



## 2007 Annual Report



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

Prysmian has for more than a century grown as a truly multinational corporation, deeply rooted in all local markets throughout the world and has built upon his core sectors. It has achieved this position thanks to its geographical presence (54 plants in 21 countries and 5 continents); its outstanding human potential (more than 12,000 people); its solid financial position (a t/o of over 5 €b in 2007) and its technical and managerial capability (thousands of intellectual property registrations since 1999).

Türk Prysmian Kablo ve Sistemleri A.Ş. is market leader and "innovation driver" in all major Energy and Telecom cables business activities. It 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. Türk Prysmian Kablo ve Sistemleri A.Ş. is also listed on the Istanbul Stock Exchange with ticker PRKAB.

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 3,600 pairs, coaxial cables and optical fiber cables are in the product mix of the company. 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 Kablo ve Sistemleri A.Ş., 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 YTL623 Million turnover by the end of December 2007.

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.







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## Message from CEO

### Distinguished Shareholders,

Following the positive trend in Turkish economy during the period between 2003 - 2006, the macroeconomic indicators record change in the direction of this trend during 2007.

During the year 2007, there has been a declination in economical growth more than expected. Following 9.8% increase in the year 2004, the annual growth in the manufacturing industry recorded as 5% during the year 2007 subsequent to the years 2005 and 2006. The rise in current account deficit continued same as before during the year 2007. The current account deficit which reached to a record level during the previous year, inclined to USD38 billion by an increase of 18% during the said year. The foreign trade deficit triggering current account deficit which was recorded as USD54.4 during the year 2006, climbed to USD62.8 billion by 15% increase within the year 2007. As the drop down in the interest rates was beyond the expectations, there has been a pause in the investments and no improvement could be achieved in the high unemployment rate during this period. The rate of inflation, which was targeted as 5% for the year 2006 and 4% for the year 2007 respectively, rose to 9.65% (CPI) and 8.39% (CPI). Even though single-digit inflation rate achieved as of 2004 seems sustainable, still, difficulties are faced in further lowering of inflation rate which exceeded the target rate at a great extent.

Parallel to these indicators, rise of economic uncertainty in international markets creates certain risks. Due to fluctuations in the global loan markets and gradual decrease in liquidity facilities, fund transfer to the companies and consumers slowed down and the USA economy faced the risk of recession. Also, increase in oil and commodity prices had worldwide impact on inflation. When the developments in international markets are taken into consideration, it becomes apparent that the fact whether the markets shall enter into recession period or not during the year 2008 largely depends on the developments in economical and political arena.

Now, even if Turkey has shown resistance to these worldwide fluctuations during 2007, by considering prevailing international market conditions reflecting economic and political uncertainty, Turkey still has an important and critical task to undertake as to prevention of economic fragility in Turkey and control of potential risks in case of continuation of fluctuations deteriorating economic and political balance. Within this frame;

- Close monitoring of developments in the international markets, adoption of sustainable decisions by giving priority to monetary policies and restoration of the budgetary discipline under a comprehensive economic program,
- Initiation of constructive reform movements stipulated in the program to be adopted by Turkey during the EU Accession period in order to achieve the final stage of full membership by Turkey,
- Revision of sustainable growth and efficiency policies, undertaking of immediate action for promotion of investment and competition capacity,
- Acting in due diligence in political approaches without causing deterioration of social and political stability is deemed necessary.

Once these requirements are met, Turkey will have the opportunity to improve its reputation in international arena as a country boosting growth. This will be a source of pride for all of us.

Türk Prysmian Kablo ve Sistemleri A.Ş., being a patriot in Turkey and international markets on the subjects of innovation, technology, quality and customer satisfaction since its incorporation in 1964, has strengthened its position as the leading cable manufacturer of Turkey by focusing on Research / Development and innovation investments during the year 2007. The year 2007 records the highest growth in cable sector where Türk Prysmian Kablo ve Sistemleri A.Ş. emerged targets and attained the highest values of our history. As an example to our achievements;

- In the year 2006, net sales volume rose from YTL502 million to YTL623 with an increase by 24%,
- Again in the year 2006, the export volume rose from USD109 million to USD168 million with an increase by 54%,
- According to 2006 year-end results, net period profit after deduction of all taxes and legal liabilities climbed to YTL17 million with an increase by 223%.

In the list of top industrialists issued by Istanbul Chamber of Industry in 2006, Türk Prysmian Kablo ve Sistemleri A.Ş. ranks 73 among the 500 corporations. Türk Prysmian Kablo ve Sistemleri A.Ş., with an installed capacity in Mudanya, is capable to meet almost all the local demand and to compete with other enterprises in international market. We intensified our marketing activities in all the countries, especially in Turkic Republics and the Middle East, where Turkey holds substantial share in the relevant market. As a result, Türk Prysmian Kablo ve Sistemleri A.Ş., with a progress by three folds according to the previous year, entitled to receive 5<sup>th</sup> Award among the highest ranking exporters during the ceremony organized by Bursa Chamber of Commerce and Industry under the title "*Corporations Adding Value to Economy*". In the same way, it ranks 4 among the taxpayers who pay the highest corporate tax.

The leadership image of Prysmian Kablo ve Sistemleri in the international markets is unarguable from the aspect of advance technology, Research and Development potential, personal skills of dynamic employees and powerful sources. We are confident to say that the same evaluation is valid also for Turkey. This became even more evident when Türk Prysmian Kablo ve Sistemleri A.Ş. is nominated in the survey carried out jointly with economic review Capital and the British consultancy firm "*BrandFinance*" as the best global brand mark of the sector with a brand value YTL168 million.

Energy and telecommunication plays an important role in progress of Turkey. The recent developments in these sectors and investment plans indicate potential rise in ventures during the next period.

Safe and efficient distribution of electricity is of great importance from the aspect of meeting the electricity demand of housings and industrial corporations in Turkey and provision of sustainable economic growth. In this context, the investments for renewal, rehabilitation of critical sections of the energy distribution network, minimization of the system losses and leakages and increase of safety of the electricity supplied to the consumer will pave the way to achieve the targets set out by our country.

As for the telecommunication sector, the expectations are in the direction of progress of the mergers, procurements and investments during the coming years. Especially, the investment plans focusing on accelerated communication demand will become more important in the advancing economies.

In Turkey, it is preferred to use our products in substantial portion of the cable infrastructure projects in the energy and telecommunication fields. Needless to say, Türk Prysmian Kablo ve Sistemleri A.Ş. will gain major share in the investments to be initiated in various sectors by launching new technologies and solutions. By this way, it is aimed to further contribute to the development of Turkey.

I would like to express my warm thanks, on behalf of my partners, executives and myself, to all our business partners, customers who remained loyal to us since many years, our dealers, employees serving with devotion and due diligence and other social and economic associates who carried Türk Prysmian Kablo ve Sistemleri A.Ş. to its present state and enabled the company to achieve success by their support. Upon lapse of very successful year, I wish best of success and health for our country, Company and distinguished colleagues also during the year 2008.

**HAKAN ÖZMEN**  
**CEO**

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## Board of Directors

**Mahmut Tayfun Anık** Chairman

**Valerio Battista** Vice Chairman

**Ennio Bernasconi** Board Member

**Pier Francesco Facchini** Board Member

**Fabio Ignazio Romeo** Board Member

**Giovanni Battista Scotti** Board Member

## Audit Committee

**Mahmut Tayfun Anık** Audit Committee Member

**Pier Francesco Facchini** 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 KARAİSMAİLOĞLU**

Chief Financial Officer

### **HALİL İBRAHİM KONGUR**

Factory Director

### **ERKAN AYDOĞDU**

Logistics Manager

### **İBRAHİM ETEM BAKAÇ**

Domestic Sales Manager

### **ESAT BAYKAL**

Quality Manager

### **ABDURRAHMAN GÜNGÖR**

R&D and Quality Assurance Manager

### **FAİK KÜRKCÜ**

Utilities Sales Manager

### **SABRİ LEVENT ÖZÇENGEL**

Human Resources Manager

### **MURAT TEZCAN**

Export Sales Manager

### **YİĞİT TÜRSOY**

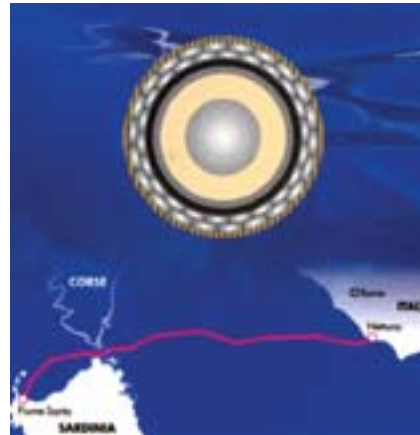
Legal Affairs Manager

### **OKAY YILDIZ**

Technical Services Manager

### **SEVDA YÜCEL**

Purchasing Manager



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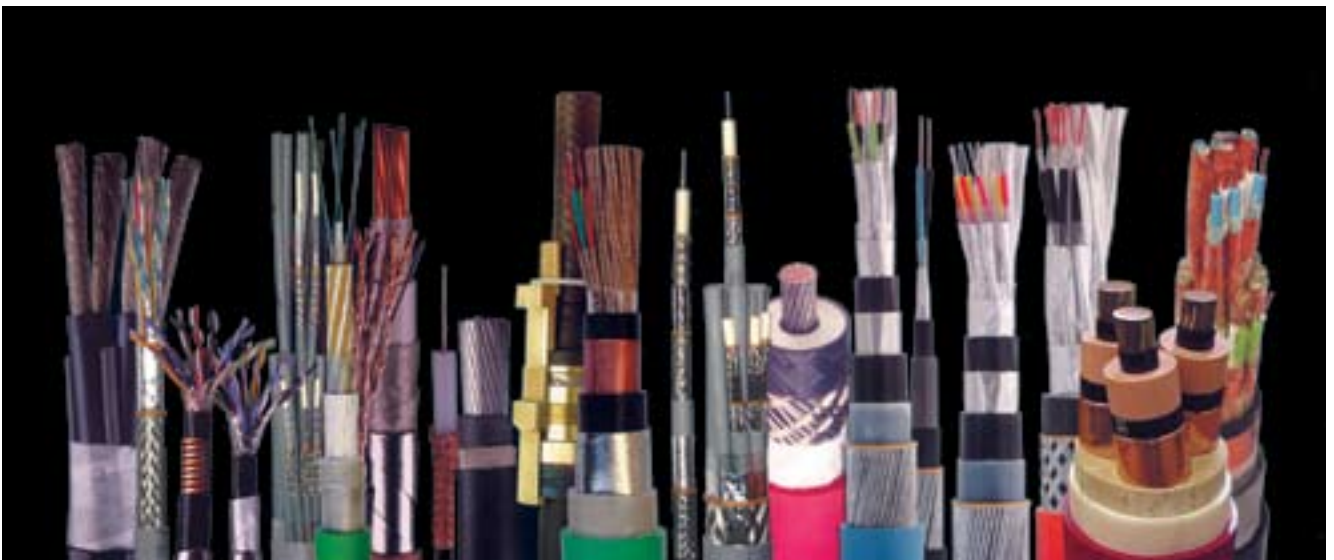
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## Agenda

1. Opening and formation of the Meeting Council,
2. Authorization of the Meeting Council to sign the Minutes of General Assembly Meeting,
3. Submission and discussion of the Reports issued by the Board of Directors, Auditors' Board and Independent External Auditing Firm Nas Bağımsız ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Company's Balance Sheet and Income Table for the Fiscal Year between 01.01.2007 - 31.12.2007 by the General Assembly,
4. Upon discussion, approval of the Reports submitted by the Board of Directors and Auditors' Board, as well as the Balance Sheet and Income Table for the Fiscal Year 01.01.2007 - 31.12.2007; discharge of Board of Directors and the Auditors' Board,
5. Discussion of the Board of Directors' proposal relating to distribution of the profit recorded in the Fiscal Year between 01.01.2007 - 31.12.2007,
6. Notification of the General Assembly on the donations made during the year 2007 and release of approval on this subject,
7. Re-election of the Auditors whose term of office have expired and determination of auditors' fee,
8. Discussion and approval of the "Independent External Auditing Firm" nominated by the Board of Directors,
9. Approval of awarding of bonus to the Company's employees who contributed to realization of company's targets designated by the Board of Directors and fixation of the bonus amount according to the performance achieved during realization of the Company's targets by the management and authorization of the Managing Director Hakan Özmen by the General Assembly to execute the necessary transactions on this subject,
10. Pursuant to Article 14 of the Company's Articles of Association, approval of the transactions executed until the date of General Assembly Meeting; discussion and release of approval in advance for the transactions to be undertaken after this date,
11. Authorization of the Chairman and Members of the Board of Directors to execute transactions pursuant to Article 334 and 335 of the Turkish Commercial Code,
12. Recommendations and Adjournment.



