is committed to guaranteeing equal treatment to all classes of shareholders, and to avoiding preferential treatment of any class or company. We pursue the reciprocal benefits that derive from belonging to a group of companies while respecting all applicable laws and regulations and the independent interest of each Company as it seeks to create value.

ARTICLE 4 - CUSTOMERS

The excellence of the products and services offered by the Prysmian Group depends on customer care and the readiness to satisfy customer requirements. We therefore seek to assure an immediate, qualified and competent response to customer needs, through honesty, courtesy and cooperation.

ARTICLE 5 - COMMUNITIES

The Prysmian Group contributes to the economic welfare and growth of the communities in which it operates by delivering efficient and technologically advanced services. We are a citizen of each locality where we are established to do business, and like individual citizens, we have a responsibility to support the community. It is our goal to take part in projects to further the welfare of our local communities and thus be a good and contributing citizen.

Group Companies adhere to all applicable laws and regulations and maintain good relations with local, national and super-national Authorities, based on by full and active cooperation and on transparency. Consistent with these objectives and with the responsibilities they have assumed toward different stakeholders, Group Companies recognize research and innovation as priority conditions for growth and success.

Group Companies view favorably and, when necessary, support social, cultural and educational initiatives directed at enhancing the individual and improving his/her living conditions.

Group Companies do not disburse contributions, advantages or other conveniences or things of value to government officials (including employees of state-owned or controlled entities or enterprises), political parties or trade union

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organizations, nor to their representatives or candidates, except as permitted by applicable laws and by the provisions of this Code and other applicable Prysmian Group policies.

ARTICLE - 6 HUMAN RESOURCES

The Prysmian Group recognizes the central role of human resources; the professional contribution of employees, in a framework of mutual loyalty and trust, is the essential ingredient for success in every business concern.

Group Companies safeguard safety and health in working environments and consider the respect of worker rights fundamental to the carrying out of business activities. Employment contracts and Group policy guarantee equal opportunities and favor the professional growth of each individual.

ARTICLE 7 - ENVIRONMENT

The Prysmian Group believes in a global sustainable growth in the common interest of all stakeholders, present and future. Their investment and business choices are consequently fashioned to respect the environment and public health.

Without prejudice to compliance with specific enforceable regulations, Group Companies take environmental issues into consideration when defining their choices, also by adopting - if operationally and economically feasible - eco-compatible production technologies and methods, with the objective of reducing the environmental impact of their activities.

ARTICLE 8 - ANTI-BRIBERY POLICY

Bribery of public officials is prohibited.

- No Covered Party may provide, either directly or indirectly, anything of value to any Public Official in order to obtain or retain business or to obtain an improper business advantage.
- The term "Public Official" is defined very broadly, and includes an employee of a government owned or controlled entity or a public international organization, any political party, any candidate for public office. Whenever dealing with entities or persons connected with a government entity, Prysmian employees shall comply with the principles set forth in this Code which govern our conducts and strictly adhere to the Prysmian policies and procedures.

Commercial bribery is prohibited.

- No Covered Party may provide, either directly or indirectly, anything of value to any person in order to obtain or retain business, confidential information, or an improper business advantage.
- No Covered Party may accept anything of value in exchange for awarding business, providing confidential information, or an improper business advantage.

The Anti-Bribery Policy requires adherence to other Group Policies and Procedures promulgated from time to time concerning.

- Offering, paying, or accepting gifts, courtesies, entertainment or travel expenses to, from, or on behalf of a Public Official or any supplier, customer, or competitor; and

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- Engaging consultants, agents, lobbyists, joint venture partners or other third parties.

ARTICLE 9 - INFORMATION - BOOKS AND RECORDS

The Prysmian Group are aware of the importance of correct information on their own activities for the investors and the community in general.

Consequently, to the extent compatible with the confidentiality requirements inherent in conducting a business, Group Companies strive for transparency in their relations with all stakeholders. In particular, Group Companies communicate with the investors according to principles of honesty, clarity and equal access to information.

Group Companies maintain books, records and accounts in reasonable detail to accurately and fairly reflect all of their transactions, and to retain relevant documentation in accordance with Group policies concerning record retention.

Group Companies and Covered Parties must never, under any circumstance, engage in inaccurate, false or misleading record keeping, even if one might reasonably believe the consequences of the inaccuracy would be harmless. This policy of full, fair, accurate and timely recording of information extends to time reports, expense reports and other personal Company records.

No false or artificial entries shall be made in the books and records of the Prysmian Group. No undisclosed or unrecorded funds may be established. "Off the books" payments are prohibited.

No individual shall ever engage in any arrangement that results in a prohibited act.

ARTICLE 10 - EXPORT CONTROLS AND ECONOMIC SANCTIONS

It is the policy of the Prysmian Group to comply with all applicable export control laws. All Prysmian Group employees must comply with these laws. Under no circumstances are Prysmian Group employees permitted to make a transfer, export, re-export, sale, or disposal of any product, technical data or service contrary to applicable export control laws.

The Prysmian Group will comply with all applicable economic sanctions laws against certain entities and countries, including applicable economic sanctions imposed by the UN, the EU, the United States, and other jurisdictions in which the Prysmian Group conducts business.

ARTICLE 11 - OBSERVANCE OF CODE

All Group Companies, Corporate bodies, and Covered Parties must strictly adhere to this Code, to all applicable laws and regulations, and to all policies and procedures that the Group may promulgate from time to time to implement this Code.

The Prysmian Group is committed to implementing and enforcing specific procedures, regulations and instructions to ensure that all Group companies and Covered Parties adhere to the values and requirements set forth in this Code.

Violations of this Code, any of the implementing policies and procedures or other Group policies, or of any applicable

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law or regulation will be grounds for serious disciplinary action, including possible termination of employment and/or termination of business relations.

As part of its commitment to ethical and legal behavior, the Prysmian Group requires Covered Parties to report any actual or apparent violations of law or this Code or ethical standards so that they can be investigated and dealt with appropriately. This obligation extends to any instance where one suspects, but is uncertain whether, a violation may be occurring. Failure to comply with the duty to come forward is a violation of this Code and can result in serious disciplinary action, including possible termination of employment and/or termination of business relations.

The Prysmian Group will investigate all reports made and will not tolerate any kind of retaliation for reports or complaints made in good faith.

All persons subject to this Code have a duty not only to report violations but also to cooperate fully in the investigation of any alleged violation. An employee may be subject to disciplinary action, which may include possible termination of employment, for failing to cooperate or deliberately providing false or misleading information during an investigation.

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