


Türk Prysmian Kablo ve Sistemleri A.Ş.

2010 ANNUAL REPORT

PRYSMIAN
CABLES & SYSTEMS

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Contents

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. AT A GLANCE

Türk Prysmian Kablo ve Sistemleri A.Ş. has sustained its leadership as regarding 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 acquired by Pirelli S.p.A. on 5 August 1999 and then named as Prysmian after the share transfer realized on 28 July 2005.

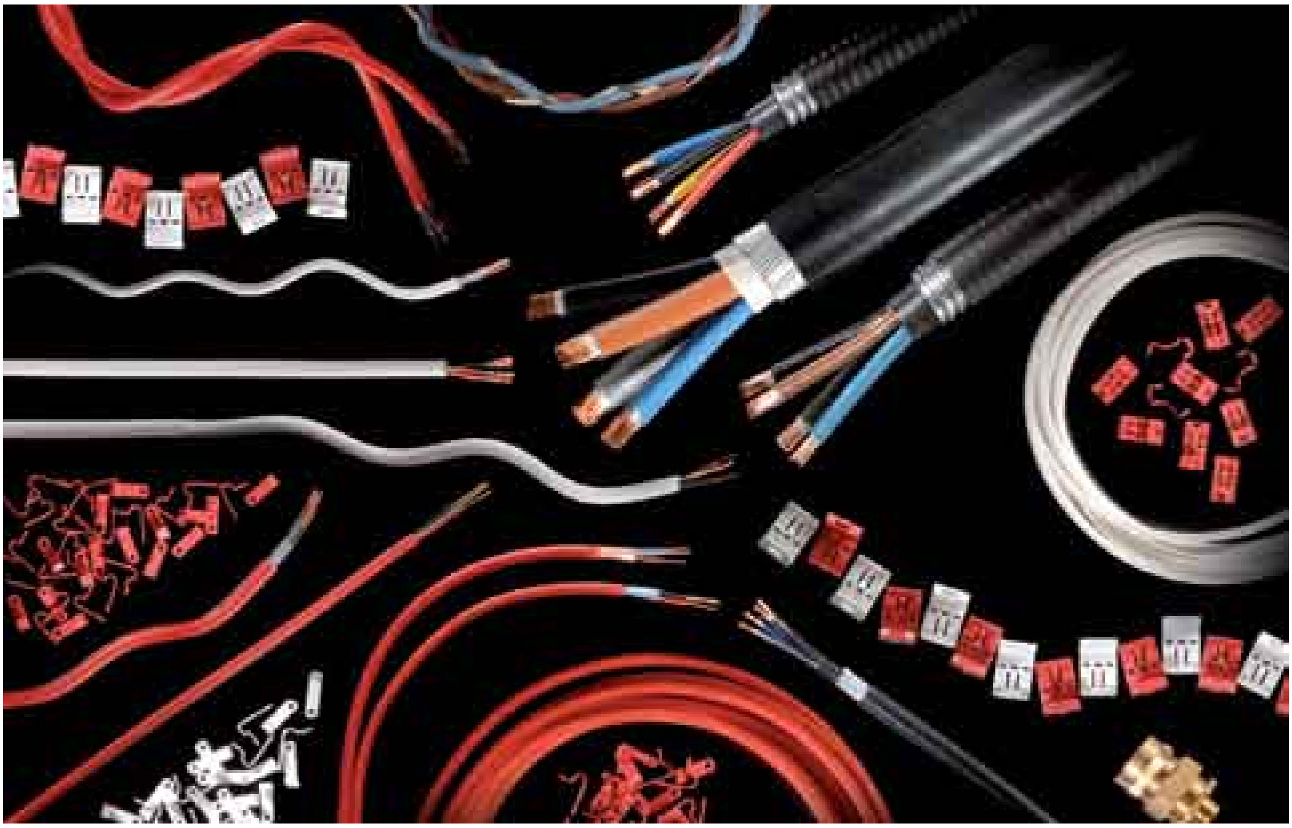
Today, Türk Prysmian Kablo ve Sistemleri A.Ş. carries out its activities in a total area of 180.000 m² (covered area: 79.000 m²). All the energy cables up to 220 kV, special cables used underground and underwater, copper conductor communication cables up to 3.600 pairs, coaxial cables and optical fiber cables are in the product mix of Türk Prysmian Kablo ve Sistemleri A.Ş.

