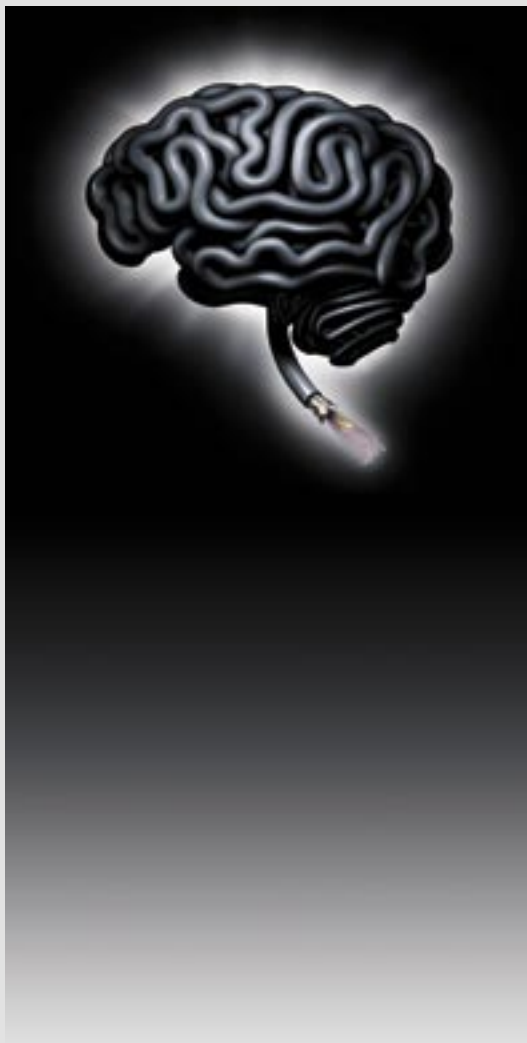


# Annual Report 2006



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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 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 54 production plants, more than 12,000 employees, and a turnover of more than Euro 3 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 m<sup>2</sup> (covered area: 79,000 m<sup>2</sup>).

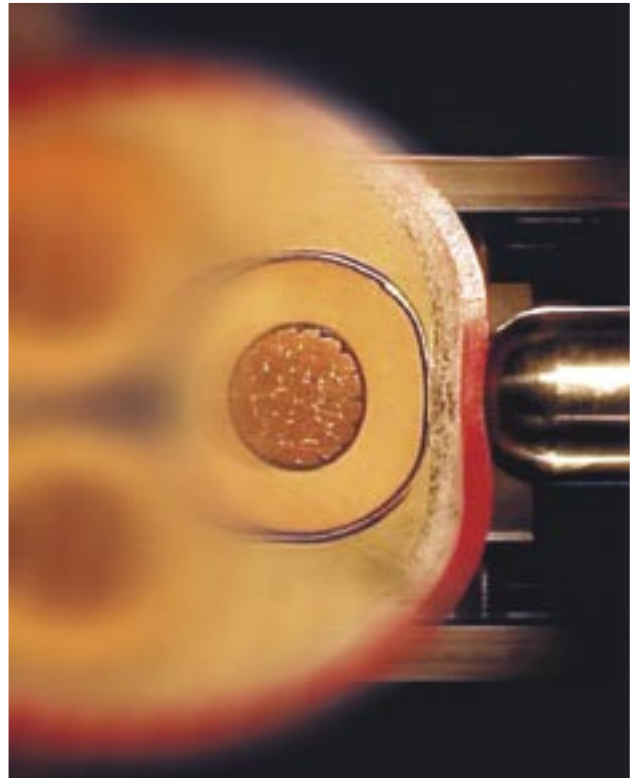
All the energy cables up to 220 kV, special cables used underground and underwater, copper conductor communication cables up to 3600 pairs, coaxial cables and optical fiber cables are in the product mix of Türk Prysmian Kablo ve Sistemleri A.Ş.. Our company is the owner of the unique thermal, mechanical, 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 "AIR BAG™", 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 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 31% of its YTL492 Million turnover by the end of December 2006.

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 CEO

### Dear Shareholders,

The property of our cable factory pertaining to Siemens established in Mudanya in 1964 was firstly acquired by Pirelli in August 1999 and then by Goldman Sachs Capital Partners, one of the world's leading fund management companies under the name of Prysmian on the date of July 28, 2005. Türk Prysmian Kablo ve Sistemleri A.Ş. has continued its leadership in Turkey and in the international markets in the fields of innovation, technology, quality and customer satisfaction thanks to the positive effects caused by these changes and maintained its position as the leader cable producer of Turkey in 2006.

After 2005 that was a positive year in respect of both the economic and social aspects, Turkey has become a country looking positively to the future in the international arena through ensuring stable growth and maintaining its rapidly developing position also in 2006. We are proud of the fact that Turkey is growing day by day and becoming a distinguished country achieving international prestige.

As a result of the positive changes experienced in the Turkish economy for the last three years, very important developments have been observed in the growth, inflation and employment rates in 2006. The industrial production was realized at the rate of 5.3% in 2005, and this rate increased by 6% at the end of 2006. The private sector investments have significantly contributed to this increase. The inflow of foreign capital into Turkey is very important in order to ensure the continuity of this progress. The producer companies with international capitals that have been operating in Turkey and offering employment opportunities in Turkey for a long period of time have confidence in Turkey and these foreign capital companies are willing to expand and make more investments in Turkey. Since Turkey is a sensitive country in respect of new investments, it is difficult to create new capital movements. Therefore, especially the companies willing to enter into the markets and make investments in Turkey should not be intimidated. The transparent policies developed in respect of this issue and the positive steps taken towards eliminating the drawbacks in the bureaucracy have opened the way for the inflow of foreign investments into our country. The most important indicator of this situation is the fact that the foreign direct investment has increased by 101.7% in 2006 compared to 2005 and reached to 19 Billion and 797 Million dollars. Most of these investments were funded by EU countries. Italian companies have confidence in Turkey and have a positive stance due to the existing good relations established between Italy and Turkey. Today, Italy is one of the most important countries making investments in Turkey.

A long distance has been covered in the way of establishing economic stability in our country thanks to the strict financial and monetary policies applied in accordance with the extensive economic program and our performance has increased when compared with the macroeconomic indicators. The inflation that used to be chronically very high was 9.35% in 2004 (CPI), 7.72% in 2005 (CPI) and 9.65% (CPI) in 2006; as it can be observed, the inflation rate has been for the first time brought down to single - digit levels for more than 30 years. The sustained maintenance of this positive period in Turkish economy in the future can be possible only through the prioritisation and maintenance of the budgetary discipline and monetary policies that we have put into application and the application of the structural reforms with the same determination in order to reach our targets.





We believe that Turkey that is in the process of accession to European Union will reach its final target of full membership in a short period and strengthen its social and political stability. Turkey has fulfilled a significant part of the conditions stipulated for full membership to the European Union. For example, the economic cooperation that is considered as one of the most important issues has been ensured through our full membership to the Customs Union. Today, only harmonisation and adaptations are being performed for facilitating the trade activities. Inflation and budget deficit have been the most important financial problems for Turkey so far. But very positive results have been achieved in respect of these issues with the strict economic policies applied by the government in the recent years. As for the politic factors, the expectations of Europe from Turkey include a more stabilized political structure and the acceleration of the steps taken in respect of harmonisation of our legislation with the European Union.

The stable financial environment experienced in the years of 2005 and 2006 had positive impacts on the cable sector as well. The highest values of record were achieved in the history of our company in these years; and the net sales figure that was YTL276 Million in 2005 increased by 78% and reached to YTL492 Million. Furthermore, the exports that amounted to YTL76,1 Million in 2005 increased by 103% and reached to YTL154,3 Million in 2006. Our net period profit after the deduction of taxes and all of the legal liabilities payable decreased by 56% compared to 2005 and fell to the amount of YTL5,28 Million in 2006. The payment orders that are in the stage of litigation account for a significant part of this decrease.

The installed capacity of our factory in Mudanya is capable of meeting the entire demand of the domestic market and competing with the international markets. We are continuing our marketing activities through gradually increasing them in Turkic Republics where we have power as Turkey and in nearly all of the countries in the Middle Eastern market. All of these positive developments experienced in Turkey indicate that very big steps will also be taken in the energy and telecommunication sectors in the next periods. Our products were used in a significant part of the cable infrastructure in the fields of energy and telecommunications in Turkey. We have no doubt that Turk Prysmian Cable company will have great contributions in the new investments to be made in these sectors that we are operating in. Thus, we want to increase our contributions in the development of Turkey.

I would like to present our gratitude on behalf of our partners, managers and on my behalf to all of our customers that have always been confident of us for long years, our stakeholders that we cooperate with and all of our personnel that work with great self - devotion for their great efforts in reaching these days and receiving successful results for our Company.

After a very positive year, I wish that the year of 2007 would also bring great successes and health for our country, our company and for you and I present my best regards to our dear shareholders.

**HAKAN ÖZMEN**  
CEO



## Board of Directors

**Mahmut Tayfun Anık**  
Chairman

**Valerio Battista**  
Vice Chairman

**Ennio Bernasconi**  
Board Member

**Carlo Cammarata**  
Board Member

**Fabio Ignazio Romeo**  
Board Member

**Giovanni Battista Scotti**  
Board Member

## Audit Committee

**Mahmut Tayfun Anık**  
Audit Committee Member

**Carlo Cammarata**  
Audit Committee Member

## The Board of Auditors

**Hikmet Türken**  
The Board of Auditor

**Raşit Yavuz**  
The Board of Auditor



# Executive Management

**Hakan Özmen**  
Chief Executive Officer

**Ercan Karaismailođlu**  
Chief Financial Officer

**Halil İbrahim Kongur**  
Factory Director

**Erkan Aydođdu**  
Logistics Manager

**İ. Etem Bakaç**  
Domestic Sales Manager

**Esat Baykal**  
Quality Manager

**Ufuk Çolak**  
Marketing Manager

**Abdurrahman Güngör**  
R&D and Quality Assurance Manager

**Faik Kürkçü**  
Utilities Sales Manager

**S. Levent Özçengel**  
Human Resources Manager

**Murat Tezcan**  
Export Sales Manager

**Yiđit Türsoy**  
Legal Affairs Manager

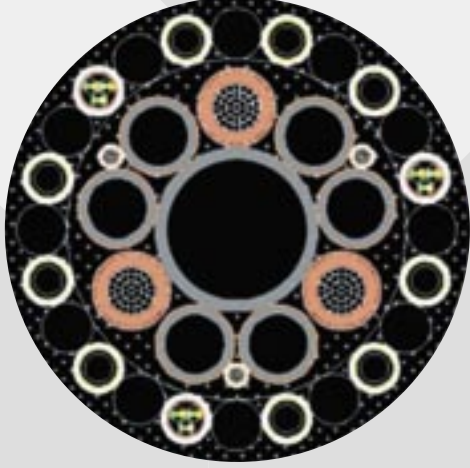
**Okay Yıldız**  
Technical Service Manager