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## 2007 Economic Review

We closed the year 2007 in Turkey with continuing uncertainties on growth outlook, weakening declining trend in inflation and energy bill reclaiming its dominance in import growth. Deterioration in credit markets and subsequent concerns that it would have broader effects on the economy have triggered fluctuations in financial markets. The reaction by central banks of developed countries, in the form of liquidity injection and easier monetary policy stance, has somewhat alleviated these concerns, leading to a rebound in global risk appetite and international liquidity conditions. YTL remained strong over the course of the third quarter offsetting the impact of rising commodity prices on domestic production costs.

Food prices increased owing to the adverse weather conditions and global developments which has been main factor to slow down the disinflation process. Accordingly, annual consumer price inflation fell slightly to 8.39% while annual producer price inflation increased to 6.44% maintaining its rising trend.

Monetary Policy Committee lowered interest rates by a total of 175 basis points between september and december, after keeping the interest rates constant for an extended period. The rate cuts which started slightly earlier than market expectations was well perceived by the economic agents, lowering the inflation expectations and inflation uncertainty and consequently leading to a reduction in medium and long-term interest rates.

Global financial markets have been volatile due to the weakness in the American housing market and the resulting tight credit and liquidity conditions. The volatility has deepened due to the factors that the European institutions hold significant shares in these markets. In this respect, Eurozone growth forecast for 2007 is reduced to 2.6% from 2.7% and forecasts for 2008 are lowered to 2% from 2.2%. In 2007, Turkey's growth rate fell to around 4% from 6% in 2007.

In December exports and imports amounted USD9.7 billion and USD16 billion respectively yielding a new record level of monthly deficit at USD6.4 billion. Overall together with the USD123 million upward revision in the foreign trade deficit in the previous months of the year, annual exports reached USD107 billion and annual imports rose to USD170 billion, pulling the annual deficit up to USD62.8 billion in 2007.

The EU 27 countries total share as a group in Turkey's total exports and imports last year were 56.4% and 40.4% respectively, while the shares of the USA in total exports and imports were 3.9% and 4.8% respectively therefore Turkey's economic activity is much more closely related to the European growth than the USA economy.

In 2007, 81.1% of the total borrowings were fixed rated in line with the treasury's strategic benchmark of using fixed rate YTL instruments as the major source of domestic cash borrowing. 92.6% of the total borrowings were YTL denominated. The weighted average maturity of domestic borrowing increased by nearly 6 months to 34 months and weighted average cost of zero coupon YTL denominated domestic borrowing stood at 18.4% 0.3% points higher than the level in 2006.

The industrial production growth in 2007 has been 5.4% on average with the support of the low base effect in the previous year.



## 2008 Economic Expectations

The recent developments both in the international markets and in Turkey showed once again that confidence is the most critical factor driving fundamentals and have potential of affecting fundamentals the most today, especially if we are concerned about slowing growth.

In this global environment, which unfortunately has no less uncertainties than last year Turkey's 5.5% official growth estimate on which budget targets are built on was optimistic to start with and looks even more so today. The Central Bank will most probably stick to a tighter monetary policy stance, halting its easing cycle in February as the secondary effects from food and energy price shocks lengthens the expected fall in headline inflation figures, hindering also any fall in inflation expectations. The CB (Central Bank) reduced the pace of rate cuts to 25 bps in January and revised its medium term forecasts up to 5.5% for 2008 year end and 3.7% for 2009 year end assuming limited rate cuts in 2008.

From mid January, the compound rates began to rise mainly due to the increasing fears of a the USA recession and credit losses taht have triggered a wave of panic selling in global stock markets and in January the İstanbul Stock Exchange main share index fell to a 10 month low.

After rate cuts from the FED decreasing its rates to 3.5% which was its biggest rate cut since 1984 the compound rate on the benchmark Turkish paper decreased but this movement was short lived after the data showing a sharp drop in activity in the USA service sector the compound rates in emerging markets increased along with risk aversion and the yield on Turkish bond rose again. The FED also has cut its rates by 50 bps at the January 30 meeting to 3%.

Thereby, the FED has cut its rates by a total of 225 bps since the start of September 2007 responding to a slowdown in the economy and lost of confidence in the international markets. The ECB (European Central Bank) hold its rates at 4% at the beginning of February, high Euro Zone inflation prevents the ECB from following the FED.

The EURO / USD parity moved between 1.4364 and 1.4922 at the beginning of 2008 and its likely to see 1.50 level in first months of the year.

There are some uncertainties over the medium term impact of the recent developments in energy prices, the price of water classified as another energy item in the CPI (Consumer Price Index). Moreover international crude oil prices continue to trend upwards. The U.S. light crude oil prices hit to USD100.09, its highest level since the NYMEX (New York Mercantile Exchange) launced crude futures trading in 1983.

The support of fiscal policy and structural reforms are also critical in achieving price stability. In this respect, the European Union accession process and the implementation of structural reforms envisaged in the economic program remain to be important.





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## Sector Analysis

Parallel to the world - wide developments in construction sector and rapid growth in power generation and distribution systems during the recent years, especially in 2006 and 2007, cable sector in Turkey recorded an active year through vitalization of the planned investments and became one of the major suppliers of global cable market.

Particularly, as a result of recovery of the uncertainty in domestic market, use of underground cable lines instead of overhead lines and progress of investments initiated by Türk Telekom (Turkish Telecom), cable sector in Turkey showed a positive trend in growth. Additionally, the small and medium scale companies intensified their innovation activities in terms of equipment and capacity and focused on manufacturing of internationally competitive products with added value and investments upgrading quality and capacity. Today, the cable sector in Turkey exports approximately 40% of its production to 150 countries. Due to the fact that the substantial portion of this export is made to the European Union and Middle East Countries, the Turkish manufacturers are keen on realization of production in compliance with the international standards and in this context, the leading companies of the sector hold accreditation certificates such as ISO 9000, ISO 14000 and OHSAS 18001. In the year 2007, the cable manufacturers are listed among five hundred top ranking industrial organizations of Turkey and the best exporters chosen by the Exporters Union, which is one of the best indications of the sectoral developments achieved through the intensified contributions of these companies to the local industry.

By virtue of extreme increase in the copper prices constituting almost half of the production cost, likewise in global cable sector, the power cables with high copper content now holds substantial share in Turkish cable market.

Parallel to the world - wide developments, communication, data and fiber optic cable manufacturing in Turkey are listed among the rapidly growing sectors. The practices of Türk Telekom (Turkish Telecom) in the direction of utilization of fiber optic cables in order to enable supply of best quality sound and broadband services to the consumers and especially, the studies made for vitalization of the projects relating to FTTH (Fiber - to - the - home) are the striking developments in communication sector.

In this most important stage of the EU accession, where the actions are in great progress, various studies are undertaken on the subjects relating to secure and efficient transmission and distribution of electrical energy by protecting life and property safety of the society. In addition to these studies, series of researches were made in order to determine the security criteria during fire by measuring the fire reaction and resistance capacity of the construction material, including cables, and regulations were published in this context. Rise of awareness, encouragement of research and development investments by the cable manufacturers on this subject and increase in demand for cables resistant to fire in Turkey, indicate how exactly these studies were made.

On the other hand, the need for additional working capital arising from rapid increase in copper prices, poor quality of production line and incompleteness of privatization processes are the leading problems recently encountered by cable sector. No doubt, completion of privatization actions in agenda will boost the demand for cable which is required for restoration of the existing distribution lines and realization of new telecom investments. Finally, there will be increase in capacity utilization rates and the cable sector will enter a more active stage with the affect of these factors.





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**The detailed Balance Sheet and Income Statement for 2007 are enclosed. The explanations as regards assets and liabilities and income statement are given below.**

### Assets

Cash holdings amount to YTL9,128, of which YTL2,738 is in New Turkish Liras and the remainder in foreign currency.

Deposits in banks total YTL11,640,176, of which YTL5,641,140 is held in Turkish Lira accounts and YTL5,999,036 in foreign currency accounts. Cheques received amount to YTL3,931,547.

Short-term trade receivables reached the sum of YTL104,494,459. In this group, customer accounts amount to YTL66,239,826, of which YTL43,642,539 is from domestic customers and YTL35,752,026 from customers outside Turkey in foreign currency. The average collection period of our receivables was 64 days.

Rediscount on notes receivable to the sum of YTL39,287,270 was calculated as YTL1,050,253. The provision for doubtful domestic and foreign receivables is YTL10,350,058.

Amount due from related parties is YTL2,681,899 of which YTL2,565,104 is due from group companies and YTL116,795 due from company personnel.

Our inventories decreased by 3% over the previous year and totalled the sum of YTL72,182,726. The total of raw materials and materials existing in the inventories amounted to YTL12,557,726, semi-finished goods to YTL18,738,929, commercial goods to YTL1,942,788, and finished goods to YTL32,664,810. The other inventories to the sum of YTL286,401 consist of scrap inventories. Advance payments made to foreign and domestic suppliers for orders received amount to YTL6,956,053. Provision for the inventories is YTL963,981.

Other receivables total YTL14,739,478, and consist of VAT receivable to the sum of YTL7,432,069, prepaid taxes to the sum of YTL6,873,862, expenses for the coming months and other receivables to the sum of YTL433,547.

Financial fixed assets amount to YTL2,920,351.

During the year, the expenses for tangible fixed assets amounted to YTL4,854,184 and the amount of tangible fixed assets which had been sold totalled YTL477,449. Net asset value was calculated as YTL57,247,558 by adding the additions of fixed tangible assets to the value of fixed tangible assets at the beginning of the year, reversing impairment loss, deducting disposals and the accumulated depreciation. An important item within intangible fixed assets to the sum of YTL81,574 is the SAP software.

## Liabilities

There is no bank loans indicated in financial debts in 2007 and 2006.

Trade payables decreased by 1% as compared to last year and were realized at YTL82,254,503. In trade payables, debts to domestic suppliers amounted to YTL7,992,206 and debts to foreign suppliers totaled YTL3,162,040.

Amount due to related parties is YTL10,099,354 of which YTL10,096,172 is due to group companies and YTL3,182 due to the shareholders.

Other current liabilities reached the sum of YTL29,936,846. Out of this sum, YTL10,803,235 consists of taxes, fund and social security deductions, YTL15,705,587 are for accrued expenses, and YTL1,962,833 consists of payables to the personnel, and the remainders are for other short-term liabilities to be paid.

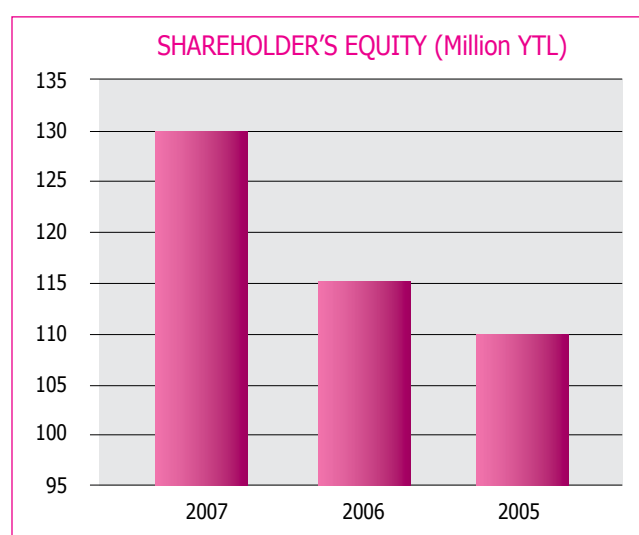
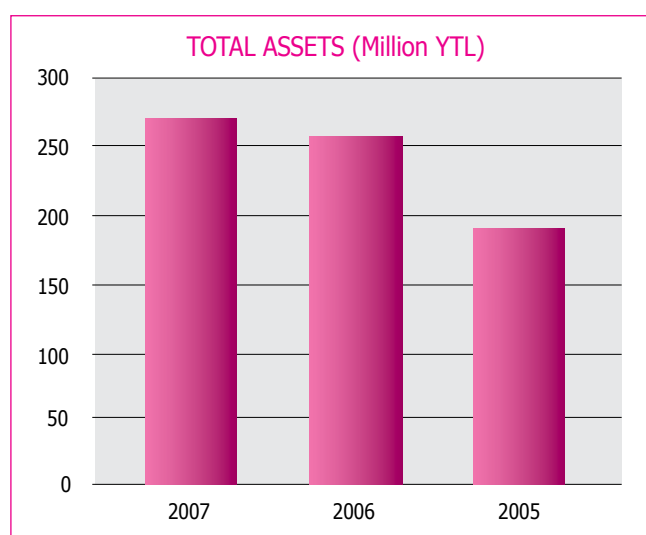
Provision for corporate tax for 2007 is YTL6,058,621.

In cases where the Labor Act deems it suitable, provision for severance indemnity payable to our personnel is YTL5,743,014 as of the end of the accounting period, the severance indemnity being calculated on the ceiling value of YTL2,087.92.