Our company is the owner of the unique termal, mechanical and electrical research and test laboratories in the cable sector, these laboratories use the most advanced technology and are certified by the Turkish Standards Institute. Besides all these, our company performs "turn key" projects for cables and systems, and provides all our customers with unique and superior services.

With the innovative technology of the patented "AIRBAG™", the cables which are produced also in Turkey, are more flexible, lighter and more unsuspectible to external mechanical damages by an effective protection system. This technology also helps to reduce the necessary attachments by giving rise to the production of longer cables and 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 do not emit intense smoke and toxic gases in case of fire are produced by Türk Prysmian, therefore a protection of the highest level as regards life and property security during fire 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 markets. Türk Prysmian Kablo ve Sistemleri A.Ş. which continues to be a privileged export center within the Prysmian Group exported 37% of its TL494 Million turnover approximately in year 2010.

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 being and to the environment by obtaining ISO/DQS 9001, and ISO 14000 certifications in its sector.



MESSAGE FROM THE CEO

Dear Shareholders, Customers and Business Partners

Global Economy:

In line with the general expectations, the 2010 has been a "transition year" after the deep downturn coming from the 2009 crisis impact. During the 1st half, the overall trend has shown some signs of progressive stabilization respect the last quarter of 2009, being able to "stop the continuous decline", whilst not being capable yet to generate a new growing path due to the still high instability of the worldwide major economies, particularly affected by the new crisis exploitation within certain European key markets (Greece and Ireland first, followed by a raising alert system on all the others key countries) and the consequent high volatility on the most relevant trading currencies (both Euro and USD). The scenario slightly improved during the 2nd half of the year, finally posting some upturn signs, with weak but positives trends on the most sensible key financial parameters (from industrial production indexes to private and public consumptions), supported by a new restart of private and public investments, able to lead to a GDP rate recovery in most of the key worldwide economies, despite the final values are still far away from the pre-crisis period.

Turkish Economy:

Within the overall scenario, Turkey has been one of the most positive country, recording a much better trend than all the other major economies, thus following the global macro-economy seasonality with slow speed rate in the first quarter of 2010 followed by an impressive acceleration during the second part year.

During 2010 in fact, all the key macro-economic parameters have marked positive signs confirming a robust recovery of the growing trend, with GDP rate expected at higher than 7% yearly rate (it's 8.9% adjusted, year to date Nov10), versus the -4.7% of 2009, +8.4% (YTD Nov10) Industrial Production Index, and lower than expected inflation rate (6.4% on a yearly base). This overall trend seems to continue also in 2011, in accordance with the new "2011-13 Mid Term Program" presented by Turkish Government in October 2010, with +4.5% expected GDP growth and lower inflation (target at 5.3%) and unemployment rate (12%).

Turkish Cable Sector – Highlights:

The 2010 domestic market estimated demand's growing rate (volume side) has been very close to the country GDP rate, confirming the positive recovery trend after the 2009 decline, showing a weak level during first part of the year recovered by a more robust growth from 2nd quarter onwards. On the export side, the very strong Turkish Lira vs USD together with the still not fully stabilized business environment, kept the market pretty stable vs 2nd half 2009 trend, limiting the overall growth of the Sector.

The record-high level of raw materials costs (Copper mainly but not only) sustained the turnover growth but generated also a physiological reduction of the general profitability, not having been possible to revert to the market the full impact of the increased costs.

During 2010, important investments have been released within the Energy market, particularly boosted by the "Privatization" of the Turkish Distribution Network, which should lead the future demand growth for the years ahead.