**Sevda Yücel**  
Purchasing Manager



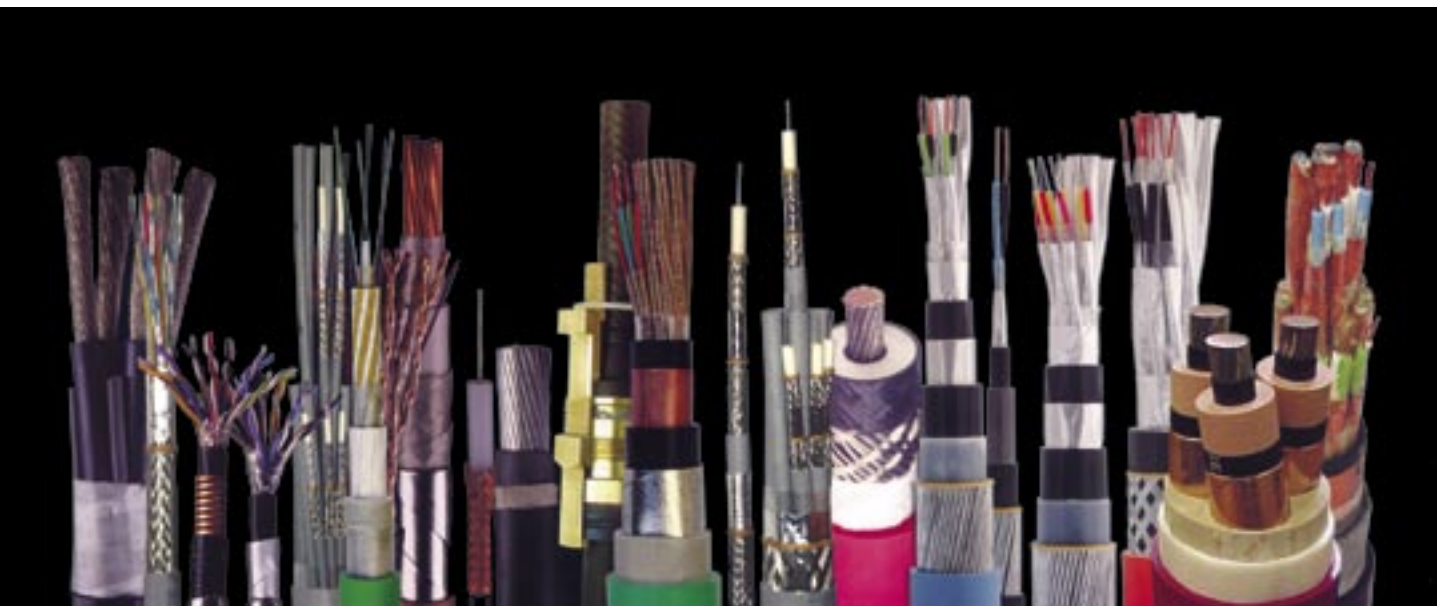
## Agenda

### Agenda of the 44<sup>th</sup> Ordinary General Assembly of Türk Prysmian Kablo ve Sistemleri A.Ş. Dated 29.03.2007



1. Opening of the Meeting and formation of the Meeting Council,
2. Authorization of the Meeting Council ("The Presidium") to sign the Minutes of the General Assembly Meeting,
3. Review and discussion of the Reports issued by the Board of Directors, Auditors' Board and Independent External Auditing Company Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of Price Waterhouse Coopers) as well as Company's Balance Sheet and Profit / Loss accounts submitted to the General Assembly for the Account Period belonging to the period between 01.01.2006 - 31.12.2006,
4. Discussion and approval of the Report of the Board and Auditing Report covering the Account Period between 01.01.2006 - 31.12.2006 as well as the Company's Balance Sheet and Profit / Loss Accounts, release of members of the Board of Directors and Auditors' Board, submission of the new members appointed in replacement of those who have resigned during the year 2006, to the approval of the General Assembly,
5. Discussion and voting of the proposal made by the Board of Directors in connection with the distribution of the profit recorded for the Account Period between 01.01.2006 - 31.12.2006,
6. Furnishing information to the General Assembly on the donations given during the year 2006 and obtaining of Board's approval in this respect,
7. Submission of the dividend distribution policy for the year 2007 and the following years,
8. Election of the directors in replacement of the Board members whose terms of office to be expired during the year 2007, and determination of office period and remuneration of the directors,
9. Election of the members of the Auditors' Board and determination of their fees,
10. Discussion and approval of the "Independent External Auditing Company" proposed by the Board of Directors,
11. Delegation of the Managing Director Hakan Özmen with the authority to award bonuses to the Company's personnel who contributed to realization of Company's targets during the year 2006 within the frame of general principles adopted by the Company, and determination of amount of bonus vis a vis the targets achieved by the Company's management and submission of the same to the approval of the General Assembly,
12. Authorization of the Chairman and Directors of the Board to perform transactions pursuant to Clauses 334 and 335 of the Turkish Commercial Code,
13. Recommendation and Adjournment.





## General Economic Evaluation - 2006

Turkey's economic performance in recent years has been strong. The authorities' success in stabilizing and reforming the economy over the past few years has been reflected in high economic growth, rapid disinflation and declining public and external debt burdens. Despite the Lira appreciation export performance has been robust.

The year of 2006 should better be evaluated into two parts, before and after May. Before May due to ongoing economic program and the confidence, the treasury's borrowing compound rate stood at nearly 14% almost same level in 2005 end, the volatility in the exchange rates in May coupled with other cost push factors such as strong commodity prices has led to a serious deterioration in inflation expectations. The April inflation which was above the average expectation, the political tensions, early election arguments, the concerns about current account deficit and the corruption in expectations as well as high oil and gold prices and the change in global liquidity conditions negatively affected the market.

Compound rate of the benchmark GDI (Government Debt Instruments) increased to 22.8% levels in June. Due to the necessary measures taken by Central bank and the decreased volatility in international markets, the domestic market seemed to settle down again. But the level of the compound rates was still too high in December 2006, increasing the Treasury's borrowing cost in cumulative basis. Monetary Policy Committee increased its benchmark rates to 17.50% by 4% in 2006.

In the first year of the inflation targeting regime, the annual CPI inflation outturn by the end of December 2006 was 9.65% breaching the upper limit of the uncertainty band announced for end 2006 at 7%, Central Bank and government shared target was set as 5% at the beginning of the year.

In spite of the economic shock in the international markets in May - June, the Turkish economy expected to grow around 5.6% higher than the target of 5% in 2006.

The Turkish Treasury borrowed USD 5.9 Billion via seven Eurobond issues five of which in USD terms in 2006 and average maturity were lengthened by 5.5% years. The outstanding Foreign Debt of Government stood at 66.4 Billion at the end of 2006. 96.7% of the foreign debt stock was more than five years and 54.7% of it was in government bond based, considering that the shares of government bonds in foreign debt were 43.3% and 48.8% in 2004 and in 2005 respectively, with the support of the recovery in the Turkish economy, the Treasury focused on borrowing from international markets via bond issues 45.3% of the Outstanding Foreign Debt of Central Bank consists from credits, the share of the IMF credits in total credits remained at 35.8%.

Several large privatization deals were finalized in 2006, including Tüpraş, Erdemir and Telsim.





The net exports made a positive contribution to overall economic activity in the second half of the year. Sustained increases in labour productivity coupled with the robust economic activity in the EU and EUR's strength against the USD support the export growth. Due to the concerns about the US growth, a record current account deficit and the willingness of foreigners to finance that gap, the EUR appreciated against the USD in 2006. The USD hit a 14 year low against GBP and a 20 month low against the EUR.

The share of loans in the banking sector's total assets has continued to increase, the growth in credit volume has mainly arisen from the increase in retail loans. Despite the May - June fluctuations, the financial strength index indicates that the banking sector is resilient to external shocks.



## General Economic Expectations - 2007

The Continuation of the European Union (EU) accession process and the sustained implementation of the structural reforms envisaged in the economic programs are still crucial.

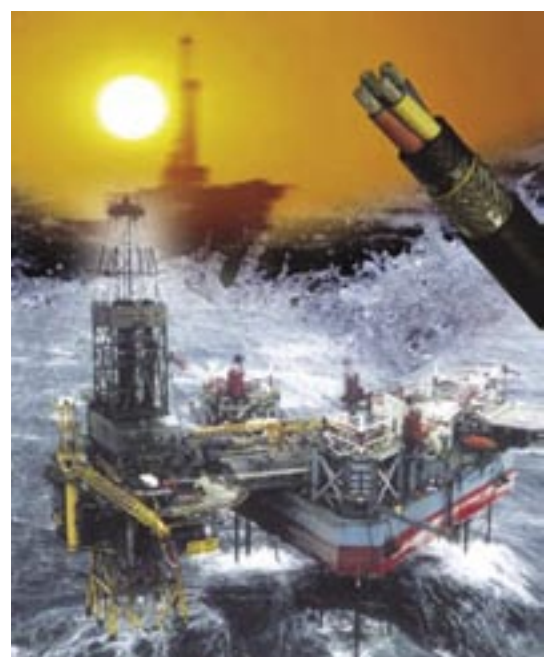
Developments related to the structural reforms that would enhance the quality of fiscal discipline in the medium term and long run are followed closely from the perspective of both macroeconomic stability and price stability.

Two elections, the possible developments about Cyprus and the EU relations, the political uncertainties especially in the Middle East are among the possible risks and the subjects that should be closely monitored in 2007, The markets directions will also be affected from the governments implementations regarding to the IMF conditions, the Monetary Policy Committee's interest rate decisions and the inflation targeting program. The program agreed with the IMF will be followed up with three reviews in 2007, in which Turkey's main promises to pass secondary regulations in banking and social security system.

Another risk factor that may delay attaining the medium - term target is the possibility of a sudden change in the global financial markets. Global liquidity is still the major factor in shaping risk appetite and volatility in financial markets. Currently, the concerns over high inflation and thus higher interest rates in the USA seem to have diminished.

Although the inflation rate has stabilized at around 10% level for long time due to the supply side shocks experienced in 2006, the fact that the inflation expectations for the next 24 month is 5.5%.





## Sector Analysis

Turkish cable sector has experienced an active year due to the acceleration in the public investments expected in 2005, the continuation of the said investments in 2006 and the revival in the industry and construction sector.

The domestic power cables market has sustained its positive growth trend in year 2006. As for the telecommunication sector covering the copper communication and fiber optic cables, the market has displayed a significant growth compared to 2005 since Turkish Telecom continued its investments in 2006.

The replacement of the networks that have completed their economic life in the urban centres and rural regions is being financed by the loan that Türkiye Elektrik Dağıtım A.Ş. (Turkish Electricity Transmission Corporation) received from the European Investment Bank; some of the tenders related to this project targeting the improvement of Electricity Distribution Networks are completed; and upon the completion of this project, the overhead lines with a high rate of loss / unauthorized use and lacking adequate capacity will have been laid under ground.

While the privatisation activities were being carried out in Turkish energy sector, some activities were also performed in the field of liberalization. Some laws on free market and competition have been put into force and it has been primarily decided to privatise 3 distribution regions. But these privatisations were postponed until the completion of the project based on putting the overhead transmission lines under ground. It has been expected that new infrastructural investments will be made upon the completion of said privatisations.





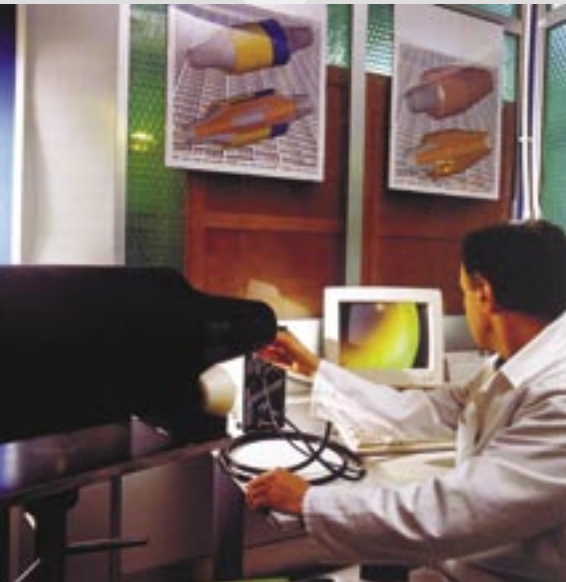
In the year of 2006 during which important developments have been experienced in the period of transition to liberal market in the telecommunication industry, some important steps have been taken towards creating a real competitive environment and offering to the consumers advanced audio and broadband services of higher quality through developing the infrastructure operation activities. In this field, the FTTX solutions will become one of the most important applications of the next period. Having a strong data processing infrastructure is of critical importance for the companies / institutions in Turkey that are actively engaged in global growth; and therefore, it has been expected that the activities towards the establishment of the infrastructure related with these solutions will be accelerated.

The required activities for maximizing the safety of human life and property are being performed in Turkey in parallel to those carried out in the European Union. The use of our Afumex™ cable that has been used in Europe for a long time and targeting to protect the life and property of people at the maximum level during a fire, displayed a significant increase in the last year compared to 2005.

Within the scope of the negotiations with the European Union, the existing activities for harmonization with the existing policies and legislation have been accelerated, and the European Union legislation that has been changed and renewed has been put into application in Turkey in 2006. The performance of the required activities towards harmonisation and this dynamism related with privatisation observed in the power and telecommunication sectors indicate that the sector will continue to develop in Turkey in the next period ahead of us.







## Financial Analysis

### Financial Analysis

*The detailed Balance Sheet and Income Statement for 2006 are enclosed. The explanations as regards assets and liabilities and income statement are given below.*

#### Assets

Cash holdings amount to YTL16,532, of which YTL1,683 is in New Turkish Liras (YTL) and the remainder in foreign currency.

Deposits in banks total YTL10,921,820, of which YTL9,527,717 is held in Turkish Lira accounts and YTL1,394,103 in foreign currency accounts.

Short term trade receivables reached the sum of YTL83,067,612. In this group, customer accounts amount to YTL54,028,552, of which YTL45,334,822 is from domestic customers and YTL8,693,730 from customers outside Turkey in foreign currency. The average collection period of our receivables was 71 days.

Rediscount on notes receivable to the sum of YTL30,039,306 was calculated as YTL1,010,785. The provision for doubtful domestic and foreign receivables is YTL12,129,992.

Amount due from related parties is YTL14,621,132 of which YTL14,559,739 is due from group companies and YTL61,393 due from company personnel.

Our inventories increased by 106% over the previous year and totalled the sum of YTL74,593,329. The total of raw materials and materials existing in the inventories amounted to YTL14,377,949, semi - finished goods to YTL21,032,315, commercial goods to YTL1,972,838, and finished goods to YTL29,990,138. The other inventories to the sum of YTL1,185,717 consist of scrap inventories. Advance payments made to foreign and domestic suppliers for orders received amount to YTL7,709,537. Provision for the inventories is YTL1,675,165.

Other receivables total YTL17,679,811, and consist of VAT receivable to the sum of YTL8,195,244, prepaid taxes to the sum of YTL8,112,095, expenses for the coming months and other receivables to the sum of YTL1,372,472.