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, legal reserves amounted to YTL438,585.

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

Net profit for the period increased by 223% compared to the previous year and was realized at YTL17,083,505.





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### Income Statement

Our gross sales increased by 3.74% as compared to last year, and reached the sum of YTL733,183,047. Our domestic sales totalled YTL523,971,131, and our exports YTL196,432,138. Other sales amounted to YTL12,779,778 of which YTL591.759 consists of interest charged on credit sales.

Total sales deductions amounted to YTL109,713,743, of which YTL2,640,882 consisted of sales returns and YTL107,072,861 corresponded to sales discounts.

The cost of the goods sold totalled YTL540,237,867 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 YTL973,633.

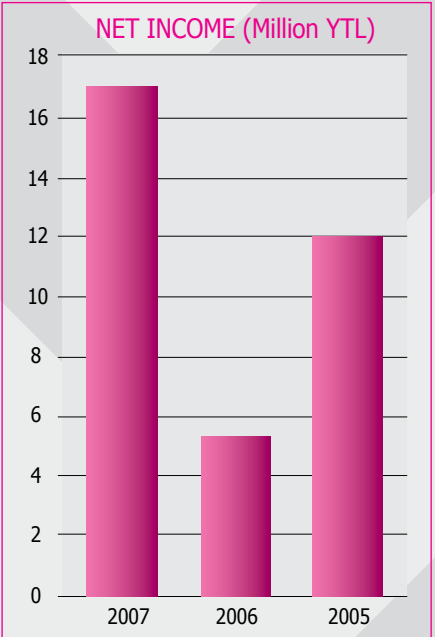
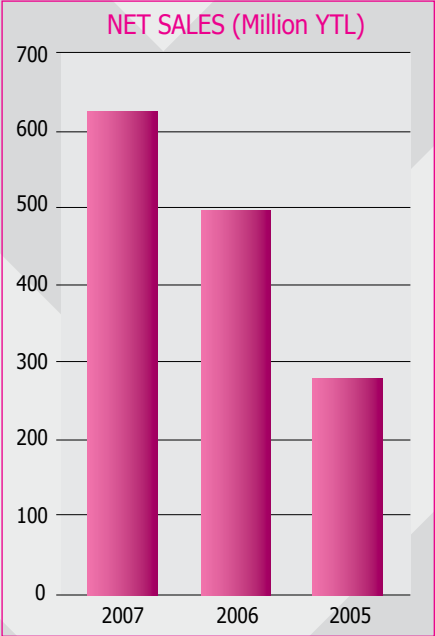
Marketing, sales and distribution expenses accounted for 5% of the net sales and totalled YTL33,940,145, whereas general administrative expenses to the sum of YTL19,936,343 accounted for 3% of the net sales revenue.

Our other operating income increased as compared to the previous year and reached the sum of YTL12,845,346, of which YTL8,803,069 was generated by the reversal of impairment loss and YTL1,126,611 by purchasing bonuses, YTL995,570 consisted of income from previous year, YTL866,224 consisted of income from reserved provisions, YTL774,872 consisted of rediscount income, YTL154,566 consisted of research and development grants and YTL124,434 consisted of other income.

Our other operating expenses decreased by 18% as compared to the previous year and reached the sum of YTL15,232,380, of which YTL12,853,644 consisted of payments related to court cases and legal expenses, YTL37,134 consisted of provision expenses, YTL1,270,062 consisted of rediscount expenses and YTL1,071,540 consisted of other expenses.

Financial expenses amounted to YTL2,778,629, of which YTL296,814 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 YTL3,075,443 consisted of exchange rate losses. There is no dividend from investments in 2007.

**The Board of Directors  
February 19, 2008**





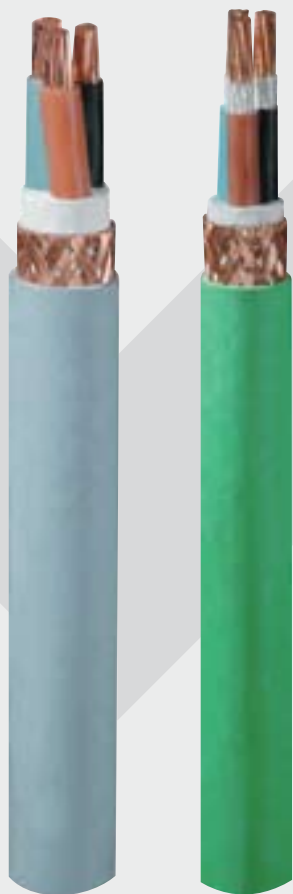
## Profit Distribution on 2007 Net Income

It has been resolved in the Board of Directors meeting held on March 10, 2008, the profit distribution on 2007 net income of YTL17,083,505 be according to the CMB regulations and taking into consideration the terms of the Company's Articles of Association as it is summarized in the below table, and be submitted for the approval of the Ordinary Shareholders' Meeting, to be held on March 28, 2008.

[ Amounts expressed in New Turkish Lira (YTL) ]	According to CMB Records		According to Official Records	
<b>A- INCOME BEFORE TAXES</b>				
1- Share Capital		39,312,000		39,312,000
2- Total Legal Reserves (According to Official Records)		438,585		438,585
3- Period Profit		23,215,653		16,980,671
4- Taxes On Income (-)		(6,132,148)		(6,058,621)
- Corporation Tax (-)	(6,132,148)		(6,058,621)	
- Other Taxes and Dues (-)	-		-	
<b>NET INCOME FOR THE YEAR</b>		<b>17,083,505</b>		<b>10,922,050</b>
5- Prior Years' Losses (-)		-		-
6- First Legal Reserves (-)		(546,103)		(546,103)
<b>NET DISTRIBUTABLE PERIOD PROFIT</b>		<b>16,537,402</b>		<b>10,375,947</b>
7- Donations made during the year	101,714			
<b>NET DISTRIBUTABLE PERIOD PROFIT WITH DONATIONS</b>		<b>16,639,116</b>		<b>10,375,947</b>
8- First Dividend to Shareholders (-)		(3,327,823)		(3,327,823)
- To Common Stock Owners (-)	(3,327,823)		(3,327,823)	
- To Preferred Shareholders (-)	-		-	
9- Dividend to the Personnel (-)		-		-
10- Dividends to the Board of Directors		-		-
11- Second Dividend to Shareholders (-)		(4,534,577)		(4,534,577)
- To Common Stock Owners (-)	(4,534,577)		(4,534,577)	
- To Preferred Shareholders (-)	-		-	
12- Second Legal Reserves (-)		(589,680)		(589,680)
13- Statutory Reserves (-)		-		-
14- Extraordinary Reserves		(8,085,322)		(1,923,867)
15- Other Reserves		-		-
16- Special Reserves		-		-
<b>B- DISTRIBUTION FROM THE RESERVES</b>		-		-
1- Distributable Reserves		-		-
2- Second Legal Reserves (-)		-		-
3- To the Shareholders (-)		-		-
- To Common Stock Owners (-)	-		-	
- To Preferred Shareholders (-)	-		-	
4- To the Personnel		-		-
5- To the Board of Directors (-)		-		-
<b>C- DIVIDENDS PER SHARE</b>		<b>(0.20)</b>		<b>(0.20)</b>
1- To Common Stock Owners (YTL / %)	0.20 YTL / 20%		0.20 YTL / 20%	
2- To Preferred Shareholders (YTL / %)	-		-	

A dividend of YTL7,862,400 will be distributed in cash to our shareholders who represent the capital of YTL39,312,000 against the dividend coupons for 2007 at the rate of 20%, by giving YTL0.20 (net amount (YTL0.17) is calculated by deduction of 15% tax from gross amount) for each share as from April 21, 2008.

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- Independent Auditor's Report
- Balance Sheets
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- Notes



## Auditors' Review Report

### TO THE GENERAL ASSEMBLY OF TÜRK PRYSMIAN KABLO VE SİSTEMLERİ 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 2007, 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, 2007 - December 31, 2007 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, 2007 – December 31, 2007 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, 2007 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, 2007 - December 31, 2007 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

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## Independent Auditor's Report

PRICEWATERHOUSECOOPERS 

**Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.**

a member of

**PricewaterhouseCoopers**

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### CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

#### 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 2007 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 2007, 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.
5. Additional paragraph for convenience translation into English:

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

#### **Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.**

a member of

**PricewaterhouseCoopers**

**Coşkun Şen, SMMM**

**Istanbul, 19 February 2008**



## Balance Sheets

## Türk Prysmian Kablo ve Sistemleri A.Ş.

## BALANCE SHEETS AT 31 DECEMBER 2007 AND 31 DECEMBER 2006

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

	Notes	AUDITED 31 December 2007	AUDITED 31 December 2006
<b>ASSETS</b>			
<b>Current assets</b>		<b>210,718,212</b>	<b>204,389,200</b>
Cash and cash equivalents	4	15,580,851	14,168,861
Marketable securities (net)	5	-	-
Trade receivables (net)	7	104,494,459	83,067,612
Finance lease receivables (net)	8	-	-
Due from related parties (net)	9	2,681,899	14,621,132
Other receivables (net)	10	14,558,840	16,638,409
Biological assets (net)	11	-	-
Inventories (net)	12	72,182,726	74,593,329
Receivables on construction contracts (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	1,219,437	1,299,857
<b>Non-current assets</b>		<b>61,136,756</b>	<b>53,363,458</b>
Trade receivables (net)	7	47	47
Finance lease receivables (net)	8	-	-
Due from related parties (net)	9	-	-
Other receivables (net)	10	180,638	1,041,402
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	57,247,558	48,559,850
Intangible assets (net)	20	81,574	61,693
Deferred tax assets	14	706,588	780,115
Other non-current assets	15	-	-
<b>TOTAL ASSETS</b>		<b>271,854,968</b>	<b>257,752,658</b>

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

	Notes	AUDITED 31 December 07	AUDITED 31 December 06
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>133,118,754</b>	<b>135,221,835</b>
Financial liabilities (net)	6	-	-
Short-term portion of long-term financial liabilities (net)	6	-	-
Financial lease liabilities (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	82,254,503	82,958,734
Due to related parties (net)	9	10,099,354	8,082,557
Advances received	21	4,692,130	9,599,377
Construction contracts acquisition value (net)	13	77,300	2,306,417
Provisions	23	6,058,621	7,462,993
Deferred tax liabilities	14	-	-
Other current liabilities (net)	10	29,936,846	24,811,757
<b>Non-current liabilities</b>		<b>8,827,411</b>	<b>7,362,445</b>
Financial liabilities (net)	6	-	-
Financial lease liabilities (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	-	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	8,827,411	7,362,445
Deferred tax liabilities	14	-	-
Other non-current liabilities (net)	10	-	-
<b>MINORITY INTEREST</b>		<b>-</b>	<b>-</b>
<b>SHAREHOLDER'S EQUITY</b>		<b>129,908,803</b>	<b>115,168,378</b>
<b>Share capital</b>	25	<b>39,312,000</b>	<b>39,312,000</b>
<b>Treasury shares</b>		<b>-</b>	<b>-</b>
<b>Capital reserves</b>	26	<b>72,937,515</b>	<b>72,937,515</b>
Share premium		-	-
Reserves from cancelled shares		-	-
Revaluation fund		-	-
Financial assets fair value reserve		-	-
Inflation adjustment to shareholders' equity		72,937,515	72,937,515
<b>Profit reserves</b>	27	<b>575,783</b>	<b>10,813</b>
Legal reserves		438,585	-
Statutory reserves		-	-
Extraordinary reserves		110,745	-
Special reserves		-	-
Investment and property sales gains to be transferred to the capital		26,453	10,813
Translation reserves		-	-
<b>Net income / (loss) for the period</b>		<b>17,083,505</b>	<b>5,281,456</b>
<b>Accumulated losses</b>	28	<b>-</b>	<b>(2,373,406)</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>271,854,968</b>	<b>257,752,658</b>
Commitment and Contingencies	31		

These financial statements as at and for the period ended 31 December 2007 were approved by the Board of Directors on 19 February 2008. The accompanying notes form an integral part of these financial statements.