The "sub-quality standards" cable production issue is still affecting the domestic market, with negative impacts on products' performance and safety (both on standard building wire and low voltage cables, as well as on the "Fire retardant" and "Halogen free" products), creating inefficiencies across the distribution network (low energy carrying capacity, large dispersion, increased short circuit risks) while putting under risk the safety of the people and the communities using such fake products. A serious action plan to prevent and limit this issue has been deeply discussed and prepared by Association of Cable and Isolated Conductors Manufacturers in cooperation with Turkish Standard Institute and the support of Minister of Industry and we rely on that for improving the status during 2011.




Outlook for 2011:

The market's demand should naturally follow the overall macro-economy path and we expect a market trend aligned with the new mid term program growing goals. The overall costs environment will be most probably as tough as it has been during 2010, with high volatility both on key materials costs and currencies which should lead to a constant monitoring of the trend and prompt reaction capabilities to transfer it into the market in a fair and honest way.

Within this scenario, Türk Prysmian Kablo ve Sistemleri A.Ş. will keep its route to reinforce its leading market position both on energy and telecommunication cables, by pursuing a sustainable growing strategy driven by our continuous efforts to improve our product offering to the market, while keep on investing on high added value segments like High Voltage, Special cables for Industry usage, Halogen free and Fire resistant cables, Optical Fiber cables, Innovative Materials & Products and Production Processes, whilst keeping our production and quality excellence across the full product range.

By being consistent with the above general strategic guidelines and with the continuous support of our outstanding Customer Base and the large community of our appreciated Business Partners, we are confident to be able to continue to create value both for the market and our shareholders.

Francesco FANCIULLI
CEO



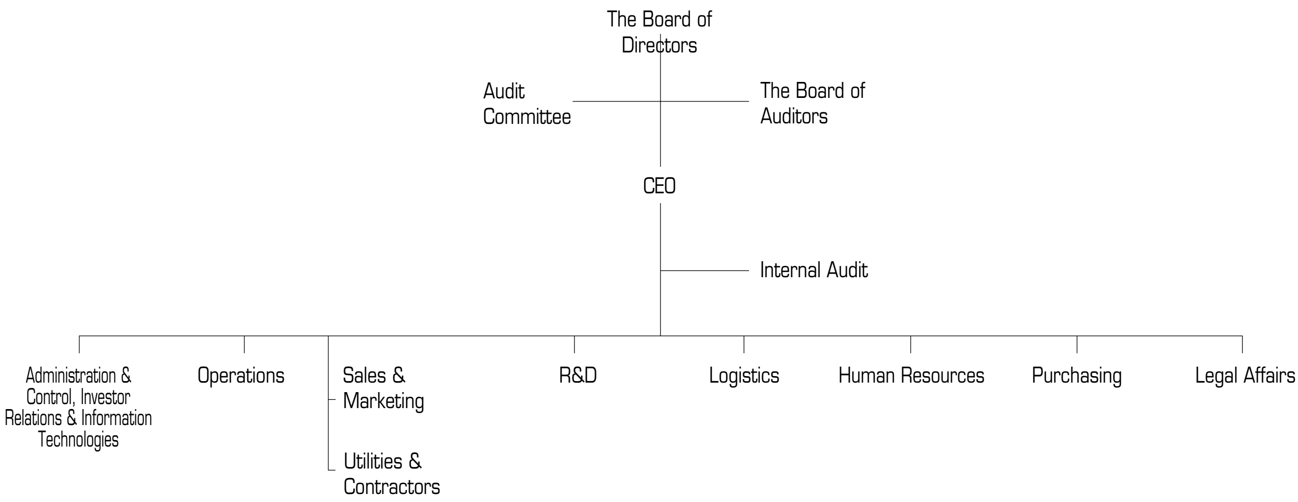








ORGANISATIONAL STRUCTURE



COMPANY BOARDS

The Board of Directors	*Chairman*	**Mahmut Tayfun ANIK**
	Vice Chairman	**Francesco FANCIULLI**
	Board Member	**Fabio Ignazio ROMEO**
		Hasan Özgür DEMİRDÖVEN