Financial fixed assets amount to YTL2,920,351.

During the year, the expenses for tangible fixed assets amounted to YTL2,460,100 and the amount of tangible fixed assets which had been sold totalled YTL341,283. Net asset value was calculated as YTL48,559,850 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 YTL61,693 is the SAP software.



## Financial Analysis

### Liabilities

There is no bank loans indicated in financial debts in 2006 and 2005.

Trade payables decreased by 128% as compared to last year and were realized at YTL82,958,734. In trade payables, debts to domestic suppliers amounted to YTL57,161,347 and debts to foreign suppliers totalled YTL26,715,024.

Amount due to related parties is YTL8,082,557 of which YTL8,081,493 is due to group companies and YTL1,064 due to the shareholders.

Other current liabilities reached the sum of YTL24,811,757. Out of this sum, YTL11,113,993 consists of taxes, fund and social security deductions, YTL10,013,893 are for accrued expenses, and YTL1,729,859 consists of payables to the personnel, and the remainders are for other short term liabilities to be paid.

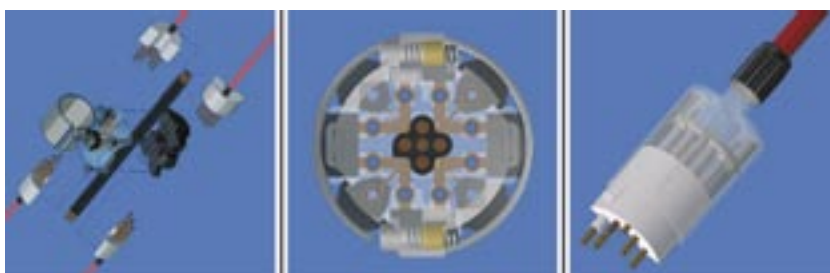
Provision for corporate tax for 2006 is YTL7,462,993.

In cases where the Labor Act deems it suitable, provision for severance indemnity payable to our personnel is YTL5,198,000 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, there are no legal reserves.

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 totalled YTL64,474,692.

Net profit for the period decreased by 56% compared to the previous year and was realized at YTL5,281,456.



## Financial Analysis

### Income Statement

Our gross sales increased by 0.24% as compared to last year, and reached the sum of YTL701,516,402. Our domestic sales totalled YTL537,788,059, and our exports YTL163,122,508. Other sales amounted to YTL605,835 consists of interest charged on credit sales.

Total sales deductions amounted to YTL209,256,308, of which YTL2,516,499 consisted of sales returns and YTL206,739,809 corresponded to sales discounts.

The cost of the goods sold totalled YTL428,335,407 which corresponded to 87% of our net sales. The cost of the goods sold included the cost of raw materials and auxiliary materials, direct labour, expenditures for general production, overheads and depreciation, and changes in the inventories of semi-finished and finished goods.

During the year, operational expenses amounted to 9% of our net sales. Within this scope, in line with the importance accorded to research and development, our R&D expenses constituted 0.2% of our net sales revenue and reached the sum of YTL928,964.

Marketing, sales and distribution expenses accounted for 5% of the net sales and totalled YTL26,798,149, whereas general administrative expenses to the sum of YTL17,105,118 accounted for 3% of the net sales revenue.

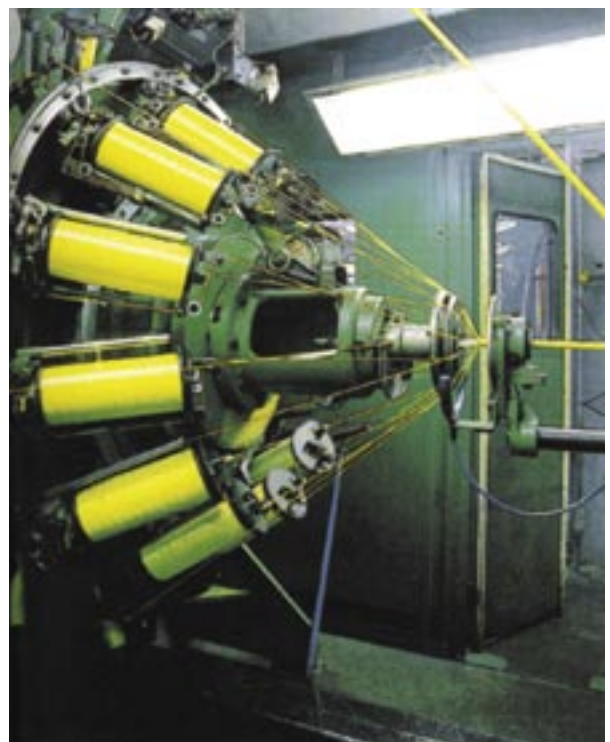
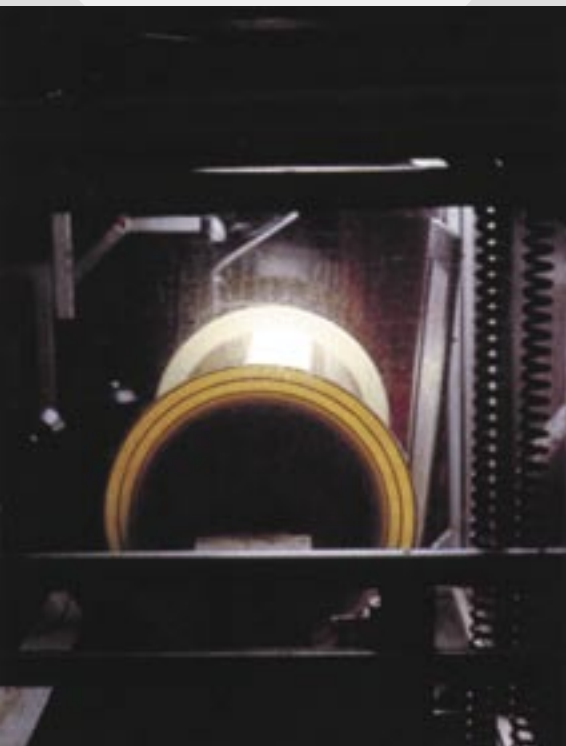
Our other operating income increased by 109% as compared to the previous year and reached the sum of YTL6,559,247, of which YTL5,225,973 was generated by the sale of scrap and raw material etc. and by purchasing bonuses, YTL357,451 consisted of rediscount income, YTL263,670 consisted of research and development grants, YTL117,099 consisted of income from reserved provisions and YTL595,054 consisted of other income.

Our other operating expenses increased by 475% as compared to the previous year and reached the sum of YTL22,496,282, of which YTL14,037,917 consisted of payments related to court cases, YTL3,806,923 consisted of the cost of scrap and raw material etc. sales, YTL1,235,347 consisted of provision expenses, YTL13,878 consisted of rediscount expenses, YTL520,427 consisted of Share transfer and official title change expenses and YTL2,881,790 consisted of other expenses.

Financial income and expenses amounted to YTL5,528,702, of which YTL5,054,215 consisted of interest on bank deposits and profits obtained by buying and selling our marketable securities as well as interest revenue limited as of the end of accounting period and YTL474,487 consisted of exchange rate profits. There is no dividend from investments in 2006.

**The Board of Directors  
February 21, 2007**





# Auditors' Review Report

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

<b>Company Title</b>	: Türk Prysmian Kablo ve Sistemleri A.Ş.
<b>Head Office</b>	: Mudanya
<b>Capital</b>	: YTL39,312,000.00
<b>Activity</b>	: Manufacturing of energy and telecommunication cables, insulated conductors
<b>Auditors' names and duration of their appointment, their relation to the Company (partners or not)</b>	: Hikmet TÜRKEN and Raşit YAVUZ appointed to the accounting year 2006, both are not the employees.
<b>Number of Board of Directors meetings participated</b>	: No participation took place in Board of Directors meetings.
<b>Extent of audit made on the Company's accounts, books and documents and conclusions reached</b>	: During audits, it has been observed that the records were kept in accordance with the documents and accounting principles.
<b>Counts made at the Company treasury according to Article 353/1-3 of the Turkish Commercial Law and their results</b>	: The records for the Period January 1, 2006 - December 31, 2006 have been inspected, it was observed that the cash balance was in accordance with the actual records.
<b>Dates of audits made at the company treasury according to Article 353/1-4 of the Turkish Commercial Law and their results</b>	: 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.
<b>Denunciations or irregularities reported to the Board of Directors and measures taken</b>	: 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, 2006 - December 31, 2006 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, 2006 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, 2006 - December 31, 2006 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

## To the Board of Directors of Türk Prysmian Kablo ve Sistemleri A.Ş



Başaran Nas Bağımsız Denetim ve  
Serbest Muhasebeci  
Mali Müşavirlik A.Ş.  
a member of  
PricewaterhouseCoopers  
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### *To the Board of Directors of Türk Prysmian Kablo ve Sistemleri A.Ş*

1. We have audited the accompanying financial statements of Türk Prysmian Kablo ve Sistemleri A.Ş. ("the Company") which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting standards issued by the Turkish Capital Market Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our independent audit. We conducted our independent audit in accordance with the independent auditing standards issued by the CMB. Those standards require that we comply with ethical requirements and plan and perform the independent audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Our independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, internal control system relevant to the Company's preparation and fair presentation of the financial statements is considered in order to design independent audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. Our independent audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained is sufficient and appropriate to provide a basis for our independent audit opinion.

*Opinion*

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB.

*Emphasis of Matter*

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

5. As disclosed in Note 44, enforcement proceeding peculiar negotiable instrument has been initiated against the Company amounting to USD12,500,000. The negotiable instrument including interests amounted to YTL29,511,572. A preliminary injunction was secured by the court by submitting a letter of guarantee for 40% of the total amount in the court files. In the meantime, by a distraint of warrant, the Company was obligated to pay the secured letter of guarantee given amounting to YTL11,804,631. Such amount has been accounted for under other expenses in the accompanying income statement. The Company has opened legal cases for the repudiation of the case, however such repudiation of the debt was rejected by the court and the Company went to the court of appeal for this verdict. As of 31 December 2006, the Company has an exposure in the amount of YTL46,374,269. The lawsuit is pending as of the date of this report and the outcome of the lawsuit is uncertain. No provision has been provided in the accompanying financial statements.

Additional paragraph for convenience translation into English:

6. The effects of differences between accounting principles issued by the CMB and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and the 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 Bağımsız Denetim ve  
Serbest Muhasebeci  
Mali Müşavirlik A.Ş.  
a member of  
PricewaterhouseCoopers

Coşkun Şen, SMMM  
İstanbul, 21 February 2007



# Balance Sheet

## at 31 December 2006 and 31 December 2005

### Türk Prysmian Kablo ve Sistemleri A.Ş.

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

	Notes	Audited 31 December 2006	Audited 31 December 2005
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	14,168,861	35,214,687
Marketable securities (net)	5	-	-
Trade receivables (net)	7	83,067,612	45,170,155
Leasing receivables (net)	8	-	-
Due from related parties (net)	9	14,621,132	6,147,667
Other receivables (net)	10	16,638,409	12,478,867
Biological assets (net)	11	-	-
Inventories (net)	12	74,593,329	36,214,102
Construction contract receivables (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	1,299,857	269,988
<b>Non - current assets</b>			
Trade receivables (net)	7	47	47
Leasing receivables (net)	8	-	-
Due from related parties (net)	9	-	-
Other receivables (net)	10	1,041,402	21,785
Financial assets (net)	16	2,920,351	2,920,351
Goodwill / negative goodwill (net)	17	-	-
Investment properties (net)	18	-	-
Property, plant and equipment (net)	19	48,559,850	50,389,679
Intangible assets (net)	20	61,693	82,381
Deferred tax assets	14	780,115	-
Other non - current assets	15	-	-
<b>TOTAL ASSETS</b>		<b>257,752,658</b>	<b>188,909,709</b>

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

# Balance Sheet

## at 31 December 2006 and 31 December 2005

### Türk Prysmian Kablo ve Sistemleri A.Ş.

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

	Notes	Audited 31 December 2006	Audited 31 December 2005
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>135,221,835</b>	<b>69,783,306</b>
Short - term borrowings (net)	6	-	-
Current portion of long - term borrowings (net)	6	-	-
Leasing payables (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	82,958,734	36,390,760
Due to related parties (net)	9	8,082,557	6,044,768
Advances received	21	9,599,377	6,702,563
Construction progress billings (net)	13	2,306,417	3,173,919
Provisions	23	7,462,993	4,080,893
Deferred tax liabilities	14	-	-
Other liabilities (net)	10	24,811,757	13,390,403
<b>Non - current liabilities</b>		<b>7,362,445</b>	<b>9,250,294</b>
Long - term borrowings (net)	6	-	-
Leasing payables (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	-	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	7,362,445	5,970,083
Deferred tax liabilities	14	-	3,280,211
Other liabilities (net)	10	-	-
<b>MINORITY INTEREST</b>		-	-
<b>SHAREHOLDER'S EQUITY</b>		<b>115,168,378</b>	<b>109,876,109</b>
<b>Share capital</b>	<b>25</b>	<b>39,312,000</b>	<b>39,312,000</b>
<b>Treasury shares</b>		-	-
<b>Capital reserves</b>	<b>26</b>	<b>72,937,515</b>	<b>72,937,515</b>
Share premium		-	-
Share cancellation gains		-	-
Revaluation fund		-	-
Financial assets fair value reserve		-	-
Inflation adjustment to shareholders' equity		72,937,515	72,937,515
<b>Profit reserves</b>	<b>27</b>	<b>10,813</b>	<b>343,426</b>
Legal reserves		-	204,679
Statutory reserves		-	-
Extraordinary reserves		-	138,747
Special reserves		-	-
Investment and property sales income to be added to the capital		10,813	-
Cash flow hedge reserve		-	-
<b>Current year profit</b>		<b>5,281,456</b>	<b>12,040,301</b>
<b>Retained earnings</b>	<b>28</b>	<b>(2,373,406)</b>	<b>(14,757,133)</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>257,752,658</b>	<b>188,909,709</b>
Commitment and Contingencies	31		

The financial statements at 31 December 2006 and for the year then ended were approved by the Board of Directors on 21 February 2007.