## Statements

## Türk Prysmian Kablo ve Sistemleri A.Ş.

STATEMENT OF INCOME FOR THE PERIODS ENDED  
31 DECEMBER 2007 AND 31 DECEMBER 2006

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

	Notes	AUDITED 1 January 2007 - 31 December 2007	AUDITED 1 January 2006 - 31 December 2006
<b>Operating revenue</b>			
Revenues (net)	36	623,469,304	501,672,177
Cost of revenues (-)	36	(540,237,867)	(432,142,330)
Revenues from services (net)	36	-	-
Other Operating Income / interest+dividend+rent (net)	36	-	-
<b>Gross operating profit / loss</b>		<b>83,231,437</b>	<b>69,529,847</b>
Operating expenses (-)	37	(54,850,121)	(44,832,231)
<b>Net operating profit / loss</b>		<b>28,381,316</b>	<b>24,697,616</b>
Other operating income	38	12,845,346	1,333,274
Other operating expenses (-)	38	(15,232,380)	(18,689,359)
Financial income / (expenses)	39	(2,778,629)	1,342,592
<b>Operating income / (loss)</b>		<b>23,215,653</b>	<b>8,684,123</b>
Gain on net monetary position	40	-	-
<b>Minority income / (loss)</b>	24	-	-
<b>Income / (loss) before taxation on income</b>		<b>23,215,653</b>	<b>8,684,123</b>
Taxation on Income	41	(6,132,148)	(3,402,667)
<b>Net income / (loss) for the period</b>		<b>17,083,505</b>	<b>5,281,456</b>
<b>Earnings per thousand shares (YTL)</b>	42	<b>0.43</b>	<b>0.13</b>

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

## STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED 31 DECEMBER 2007 AND 31 DECEMBER 2006

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

	AUDITED 1 January 2007 - 31 December 2007		AUDITED 1 January 2006 - 31 December 2006	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>8,459,660</b>		<b>(19,260,244)</b>
<b>Net profit before taxation (+)</b>	<b>23,215,653</b>		<b>8,684,123</b>	
Adjustments:				
Amortisation (+)	5,253,024		4,855,140	
Fixed assets impairment reversal	(8,803,069)			
Employment termination benefit	1,456,121		1,172,528	
Interest income (-)	(691,063)		(1,380,965)	
Interest expense (+)	238,109		172,737	
Change in the provision for doubtful receivables	(1,779,934)		454,838	
Change in the deferred financial income	39,468		314,935	
Change in the deferred financial expense	455,722		(658,508)	
<b>Change in asset and liabilities:</b>				
Change in trade receivables	(19,686,381)		(38,667,230)	
Change in due from related companies	11,939,233		(8,473,465)	
Change in inventories	2,410,603		(38,379,227)	
Change in other receivables	5,659,832		(864,431)	
Change in other long-term receivables	860,764		(1,019,617)	
Change in trade payables	(1,159,953)		47,226,482	
Change in due to related parties	2,016,797		2,037,789	
Change in other short-term liabilities	(2,011,275)		13,450,666	
Change in other long-term liabilities	919,952		678,713	
Taxes paid	(10,962,836)		(8,405,873)	
Employment termination benefits paid	(911,107)		(458,879)	
<b>Net cash generated from / (used in) operating activities</b>	<b>8,459,660</b>		<b>(19,260,244)</b>	
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES</b>		<b>(5,157,544)</b>		<b>(3,004,623)</b>
Fixed asset additions (-)	(5,382,592)		(3,128,122)	
Proceeds from sale of property, plant and equipment (+)	225,048		123,499	
<b>Cash used in investment activities</b>	<b>(5,157,544)</b>		<b>(3,004,623)</b>	
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES</b>		<b>(1,890,126)</b>		<b>1,219,041</b>
Interest paid (-)	(238,109)		(172,737)	
Interest received (+)	691,063		1,380,965	
Increase in special reserves	15,640		10,813	
Dividends paid (-)	(2,358,720)		-	
<b>Net cash (used in) / generated from financial activities</b>	<b>(1,890,126)</b>		<b>1,219,041</b>	
<b>Net increase in cash and cash equivalents</b>	<b>1,411,990</b>	<b>1,411,990</b>	<b>(21,045,826)</b>	<b>(21,045,826)</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>14,168,861</b>		<b>35,214,687</b>
<b>Cash and cash equivalents at the end of period</b>		<b>15,580,851</b>		<b>14,168,861</b>

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

## Statements

## Türk Prysmian Kablo ve Sistemleri A.Ş.

STATEMENT OF SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED  
31 DECEMBER 2007 AND 31 DECEMBER 2006

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

	Share capital	Adjustment to shareholders' equity	Share premium	Revaluation fund	Inflation adjustment to shareholders' equity	Translation reserves	Legal reserves	Statue reserves	Other reserves and retained earnings	Net profit for the period	Accumulated losses	Total
<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 (Note 28)	-	-	-	-	-	-	(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>
<b>1 January 2007</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>
Net income for the period	-	-	-	-	-	-	-	-	-	17,083,505	-	17,083,505
Dividends Paid	-	-	-	-	-	-	-	-	-	(2,358,720)	-	(2,358,720)
Transfer	-	-	-	-	-	-	110,745	438,585	-	(2,922,736)	2,373,406	-
Investment and property sales gains to be transferred to share capital	-	-	-	-	-	-	-	-	15,640	-	-	15,640
<b>31 December 2007</b>	<b>39,312,000</b>	-	-	-	<b>72,937,515</b>	-	<b>110,745</b>	<b>438,585</b>	<b>26,453</b>	<b>17,083,505</b>	-	<b>129,908,803</b>

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 45

### 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 Istanbul Stock Exchange ("ISE").

The Company's previous name "Türk Pirelli Kablo ve Sistemleri A.Ş." was changed to "Türk Prysmian Kablo ve Sistemleri A.Ş." with respect to the General Assembly decision dated on 26 September 2005. The 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 in one geographical region. Product range of the Company includes all energy cables up to 220 kV, copper conductive communication cables up to 3,600 duplex and fiber optic cables. The factory of the Company is situated in Bursa Mudanya, and it contains thermic, mechanic, chemical, and electrical scientific research and test laboratories which have Turkish Standards Institute (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 2007, the average number of employees of the Company is 427 (2006: 429).

### 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. 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.

## Notes

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 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 offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**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;

## Notes

	<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.

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 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.

## Notes

**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 Central Bank of Turkey are considered to approximate its carrying value.

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

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

*Monetary liabilities*

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

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

## Notes

**3.9 Business Combinations:**

None (2006: None).

**3.10 Foreign currency transactions:**

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

**3.11 Earnings per share:**

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

**3.12 Subsequent events:**

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

**3.13 Provisions, contingent assets and liabilities:**

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

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

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 (2006: None).

**3.15 Leasing:**

None (2006: 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 (2006: None).



## Notes

**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 (2006: None).

**3.20 Government grants and incentives:**

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

**3.21 Investment property:**

None (2006: None).

**3.22 Taxes on income:**

Corporation tax is payable at a rate of 20% for the year 2007 (2006: 20%) 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).

## Notes

**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 (Note 25).

**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. 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 EQUIVALENTS**

	31 December 2007	31 December 2006
Cash - YTL	2,738	1,683
Cash - Foreign currency	6,390	14,849
Bank - Demand deposit	20,361	62,848
Bank - YTL - Time deposit	5,620,509	9,464,869
Bank - Export foreign currency	-	362,954
Bank - Foreign currency	20,204	116,122
Bank - USD - Time deposit	3,033,113	915,027
Bank - EURO - Time deposit	2,945,719	-
Cheques received	3,931,547	3,230,509
<b>TOTAL</b>	<b>15,580,851</b>	<b>14,168,861</b>

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

	31 December 2007		31 December 2006	
	Maturity	Interest rate (%)	Maturity	Interest rate (%)
YTL Time Deposits	7 days	18.15	O/N	18.30
YTL Time Deposits	13 days	18.25	-	-
YTL Time Deposits	O/N	16.00	-	-
Time Deposits USD	O/N	4.60	O/N	5
Time Deposits USD	O/N	4.50	-	-
Time Deposits EURO	O/N	3.75	-	-

O/N: Overnight.

## Notes

**NOTE 5 - MARKETABLE SECURITIES**

None (2006: None).

**NOTE 6 - FINANCIAL LIABILITIES**

The Company does have any short-term or long-term bank loans as of 31 December 2007 (2006: None).

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

	<b>31 December 2007</b>	<b>31 December 2006</b>
Trade receivables	66,239,826	54,028,552
Notes receivables	39,287,270	30,039,306
Deposits and guarantees given	17,616	10,539
Doubtful receivables	10,350,058	12,129,992
Provision for doubtful receivables	(10,350,058)	(12,129,992)
Deferred financial income	(1,050,253)	(1,010,785)
<b>TOTAL</b>	<b>104,494,459</b>	<b>83,067,612</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>2007</b>	<b>2006</b>
<b>At 1 January</b>	<b>12,129,992</b>	<b>11,675,154</b>
Changes due to the foreign exchange rate differences	(1,870,565)	540,589
Additions and collections	90,631	(85,751)
<b>31 December</b>	<b>10,350,058</b>	<b>12,129,992</b>

**Short-term trade payables:**

	<b>31 December 2007</b>	<b>31 December 2006</b>
Trade payables	82,716,418	83,876,371
Notes payable	-	-
Deferred financial expenses	(461,915)	(917,637)
<b>TOTAL</b>	<b>82,254,503</b>	<b>82,958,734</b>

**NOTE 8 - LEASING RECEIVABLES AND PAYABLES**

None (2006: None).

## Notes

**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 2007	31 December 2006
Due from group companies	2,565,104	14,559,739
Due from personnel	116,795	61,393
<b>Due from related parties</b>	<b>2,681,899</b>	<b>14,621,132</b>
Due to group companies	10,096,172	8,034,927
Lawsuit guarantees received from group companies	-	46,566
Due to the shareholders	3,182	1,064
<b>Due to related parties</b>	<b>10,099,354</b>	<b>8,082,557</b>

**a) Due from group companies:**

31 December 2007:	Currency	Principle	Foreign Exchange Rate	Principle (YTL)
<b>Group Companies</b>				
Prysmian Cavi e Sistemi Telecom Italia S.r.l.	EURO	431,673	1.7102	738,247
Prysmian Telekom Kabel und System Deutschland GmbH	EURO	397,234	1.7102	679,350
Prysmian Telecom Cables & Systems UK Ltd.	EURO	658,475	1.7102	1,126,124
Prysmian Cavi e Sistemi Energia Italia S.r.l.	EURO	4,917	1.7102	8,409
Prysmian Cables Ltd.	GBP	5,578	2.3259	12,974
<b>TOTAL</b>				<b>2,565,104</b>

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

## Notes

## b) Due to group companies:

31 December 2007:	Currency	Principle	Foreign Exchange Rate	Principle (YTL)
<b>Group Companies</b>				
Prysmian Kabel und System GmbH	EURO	52,561	1.7184	90,321
Prysmian Cables & Systems Pte Ltd.	USD	3,903	1.1703	4,568
Prysmian Metals Ltd.	EURO	2,055,093	1.7184	3,531,472
Prysimia Cavi e Sistemi Energia S.r.l.	EURO	921,429	1.7184	1,583,384
	YTL	1,801,888	1	1,801,888
Prysmian Cavi e Sistemi Italia Energia S.r.l.	EURO	174,710	1.7184	300,222
Fibre Ottiche Sud- F.O.S. S.r.l.	EURO	174,105	1.7184	299,182
Eurelectric S.A.	EURO	917,969	1.7184	1,577,438
Prysmian Cavi e Sistemi Telecom S.r.l.	EURO	270,103	1.7184	464,145
	YTL	416,829	1	416,829
Prysmian Cavi e Sistemi Telecom Italia S.r.l.	EURO	15,551	1.7184	26,723
<b>TOTAL</b>				<b>10,096,172</b>

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



## Notes

## c) Due to shareholders:

	1 January - 31 December 2007	1 January - 31 December 2006
Dividend payments in 2006	2,118	-
Dividends from previous years	1,064	1,064
<b>TOTAL</b>	<b>3,182</b>	<b>1,064</b>

## d) Sales to group companies:

Company	1 January - 31 December 2007	1 January - 31 December 2006
Prysmian Cavi e Sistemi Telecom Italia S.r.l.	15,316,108	30,217,550
Prysmian Telecom Cables & Systems UK Ltd.	8,850,572	13,299,340
Prysmian Telekom Kabel und System Deutschland GmbH	9,170,938	8,804,218
Prysmian Cavi e Sistemi Energia Italia S.r.l.	221,658	562,783
Prysmian Cables Ltd.	482,503	-
Kablo Bratislava Spol S R.O.	202,524	77,311
Prysmian Telecom Cables y SL	195,761	-
Prysmian Energy C&S Argentina S.A.	52,503	-
Prysmian Cables and Systems B.V.	-	472,929
Prysmian Telecom Cables CO.	-	435,319
Prysmian Cables & Systems International Ltd.	-	270,397
Prysmian Telecom Cables y Sistemas Espana SL	-	194,008
Prysmian Cables and Systems OY	-	179,994
Prysmian Kabel und Systeme GmbH	6,442	161,458
Prysmian OEKW GmbH Wien	-	29,740
Prysmian Cabluri si Sisteme S.A.	-	16,499
Prysmian Telecomunicações Cabose Sistemas do Brasil S.A.	-	6,035
Prysmian Power Cables & Systems PTY Ltd.	-	3,435
Prysmian Telecom Cables et Systemes France S.A.	-	2,724
Eurelectric S.A.	-	1,675
<b>TOTAL</b>	<b>34,499,009</b>	<b>54,735,415</b>