Audit Committee	*Audit Committee Member*	**Mahmut Tayfun ANIK**
		Fabio Ignazio ROMEO

The Board of Auditors	*The Board of Auditor*	**Hikmet TÜRKEN**
		Raşit YAVUZ

COMPANY BOARDS

Mahmut Tayfun Anık,
Chairman & Audit Committee Member

Mahmut Tayfun ANIK, who has a BA degree in Business Administration from Bogazici University, has over 25 years of experience within Pirelli / Prysmian Group, having started his career in treasury and finance in Turkey. After holding various management related positions rand Procurement in Pirelli Tyres in Turkey, Germany and Italy, he is now the Chief Procurement Officer for Prysmian S.p.A. since 2003.

Francesco Fanciulli,
Board Member & CEO

He started to work in 1988 in a worldwide leading Large Consumer Good Company, within Commercial Department both in Italy and abroad, passing then to Pirelli Group in 1998 as Marketing Director for Italy first, Europe immediately after, becoming then Chief Marketing Officer for Tyre Sector in 2001. In 2003, he has been appointed Business Director for the Car Makers Channel at worldwide level, moving then in 2006 as Markets' Director responsible for worldwide Sales & Marketing activities while being also the Managing Director for all the Commercial Units. Beginning of 2008 has joined the Prysmian Group working on a key Business Development project for Asian area, before being appointed CEO of Prysmian Turkey.

Fabio Ignazio Romeo,
Board Member & Audit Committee Member

Fabio Romeo, the Head of our Energy Cables & Systems division; obtained a degree in Electronic Engineering from the Polytechnic University of Milan in 1979, an M.S. and a Ph.D. in Electrical Engineering and Computer Sciences from the University of California at Berkeley, in 1986 and 1989, respectively. His first work experience was in 1981 with Tema (ENI Group) as Project Manager for Chemical Plants. In 1982, he moved to Honeywell as Technical Advisor to the Honeywell's CEO. In 1989 he joined the Electronics division of Magneti Marelli as Innovation Manager. In 1998 he was appointed Managing Director of the Electronics Systems division of Magneti Marelli. He joined the Pirelli Group in 2001 as Director of the Truck business unit for Pirelli Tyre division and, one year later, became the Utilities Director of the Cable division of the Pirelli Group. He has been the Head of our Energy Cables & Systems division since December 2004.

Hasan Özgür Demirdöven,
Board Member & CFO

Hasan Özgür Demirdöven has started his professional career in 1996 in PricewaterhouseCoopers (PwC) Tax & Legal Services Consultancy. Between years 2001 - 2009, he has worked as "Project Finance Manager", "Country Finance Manager", "EurAsia Region Controller" and "Financial Integration Leader / CFO" in General Electric (GE). Demirdöven has joined Prysmian family in 2009 as Chief Financial Officer (CFO). Demirdöven has graduated from Economics Department of Bilkent University.

EXECUTIVE MANAGEMENT

İbrahim Etem Bakaç:	Sales & Marketing Director
Halil İbrahim Kongur:	Factory Director
Faik Kürkçü:	Utilities & Contractors Sales Director
Erkan Aydoğdu:	Logistics and R&D Manager
Esat Baykal:	Quality Manager
Aydan Biltekin:	Internal Audit Manager
İdris Çolakgil:	Information Technologies Manager
Sıtkı Anıl Kovalı:	General Accounting and Investor Relations Manager
Murat Okatan:	Credit and Risk Manager
Sabri Levent Özçengel:	Human Resources Manager
İlhan Öztürk:	Export Sales Manager
Yiğit Türsoy:	Legal Affairs Manager
Okay Yıldız:	Technical Service Manager
Sevda Yücel:	Purchasing Manager

2010 ECONOMIC OVERVIEW

Despite the volatile global risk sentiment in the fourth quarter, Turkish Central Bank's (CB) rate cut decisions and the accompanying downward revisions to future policy rate expectations had a major impact on market rates. Turkey who has benefited from abundant liquidity with its high growth performance and strong debt dynamics throughout 2010 had a active month with CB's radical rate cut movement in December. While the rate cut decision put local currency under pressure causing TL to decouple from other emerging market currencies by losing value against dollar in the last days of the year, bond rates tested historical low levels.