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

# Statements of Income for the twelve month periods ended 31 December 2006 and 31 December 2005

## Türk Prysmian Kablo ve Sistemleri A.Ş.

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

	Notes	Audited 1 January 2006 - 31 December 2006	Audited 1 January 2005 - 31 December 2005
<b>OPERATING REVENUE</b>			
Sales (net)	36	492,260,095	276,203,938
Cost of sales	36	(428,335,408)	(231,691,499)
Service Income (net)	36	-	-
Other Operating Income / interest + dividend + rent (net)	36	-	-
<b>GROSS OPERATING PROFIT / LOSS</b>		<b>63,924,687</b>	<b>44,512,439</b>
Operating expenses (-)	37	(44,832,231)	(33,297,405)
<b>NET OPERATING PROFIT / LOSS</b>		<b>19,092,456</b>	<b>11,215,034</b>
Other income and profits	38	6,559,247	3,143,189
Other expenses and losses (-)	38	(22,496,282)	(3,912,925)
Financial income / (expenses)	39	5,528,702	6,118,473
<b>INCOME BEFORE MONETARY LOSS, TAXES AND MINORITY INTERESTS</b>		<b>8,684,123</b>	<b>16,563,771</b>
Monetary gain / loss	40	-	-
<b>MINORITY INTERESTS</b>	24	-	-
<b>INCOME / LOSS BEFORE TAXES</b>		<b>8,684,123</b>	<b>16,563,771</b>
Taxes on income	41	(3,402,667)	(4,523,470)
<b>NET INCOME / LOSS</b>		<b>5,281,456</b>	<b>12,040,301</b>
<b>EARNINGS PER SHARE WITH A NOMINAL VALUE OF YKR1</b>	42	<b>0.13</b>	<b>0.31</b>

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

# Statements of Cash Flows for the years ended 31 December 2006 and 31 December 2005

## Türk Prysmian Kablo ve Sistemleri A.Ş.

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

	Audited 1 January 2006 - 31 December 2006		Audited 1 January 2005 - 31 January 2005	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Net profit before taxation (+)</b>	<b>8,684,123</b>	<b>(19,260,244)</b>	<b>16,563,771</b>	<b>8,966,096</b>
<b>Adjustments:</b>				
Amortisation (+)	4,855,140		4,847,135	
Employment termination benefit	1,172,528		1,186,979	
Interest income (-)	(1,380,965)		(2,955,289)	
Interest expense (+)	172,737		309,334	
Income from marketable securities or long term investments (-)	-		(228,551)	
Loss from the fixed asset sales (net)	-		-	
Change in the provision for doubtful receivables	454,838		99,721	
Change in the deferred financial income	314,935		88,520	
Change in the deferred financial expense	(658,508)		(178,462)	
<b>Change in asset and liabilities:</b>				
Change in trade receivables	(38,667,230)		(5,052,679)	
Change in from related companies	(8,473,465)		2,129,679	
Change in inventories	(38,379,227)		(8,915,150)	
Change in other receivables	(864,431)		(4,229,739)	
Change in other long term receivables	(1,019,617)		(3,306)	
Change in trade payables	47,226,482		(5,501,477)	
Change in due to related parties	2,037,789		3,645,378	
Change in other short term liabilities	13,450,666		12,211,558	
Change in liabilities for long term financial leasing	678,713		417,230	
Taxes payable	(8,405,873)		(5,292,735)	
Employment termination benefits paid	(458,879)		(175,821)	
<b>Net cash generated from the operating activities</b>	<b>(19,260,244)</b>		<b>8,966,096</b>	
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES</b>		<b>(3,004,623)</b>		<b>(2,828,547)</b>
Fixed asset additions (-)	(3,128,122)		(3,678,947)	
Cash provided from the fixed asset sales (+)	123,499		621,849	
Dividend income (+)	-		228,551	
<b>Cash generated from investment activities</b>	<b>(3,004,623)</b>		<b>(2,828,547)</b>	
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES</b>		<b>1,219,041</b>		<b>1,073,475</b>
Interest paid (-)	(172,737)		(309,334)	
Interest received (+)	1,380,965		2,955,289	
Change in borrowings	-		-	
Increase in special reserves	10,813		-	
Dividends paid (-)	-		(1,572,480)	
<b>Net cash generated from financial activities</b>	<b>1,219,041</b>		<b>1,073,475</b>	
<b>Net increase in cash and cash equivalents</b>	<b>(21,045,826)</b>	<b>(21,045,826)</b>	<b>7,211,024</b>	<b>7,211,024</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>35,214,687</b>		<b>28,003,663</b>
<b>Cash and cash equivalents at the end of period</b>		<b>14,168,861</b>		<b>35,214,687</b>

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

# Statement of Shareholders' Equity for the years ended 31 December 2006 and 31 December 2005

## Türk Prysmian Kablo ve Sistemleri A.Ş.

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

	Share Capital	Adjustment to shareholders' equity (-)	Share Premium	Share Revaluation Fund	Inflation adjustment to shareholders' equity	Translation reserves	Legal Reserves	Statue Reserves	Reserves and Retained Earnings	Net profit for the period	Accumulated Losses	Total
<b>1 January 2005</b>	<b>39,312,000</b>	-	-	-	<b>72,937,515</b>	-	<b>114,614</b>	-	-	-	<b>(12,955,841)</b>	<b>99,408,288</b>
Net income for the period	-	-	-	-	-	-	-	-	-	12,040,301	-	12,040,301
Dividends Paid	-	-	-	-	-	-	90,065	-	138,747	-	(1,801,292)	(1,572,480)
<b>31 December 2005</b>	<b>39,312,000</b>	-	-	-	<b>72,937,515</b>	-	<b>204,679</b>	-	<b>138,747</b>	<b>12,040,301</b>	<b>(14,757,133)</b>	<b>109,876,109</b>
<b>1 January 2006</b>	<b>39,312,000</b>	-	-	-	<b>72,937,515</b>	-	<b>204,679</b>	-	<b>138,747</b>	<b>12,040,301</b>	<b>(14,757,133)</b>	<b>109,876,109</b>
Net income for the period	-	-	-	-	-	-	-	-	-	5,281,456	-	5,281,456
Offsetting of accumulated losses	-	-	-	-	-	-	(204,679)	-	(138,747)	(12,040,301)	12,383,727	-
Investment and property sales gains to be transferred to share capital	-	-	-	-	-	-	-	-	10,813	-	-	10,813
<b>31 December 2006</b>	<b>39,312,000</b>	-	-	-	<b>72,937,515</b>	-	-	-	<b>10,813</b>	<b>5,281,456</b>	<b>(2,373,406)</b>	<b>115,168,378</b>

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

# Notes to the Financial Statements for the year ended 31 December 2006

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

## Footnotes

### 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 main shareholder of the Company is Prysmian Cable Holding B.V. (83.75%). The Company is registered with the Capital Markets Board ("CMB") and 15.55% of its shares have been quoted on the İstanbul 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, copper conductive communication cables up to 3600 pairs and fiber optic cables. The factory of the Company is situated in Mudanya Bursa, 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 2006, the average number of employees of the Company is 429 (2005: 362).

### 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 the 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.

## Footnotes

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.

### **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 (15<sup>th</sup> part) is in circumstances where people prefer to invest in foreign currency instead of Turkish Lira.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the CMB Accounting Standards.

### **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.

### **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.

## Footnotes

### 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. Construction type contracts revenue are presented in the financial statements based on the percentage of completion method (Note 3.18). 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. 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.

#### 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;

	<b><u>Economic life</u></b>	<b><u>Method</u></b>
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.



## Footnotes

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.

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

## Footnotes

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:

##### ***Monetary assets***

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

## Footnotes

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 (2005: 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.

## Footnotes

### **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.

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 (2005: None).

### **3.15 Leasing:**

None (2005: 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 (2005: 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 (2005: 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.

## Footnotes

### 3.21 Investment property:

None (2005: None).

### 3.22 Taxes on income:

Corporation tax is payable at a rate of 20% for the year 2006 (2005: 30%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

### 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 (Note 14).

### 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:

Ordinary shares are classified as equity. 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.

## Footnotes

### 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.

### NOTE 4 - CASH AND CASH EQUIVALENT

	31 December 2006	31 December 2005
Cash - TL	1,683	582
Cash - Foreign currency	14,849	5,030
Bank - Demand deposit	62,848	94,137
Bank - YTL - Time deposit	9,464,869	16,379,564
Cheques and payment orders given	-	(4,550)
Bank - Export foreign currency	362,954	11,898
Bank - Foreign currency	116,122	212,305
Bank - USD - Time deposit	915,027	13,193,771
Bank - EUR - Time deposit	-	3,611,190
Cheques received	3,230,509	1,710,760
<b>TOTAL</b>	<b>14,168,861</b>	<b>35,214,687</b>

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

	31 December 2006		31 December 2005	
	Maturity	Interest rate (%)	Maturity	Interest rate (%)
YTL Time Deposits	O / N	18.30	O / N	15.65
YTL Time Deposits	-	-	1 - 3 months	17.5 - 18
Time Deposits USD	O / N	5	O / N	4
Time Deposits USD	-	-	4 months	4.75
Time Deposits EUR	-	-	O / N	2.5

O / N: Overnight.

### NOTE 5 - MARKETABLE SECURITIES

None (2005: None).

## Footnotes

### NOTE 6 - FINANCIAL LIABILITIES

The Company does have any long and short - term bank loans as of 31 December 2006 and 31 December 2005.

### NOTE 7 - TRADE RECEIVABLES AND PAYABLES

<b>Short - term trade receivables:</b>	<b>31 December 2006</b>	<b>31 December 2005</b>
Trade receivables	54,028,552	28,396,983
Notes receivables	30,039,306	17,467,034
Deposits and guarantees given	10,539	1,989
Doubtful receivables	12,129,992	11,675,154
Provision for doubtful receivables	(12,129,992)	(11,675,154)
Deferred financial income	(1,010,785)	(695,851)
<b>TOTAL</b>	<b>83,067,612</b>	<b>45,170,155</b>

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.

Movement of the provision for doubtful receivables during the periods is as follows:

	<b>2006</b>	<b>2005</b>
<b>At 1 January</b>	<b>11,675,154</b>	<b>11,575,433</b>
Additions due to the foreign exchange rate difference	540,589	99,721
Collection	(85,751)	-
<b>At 31 December</b>	<b>12,129,992</b>	<b>11,675,154</b>

<b>Short - term trade payables:</b>	<b>31 December 2006</b>	<b>31 December 2005</b>
Trade payables	83,876,371	22,870,123
Notes payable	-	13,779,766
Deferred financial expenses	(917,637)	(259,129)
<b>TOTAL</b>	<b>82,958,734</b>	<b>36,390,760</b>

### NOTE 8 - LEASING RECEIVABLES AND PAYABLES

None (2005: None).