## Notes

## e) Purchases from related parties:

**Foreign Purchases: (1 January - 31 December 2007)**

Company	Equipment & trade goods	Service	Fixed asset	Total
Prysmian Metals Limited	58,949,533	-	-	58,949,533
Prysmian Cavi e Sistemi Energia S.r.l.	3,091,805	10,903,411	-	13,995,216
Eurelectric S.A.	7,607,153	-	-	7,607,153
Prysmian Kabel und System GmbH	5,846,482	-	-	5,846,482
Prysmian Cable Holding B.V.	-	902,891	-	902,891
Prysmian Cavi e Sistemi Energia Italia S.r.l.	2,484,735	-	-	2,484,735
Fibre Ottiche Sud - F.O.S. S.r.l.	2,929,938	-	-	2,929,938
Prysmian Cavi E Sistemi Tel. Italia S.r.l.	559,869	-	-	559,869
Prysmian Cavi E Sistemi Telecom S.r.l.	-	2,552,159	-	2,552,159
Prysmian Cable & Systems Ltd.	-	1,230,833	-	1,230,833
Prysmian Energie Cables et Systemes France SAS	1,809,989	-	-	1,809,989
Prysmian Tel. Cables et Syst. France S.A.	-	-	250,977	250,977
Prysmian Telekom Kabel und System GmbH	-	65,157	-	65,157
Prysmian Tel. Cables & Systems UK Ltd.	-	13,497	-	13,497
Prysmian Cable Systems PTE Ltd.	-	29,272	-	29,272
Prysmian Cables & Systems B.V	427,384	-	-	427,384
<b>TOTAL</b>	<b>83,706,888</b>	<b>15,697,220,</b>	<b>250,977</b>	<b>99,655,085</b>

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

Company	Equipment & trade goods	Service	Fixed asset	Total
Prysmian Metals Ltd.	21,019,145	-	-	21,019,145
Prysmian Cavi e Sistemi Energia S.r.l.	1,958,397	3,906,985	-	5,865,382
Eurelectric S.A.	2,125,369	-	-	2,125,369
Prysmian Kabel und System GmbH	1,681,081	-	-	1,681,081
Prysmian Cable Holding B.V.	-	128,984	-	128,984
Prysmian Cavi e Sistemi Energia Italia S.r.l.	850,048	-	-	850,048
Fibre Ottiche Sud - F.O.S. S.r.l.	467,562	-	-	467,562
Prysmian Cavi e Sist. Telecom Italia S.r.l.	295,229	-	-	295,229
Prysmian Cavi e Sistemi Telecom S.r.l.	-	935,893	-	935,893
Prysmian Cables & Systems Ltd.	-	330,076	-	330,076
Prysmian Energie Cables et Systemes France SAS	310,529	-	-	310,529
Prysmian Telekom Kabel und System GmbH	-	15,416	-	15,416
Prysmian Cable Systems PTE Ltd.	-	11,103	-	11,103
Prysmian Cables & Systems B.V.	427,384	-	-	427,384
<b>TOTAL</b>	<b>29,134,744</b>	<b>5,328,457</b>	<b>-</b>	<b>34,463,201</b>

## Notes

## f) Licence fees paid to group companies:

	1 January - 31 December 2007	1 January - 31 December 2006
Prysmian Cavi e Sistemi Energia S.r.l.	6,950,414	6,144,745
Prysmian Cavi e Sistemi Telecom S.r.l.	1,162,384	121,608
<b>TOTAL</b>	<b>8,112,798</b>	<b>6,266,353</b>

## g) Dividend income:

None (2006: None)

## h) Benefits provided to the management:

	1 January - 31 December 2007	1 January - 31 December 2006
Total benefits	-	375,718
<b>TOTAL</b>	<b>-</b>	<b>375,718</b>

## NOTE 10 - OTHER RECEIVABLES AND PAYABLES

## a) Other receivables (Current assets):

	31 December 2007	31 December 2006
VAT deductible	6,313,093	7,218,365
Prepaid taxes	6,873,862	8,112,095
VAT receivable from direct export sales	1,299	1,229
VAT receivable from export sales	1,117,747	975,650
Receivables from lawsuit (note 44)	-	101,795
Doubtful receivables	32,695	3,604,290
Provision for doubtful receivables	(32,695)	(3,604,290)
Personnel advances	3,110	9,615
Job advances	-	2,547
Other receivables	249,799	217,113
<b>TOTAL</b>	<b>14,558,840</b>	<b>16,638,409</b>

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

	31 December 2007	31 December 2006
Long-term prepaid expenses	180,638	1,041,402
<b>TOTAL</b>	<b>180,638</b>	<b>1,041,402</b>

## Notes

**c) Other liabilities:**

	31 December 2007	31 December 2006
Taxes and funds payable	9,576,711	9,975,416
Expense accruals	7,724,625	6,258,475
Expense accruals related with the construction type contracts	7,583,616	3,400,208
Payables to the personnel	1,962,833	1,729,859
Deferred revenue	-	1,099,596
Taxes, dues and other payables	1,226,524	1,138,577
Expense accruals related with foreign service contracts	397,346	355,210
Other short-term liabilities	1,465,191	854,416
<b>TOTAL</b>	<b>29,936,846</b>	<b>24,811,757</b>

**NOTE 11 - BIOLOGICAL ASSETS**

None (2006: None).

**NOTE 12 - INVENTORIES**

	31 December 2007	31 December 2006
Raw materials and supplies	12,557,726	14,377,949
Semi - finished goods	18,738,929	21,032,315
Finished goods	32,664,810	29,990,138
Trade goods	1,942,788	1,972,838
Other inventories	286,401	1,185,717
Provision for obsolescence	(963,981)	(1,675,165)
Order advances given	6,956,053	7,709,537
<b>TOTAL</b>	<b>72,182,726</b>	<b>74,593,329</b>

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

	2007	2006
<b>At 1 January</b>	<b>1,675,166</b>	<b>758,495</b>
Additions and deductions during the period	(711,184)	916,670
<b>31 December</b>	<b>963,981</b>	<b>1,675,165</b>

**NOTE 13 - BALANCES RELATED TO CONSTRUCTION CONTRACTS**

There are seven different contracts that the Company has signed in this respect.

**a) Atışalanı - Bağcılar 154kV Turnkey Underground Cable Connection Project**

Bidding Company	: Türkiye Elektrik İletim A.Ş. (TEİAŞ)
Contract date	: 27 December 2006
Contract amount	: USD8,504,736 + YTL9,429,082
Temporary Acceptance Date	: January 2008

The Company had issued 6 invoices to TEİAŞ regarding the contract as of 31 December 2007.

## Notes

The Company applies percentage of completion method for the above mentioned construction type contract for the recognition of revenue and cost. Accordingly, the Company has completed 90% of the project as of 31 December 2007. Revenue recognised in the current period is YTL19,105,959 and YTL15,933,613 was reflected to the cost of goods sold.

Total amount of detained progress payments related with the current period was YTL1,839,116 and there is no advance received for the project.

Company's net payable related with the contract is YTL377,732 as of 31 December 2007.

#### **b) İsdemir 154 Kv GIS and 154 kV Power Station / GPP Cable Connection and Montage Project**

Bidding company	: İskenderun Demir ve Çelik A.Ş.
Contract Date	: 15 March 2007
Contract Amount	: EURO5,829,850
Temporary Acceptance Date	: February 2008

The Company had issued 2 invoices to Iskenderun Demir Çelik A.Ş. regarding the contract as of 31 December 2007.

The Company applies percentage of completion method for the above mentioned construction type contract for the recognition of revenue and cost. Accordingly, the Company has completed 81% of the project as of 31 December 2007. Revenue recognised in the current period is YTL8,633,345 and YTL6,575,275 was reflected to the cost of goods sold.

There are no detained progress payments related with the current period and advances received.

Net receivable amount related with the project is YTL408,122 as of 31 December 2007.

#### **c) Karadeniz Coastal Way and 2,500 km Fiber Project**

Bidding Company	: Türk Telekomünikasyon A.Ş.
Contract Date	: 10 September 2007
Contract Amount	: USD10,651,778
Temporary Acceptance Date	: September 2008

Construction has not started at the date of 31 December 2007. There are no progress payments related with the current period and advances received.

#### **d) Dudullu TM - Paşaköy TM 154 kV Underground Cable Connection Project**

Dudullu TM - Paşaköy TM 154 kV Underground Cable Connection Project has been put out to tender by Türkiye Elektrik Üretim A.Ş. (TEİAŞ) with the offer number TA06SK / MY5600. The Company has bid the lowest offer for the project. Following is the detailed explanation about the project the assessment of which still continues;

Bidding Company	: Türkiye Elektrik İletim A.Ş. (TEİAŞ)
Bidding Date	: 26 December 2007
Bidding Amount	: YTL19,498,865
Project Term	: 14 Months

Construction contract related with the project has been signed on 12 February 2008. Since the project and construction has not been started as of 31 December 2007, there are no progress payments related with the current period and advances received.

## Notes

**e) Davutpaşa - İkitelli 380 kV Turnkey Underground Cable Connection Project**

Bidding Company	: Türkiye Elektrik İletim A.Ş. (TEİİAŞ)
Contract Date	: 9 November 2005
Contract Amount	: EURO13,183,172 + YTL17,196,838
Estimated Delivery Date	: 22 August 2007

The project has been completed 100% in 2007 and temporary acceptance reports have been approved. Operational acceptance date is 24 months after the temporary acceptance and company's responsibilities related with the project continue to exist in this time interval. The amount that was added to sales revenue in the current period is YTL21,918,901 and the amount that was added to cost accounts is YTL20,142,292.

Total amount of detained progress payments, related with the current period is YTL2,600,700. The Company collected all of its receivable related with this construction type contract as of 31 December 2007.

**f) Hisar - Hasköy 89 / 154 kV Turnkey Underground Cable Connection Project**

Bidding Company	: Türkiye Elektrik İletim A.Ş. (TEİİAŞ)
Contract Date	: 17 June 2004
Contract Amount	: YTL12,207,437 + (Additional Order Amount YTL1,577,381)
Estimated Delivery Date	: 3 May 2007

The project has been completed 100% in 2007 and temporary acceptance reports have been approved. Operational acceptance date is 24 months after the temporary acceptance and Company's responsibilities related with the project continue to exist in this time interval. The amount that was added to sales revenue in the current period is YTL1,703,289 and the amount that was added to cost accounts is YTL1,177,059.

Total amount of detained progress payments related with the current period is YTL727,361. The Company collected all of its receivable related with this construction type contract as of 31 December 2007.

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

Bidding Company	: Türkiye Elektrik İletim A.Ş. (TEİİAŞ)
Contract Date	: 13 May 2005
Contract Amount	: YTL16,779,473
Temporary Acceptance Date	: 17 May 2006 (Hasköy - Mamak Cable Route)
Temporary Acceptance Date	: 2 June 2006 (Balgat - Gölbaşı Cable Route)

The project has been completed 100% in 2007 and temporary acceptance reports have been approved. Operational acceptance date is 24 months after the temporary acceptance and Company's responsibilities related with the project continue to exist in this time interval. Total amount of detained progress payments related with the current period is YTL887,352 and the Company collected all of its receivable related with this construction type contract as of 31 December 2007.

**h) Alibeyköy TM - Etiler TM 89 / 154 kV Turnkey Underground Cable Connection Project**

Bidding Company	: Türkiye Elektrik İletim A.Ş. (TEİİAŞ)
Contract Date	: 27 December 2005
Contract Amount	: YTL17,358,899
Temporary Acceptance Date	: 27 December 2006

The project has been completed 100% in 2007 and temporary acceptance reports have been approved. Operational acceptance date is 24 months after the temporary acceptance and Company's responsibilities related with the project continue to exist in this time interval. Total amount of detained progress payments related with the current period was YTL917,187. The Company collected all of its receivable related with this construction type contract as of 31 December 2007.