Consumer prices decreased by 0.30 percent pulling the annual inflation down to 6.40 percent as of end 2010 below the annual target of 6.50 percent in December. On the other hand, core indicators rose in line with expectations and medium term targets. In December, production price index (PPI) rose unexpectedly by 1.31% reaching to annual rate of 8.87%, sealing the risks from rising commodity prices in the coming period and energy prices rose by 2.73% supported by rising international oil prices and exchange rate developments. Therefore, after slowing in second half of the 2010, the annual energy inflation increased to 9.96%. The services inflation rate registered an all time year end low of 4.24 percent.

In December, while S&P 500 hit the highest level since September 2008 with the support of favorable global environment, commodity prices reached to their peak levels - with expectation of that demand from high growth economies especially from China which has continued supporting the prices. In addition to the accelerating global risk appetite, the increase in oil and commodity prices increased demand for energy shares and carried equity markets to higher levels. MSCI (Morgan Stanley Capital International) world index which rose 9.3% during the year 2010, gained only 7.3% during December with the expectation that FED will maintain quantitative easing and with support of the upward revision of U.S. growth expectations. Nevertheless, MSCI emerging market index rose 16.4% during 2010, MSCI Turkey index outperformed its peers and rose by 21.5%.

Volatility in currencies, debt concerns in Euro zone area and uncertanity regarding the recovery in U.S. economy supported gold to stand out as a safe haven during 2010. While gold gained 26% during 2010, silver and copper prices also increased to record levels, where copper increases reached remarkably around 33% in 2010.

Turkey's 5 year CDS which were close to the 155 levels at the end of November declined to 140 level in the beginning of 2011, it has not increased and followed similar path to its peer emerging economies, despite the pressure on the currency in December.

The deterioration trend in foreign trade balance continued in December, when monthly trade balance gave USD8.7 bn deficit slighly higher than expected. 12 month cumulative deficit continued to rise, increasing to USD71.6 bn.

The central administration domestic debt stock reached to TL465.5 bn and the share of domestic debt stock in total debt remained stable at about 75.4% as of November. In 3Q10 Turkey's total external debt stock increased to USD282.3 bn. Total external debt to GDP ratio increased to 40.2%.

Treasury 's average cost of the domestic TL borrowing was 7.6% in November and was 8.1% during January - November period. Average maturity of Tresury's borrowing was 63,5 months in November.

Industrial production index increased by 16% above expectations in 2010 pointing out 8% growing rate in 4tQ10 and 8,8% annual growth in 2010.

2011 ECONOMIC EXPECTATIONS

Developments regarding the global economy remain central for the domestic inflation and monetary policy outlook. Under current conditions Central Bank is utilizing several instruments in order to preserve both price stability and financial stability. Therefore global developments would not only effect the direction of the policy instruments but also their mix. different than in previous periods. Accordingly global developments will be assessed against their effects on the aggregate demand as well as its' composition.

Ongoing problems in credit, real estate and labor markets across developed countries and uncertainites regarding the impact of fiscal consolidations continue to pose downside risks regarding pace of global growth. Although downside risks are important, there are also upside risks regarding global economy, particularly driven by the lagged impacts of the exceptionally loose policies implemented by the developed countries economies during the past two years.

Turkish Central Bank announced its' 2011, 2012 and 2013 inflation targets as 5.5%, 5% and 5% respectively. Uncertainty band is decided to be plus or minus 2 percent - as in the prior periods.

Although volatility in commodity prices could continue, gold still remain as a safe investment option as debt problems in Euro zone has not been solved yet. As of today, fiscal policy implementations are in line with the Medium Term Fiscal Plan but in case high commodity prices become permanent and risks may rise to attain medium term inflation targets.