## Footnotes

### 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 2006	31 December 2005
Due from group companies	14,559,739	6,086,752
Due from personnel	61,393	60,915
<b>Due from related parties</b>	<b>14,621,132</b>	<b>6,147,667</b>
Due to group companies	8,034,927	5,923,627
Lawsuit guarantees received from group companies (Note 44)	46,566	120,077
Due to the shareholders	1,064	1,064
<b>Due to group companies</b>	<b>8,082,557</b>	<b>6,044,768</b>

#### a) Due from group companies:

31 December 2006:	Currency	Principle	Foreign Exchange Rate	Principle (YTL)
<b>Group Companies</b>				
Prysmian Cavi e Sistemi Telecom Italia S.r.l.	EUR	5,100,918	1.8515	9,444,349
Prysmian Telekom Kabel und System Deutschland GmbH.	EUR	1,543,425	1.8515	2,857,651
Prysmian Telecom Cables & Systems UK Ltd.	EUR	1,145,709	1.8515	2,121,280
Prysmian Cavi e Sistemi Energia Italia S.r.l.	EUR	56,173	1.8515	104,004
Prysmian OEKW GmbH Wien	EUR	16,179	1.8515	29,955
Prysmian Energie Cables et Systemes	EUR	823	1.8515	1,524
Prysmian Cavi e Sistemi Energia S.r.l.	EUR	527	1.8515	976
<b>TOTAL</b>				<b>14,559,739</b>

31 December 2005:	Currency	Principle	Foreign Exchange Rate	Principle (YTL)
<b>Group Companies</b>				
Prysmian Cavi e Sistemi Telecom Italia S.r.l.	EUR	3,109,898	1.5875	4,936,964
Prysmian Telekom Kabel und System Deutschland GmbH.	EUR	262,978	1.5875	417,477
	USD	13,000	1.3418	17,443
Prysmian Kabel und Systeme GmbH.	EUR	111,220	1.5875	176,562
Prysmian Telecom Cables & Systems UK Ltd.	EUR	108,520	1.5875	172,275
Prysmian MKM Magyar Kabel Muvek RT	EUR	99,234	1.5875	157,535
Prysmian Cavi e Sistemi Energia Italia S.r.l.	EUR	43,342	1.5875	68,806
	USD	18,150	1.3418	24,354
Prysmian Cavi e Sistemi Energia S.r.l.	EUR	31,294	1.5875	49,678
Prysmian Telecom Cables et Systemes France SA	EUR	30,584	1.5875	48,551
Prysmian Cabluri si Sisteme SA	EUR	9,000	1.5875	14,288
Pirelli Telecom Cables CO. Ltd Wuxi	EUR	914	1.5875	1,451
	USD	305	1.3418	409
Prysmian Telecom Cables y Sistemas Espana S.L.	EUR	604	1.5875	959
<b>TOTAL</b>				<b>6,086,752</b>



## Footnotes

### b) Due to group companies:

<b>31 December 2006:</b>	<b>Currency</b>	<b>Principle</b>	<b>Foreign Exchange Rate</b>	<b>Principle (YTL)</b>
<b>Group Companies</b>				
Prysmian Cavi E Sistemi Energia S.r.l.	EUR	1,370,889	1.8604	2,550,402
	YTL	1,796,533	1	1,796,533
Prysmian Metals Ltd.	EUR	1,135,828	1.8604	2,113,094
Prysmian Telecomunicações Cabos e Sist.do Brasil S.A.	USD	320,000	1.4124	451,968
Prysmian Kabel und System GmbH.	EUR	131,832	1.8604	245,260
Prysmian Cavi e Sist. Telecom S.r.l.	EUR	125,019	1.8604	232,585
	YTL	37,877	1	37,877
Eurelectric S.A.	EUR	121,350	1.8604	225,760
Prysmian Cables & Systems Ltd.	GBP	2,327	2.7713	6,449
	EUR	114,276	1.8604	212,599
Prysmian Telecom Cables and Systems U.K. Ltd.	GBP	36,236	2.7713	100,421
	EUR	20,000	1.8604	37,208
Prysmian Telecom Cables et Syst. France S.A.	EUR	8,000	1.8604	14,883
Prysmian Cavi E Sistemi Energia Italia S.r.l.	EUR	3,847	1.8604	7,157
Prysmian Telekom Kabel und Systeme Deutschland GmbH.	EUR	950	1.8604	1,767
Prysmian Cavi E Sist. Telecom Italia S.r.l.	EUR	518	1.8604	964
<b>TOTAL</b>				<b>8,034,927</b>

<b>31 December 2005:</b>	<b>Currency</b>	<b>Principle</b>	<b>Foreign Exchange Rate</b>	<b>Principle (YTL)</b>
<b>Group Companies</b>				
Prysmian Cavi e Sistemi Energia S.r.l.	EUR	330,469	1.5952	527,164
	YTL	2,054,745	1.0000	2,054,745
Prysmian Metals Ltd.	EUR	1,518,978	1.5952	2,423,074
Prysmian Cavi e Sistemi Energia Italia S.r.l.	EUR	425,207	1.5952	678,290
Eurelectric S.A.	EUR	52,513	1.5952	83,768
Prysmian Cabluri Si Sisteme S.A.	USD	61,795	1.3483	83,318
Prysmian Cable Systems PTE Ltd.	EUR	23,352	1.5952	37,251
Prysmian Kabel und System GmbH.	EUR	21,544	1.5952	34,367
Prysmian Telekom Kabel und Systeme Deutschland GmbH.	EUR	1,034	1.5952	1,650
<b>TOTAL</b>				<b>5,923,627</b>

## Footnotes

### c) Sales to group companies:

Company	1 January - 31 December 2006	1 January - 31 December 2005
Prysmian Cavi e Sistemi Telecom Italia S.r.l.	30,217,550	15,393,582
Prysmian Telecom Cables & Systems UK Ltd.	13,299,340	2,066,113
Prysmian Telekom Kabel und System Deutschland GmbH.	8,804,218	4,955,797
Prysmian Cavi e Sistemi Energia Italia S.r.l.	562,783	437,810
Prysmian Cables and Systems B.V.	472,929	399,123
Prysmian Telecom Cables CO.	435,319	-
Prysmian Cables & Systems International Ltd.	270,397	597,790
Prysmian Telecom Cables y Sistemas Espana S.L.	194,008	10,432
Prysmian Cables and Systems OY	179,994	271,555
Prysmian Kabel und Systeme GmbH.	161,458	265,055
Kablo Bratislava	77,311	-
Prysmian Oekw GmbH Wien	29,740	214,490
Prysmian Cabluri si Sisteme S.A.	16,499	647,753
Prysmian Telecomunicações Cabose Sistemas do Brasil S.A.	6,035	-
Prysmian Power Cables & Systems Australia PTY Ltd.	3,435	-
Prysmian Telecom Cables et Systemes France SA	2,724	2,109,024
Eurelectric S.A.	1,675	-
Prysmian Cables y Sistemas S.L.	-	1,756,830
Prysmian MKM Magyar Kabel Müvek RT.	-	196,030
Prysmian Kablo SRO	-	17,857
<b>TOTAL</b>	<b>54,735,415</b>	<b>29,339,241</b>

### d) Good, service and fixed asset purchases from group companies:

#### Domestic Purchases:

Company	1 January - 31 December 2006	1 January - 31 December 2005
Çelikord A.Ş. (*)	-	88,543
Türk Pirelli Lastikleri A.Ş. (*)	-	849,652
<b>TOTAL</b>	<b>-</b>	<b>938,195</b>

(\*) 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). As of 31.12.2006, the total amount of purchases from these companies is YTL637,787 is classified under "Trade Receivables".

## Footnotes

### Foreign Purchases: (1 January - 31 December 2006)

Company	Equipment & trade goods	Service	Fixed asset	Total
Prysmian Metals Ltd.	50,657,852	-	-	50,657,852
Prysmian Cavi e Sistemi Energia S.r.l.	14,773,609	9,688,012	-	24,461,621
Eurelectric S.A.	6,161,417	-	-	6,161,417
Prysmian Kabel und System GmbH.	4,443,528	-	-	4,443,528
Prysmian Cable Holding B.V.	-	3,445,649	-	3,445,649
Prysmian Cavi e Sistemi Energia Italia S.r.l.	3,125,573	-	-	3,125,573
Fibre Ottiche Sud - F.O.S. S.r.l.	3,037,829	-	-	3,037,829
Prysmian Cavi e Sist. Telecom Italia S.r.l.	2,132,582	-	-	2,132,582
Prysmian Cavi e Sistemi Telecom S.r.l.	-	999,648	-	999,648
Prysmian Cables & Systems Ltd.	6,502	490,669	-	497,171
Prysmian Telecom Cabos e Sistemas S.A.	-	-	454,336	454,336
Prysmian Energie Cables et Systemes SAS	152,519	-	-	152,519
Prysmian Telecom Cables & Systems UK Ltd.	-	139,753	-	139,753
Prysmian Cabluri Si Sisteme S.A.	58,373	-	-	58,373
Prysmian Kabelwerke und Systeme GmbH.	24,657	-	-	24,657
Prysmian Telecom Cables et Syst. France S.A.	15,315	-	-	15,315
Prysmian Telekom Kabel und Syst. GmbH.	-	12,560	-	12,560
Prysmian Energia Cabos e Sistemas S.A.	4,799	-	-	4,799
Prysmian Cable Systems PTE Ltd.	-	2,843	-	2,843
Prysmian Communications Cables & Syst.	-	-	(22,200)	(22,200)
<b>TOTAL</b>	<b>84,594,555</b>	<b>14,779,134</b>	<b>432,136</b>	<b>99,805,825</b>

## Footnotes

### Foreign Purchases: (1 January - 31 December 2005)

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

### e) Licence fees paid to group companies:

Company	1 January - 31 December 2006	1 January - 31 December 2005
Prysmian Cavi e Sistemi Energia S.r.l.	6,144,745	3,762,797
Prysmian Cavi e Sistemi Telecom S.r.l.	121,608	47,014
<b>TOTAL</b>	<b>6,266,353</b>	<b>3,809,811</b>

### f) Dividend income:

Company	1 January - 31 December 2006	1 January - 31 December 2005
Entek Elektrik Üretim A.Ş.	-	228,551
<b>TOTAL</b>	<b>-</b>	<b>228,551</b>

### g) Benefits provided to the management:

	1 January - 31 December 2006	1 January - 31 December 2005
Benefits	375,718	523,140
<b>TOTAL</b>	<b>375,718</b>	<b>523,140</b>

## Footnotes

### NOTE 10 - OTHER RECEIVABLES AND PAYABLES

#### a) Other receivables (Current assets):

	31 December 2006	31 December 2005
Prepaid taxes	8,112,095	5,589,131
VAT deductible	7,218,365	4,635,722
Doubtful receivables	3,604,290	3,470,549
Provision for doubtful receivables	(3,604,290)	(3,470,549)
VAT receivable from export sales	975,650	986,600
Other receivables	217,113	538,745
Receivables from lawsuit (note 44)	101,795	101,795
Personnel advances	9,615	33,942
Job advances	2,547	32,000
VAT receivable from direct export sales	1,229	560,932
<b>TOTAL</b>	<b>16,638,409</b>	<b>12,478,867</b>

#### b) Other receivables (Non - current assets):

	31 December 2006	31 December 2005
Long - term prepaid expenses	1,041,402	21,785
<b>TOTAL</b>	<b>1,041,402</b>	<b>21,785</b>

#### c) Other liabilities:

	31 December 2006	31 December 2005
Taxes and funds payable	11,113,993	6,242,283
Expense accruals	6,258,475	2,156,600
Expense accruals related with the construction type contracts	3,400,208	1,681,565
Payables to the personnel	1,729,859	1,451,081
Deferred revenue	1,099,596	594,703
Expense accruals related with foreign service contracts	355,210	819,754
Other short - term liabilities	854,416	444,417
<b>TOTAL</b>	<b>24,811,757</b>	<b>13,390,403</b>

### NOTE 11 - BIOLOGICAL ASSETS

None (2005: None).

## Footnotes

### NOTE 12 - INVENTORIES

	31 December 2006	31 December 2005
Raw materials and supplies	14,377,949	8,398,878
Semi - finished goods	21,032,315	10,999,017
Finished goods	29,990,138	14,144,079
Trade goods	1,972,838	422,545
Other inventories	1,185,717	263,469
Provision for obsolescence	(1,675,165)	(758,495)
Order advances given	7,709,537	2,744,609
<b>TOTAL</b>	<b>74,593,329</b>	<b>36,214,102</b>

Movement for the provision of obsolete inventory during the periods is as follows:

	2006	2005
<b>At 1 January</b>	<b>758,495</b>	<b>667,435</b>
Additions and collection during the period	916,671	91,060
<b>At 31 December</b>	<b>1,675,166</b>	<b>758,495</b>

### NOTE 13 - BALANCES RELATED TO CONSTRUCTION CONTRACTS

There are five different contracts that the Company has signed with Türkiye Elektrik İletim Genel Müdürlüğü (TEİAŞ).

#### a) Hisar - Hasköy 89 / 154 kV turnkey underground cable connection project:

Contract date : 17 June 2004  
 Contract amount : YTL12,207,437 + (Additional Order Amount YTL1,577,381)  
 Estimated delivery date : July 2007

The Company had issued 4 invoices to TEİAŞ regarding the contract as of 31 December 2006.

The Company applies a percentage of the completion method for the above motioned construction type contract. According to this method, the Company had completed 91% of the project as at 31 December 2006. Due to the additional order amounting to YTL1,577,381 and not having an additional cost, the revenue recognised for the current period related with this project decreased the Company's sales by YTL208,812.

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

The Company's net receivable for this construction type contract as of 31 December 2006 is YTL592,190.