## Notes

**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% (2006: 20%) 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 2007 and 31 December 2006 are as follows:

	Temporary differences		Deferred tax assets / liabilities	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
<b>Deferred tax assets</b>				
Net difference between the tax base and the carrying value of inventories	3,221,271	3,549,112	644,254	709,822
Provision for doubtful receivables	730,140	1,264,225	146,028	252,845
Deferred financial expense - net	588,339	93,149	117,668	18,630
Expense accruals	20,651,662	13,917,430	4,130,332	2,783,468
	<b>25,191,412</b>	<b>18,823,826</b>	<b>5,038,282</b>	<b>3,764,765</b>

<b>Deferred tax liabilities</b>				
Net difference between the tax base and the carrying value of property, plant and equipment and intangible assets	17,177,754	9,773,204	3,435,551	1,954,641
Construction type contract income accruals	4,237,335	4,944,327	847,467	988,865
Other income accruals	243,378	205,720	48,676	41,144
	<b>21,658,467</b>	<b>14,923,251</b>	<b>4,331,694</b>	<b>2,984,650</b>

<b>Net deferred tax asset / (liability)</b>	<b>3,532,945</b>	<b>3,900,575</b>	<b>706,588</b>	<b>780,115</b>
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Movement of deferred tax asset / (liability) is as follows:

	1 January 2007	Charged to income statement	31 December 2007
<b>Deferred tax assets</b>	<b>3,764,765</b>	<b>1,273,517</b>	<b>5,038,282</b>
Net difference between the tax base and the carrying value of inventories	709,822	(65,568)	644,254
Provision for doubtful receivables	252,845	(106,817)	146,028
Deferred financial expense - net	18,630	99,038	117,668
Expense accruals	2,783,468	1,346,864	4,130,332

<b>Deferred tax liabilities</b>	<b>2,984,650</b>	<b>1,347,044</b>	<b>4,331,694</b>
Net difference between the tax base and the carrying value of property, plant and equipment	1,954,641	1,480,910	3,435,551
Construction type contract income accruals	988,865	(141,398)	847,467
Other income accruals	41,144	7,532	48,676

<b>Deferred tax assets</b>	<b>780,115</b>	<b>(73,527)</b>	<b>706,588</b>
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## Notes

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

	31 December 2007	31 December 2006
Blocked bank accounts	-	705,858
Prepaid expenses	110,426	281,494
Other current assets	1,109,011	312,505
<b>TOTAL:</b>	<b>1,219,437</b>	<b>1,299,857</b>

**NOTE 16 - FINANCIAL ASSETS**

	31 December 2007		31 December 2006	
	%	Amount	%	Amount
Entek Elektrik Üretimi A.Ş.	3.81	2,920,351	3.81	2,920,351

**NOTE 17 - POSITIVE / NEGATIVE GOODWILL**

None (2006: None).

**NOTE 18 - INVESTMENT PROPERTIES**

None (2006: None).

**NOTE 19 - PROPERTY, PLANT AND EQUIPMENT**

2007	31 December 2006	Additions	Disposals	Impairment Reversal	31 December 2007
<b>Cost</b>					
Land	3,780,040	-	-	-	3,780,040
Buildings	43,685,613	-	(54,758)	(15,528)	43,615,327
Machinery and equipment	204,016,929	4,086,039	-	171,738	208,274,706
Motor vehicles, furniture and fixtures	22,372,114	768,145	(422,691)	81,726	22,799,294
Special costs	77,543	-	-	-	77,543
<b>Total</b>	<b>273,932,239</b>	<b>4,854,184</b>	<b>(477,449)</b>	<b>237,936</b>	<b>278,546,910</b>
<b>Accumulated Depreciation</b>					
Buildings	(20,271,701)	(756,233)	5,053	3,081	(21,019,800)
Machinery and equipment	(185,092,748)	(3,766,030)	-	8,323,901	(180,534,877)
Motor vehicles, furniture and fixtures	(20,598,435)	(477,237)	247,348	202,670	(20,625,654)
Special costs	(77,527)	-	-	12	(77,515)
<b>Total</b>	<b>(226,040,411)</b>	<b>(4,999,500)</b>	<b>252,401</b>	<b>8,529,664</b>	<b>(222,257,846)</b>
Advances given	668,022	290,472	-	-	958,494
<b>Net Book Value</b>	<b>48,559,850</b>	<b>145,156</b>	<b>(225,048)</b>	<b>8,767,600</b>	<b>57,247,558</b>

## Notes

As of 31 December 2007, the Company has YTL5,015,088 depreciation expense; YTL4,999,500 for tangible assets and YTL15,588 for intangible assets. YTL4,389,045 of the current period depreciation expense is allocated to cost of goods sold and YTL626,043 of the depreciation expense is allocated to operating expenses.

2006	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)	-	43,685,613
Machinery and equipment	202,603,572	1,548,163	(134,805)	-	204,016,929
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 accounted for.

As a result of the impairment test performed by the Company as of 31 December 2007, it is understood that the impairment amount on fixed assets on the prior years' financial statements does not exist anymore and there is no additional impairment to be accounted for. Consequently, prior years' impairment charges which sum up to YTL8,803,069 have been reversed as of 31 December 2007. The revenue resulting from the reversal of impairment has been reflected in the income statement under "Other Operating Income" and in tangible / intangible asset movement schedules under "Impairment reversal" column.

There is no mortgage on the fixed assets of the Company at 31 December 2007 (2006: None).

## Notes

**NOTE 20 - INTANGIBLE ASSETS**

<b>2007</b>	<b>31 December 2006</b>	<b>Additions</b>	<b>Impairment Reversal</b>	<b>31 December 2007</b>
Cost	903,684	-	211	903,895
Accumulated amortisation	(841,991)	(15,588)	35,258	(822,321)
<b>Net Book Value</b>	<b>61,693</b>	<b>(15,588)</b>	<b>35,469</b>	<b>81,574</b>

<b>2006</b>	<b>31 December 2005</b>	<b>Additions</b>	<b>Impairment Reversal</b>	<b>31 December 2006</b>
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>

The Company does not have any acquisition resulting in goodwill as of 31 December 2007 (2006: None).

**NOTE 21 - ADVANCES RECEIVED**

	<b>31 December 2007</b>	<b>31 December 2006</b>
Order advances received (domestic)	4,663,591	5,230,069
Order advances received (construction type contracts)	-	3,937,064
Order advances received (foreign)	28,539	432,244
<b>TOTAL</b>	<b>4,692,130</b>	<b>9,599,377</b>

**NOTE 22 - RETIREMENT PLANS**

The Company does not have any retirement plans, except the employment termination benefits as disclosed in Note 23. (2006: None)

## Notes

**NOTE 23 - PROVISIONS**

	<b>31 December 2007</b>	<b>31 December 2006</b>
Corporate tax / temporary tax provision	6,058,621	7,462,993
<b>Total short-term provisions</b>	<b>6,058,621</b>	<b>7,462,993</b>
Provision for employment termination benefits	5,743,014	5,198,000
Provision for court cases	2,220,614	518,303
Provision for blocked bank accounts	-	706,999
Warranty expense provisions	430,262	505,622
Provision for disabled workers	433,521	433,521
<b>Total long-term provisions</b>	<b>8,827,411</b>	<b>7,362,445</b>
<b>TOTAL</b>	<b>14,886,032</b>	<b>14,825,438</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 31 December 2007 the amount payable consists of one month's salary limited to a maximum of YTL2,030.19 (31 December 2006: YTL1,857.44) for each year of service.

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

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. 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:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Discount rate (%)	5.71	5.71
Turnover rate to estimate the probability of retirement (%)	97.16	97.31

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 YTL2,087.92 (1 January 2007: YTL1,960.69), which is effective from 1 January 2008, 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:

	<b>2007</b>	<b>2006</b>
<b>Opening</b>	<b>5,198,000</b>	<b>4,484,351</b>
Paid during the year	(911,107)	(458,879)
Increase during the year	1,456,121	1,172,528
<b>Closing</b>	<b>5,743,014</b>	<b>5,198,000</b>

## Notes

Average number of employees is as follows:

**31 December 2007**

Personnel	Member of Labour union	Name of the union	Not member of labour union
Blue Collar	331	Birleşik Metal İş Sendikası	13
White Collar	-	-	83
<b>TOTAL</b>	<b>331</b>		<b>96</b>

**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>

**NOTE 24 - MINORITY INTERESTS**

None (2006: None).

**NOTE 25 - CAPITAL / ADJUSTMENT TO SHARE CAPITAL**

The Company's historical authorised and paid - in share capital at 31 December 2007 and 31 December 2006 is as follows:

**31 December 2007**

Description	Percentage (%)	Amount (YTL)
Prysmian (Dutch) Holdings 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 2006**

Description	Percentage (%)	Amount (YTL)
Prysmian Cable Holding B.V.	83.75	32,922,392
Other	16.25	6,398,608
	<b>100.00</b>	<b>39,312,000</b>
Inflation adjustment difference		8,462,823
<b>TOTAL</b>		<b>47,774,823</b>

Transfer of 83.75% shares of Türk Prysmian Kablo ve Sistemleri A.Ş. to Prysmian (Dutch) Holdings B.V. ("DutchHoldCo") 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 an intra - group transfer, and to which no 3rd party was included, and share transfer agreement was signed as of 2 August 2006. Transfer of shares happened actually as of 24 April 2007 and claim of exemption submitted to the CMB related with call obligation emanated from the share transfer was approved on 18 May 2007.

Prysmian S.p.A. who is the parent company of Prysmian group applied formally to the Borsa Italiana S.p.A. and Consob (Commissione Nazionale per le Società e la Borsa - Authority that regulates and supervises the Italian stock market) at the date of 19 January 2007 in order to quote the shares at the Electronical stock market (Mercato Telematico Azionario - MTA) that is regulated and controlled by Borsa Italiana S.p.A.



## Notes

Based on the authorization delegated by Consob (Commissione Nazionale per le Società e la Borsa - Authority that regulates and supervises the Italian stock market), Prysmian S.p.A. who is one of the parent companies of Prysmian group issued a prospectus related with global supply of 72,000,000 unprivileged shares which correspond to 40% of its capital (in case of using fully the right of "Greenshoe" which granted to the some banks, number of shares may increase to the 82,800,00 that corresponds to 46% of its capital); and listing at the Mercato Telematico Azionario - MTA (Italian automated - screen based exchange system) whose regulation and control responsibility belongs to Borsa Italiana S.p.A.

Number of shares that correspond to the 40% of the capital, together with the right 'Over Allotment' for the number of shares that correspond to the 6% of the capital, is quoted at the Mercato Telematico Azionario - MTA (Italian automated - screen based exchange system) whose regulation and control responsibility belongs to Borsa Italiana S.p.A. and dedicated to investors with price of 15 EURO per share. While all shares of Prysmian S.p.A. belongs to Prysmian (Lux) II S.a.r.l. before this transaction, share percentage of Prysmian (Lux) II S.a.r.l. decreased to 54% after the transaction. Although there exists the right of "Greenshoe" within 30 days starting from 4 May 2007 for the additional part of 6%, using the right of "Greenshoe" would not affect the percentage of shares due to partition of 6% gained by the way of 'Over Allotment' would be returned in the same period.

Prysmian S.p.A. possesses 100% of Prysmian Cavi e Energia S.r.l.'s shares. Prysmian Cavi e Energia S.r.l. possesses 100% of shares of Prysmian (Dutch) Holdings B.V. who possesses 83.75% shares of Turk Prysmian Kablo Sistemleri A.Ş. All shares of Prysmian S.p.A. belong to Prysmian (Lux) II S.a.r.l.

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 (31 December 2006: 39,312,000,000) shares with nominal value TL1,000 each (31 December 2006: TL1,000).

**NOTE 26 - CAPITAL RESERVES**

	31 December 2007	31 December 2006
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 2007 and 31 December 2006 are as follows:

31 December 2007	Historical amounts	Restated amounts	Restatement difference
Capital	39,312,000	47,774,823	8,462,823
Legal reserves	438,585	569,062	15,863
Extraordinary reserves	110,745	110,745	-
Shareholders' equity restatement differences (*)	-	64,458,829	64,458,829
<b>TOTAL</b>	<b>39,861,330</b>	<b>112,913,459</b>	<b>72,937,515</b>

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>

(\*) 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.

## Notes

**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.

In accordance with Communiqué XI/25, effective from 19 January 2007, companies are obliged to distribute at least 20% of their distributable profit arising from 2006 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 20% 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.

The Company decided in the General Assembly held on 29 March 2007 to distribute a total cash dividend from the year 2006 profit in the amount of YTL2,358,720 at the rate of 6%, by giving YTL0.06 (net amount (YTL0.051) is calculated by deduction of 15% tax from gross amount) for each share with nominal value YTL1; the dividend distribution was realised in April 2007.

In accordance with Turkish Commercial Code article 446, since dividend to be distributed is over the 5% of paid - in capital, the amount of YTL39,312 was classified as Second Legal Reserve and the remaining amount of YTL110,745 was classified as extraordinary reserve from dividend payment.

## Notes

As of 31 December 2006 and 31 December 2007 details of the restatement differences of shareholders' equity are as follows:

	31 December 2007	31 December 2006
Capitals	39,312,000	39,312,000
Legal reserves	438,585	-
Extraordinary reserve	110,745	-
Investment and property sales gains to be transferred to the share capital (*)	26,453	10,813
Shareholders' equity restatement differences	72,937,515	72,937,515
Net profit	17,083,505	5,281,456
Accumulated (deficit) / retained earnings	-	(2,373,406)
<b>Total shareholders' equity</b>	<b>129,908,803</b>	<b>115,168,378</b>

(\*) In accordance with the new Corporate Tax Law no 5520, exemptions on gain from sales of estates were rearranged and the obligation of the addition of those exemptions 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 freely at the end of the fifth year.