According to the January - March 2011 borrowing program, a significant portion of 2011 total redemptions will be made in first two months of the year, 21% of its' planned total domestic debt service for 2011.

Local investors appetite will be the main driver of market moves and any further interest by non-residents are likely to pull yields lower in short term.

SECTOR ANALYSIS

Following the overall national GDP growing path, the Turkish Cable sector should have regained during 2010 a +3/5% volume growth vs 2009, with a more than proportional turnover increase mostly coming from higher raw material value content. The domestic economy development has been driven by a renewed boost both from Public and Private Investments after the large slow down in 2009, whilst the Export market continued its positive path (with an estimated +30% in value year on year, including the effect of higher raw material content), despite the TL revaluation vs USD/Euro during first part of the year.

The Privatization process within Turkish Electric Power Sector strongly continued during 2010, marking a record peak of investments to cover 11 different regions' energy distribution grids. This is expected to continue in 2011 as well with privatizations of electricity production facilities.

Electricity demand, which has been increasing with an average growth rate of 4.7% in the last five years, is expected to be around 6.5% to 7% level in the next 5 years period and such increase will trigger the need for investment.

In telecommunications business on the other hand, there has been a significant increase in investments in optical fiber network infrastructure following the support, in form of new arrangements made, for alternative telecommunications operators that offer independent telecommunication services coupled with continued increase in numbers of broadband and mobile subscribers.

The main Raw Materials' items registered a steady increase during the year, with Copper moving up by almost 35% (average vs average / 2010 vs 2009) and the Plastic and Polymers by almost 15%. This of course has been partly reflected into the turnover values, but created as well some profitability erosion in percentage due to the higher impact of raw material costs on the total production costs.

Manufacturing and supply of nonconforming cables continues to pose great dangers and risks to structures where these cables are used in terms of personal and property safety. Moreover, exports of such low-quality cables effects the general image of Turkish products in export markets.

In 2010, Türk Prysmian, along with Association of Cable and Isolated Conductors Manufacturers and Turkish Standard Institute (TSE) promoted a new initiative in order to regain the proper attention to this issue by supporting a deeper and continuous monitoring of the product quality into the market and take the most adequate actions in order to prevent to make it happens. We are confident that the strong efforts ensured by all the key actors within the Cable Industry (Cable Makers, Key Distributors and Contractors' Associations, TSE, Turkish Government key ministers) will contribute to minimize this issue in the coming months/years, delivering to the Market the best in class quality standards that the market is waiting for.

CORPORATE SOCIAL RESPONSIBILITY

Türk Prysmian Kablo ve Sistemleri A.Ş. works on multiple themes in corporate social responsibility, but focuses especially on educational projects.

In 2008, Türk Prysmian supported "Uluabat Lake's Management Plan, Stork Friendly Villages' Project". Within the project, Türk Prysmian aimed to renovate the electricity system of the village with the cooperation of Karacabey Town, Eskikaraağaç Village and to transform the bare copper conductors to the insulated wires and accordingly to prevent the storks to be wounded because of hurting the village's electric lines.

Türk Prysmian, during the same year, yielded the cable infrastructure and granted the cables for Turkish Hearing and Speech Rehabilitation Foundation to build a centre for the deaf kids aged between 0 - 6 which are not provided with decent education.

Additionally to these projects, in 2008, Türk Prysmian published a book named as "From past to present Tirilye" to support the advertising and the cultural heritage of the region where Türk Prysmian's factory is located. Reyan Tuvi was the writer and the photographer of the book.

Türk Prysmian has renovated Balabancık Village Primary School which is located in Bursa where Türk Prysmian's factory is located too. After the re-opening ceremony in October 7, 2009; education at the school started. Through this project, Balabancık Village's students; instead of going to another village, started to receive education in their own village.