## Footnotes

### **b) Balgat TM - Gölbaşı TM and Hasköy GIS TM - Mamak TM 89 / 154 kV Underground Cable Connection Turnkey Facility / Construction Works Projects:**

Contract Date	: 13 May 2005
Contract Amount	: YTL16,779,473
Temporary Acceptance Date	: 17 May 2006 (Hasköy - Mamak Cable Route)
Temporary Acceptance Date	: 02 June 2006 (Balgat - Gölbaşı Cable Route)

The Company had issued 6 invoices to TEİAŞ regarding the contract as of 31 December 2006.

The Company applies a percentage of 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 and 100% of the project as of 31 December 2006. Revenue recognised in the current period is YTL5,555,237 with YTL4,027,905 being reflected to the cost of goods sold.

Total amount of hold in plead invoices related with the current period is YTL848,670 and the amount will be collected when the project is completed with 100%.

### **c) Davutpaşa - İkitelli 380 kV Turnkey underground cable connection project:**

Contract date	: 09 November 2005
Contract amount	: EUR13,183,172 + YTL17,196,838
Estimated Delivery Date	: April 2007

The Company had issued five invoices to TEİAŞ regarding the contract as of 31 December 2006.

The Company applies a percentage of completion method for the above mentioned construction type contract. According to this method, the Company has completed 48% of the project as of 31 December 2006. Revenue recognised in the current period is YTL21,124,956 with YTL20,138,839 being reflected to the cost of goods sold.

Total amount of hold in pledge invoice, related with the current period is YTL2,352,071 and the amount will be collected when the project is completed with 100%. Related with this project the Company has YTL1,792,947 of advances taken.

The Company's net liability for the construction type of contract as of 31 December 2006 is YTL2,898,607.

### **d) Alibeyköy TM - Etiler TM 89 / 154 kV Turnkey underground cable connection project:**

Contract date	: 27 December 2005
Contract amount	: YTL17,358,899
Temporary Acceptance Date	: 27 December 2006

The Company had issued five invoices to TEİAŞ regarding the contract as of 31 December 2006.

The Company applies percentage of completion method for the above mentioned construction type contract. According to this method, the Company has completed 100% of the project as of 31 December 2006. Revenue recognised in the current period is YTL17,628,081 with YTL14,156,579 being reflected to cost of goods sold.

Total amount of hold in pledge invoices related with the current period was YTL6,112,891 and the amount is collected.

## Footnotes

### e) Atışalanı - Bağcılar 154 kV Turnkey underground cable connection project:

Contract date	: 27 December 2006
Contract amount	: USD8,504,736 + YTL9,429,082
Estimated Acceptance Date	: January 2009

The Company has signed the contract related to this project, but the construction and assembly of the project was not started as at 31 December 2006 and there is an advance received amounting to YTL2,144,117 (Note 21).

### 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 20% (2005: 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 2006 and 31 December 2005 are as follows:

	Temporary differences		Deferred tax assets / liabilities	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
<b>Deferred tax asset</b>				
Net difference between the tax base and the carrying value of inventories	3,549,112	(454,366)	709,822	(136,310)
Provision for doubtful receivables	1,264,225	1,256,999	252,845	377,100
Deferred financial expense - net	93,149	436,722	18,630	131,017
Expense accruals	13,917,340	7,078,552	2,783,468	2,123,566
	<b>18,823,826</b>	<b>8,317,907</b>	<b>3,764,765</b>	<b>2,495,373</b>
<b>Deferred tax liabilities</b>				
Net difference between the tax base and the carrying value of property, plant and equipment and intangible assets	9,773,204	11,408,634	1,954,641	3,422,590
Construction type contract income accruals	4,944,327	7,315,407	988,865	2,194,621
Other income accruals	205,720	527,907	41,144	158,373
	<b>14,923,251</b>	<b>19,251,948</b>	<b>2,984,650</b>	<b>5,775,584</b>
<b>Net deferred tax asset / (Liability)</b>	<b>3,900,575</b>	<b>(10,934,041)</b>	<b>780,115</b>	<b>(3,280,211)</b>



## Footnotes

### Movement of deferred tax asset / (liability) is as follows:

	1 January 2006	Charged to income statement	31 December 2006
<b>Deferred tax liability</b>	<b>2,495,373</b>	<b>1,269,392</b>	<b>3,764,765</b>
Net difference between the tax base and the carrying value of inventories	(136,310)	846,132	709,822
Provision for doubtful receivables	377,100	(124,255)	252,845
Deferred financial expense-net	131,017	(112,387)	18,630
Expense accruals	2,123,566	659,902	2,783,468
<b>Deferred tax assets</b>	<b>5,775,584</b>	<b>(2,790,934)</b>	<b>2,984,650</b>
Net difference between the tax base and the carrying value of property, plant and equipment	3,422,590	(1,467,949)	1,954,641
Construction type contract income accruals	2,194,622	(1,205,757)	988,865
Other income accruals	158,372	(117,228)	41,144
<b>Deferred tax liability</b>	<b>(3,280,211)</b>	<b>4,060,326</b>	<b>780,115</b>

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

	31 December 2006	31 December 2005
Prepaid expenses	281,494	268,538
Other current liabilities	312,505	1,450
Blocked bank accounts	705,858	-
<b>TOTAL:</b>	<b>1,299,857</b>	<b>269,988</b>

### NOTE 16 - FINANCIAL ASSETS

Company	31 December 2006		31 December 2005	
	%	Amount	%	Amount
Entek Elektrik Üretimi A.Ş.	3.81	2,920,351	3.81	2,920,351

### NOTE 17 - POSITIVE / NEGATIVE GOODWILL

None (2005: None).

### NOTE 18 - INVESTMENT PROPERTIES

None (2005: None).

## Footnotes

## NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	31 December 2005	Additions	Disposals	Transfers	31 December 2006
<b>Cost</b>					
Land	3,750,040	30,000	-	-	3,780,040
Buildings	43,468,553	256,416	(39,357)	-	43,685,612
Machinery and equipment	202,603,572	1,548,163	(134,805)	-	204,016,930
Motor vehicles, furniture and fixtures	21,913,714	625,521	(167,121)	-	22,372,114
Special costs	77,543	-	-	-	77,543
<b>Total</b>	<b>271,813,422</b>	<b>2,460,100</b>	<b>(341,283)</b>	<b>-</b>	<b>273,932,239</b>
<b>Accumulated Depreciation</b>					
Buildings	(19,508,647)	(765,492)	2,438	-	(20,271,701)
Machinery and equipment	(181,654,089)	(3,572,716)	134,057	-	(185,092,748)
Motor vehicles, furniture and fixtures	(20,183,480)	(496,244)	81,289	-	(20,598,435)
Special costs	(77,527)	-	-	-	(77,527)
<b>Total</b>	<b>(221,423,743)</b>	<b>(4,834,452)</b>	<b>217,784</b>	<b>-</b>	<b>(226,040,411)</b>
Advances given	-	668,022	-	-	668,022
<b>Net Book Value</b>	<b>50,389,679</b>	<b>(1,706,330)</b>	<b>(123,499)</b>	<b>-</b>	<b>48,559,850</b>

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. In the impairment test performed on 31 December 2006, it has been noted that there are no additional impairment needed to be booked on the related fixed assets.

The total depreciation charge for the current period is YTL4,834,452 and YTL20,688 for tangible and intangible fixed assets, respectively. YTL3,970,466 of this amount is reflected to the production costs and YTL884,674 of the amount is reflected to the operating expenses.

## Footnotes

There is no collateral on the fixed assets of the Company at 31 December 2006 (2005: None).

	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
<b>Total</b>	<b>269,148,558</b>	<b>3,678,947</b>	<b>(1,014,083)</b>	<b>-</b>	<b>271,813,422</b>
<b>Accumulated Depreciation</b>					
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)
<b>Total</b>	<b>(217,222,884)</b>	<b>(4,826,462)</b>	<b>625,603</b>	<b>-</b>	<b>(221,423,743)</b>
Advances given	233,369	-	(233,369)	-	-
<b>Net Book Value</b>	<b>52,159,043</b>	<b>(1,147,515)</b>	<b>(621,849)</b>	<b>-</b>	<b>50,389,679</b>

### NOTE 20 - INTANGIBLE ASSETS

2006	31 December 2005	Additions	Disposals	31 December 2006
Cost	903,684	-	-	903,684
Accumulated amortisation	(821,303)	(20,688)	-	(841,991)
<b>Net Book Value</b>	<b>82,381</b>	<b>(20,688)</b>	<b>-</b>	<b>61,693</b>

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

The Company does not have any acquisition resulting in a goodwill as of 31 December 2006 (2005: None).

## Footnotes

### NOTE 21 - ADVANCES RECEIVED

	31 December 2006	31 December 2005
Order advances received (domestic)	5,230,069	1,089,156
Order advances received (construction type contracts)	3,937,064	5,558,474
Order advances received (foreign)	432,244	54,933
<b>TOTAL</b>	<b>9,599,377</b>	<b>6,702,563</b>

### NOTE 22 - RETIREMENT PLANS

The Company does not have any retirement plans, except the employment termination benefits as disclosed in Note 22.

### NOTE 23 - PROVISIONS

	31 December 2006	31 December 2005
<b>Short - term</b>		
Corporate tax / temporary tax provision	7,462,993	4,080,893
<b>Total short - term provisions</b>	<b>7,462,993</b>	<b>4,080,893</b>
<b>Long - term</b>		
Provision for employment termination benefits	5,198,000	4,484,351
Provision for blocked bank accounts	706,999	-
Warranty expense provisions	505,622	557,255
Provision for disabled workers	433,521	433,521
Anadolu Bakır share transfer provision (Note 31)	371,000	371,000
Other provisions	147,303	123,956
<b>Total long - term provisions</b>	<b>7,362,445</b>	<b>5,970,083</b>
<b>TOTAL</b>	<b>14,825,438</b>	<b>10,050,976</b>

#### 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 1 January 2007 the amount payable consists of one month's salary limited to a maximum of YTL1,960.69. (2005: YTL1,727.15) for each year of service.

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

## Footnotes

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. The 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 2006	31 December 2005
Discount rate (%)	5.71	5.49
Turnover rate to estimate the probability of retirement (%)	97.31	97.30

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 YTL1,960.69 (2005: YTL1,727.15), which is effective from 1 January 2007, 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:

	2006	2005
<b>Opening</b>	<b>4,484,351</b>	<b>3,473,193</b>
Paid during the year	(458,879)	(175,821)
Increase during the year	1,172,528	1,186,979
<b>Closing</b>	<b>5,198,000</b>	<b>4,484,351</b>

**Average number of employees is as follows:**

### 31 December 2006

Personnel	Member of labour union	Name of the union	Not member of labour union
Blue Collar	309	Birleşik Metal İş Sendikası	39
White Collar	-	-	81
<b>TOTAL</b>	<b>309</b>		<b>120</b>

### 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
<b>TOTAL</b>	<b>240</b>		<b>122</b>

## Footnotes

### NOTE 24 - MINORITY INTERESTS

None (2005: None).

### NOTE 25 - CAPITALS / ADJUSTMENT TO SHARE CAPITAL

The Company's historical authorised and paid - in share capital at 31 December 2006 and 31 December 2005 are as follows:

#### 31 December 2006

Description	Percentage (%)	Amount (YTL)
Prysmian Cable Holding B.V.	83.75	32,922,392
Other	16.25	6,389,608
	<b>100.00</b>	<b>39,312,000</b>
Inflation adjustment difference		8,462,823
<b>TOTAL</b>		<b>47,774,823</b>

#### 31 December 2005

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

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. This group was a worldwide transaction and Türk Pirelli Kablo ve Sistemleri A.Ş. was included.

Transfer of 83.75% shares of Türk Prysmian Kablo ve Sistemleri A.Ş and to Prysmian (Dutch) Holdings B.V. ("Dutch Hold Co") by Prysmian Cable Holding B.V. ("PCH") was being planned in the scope of restructuring of Prysmian Group. Parties reached agreement related to the share transfer which is in the form of a intra - group transfer, and to which no 3rd party was included, and share transfer agreement was signed as of 2 August 2006. As of 31 December 2006 the shares were not physically transferred.

Adjustment to share capital represents the restatement effect of cash contributions to share capital as of 31 December 2004 purchasing power. There are 39,312,000,000 (2005: 39,312,000,000) shares with nominal value TL1,000 each (2005: TL1,000).

## Footnotes

### NOTE 26 - CAPITAL RESERVES

	31 December 2006	31 December 2005
Shareholders' equity restatement differences	72,937,515	72,937,515
<b>TOTAL</b>	<b>72,937,515</b>	<b>72,937,515</b>

Inflation adjusted amounts for the above mentioned balances and the inflation differences as of 31 December 2006 and 31 December 2005 are as follows:

31 December 2006	Historical amounts	Restated amounts	Restatement difference
Capital	39,312,000	47,774,823	8,462,823
Legal reserves	-	15,863	15,863
Shareholders' equity restatement differences (*)	-	64,458,829	64,458,829
<b>TOTAL</b>	<b>39,312,000</b>	<b>112,249,515</b>	<b>72,937,515</b>

31 December 2005	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
<b>TOTAL</b>	<b>39,655,426</b>	<b>112,592,941</b>	<b>72,937,515</b>

(\*) 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 the 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.