#### NOTE 28 - RETAINED EARNINGS

Starting from 1 January 2005, the CMB Communiqué serial XI, No:25 was compulsory for the companies. In relation with this communiqué net distributable profit is found after the offset of prior year losses with the profit. As of 31 December 2006, since the Company's prior year loss YTL14,757,133 could not be offset by YTL12,040,301 profit, no profit distribution was made.

In relation with the paragraph above, on the General meeting held on 28 March 2006, the Company decided to offset net prior period loss amounting to YTL2,716,832 from its extraordinary reserve and legal reserves amounting to YTL138,747 and YTL204,679, respectively. The remaining YTL2,373,406 will be left in prior year losses to be offset from the oncoming year's profit.

At the general shareholders meeting of 2006 which convened at the date of 29 March 2007, it was decided unanimously that the amount of YTL2,373,406 which was left in the account of prior year losses will be deducted from the profit to reach the net distributable profit (Note 27).

## Notes

**NOTE 29 - FOREIGN CURRENCY POSITION**

The table below summarises the foreign currency position risk of the Company as at 31 December 2007 and 31 December 2006. YTL equivalents of foreign currency denominated assets and liabilities held by Company at 31 December 2007 and 31 December 2006 are as follows:

**31 December 2007**

	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	1,737,009	2,970,633	2,605,643	3,034,793	-	-	-	-	6,005,426
Trade receivables (Net)	16,676,173	28,519,591	14,883,134	17,334,386	-	-	-	-	45,853,977
Due from related parties (Net)	1,492,299	2,552,130	-	-	5,578	12,974	-	-	2,565,104
Other receivables (Net)	-	-	47,016,196	54,759,763	-	-	-	-	54,759,763
Inventories (Net)	4,129,253	7,061,849	628,485	731,996	545	1,268	3,395	3,488	7,798,601
	<b>24,034,734</b>	<b>41,104,203</b>	<b>65,133,458</b>	<b>75,860,938</b>	<b>6,123</b>	<b>14,242</b>	<b>3,395</b>	<b>3,488</b>	<b>116,982,871</b>
<b>Liabilities:</b>									
Financial payables	-	-	-	-	-	-	-	-	-
Trade payables (Net)	1,679,268	2,885,655	61,784,795	72,306,746	829	1,938	-	-	75,194,339
Due to related parties (Net)	4,581,521	7,872,886	3,903	4,567	-	-	-	-	7,877,453
Advances received	83,792	143,988	2,169,790	2,539,305	-	-	-	-	2,683,293
Expense accruals	-	-	195,744	229,079	-	-	-	-	229,079
Other liabilities (Net)	15,791,207	27,135,610	941,729	1,102,106	-	-	-	-	28,237,716
	<b>22,135,788</b>	<b>38,038,139</b>	<b>65,095,961</b>	<b>76,181,803</b>	<b>829</b>	<b>1,938</b>	<b>-</b>	<b>-</b>	<b>114,221,880</b>
<b>Net foreign currency position</b>	<b>1,898,946</b>	<b>3,066,064</b>	<b>37,497</b>	<b>(320,865)</b>	<b>5,294</b>	<b>12,304</b>	<b>3,395</b>	<b>3,488</b>	<b>2,760,991</b>

Notes

**NOTE 29 - FOREIGN CURRENCY POSITION (Continued)****31 December 2006**

	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	216,406	400,676	789,031	1,109,062	-	-	-	-	1,509,738
Trade receivables (Net)	4,127,056	7,641,244	11,354,335	15,959,653	-	-	-	-	23,600,897
Due from related parties (Net)	7,863,753	14,559,739	-	-	-	-	-	-	14,559,739
Other receivables (Net)	25,179	46,618	25,634,094	36,031,283	-	-	-	-	36,077,901
Inventories (Net)	1,795,168	3,323,753	29,230	41,086	289	797	3,211	3,694	3,369,330
	<b>14,027,562</b>	<b>25,972,030</b>	<b>37,806,690</b>	<b>53,141,084</b>	<b>289</b>	<b>797</b>	<b>3,211</b>	<b>3,694</b>	<b>79,117,605</b>
<b>Liabilities:</b>									
Trade payables (Net)	1,469,798	2,734,412	33,188,965	46,876,094	284	786	2,713	3,141	49,614,433
Due to related parties (Net)	3,032,509	5,641,680	320,000	451,968	38,562	106,868	-	-	6,200,516
Advances received	465,133	865,333	2,707,036	3,823,418	-	-	-	-	4,688,751
Expense accruals	25,179	46,843	330,653	467,014	-	-	-	-	513,857
Other liabilities (Net)	8,763,674	16,303,938	808,805	1,142,357	-	-	-	-	17,446,295
	<b>13,756,293</b>	<b>25,592,206</b>	<b>37,355,459</b>	<b>52,760,851</b>	<b>38,846</b>	<b>107,654</b>	<b>2,713</b>	<b>3,141</b>	<b>78,463,852</b>
<b>Net foreign currency position</b>	<b>271,269</b>	<b>379,824</b>	<b>451,231</b>	<b>380,233</b>	<b>(38,557)</b>	<b>(106,857)</b>	<b>498</b>	<b>553</b>	<b>653,753</b>

## Notes

**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 incentive law which was valid until 24 April 2003, the Company has used its investment incentives. Starting from 1 January 2006, in respect with the change in Income Tax Law Article 19, investment incentive regulation, was abolished and the Company did not use any investment incentive in 2007 and 2006.

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

Company has the Investment Incentive Certificate details of which are below as of 31 December 2007.

<b>INFORMATION ABOUT THE INVESTMENTS WITH INVESTMENT INCENTIVE CERTIFICATE</b>	
<b>Subject of the investment :</b>	TELECOM AND ENERGY CABLES (AIR - GUARD, AFUMEX AND MV / HV)
<b>Type of investment :</b>	EXPANSION - MODERNISATION
<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

(\*) Upon appeal of the Company at the date of 2 April 2007, validity period of incentive certificate was extended until 11 April 2008 based on the communiqué No2006/3.

**b) Research and development tax incentive:**

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.

There is no tax allowance subject to research and development expenses in 2007.

## Notes

**c) Research and development TÜBİTAK support:**

The Company makes periodical applications to Turkish Scientific and Technical Research Association (TÜBİTAK) for the below mentioned R&D (Research and Development) projects in order to obtain research and development grant in the scope of Communiqué related to R&D 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.

Incentives amounting to YTL7,300 were gained as a result of evaluation of expenditures that is spent for research and development in 2006, but no incentive gained in 2007 due to absence of expenditure in 2007.

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

	31 December 2007	31 December 2006
Provision for doubtful receivables	10,350,058	12,129,992
Corporate tax / prepaid tax provision	6,058,621	7,462,993
Provision for employment termination benefit	5,743,014	5,198,000
Net realizable value provision on inventories	963,981	1,675,165
Provision for blocked bank accounts	-	706,999
Provision for warranty expenses	430,262	505,622
Provision for disabled workers	433,521	433,521
Anadolu Bakır share transfer provision (*)	371,000	371,000
Other provisions	1,849,614	147,303
<b>TOTAL</b>	<b>26,200,071</b>	<b>28,630,595</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 Istanbul 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 accounted for a provision of YTL371,000.

**b) Commitments and contingent liabilities:**

	31 December 2007	31 December 2006
Guarantee letters received	30,977,835	23,182,272
Mortgages received	-	-
<b>TOTAL</b>	<b>30,977,835</b>	<b>23,182,272</b>

	31 December 2007	31 December 2006
Bank guarantee letters given (*)	40,612,043	40,195,540
<b>TOTAL</b>	<b>40,612,043</b>	<b>40,195,540</b>

(\*) Total YTL40,612,043 of bank guarantee letters given includes performance letters that was given to the customs, authorities of different competitive biddings and customers due to sale contracts.

The Company has no open export commitment by the date of 31 December 2007 (2006: None).



## Notes

**NOTE 32 - BUSINESS COMBINATIONS**

None (2006: None).

**NOTE 33 - SEGMENT REPORTING**

The Company operates in one business (cable production and sale) and geographical segment. Therefore, segment reporting is not required (2006: None).

**NOTE 34 - SUBSEQUENT EVENTS**

As an addition to the report explained in Note 44, Mudanya tax administration office has notified a tax penalty of YTL1,157,863.60 (YTL578,931.80 + YTL578,931.80) to the Company as of 30 January 2008. The Company has filed a lawsuit for the cancellation of the notification.

**NOTE 35 - DISCONTINUING OPERATIONS**

None (2006: None).

**NOTE 36 - OPERATING INCOME**

	<b>1 January - 31 December 2007</b>	<b>1 January - 31 December 2006</b>
Domestic sales	523,971,131	537,788,059
Export sales	196,432,138	163,122,508
Other sales	12,188,019	5,225,973
Other income	591,759	605,835
Sales discounts	(109,713,743)	(205,070,198)
Cost of sales	(540,237,867)	(432,142,330)
<b>TOTAL</b>	<b>83,231,437</b>	<b>69,529,847</b>

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

<b>Group of sales</b>	<b>Terms of quantity</b>	<b>Sales amount (1 January - 31 December 2007)</b>	<b>Sales amount (1 January - 31 December 2006)</b>
Telecom Cables	Core - Km	5,813,116	3,665,378
Energy Cables	Cable - Ton	49,895	47,209
Fiber Optic Cables	Faser - Km	125,701	132,107

## Notes

**NOTE 37 - OPERATING EXPENSES**

	<b>1 January - 31 December 2007</b>	<b>1 January - 31 December 2006</b>
Research and development expenses	973,633	928,964
General administrative expenses	19,936,343	17,105,118
Sales and marketing expenses	33,940,145	26,798,149
<b>TOTAL</b>	<b>54,850,121</b>	<b>44,832,231</b>

The details of the operating the operating expenses as follows:

**a) Research and development expenses:**

	<b>1 January - 31 December 2007</b>	<b>1 January - 31 December 2006</b>
Personnel expenses	649,361	586,519
Project costs	7,441	34,675
Amortisation expenses	37,860	36,809
Other expenses	278,971	270,961
<b>TOTAL</b>	<b>973,633</b>	<b>928,964</b>

**b) General administrative expenses:**

	<b>1 January - 31 December 2007</b>	<b>1 January - 31 December 2006</b>
Licence expenses	13,125,795	10,832,430
Personnel expenses	4,152,464	3,208,045
Other administrative expenses	1,825,842	2,000,215
Outsourced service expenses	302,863	294,686
Amortisation expenses	529,379	769,742
<b>TOTAL</b>	<b>19,936,343</b>	<b>17,105,118</b>

**c) Sales and marketing expenses:**

	<b>1 January - 31 December 2007</b>	<b>1 January - 31 December 2006</b>
Packaging expenses	11,383,576	9,622,638
Sales and guarantee letters commissions	10,386,307	7,657,650
Transportation expenses	8,138,687	5,532,857
Personnel expenses	2,692,617	2,305,233
Other sales and distribution expenses	1,280,154	1,601,648
Amortisation expenses	58,804	78,123
<b>TOTAL</b>	<b>33,940,145</b>	<b>26,798,149</b>

## Notes

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

	<b>1 January - 31 December 2007</b>	<b>1 January - 31 December 2006</b>
Other operating income:		
Gains from reversal of asset impairment losses	8,803,069	-
Purchase premium income	1,126,611	-
Rediscount income	774,872	357,451
Income from research and development (TÜBİTAK)	154,566	263,670
Gains from reversal of provisions	866,224	117,099
Other income	124,434	595,054
Prior year's income	995,570	-
<b>Total other operating income</b>	<b>12,845,346</b>	<b>1,333,274</b>
Other operating expense (-)		
Liquidation of the guarantee letter given to Şişli 2 <sup>nd</sup> Execution Office	-	(11,804,631)
Payments affected within the context of cases related with Order of payments and expenses of legal issues	(12,853,644)	(1,506,780)
Provision expenses	(37,134)	(1,235,347)
Provision expenses for blocked bank accounts	-	(726,506)
Share transfer and official title change expenses	-	(520,427)
Rediscount expenses	(1,270,062)	(13,878)
Other expenses	(1,071,540)	(2,881,790)
<b>Total other operating expenses (-)</b>	<b>(15,232,380)</b>	<b>(18,689,359)</b>

**NOTE 39 - FINANCIAL EXPENSES**

	<b>1 January - 31 December 2007</b>	<b>1 January - 31 December 2006</b>
Interest income	691,063	1,380,965
Foreign exchange (loss) / income	(3,075,443)	474,487
Bank commissions and other financial expenses	(135,177)	(328,147)
Eximbank interest expense	(238,109)	(172,737)
Guarantee letter expense	(20,963)	(11,976)
<b>TOTAL</b>	<b>(2,778,629)</b>	<b>1,342,592</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 2007.

## Notes

**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 2007 (2006: 20%). 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 15%. 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 20% 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.

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:

***Exemption for dividend income***

Dividend income from participation in shares of capital of another full fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

***Investment Allowance Exemption***

Investment allowance which was calculated as 40% of the fixed asset purchases that exceed a defined limit was annulled on 30 March 2006 by Law No 5479. In the scope of the law, effective from 1 January 2007, 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 that are present on 31 December 2005 and that they could not offset against income in 2005 and

## Notes

- a) investments to be made after 1 January 2006 in the scope of the certificate regarding the investments that are made before 24 April 2003 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) investments made after 1 January 2006 which are economically and technically integrated with the ones made before that date

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 2007 are summarised as follows:

	1 January - 31 December 2007	1 January - 31 December 2006
- Current year corporate tax	(6,058,621)	(7,462,993)
- Deferred tax expense	(73,527)	4,060,326
<b>Total tax expense</b>	<b>(6,132,148)</b>	<b>(3,402,667)</b>

	1 January - 31 December 2007	1 January - 31 December 2006
<b>Income before tax</b>	<b>23,215,653</b>	<b>8,684,123</b>
20% tax rate	4,643,131	1,736,825
Non - deductible expenses	4,192,861	4,540,348
Non - taxable income	(1,530,374)	(383,941)
Non - deductible expenses used in deferred tax	(1,173,470)	(2,490,565)
<b>Total</b>	<b>6,132,148</b>	<b>3,402,667</b>

**NOTE 42 - EARNINGS PER SHARE**

	1 January - 31 December 2007	1 January - 31 December 2006
Net profit for the year (YTL)	17,083,505	5,281,456
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>0.43</b>	<b>0.13</b>

**NOTE 43 - CASH FLOW STATEMENT**

Cash flow is presented within the financial statements as of 31 December 2006 and 31 December 2007.

## Notes

**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 2007, the Company has ongoing forward sale contracts amounting to EURO13,310,849 and ongoing forward purchase contracts amounting to USD47,016,196 and EURO900,000 and the related expense amounting to YTL2,282,815 is classified under "Financial income and expense".

**b) Payment terms of court cases:**

An accord and release protocol was signed on 2 August 2007 regarding the termination of all the lawsuits related with the payment order arising from a note worth USD3,000,000 (YTL7,539,387.25 with accrued interest until the date of legal proceedings), the creditor for which is Hüsrev Akin, and the payment order arising from the note worth USD12,500,000 (YTL29,511,576.68 with accrued interest until the date of the legal proceedings) the creditor for which is Hüsrev Akin and whose execution proceedings were initiated by Ibrahim Ayca. Based on this protocol the Company has concluded lawsuits for the establishment of negative fact and has paid USD7,650,000 in exchange for the execution proceedings of opponents.

The opponents who started the execution proceedings related to the note worth USD3,000,000 (YTL7,539,387.25 with accrued interest until the date of the legal proceedings) and note worth USD12,500,000 (YTL29,511,576.68 with accrued interest until the date of the legal proceedings) have foregone the receivables from these notes.

In addition, the litigant withdrew from the bankruptcy case against the Company. In return for his withdrawal from the bankruptcy case and other related cases, the Company paid USD7,650,000 to Ibrahim Ayca as of 3 August 2007. The payment, legal fees, solicitor's costs and other expenses in the amount of YTL12,853,644 were classified under 'Other operating income and expense' in the income statement as of 31 December 2007 (Note 38). As a result of the aforementioned facts, the Company has no risks related with the mentioned executive proceedings.

In order to conclude all the lawsuits related with the execution proceedings, the petitions defined in the accord and release protocol were submitted to the court. In line with these petitions it has been decided that;

- a) The bankruptcy case initiated by Hüsrev Akin has been rejected.
- b) In the lawsuits for the establishment of a negative fact and lawsuits of restitution filed against Ibrahim Ayca and Hüsrev Akin;
  - a judgment is unnecessary since the claims related with the lawsuits for the establishment of a negative fact have been foregone.
  - a judgment is unnecessary since the claims related with the lawsuits of restitution have been foregone.

Since no appeal was launched within the legal term, those decisions have been finalized. Furthermore, the court has decided that a judgment is unnecessary since Ibrahim Ayca declared in the petition that he agrees to forgo all the rights provided by the note.

## Notes

**c) Tax penalty declarations:**

The company received 'Tax investigation report' and 'Tax penalty declarations' from Mudanya tax administration at the date of 31 December 2007. In the mentioned tax investigation report, it was stated that there was irregularly related with purchasing from Ünipek Elektronik Mamulleri İmalat Sanayi ve Tic. Ltd. in 2002. Also it was concluded that Unipek Elektrolitik Bakır İmalat Sanayi Tic. Ltd. Şti., a former supplier of the Company, did not pay the VAT on the invoices issued to the Company for the year ended 31 December 2002 and consequently the Company is joint liable to pay the VAT. Mudanya Tax Administration claims a VAT loss amounting to YTL4,499,620 due to these invoices and a penalty amounting to YTL4,499,620. The Company has total exposure amounting to YTL9,025,240 in aggregate. Based on the opinion of the Company's tax advisor, who stated that the tax inspection report has no legal grounds and based on the legal advisor's opinion, the Company has decided to not seek a compromise with the tax authority, not to pay any alleged outstanding amounts and to commence with necessary legal action. The management believes that as the Company has a good case regarding non - payment, no provision has been accounted in the financial statements as of 31 December 2007.

**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.



## Corporate Governance Principles Compliance Report

### 1. Observance Declaration Regarding Corporate Governance Principles

With its 43 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 December 2007, 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;

## Compliance Report

**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

**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 2007, the General Assembly convened one time in the Company's Head Office, one in the forms of ordinary meeting (29 March 2007). 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.

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.

## Compliance Report

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.

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

There is no privilege as regards to participation in the company's profit and Profit Distribution Policy as determined in the meeting of the Board of Directors dated 27 March 2007 is indicated below;

*"The Board of Directors passes its resolutions relating to distribution of profit in the direction of Company's financial state, period profit and strategic targets. No real person is entitled to receive privileged share from the Company's distributable profit. Company's profit distribution policy aims distribution of 20% or higher portion of distributable profit as determined in the Ordinary General Assembly meeting. In case the periodical distributable profit remains less than 20% of the Company's paid-up capital, the Board may decide in compliance with the applicable law- not to distribute any share from the profit.*

*It is aimed to pay the profit share in cash through the authorized banks and intermediary agencies within 60 days as of the Ordinary General Assembly meeting. Following this date, the Shareholders may apply to the Company's Head Office in order to collect their profit share. Company does not consider distribution of profit share in advance. Company aims to give donations to all kinds of social institutions, primarily to those located in the Company's territory, in such a manner not to exceed 1% of the profit base and in any case, to be subject to the approval 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.

## Compliance Report

**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 2007: **37**

Number of Additional Declaration Requests made by the CMB and ISE: **None**

There is no sanction (written warning) applied by the Capital Market Board or 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.

**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  
 Pier Francesco Facchini : 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  
 Abdurrahman Güngör : R&D and Quality Assurance Manager  
 Faik Kürkçü : Utilities Sales Manager  
 Sabri 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  
 Anıl Kovalı : Chief of General Accounting

Haluk Erdem : Partner  
 Adem Kefelioğlu : Auditor  
 Müge Erentürk : Audit Assistant

Coşkun Şen : Partner  
 Cem Karakapıcı : Senior Audit Manager  
 Serkan Çağatay : Assistant Audit Manager  
 Nezih Yaman : Audit Assistant  
 Hazel Tiryaki : Audit Assistant  
 Gamze Şen : Audit Assistant

Law. Semih Erbay : Lawyer  
 Law. Mustafa Kayhan : Lawyer  
 Law. Hüseyin Yarsuvat : Lawyer  
 Law. Mehmet Yaşar Nur : Lawyer  
 Law. Savaş İnandıoğlu : Lawyer  
 Law. Cem Topdemir : 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 endeavour 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

**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.

## Compliance Report

**15. Human Resources Policy**

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

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

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

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

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

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

**16. Information Regarding Relations with the Customers and Suppliers**

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

**17. Social Responsibility**

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

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

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



## Compliance Report

## 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 Anik		X	
Vice Chairman	Valerio Battista		X	
Board Member	Pier Francesco Facchini		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 Anik	27 July 2006	29 March 2007
Vice Chairman	Valerio Battista	28 March 2002	29 March 2007
Board Member	Pier Francesco Facchini	29 March 2007	-
Board Member	Giovanni Battista Scotti	27 July 2006	29 March 2007
Board Member	Fabio Ignazio Romeo	22 August 2005	29 March 2007
Board Member	Ennio Bernasconi	27 July 2006	29 March 2007

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 July 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.

## 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 & Over
Number of Persons		1	2	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 fulfilment of long - term obligations as regards to accounting and finance reporting applications, policies and procedures, as well as evaluation of quality and risk management of Company's internal auditing systems.

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

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

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

## 22. Authorities and Responsibilities of the Board Members and Executives

The Board of Directors performs the following tasks:

- Review and approval of strategic, corporate, industrial and financial plans,
- Delegation of necessary powers to the Managing Director, withdrawal of authorization, and determination of limits of authority as well as form and duration of authorization,
- Regular comparison of the results with the budgets, and by taking into account the information received from the Internal Audit Committee and Managing Director, and giving special attention to conflicts of interest, observation of general performance in this field,
- Passing of resolutions relating to immovable property, in kind,
- Issuance of share certificates and debentures,
- Establishment of partnerships in the newly incorporated or existing corporations and institutions,
- 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.

## Compliance Report

### 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 15 times during the year 2007.

### 24. Restriction of Competition and Transactions With the Company

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

### 25. Ethical Code

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

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

**Internal Audit System:** This system is a population of "instruments" with a view to reaching reasonably the targets 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 (Minimum)	Number of Members	Number of Independent Members
<b>Audit Committee</b>	<b>4</b>	<b>2</b>	<b>-</b>

**Members of Audit Committee:** Mahmut Tayfun Anık, Pier Francesco Facchini.

The Corporate Governance Committee and other committees are not formed as of 31 December 2007. 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.

There are no payments effected in favor of BOD Members and other executive bodies during the year 2007.

**Chairman of the Board of Directors**

**Mahmut Tayfun ANIK**

## Türk Prysmian Kablo ve Sistemleri A.Ş.

**Prysmian Ethical Code**

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

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

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

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

**ARTICLE 1 - PREMISE**

The Prysmian Group structures its own internal and external activities according to the principles set forth in this Code, with the conviction that ethics in the conduct of business activities must be pursued at the same time and with equal emphasis as the economic success of the business. The Prysmian Group is committed to conducting its business in accordance with the highest standards of ethical behaviour, complying with all applicable laws and regulations, avoiding even the appearance of unethical or illegal conduct.

**ARTICLE 2 - OBJECTIVES AND VALUES**

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

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

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

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- we establish organizational controls designed to prevent Covered Parties from violating these requirements of lawfulness, transparency, honesty and loyalty, and supervise their observance and implementation;
- we impose consequences for any violations of these policies and principles;
- we maintain accurate books and records, and assure the investors and the community in general total transparency about our activities;
- we are committed to fair competition, which benefits us as well as all market operators, customers and stakeholders;
- we pursue excellence and competitiveness in the market place, offering quality services and products;
- we safeguard and enhance the value of all our employees;
- we respect the environment and use natural resources responsibly, with the goal of advancing sustainable development and protecting the rights of future generations.

### ARTICLE 3 - SHAREHOLDERS

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

### ARTICLE 4 - CUSTOMERS

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

### ARTICLE 5 - COMMUNITIES

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

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

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

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

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**ARTICLE 6 - HUMAN RESOURCES**

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

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

**ARTICLE 7 - ENVIRONMENT**

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

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

**ARTICLE 8 - ANTI-BRIBERY POLICY**

Bribery of public officials is prohibited.

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

Commercial bribery is prohibited.

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

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

- Offering, paying, or accepting gifts, courtesies, entertainment or travel expenses to, from, or on behalf of a Public Official or any supplier, customer, or competitor; and
- Engaging consultants, agents, lobbyists, joint venture partners or other third parties.



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**ARTICLE 9 - INFORMATION - BOOKS AND RECORDS**

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

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

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

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

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

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

**ARTICLE 10 - EXPORT CONTROLS AND ECONOMIC SANCTIONS**

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

The Prysmian Group will comply with all applicable economic sanctions laws against certain entities and countries, including applicable economic sanctions imposed by the UN, the EU, the USA, 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.

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.

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Failure to comply with the duty to come forward is a violation of this Code and can result in serious disciplinary action, including possible termination of employment and / or termination of business relations. The Prysmian Group will investigate all reports made and will not tolerate any kind of retaliation for reports or complaints made in good faith.

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









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