## Footnotes

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 the 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 2006 and 31 December 2005 details of the restatement differences of shareholders' equity are as follows:

	<b>31 December 2006</b>	<b>31 December 2005</b>
Capitals	39,312,000	39,312,000
Legal reserves	-	204,679
Extraordinary reserve	-	138,747
Investment and property sales gains to be transferred to the share capital (*)	10,813	-
Shareholders' equity restatement differences	72,937,515	72,937,515
Net profit	5,281,456	12,040,301
Accumulated (deficit)/retained earnings	(2,373,406)	(14,757,133)
<b>Total shareholders' equity</b>	<b>115,168,378</b>	<b>109,876,109</b>

(\*) In accordance with the new Corporate Tax Law no: 5520, privileges on gain from sales of estates were rearranged and the obligation of the addition of those privileges to the capital was abolished, which is different than the old Corporate Tax Law no: 5422. Accordingly, 75% of the gain from the sales should be followed in a special fund account for 5 years from the beginning of the year in which the sales was realized. While during this period or at the end of it, the addition of this fund to capital is possible, the amount hold in the fund can also be used liberally at the end of the fifth year.

### NOTE 28 - RETAINED EARNING

Starting from 1 January 2005, the CMB Communiqué XI - 25 was compulsory for the companies. In relation with this communiqué net distributable profit is found by utilizing prior year loss with the profit. As of 31 December 2005, since the Company's prior year loss YTL14,757,133 could not be utilized by YTL12,040,301 no profit distribution was made.

In relation with the paragraph above, on the usual general meeting held on 28 March 2006, the Company decided to offset net loss amounting to YTL2,716,832 from its extraordinary reserve and legal revenues amounting to YTL138,747 and YTL204,679, respectively. A remaining YTL2,373,406 will be left in prior year losses to be utilized it the oncoming years profit.



## Footnotes

## NOTE 29 - FOREIGN CURRENCY POSITION

The table below summarises the foreign currency position risk of the Company as at 31 December 2006 and 31 December 2005. YTL equivalents of foreign currency denominated assets and liabilities held by Company at 31 December 2006 and 31 December 2005 are as follows:

31 December 2006	EURO	USD	GBP	CHF	TOTAL YTL
	Original Currency	Original Currency	Original Currency	Original Currency	
	YTL	YTL	YTL	YTL	YTL
<b>Assets:</b>					
Cash and cash equivalents	216,406	789,030	-	-	1,509,737
Trade receivables (Net)	4,127,055	11,354,335	-	-	23,600,897
Due from related parties (Net)	7,863,753	14,559,738	-	-	14,559,738
Other receivables (Net)	25,178	25,634,094	-	-	36,077,901
Inventories (Net)	1,795,167	29,230	289	3,211	3,369,329
	<b>14,027,561</b>	<b>25,972,030</b>	<b>289</b>	<b>3,211</b>	<b>3,693</b>
					<b>79,117,604</b>
<b>Liabilities:</b>					
Trade payables (Net)	1,469,797	33,188,965	283	2,713	49,614,433
Due to related parties (Net)	3,032,508	320,000	38,562	-	6,200,515
Advances received	465,132	2,707,036	-	-	4,688,750
Expense accruals	25,178	330,652	-	-	513,856
Other liabilities (Net)	8,763,673	808,805	-	-	17,446,294
	<b>13,756,261</b>	<b>25,592,204</b>	<b>38,846</b>	<b>2,713</b>	<b>3,140</b>
					<b>78,463,850</b>
<b>Net foreign currency position</b>	<b>271,269</b>	<b>379,825</b>	<b>(38,557)</b>	<b>498</b>	<b>552</b>
					<b>653,753</b>

## Footnotes

31 December 2005	EURO Original Currency	YTL	USD Original Currency	YTL	GBP Original Currency	YTL	CHF Original Currency	YTL	TOTAL YTL
<b>Assets:</b>									
Cash and cash equivalents	2,369,403	3,761,427	9,891,762	13,272,766	-	-	-	-	17,034,194
Trade receivables (Net)	1,515,631	2,406,065	4,708,538	6,317,917	-	-	-	-	8,723,982
Due from related parties (Net)	3,807,587	6,044,545	31,455	42,206	-	-	-	-	6,086,752
Other receivables (Net)	-	-	2,278,100	3,056,755	-	-	-	-	3,056,755
Inventories (Net)	579,860	920,528	9,831	13,192	6,866	15,876	855	871	950,467
	<b>8,272,482</b>	<b>13,132,566</b>	<b>16,919,689</b>	<b>22,702,838</b>	<b>6,866</b>	<b>15,876</b>	<b>855</b>	<b>871</b>	<b>35,852,152</b>
<b>Liabilities:</b>									
Trade payables (Net)	4,041,573	6,447,117	15,522,455	20,928,926	283	659	-	-	27,376,703
Due to related parties (Net)	2,373,095	3,785,562	61,795	83,318	-	-	-	-	3,868,881
Advances received	33,068	52,750	389,845	525,628	-	-	-	-	578,378
Expense accruals	-	-	195,744	263,921	-	-	-	-	263,921
Other liabilities (Net)	882,061	1,407,064	868,796	1,171,397	-	-	-	-	2,578,461
	<b>7,329,798</b>	<b>11,692,494</b>	<b>17,038,635</b>	<b>22,973,192</b>	<b>283</b>	<b>659</b>	<b>-</b>	<b>-</b>	<b>34,666,346</b>
<b>Net foreign currency position</b>	<b>942,684</b>	<b>1,440,071</b>	<b>(118,946)</b>	<b>(270,353)</b>	<b>6,582</b>	<b>15,216</b>	<b>855</b>	<b>871</b>	<b>1,185,805</b>

## Footnotes

### 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 respect with investment insensitive law which was valid until 24 April 2003, the Company has utilized YTL1,133,150 of it's investment incentive until 31 December 2005. Starting from 1 January 2006, in respect with the change in Income Tax law article 19, investment incentive, was abolished and the Company could not use the reassign investment incentive in the period 2006.

In the scope of the investment certificate, the Company has an exemption for and custom taxes for imports from the courtiers except for European Union Members. The VAT exemption related to foreign and domestic investment goods purchases and customs duty exemption in imported from countries outside the European Union countries.

Company has the Investment Incentive Certificate details of which are below as of 31 December 2006.

<b>Subject of the investment:</b>	TELECOM AND ENERGY CABLES (AIR GUARD, AFUMEX™ AND MV / HV)
<b>Type of investment:</b>	EXPANSION - MODERNIZASYON
<b>Incentive no:</b>	4644
<b>Date of incentive:</b>	06 MAY 2005
<b>Date of start:</b>	11 APRIL 2005
<b>Date of end:</b>	11 APRIL 2007
<b>Total amount:</b>	YTL4,434,788

#### b) Research and development tax 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.

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 YTL153,809 in 2006 (2005: YTL234,179).

## Footnotes

### c) Research and development TÜBİTAK support:

The Company makes periodical applications to the 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.

The below aids were obtained after assessment of related R&D expenditure in 2006 by the Company, and expenditure in 2006 was sent to TÜBİTAK for evaluation.

<b>TİDEB 3040072</b> - Project for development of environment friendly and special airbag protected low tension cables.		
	<b>2005/ 1<sup>st</sup> and 2<sup>nd</sup> Period</b>	<b>2004/1<sup>st</sup> and 2<sup>nd</sup> Period</b>
TÜBİTAK source	85,928	102,682
DTM source	26,924	32,174
<b>TOTAL</b>	<b>112,852</b>	<b>134,856</b>

<b>TİDEB 3040432</b> - Project for development of 1600 mm <sup>2</sup> conductive, airbag protected high tension cables that can function in high electricity area magnitude, with decreased weight.		
	<b>2005/ 1<sup>st</sup> and 2<sup>nd</sup> Period</b>	<b>2004/1<sup>st</sup> and 2<sup>nd</sup> Period</b>
TÜBİTAK source	114,836	102,098
DTM source	35,982	31,990
<b>TOTAL</b>	<b>150,818</b>	<b>134,088</b>

### NOTE 31 - PROVISIONS COMMITMENTS AND CONTINGENT LIABILITIES

#### a) Provisions:

	<b>31 December 2006</b>	<b>31 December 2005</b>
Provision for doubtful receivables	12,129,992	11,675,154
Corporate tax/temporary tax provision	7,462,993	4,080,893
Provision for employment termination benefit	5,198,000	4,484,351
Provision impairment on inventory	1,675,165	758,495
Provision for blocked bank accounts	706,999	-
Provision for warranty expenses	505,622	557,255
Provision for disabled workers	433,521	433,521
Anadolu Bakır share transfer provision (*)	371,000	371,000
Other provisions	147,303	123,956
<b>TOTAL</b>	<b>28,630,595</b>	<b>22,484,625</b>

(\*) 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. has 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.

## Footnotes

### b) Commitments and contingent liabilities:

	31 December 2006	31 December 2005
Guarantee letters received	23,182,272	10,612,681
Mortgages received	-	2,000
<b>TOTAL</b>	<b>23,182,272</b>	<b>10,614,681</b>

	31 December 2006	31 December 2005
Bank guarantee letters given (*)	40,195,540	45,516,825
<b>TOTAL</b>	<b>40,195,540</b>	<b>45,516,825</b>

(\*) Total YTL40,195,540 of bank guarantee letters given includes the guarantee letter amounting to YTL7,083,000 which was given related to the lawsuit with no 2006 / 86 at Mudanya Civil Court of First Instance on 28 April 2006 (Note 44). The Company has no open export commitment at 31 December 2005.

### NOTE 32 - BUSINESS COMBINATIONS

None (2005: None).

### NOTE 33 - SEGMENT REPORTING

The Company operates in one unique business (cable production and sale) and geographical segment. Therefore, segment reporting is not required (2005: None).

### NOTE 34 - SUBSEQUENT EVENTS

According to the information that came on 19 January 2007, from the company Prysmian S.p.A., head company of the Prysmian group Prysmian S.p.A. filed an official application with the Borsa Italiana S.p.A. and Consob (Commissione Nazionale per le Società e la Borsa - administrative authority responsible for regulating Italian stock market) for its shares to be listed in Electronical Stock Market (Mercato Telematico Azionario - MTA) regulation and administrative responsibility of which belongs to Borsa Italiana S.p.A.

Prysmian S.p.A. owns 100% of Prysmian Cavi e Sistemi Energia S.r.l.; Prysmian Cavi e Sistemi Energia S.r.l. owns 100% of Prysmian Cable Holding B.V.; which owns 83.75% of Türk Prysmian Kablo ve Sistemleri A.Ş., Prysmian (LUX) II S.à.r.l owns all of the shares of Prysmian S.p.A.

### NOTE 35 - DISCONTINUING OPERATIONS

None (2005: None).

## Footnotes

### NOTE 36 - OPERATING INCOME

	1 January - 31 December 2006	1 January - 31 December 2005
Domestic sales	537,788,059	495,514,263
Export sales	163,122,508	204,293,901
Other income	605,835	61,547
Sales discounts	(209,256,308)	(423,665,773)
Cost of sales	(428,335,407)	(231,691,499)
<b>TOTAL</b>	<b>63,924,687</b>	<b>44,512,439</b>

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	1 January - 31 December 2006	1 January - 31 December 2005
Telecom cables	Core - Km	3,665,378	2,880,370
Energy cables	Cable - Ton	47,209	45,727
Fiber optic cables	Faser - Km	132,107	13,930

### NOTE 37 - OPERATING EXPENSES

	1 January - 31 December 2006	1 January - 31 December 2005
Research and development expenses	928,964	686,131
General administrative expenses	17,105,118	12,048,864
Sales and marketing expenses	26,798,149	20,562,410
<b>TOTAL</b>	<b>44,832,231</b>	<b>33,297,405</b>

The details of the operating the operating expenses as follows:

#### a) Research and development expenses:

	1 January - 31 December 2006	1 January - 31 December 2005
Personnel expenses	586,519	410,634
Project costs	34,675	57,108
Amortisation expenses	36,809	35,445
Other expenses	270,961	182,944
<b>TOTAL</b>	<b>928,964</b>	<b>686,131</b>

## Footnotes

### b) General administrative expenses:

	1 January - 31 December 2006	1 January - 31 December 2005
Licence expenses	10,832,430	6,452,111
Personnel expenses	3,208,045	2,530,473
Other administrative expenses	2,000,215	1,958,288
Outsourced service expenses	294,686	380,388
Amortisation expenses	769,742	727,604
<b>TOTAL</b>	<b>17,105,118</b>	<b>12,048,864</b>

### c) Sales and marketing expenses:

	1 January - 31 December 2006	1 January - 31 December 2005
Packaging expenses	9,622,638	7,134,282
Sales and guarantee letters commissions	7,657,650	4,997,000
Transportation expenses	5,532,857	4,538,450
Personnel expenses	2,305,233	2,168,867
Other sales and distribution expenses	1,601,648	1,673,520
Amortisation expenses	78,123	50,291
<b>TOTAL</b>	<b>26,798,149</b>	<b>20,562,410</b>

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

	1 January - 31 December 2006	1 January - 31 December 2005
<b>Other operating income:</b>		
Raw material etc, sales income	3,775,827	1,250,619
Scrap goods sales gain	1,450,146	552,786
Rediscount income	357,451	451,066
Income from research and development (TÜBİTAK)	263,670	268,944
Gain from provisions	117,099	53,321
Other income	595,054	566,453
<b>Total other operating income</b>	<b>6,559,247</b>	<b>3,143,189</b>
<b>Other operating expense (-)</b>		
Liquidation of the guarantee letter given to Şişli 2 <sup>nd</sup> Execution Office	(11,804,631)	-
Raw material etc. sales expense	(2,742,512)	(797,526)
Law suit and legal service expenses	(1,506,780)	-
Provision expenses	(1,235,347)	(1,246,978)
Cost of scrap sales	(1,064,411)	(856,231)
Provision expenses for blocked bank accounts	(726,506)	-
Share transfer and official title change expenses	(520,427)	(83,952)
Rediscount expenses	(13,878)	(361,124)
Other expenses	(2,881,790)	(567,114)
<b>Total other operating expenses (-)</b>	<b>(22,496,282)</b>	<b>(3,912,925)</b>

## Footnotes

### NOTE 39 - FINANCIAL EXPENSES

	1 January - 31 December 2006	1 January - 31 December 2005
Interest income	5,567,075	5,638,942
Foreign exchange income	474,487	654,209
Affiliates dividend income	-	228,551
Bank commissions and other financial expenses	(328,147)	(91,666)
Eximbank interest expense	(172,737)	(309,334)
Guarantee letter expense	(11,976)	(2,229)
<b>TOTAL</b>	<b>5,528,702</b>	<b>6,118,473</b>

### 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 the CMB Accounting Standards. In accordance with the decision, there is no monetary gain / loss for the twelve month period ended 31 December 2006.

### NOTE 41 - TAXATION

Corporate tax law was changed with the law no 5520 dated 13 June 2006. Many of the provisions of the law no 5520 came into effect effective from 1 January 2006. Accordingly corporate tax is payable at a rate of 20% in 2006. (2005: 30%) after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on the investment incentive allowance utilized within the scope of the Income Tax Law Temporary Article 61).

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%. 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% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains paid advance tax amount, it may be refunded or used to set off against other liabilities to the government

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non - monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira In accordance with the law in question, cumulative inflation rate for the last 36 months, and inflation rate for the last 12 months must exceed (DIE WPI increase rate) 100% and 10% respectively. Since these conditions in question were not fulfilled, no inflation adjustment was performed.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 15th of the fourth month following the close of the financial year to which they relate.

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



## Footnotes

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses can not be carried back to offset profits from previous periods. There are a lot of exemptions in the Corporate Tax Law regarding corporations. Those related to the Company are explained below:

### Associated Company Privileges

Dividend gains from shares in capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificate and investment partnerships shares) are exempt from corporate tax.

### Investment Allowance Exception

Law No 5479 on Amendments to Income Tax Law came into effect after being published in the Official Gazette dated 8 April 2006. In the scope of the law, effective from 1 January 2006, article no 19 governing the investment allowance was annulled, and temporary article 69 was introduced for investment allowance application. Accordingly, corporate taxpayers can offset the investment allowance amounts they could not offset against income in 2005 and

a) investments to be made after 1 January 2006 in the scope of the certificate regarding the investments that began in the scope of additional 1, 2, 3, 4, 5 and 6th articles of the Income Tax Law no 193 before it was repealed with the law no 4842 dated 9 April 2003, and

b) investment allowance amounts to be calculated in accordance with legislation effective at 31 December 2005 related to investments which exhibit an integrity technically and economically which were started prior to 1 January 2006 in the scope of Income Tax Law repealed 19th Article against only income related to the years 2006, 2007, and 2008, in accordance with the legislation at 31 December 2005 (including provisions related to tax rates.)

In determination of corporate tax base, allowances in the scope of article 40 of Income Law and articles 8, 9, 10 of Corporate Tax Law are taken into consideration as well, apart from the abovementioned exemptions.

Taxes on income for the years ended 31 December 2006 and 31 December 2005 are summarised as follows:

	1 January - 31 December 2006	1 January - 31 December 2005
- Current year corporate tax	(7,462,993)	(4,080,893)
- Deferred tax income / (expense)	4,060,326	(442,577)
<b>Total tax expense</b>	<b>(3,402,667)</b>	<b>(4,523,470)</b>

Tax reconciliation table is as follows:

	31 December 2006	31 December 2005
Income before tax	8,684,123	16,563,771
20% tax rate (2005: 30%)	1,736,825	4,696,132
Non - deductible expenses	4,762,496	1,383,924
Non - taxable income	(389,193)	(611,354)
Investment incentives	-	(339,945)
Tax rate change effect	(1,093,404)	-
Non - deductible expenses used in deferred tax	(1,614,057)	(878,286)
<b>Total</b>	<b>3,402,667</b>	<b>4,523,471</b>

## Footnotes

### NOTE 42 - EARNINGS PER SHARE

	1 January - 31 December 2006	1 January - 31 December 2005
Net profit for the year (YTL)	5,281,456	12,040,301
Number of shares with a nominal value TL1,000 each	39,312,000,000	39,312,000,000
<b>Earnings per share (YTL)</b>	<b>0.13</b>	<b>0.31</b>

### NOTE 43 - CASH FLOW STATEMENT

Cash flow is presented within the financial statements.

### 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 2006, the Company has ongoing forward sale contracts amounting to USD900,000 and EUR8,607,560 and ongoing forward purchase contracts amounting to USD19,678,330 and EUR1,401,284. There is an expense accrual amounting to YTL882,082 and is classified under "Financial income and expense".

#### 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 Akin, 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..

On 25 April 2006, the court has decided to drop the above mentioned case in favour of the Company and released the preliminary injunction which was secured.

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).

## Footnotes

In addition to the aforementioned 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) in the court files. As a result of warrant of distraint on 27 April 2006, the Company was obligated to pay the secured letter of guarantee given amounting to YTL11,804,630. The Company has booked this amount in its income statement as other expense.

On 28 June 2006 the Company's repudiation of the debt was rejected by the court. The Company went to the court of appeal for this verdict. The Company has an exposure to pay an amount of YTL46,374,269 as of 31 December 2006 (including remaining unpaid amount of negotiable instrument, indemnity for repudiation, penalty and interest thereon).

The lawsuit is pending as of the date of this report and the outcome of the lawsuit is uncertain. As of 31 December 2006, no provision has been provided in the accompanying financial statements.

## Footnotes

### **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.

## Compliance Report

# Corporate Governance Principles Compliance Report

## Türk Prysmian Kablo ve Sistemleri A.Ş.

### 1. Observance Declaration Regarding Corporate Governance Principles

With its 42 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.

Activities are being performed to reshape the company's organization structure and the mode of management in accordance with the general rules specified in the Corporate Governance Principles of the Capital Market Board issued in the resolution of the Capital Market Board dated July 4, 2003 and numbered 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 31.12.2006, the Company complied with the Corporate Governance Principles published by the 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)
- Minimum Number of Independent Members in the Board

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



## Compliance Report



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 title and payment terms of court cases. 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](http://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](mailto: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 2006, the General Assembly convened one time in the Company's Head Office, one in the forms of ordinary meeting (28.03.2006). The shareholders representing more than 83.75% 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.



## Compliance Report



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.

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 the General Assembly meeting in the Company's Head Office, the Internet site and also in the 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. As a matter of fact, since there is not any general tendency about the use of cumulative voting rights in the practices of the companies, the risks or benefits of the said method could not be observed.

## Compliance Report



### 6. Profit Distribution Policy and Profit Distribution Time

There is no privilege as regards to participation in the company's profit; as determined in the meeting of the General Assembly dated 28.03.2006, it is specified that "At least the compulsory amount stipulated within the related current legislation shall be distributed among the shareholders unless a decision regarding the distribution of profits at higher rates is taken by our shareholders in the meeting of 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 the 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 General Manager - 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 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 2006: **34**

Number of Additional Declaration Requests made by the CMB and ISE: **4**

On 09.11.2006, there is one sanction (written warning) applied by the İstanbul Stock Exchange Market's 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 the İstanbul Stock Exchange.





## Compliance Report



### 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](http://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 Board of 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 the AOA is published,
- Annual Reports for the last four years,
- Declaration of Special Status,
- Corporate Governance Observance Report,
- Attendance list, agenda and minutes of General Assembly meetings held during the last four 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.

## Compliance Report



### 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;

Mahmut Tayfun Anık	: Chairman of the BOD and Member of Audit Committee
Valerio Battista	: Vice - Chairman
Carlo Cammarata	: Board Member and Member of Audit Committee
Ennio Bernasconi	: Board Member
Fabio Ignazio Romeo	: Board Member
Giovanni Battista Scotti	: Board Member

Hikmet Türken	: The Board of Auditor
Raşit Yavuz	: The Board of Auditor

Hakan Özmen	: CEO
Ercan Karaismailoğlu	: CFO
Halil İ.Kongur	: Factory Director
Erkan Aydoğdu	: Logistics Manager
İ. Etem Bakaç	: Domestic Sales Manager
Esat Baykal	: Quality Manager
Ufuk Çolak	: Marketing Manager
Abdurrahman Güngör	: R&D and Quality Assurance Manager
Faik Kürkçü	: Utilities Sales Manager
Levent Özçengel	: Human Resources Manager
Murat Tezcan	: Export Sales Manager
Law. Yiğit Türsoy	: Legal Affairs Manager
Okay Yıldız	: Technical Service Manager
Sevda Yücel	: Purchasing Manager
Anil Kovalı	: Chief of General Accounting

Haluk Erdem	: Partner
Adem Kefelioğlu	: Auditor
Özgür Doğan	: Audit Assistant
Coşkun Şen	: Partner
Fikret Sebilcioğlu	: Audit Director
Fatih Mehmet Şen	: Audit Manager
Onur Sefiloğlu	: Audit Assistant
Mehmet Pan	: Audit Assistant
Nezih Yaman	: Audit Assistant

Law. Fadlullah Cerrahoğlu	: Lawyer
Law. Şelale Kartal	: Lawyer
Law. Mehmet Yaşar Nur	: Lawyer



## Compliance Report



### 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 the Internet site and the 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

## Compliance Report



### 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.

### 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.



## Compliance Report

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.

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 the 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 provides for the recycling (if applicable), or the disposal (if recycling is not applicable) of all of the wastes attributable to the Company in accordance with the related regulations within the scope of environmental legislation.

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 the Board of 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	Mahmut Tayfun Anık		X	
Vice Chairman	Valerio Battista		X	
Board Member	Carlo Cammarata		X	
Board Member	Giovanni Battista Scotti		X	
Board Member	Fabio Ignazio Romeo		X	
Board Member	Ennio Bernasconi		X	

POSITION	MEMBERS	FIRST APPOINTMENT	LATEST APPOINTMENT
Chairman	Mahmut Tayfun Anık	27.07.2006	-
Vice Chairman	Valerio Battista	28.03.2002	27.07.2006
Board Member	Carlo Cammarata	22.08.2005	27.07.2006
Board Member	Giovanni Battista Scotti	27.07.2006	-
Board Member	Fabio Ignazio Romeo	22.08.2005	27.07.2006
Board Member	Ennio Bernasconi	27.07.2006	-

As a result of the activities initiated for filling the vacancies in the Board of Directors upon the sudden resignation of the independent members on 26.07.2006; it was understood that the persuasion of independent members bearing the same qualifications to take office in the Board of Directors in the place of the members that resigned would not yield to any short - term healthy results; therefore, it was stipulated that the Board of Directors should continue to take office without independent members for a temporary period. Since the members are already registered in the cadre as the staff working in the Prysmian Group companies, they cannot work in another company as per the related Labour Law.

## Compliance Report

### 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			3	2	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

### 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 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 two Directors. Two Directors holding office in the Audit Committee are the persons who are not directly engaged in Company's activities and management. 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>

## Compliance Report



### 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 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 Board of Directors are clearly defined in Article 10 of Articles of Association; as the powers and responsibilities conferred upon the Board of 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 the 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 18 times during the year 2006.

### 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.

## Compliance Report

### 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 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	2	-

Members of Audit Committee: Mahmut Tayfun Anık, Carlo Cammarata.

The Corporate Governance Committee and other committees are not formed as of 31.12.2006. 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 2006 is recorded as YTL375,718.

### Chairman of the Board of Directors

**Mahmut Tayfun ANIK**



## Ethical Code

# 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.



## Ethical Code



In pursuing this objective Prysmian Group Companies and all Covered Parties must unflinchingly 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 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.



## Ethical Code



### 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 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.



## Ethical Code



### 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
- 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.



## Ethical Code



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

## Ethical Code



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.





**Türk Prsymian Kablo ve Sistemleri A.Ş.**

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