Türk Prysmian yielded the cable infrastructure and granted the cables for the Istanbul Technical University's Solar Automobile to join World Solar Challenge in Australia - one of the most important races of its category worldwide. Istanbul Technical University's Solar Automobile Team composed of mechanical, electrical and organizational sub-groups which got together in 2004; came back from the 4000 km. race in Turkey with "Best Newcomer Award".

Furthermore, Türk Prysmian has donated some equipment to Yakacık Hatice Abbas Halim Kindergarden's gym in pursuit of the negotiations with the school, to contribute the renovation.

Türk Prysmian and Mimar Sinan Fine Arts University signed the contracts towards the end of 2009 and realized 2nd "Hayatımda Kablo Art Workshop". Within the workshop which is realized between April 7-14, 2010, with the cooperation and attendance of Mimar Sinan Fine Arts University, Faculty of Fine Arts; the students created unique pieces of art by using different types of cables individually, which are produced for industrial use. The aim of the workshop is to support education and arts. The arts realized by the students are exhibited between April 15th - May 21st at Prysmian's Mudanya factory; between May 27th - June 11th at Mimar Sinan Fine Arts University and between July 13th - 27th at Rahmi M. Koç Museum.

Türk Prysmian's support to similar projects are going to reiterate in the future.

FINANCIAL ANALYSIS

OVERALL REVIEW

In accordance with considerable changes in the key financials including the main raw material value, the Company's performance indicates signs of a return to stable economic growth in 2010 after the long-lasting effects of the global economic crisis.

Remarkable Financial Highlights as follows:
• **Operating profit…** Positive TL2.5 Million -excluding the tax case impact*- equivalent to 0.5% of total net sales.
• **Fixed costs…** Decreased by 4% despite inflation rate of 6.4%.
• **R&D…** Still significant expenditure, TL1.2 Million, to keep on further boosting product quality & innovation.
• **Investments…** Still relevant investments done, TL2.8 Million, to improve our production capabilities.
• **Liquidity…** Generated additional TL26 Million cash in 2010 (from TL26 Million to TL52 Million), despite remaining effects of financial crises and "nonrecurring tax case payment*" impacts.

** Please refer to note 41 on Independent Auditor's Report.*

These tangible improvements primarily reflect the coherence and continuity of the company policies related to strategic targets. The detailed Balance Sheet and Income Statement for 2010 are enclosed and the explanations as regards balance sheet and income statement are summarised below.

ASSETS

Cash holdings amount to TL9,839, of which TL3,419 is in Turkish Liras and the remainder in foreign currency. Deposits in banks total TL50,764,172, of which TL22,156,750 is held in Turkish Lira accounts and TL28,607,422 in foreign currency accounts. Cheques received amount to TL1,203,396.

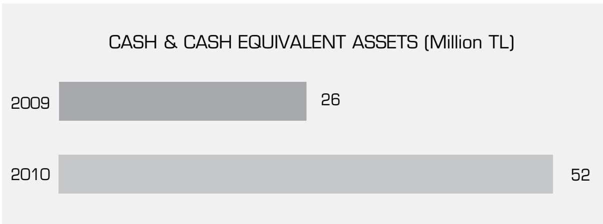
Short term trade receivables reached the sum of TL101,807,922. In this group, customer accounts amount to TL65,453,590, of which TL40,004,021 is from domestic customers and TL25,449,569 from customers outside Turkey in foreign currency. The average collection period of our receivables was 66 days, which is 11 days lower than last year.

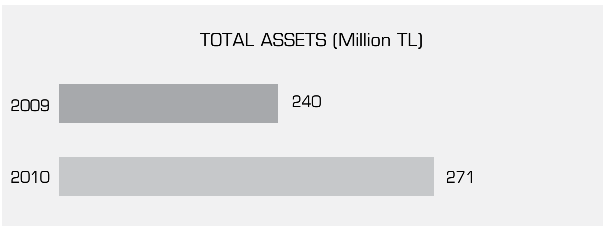
Rediscount on notes receivable to the sum of TL36,857,806 was calculated as TL503,474. The provision for doubtful domestic and foreign receivables is TL12,971,287. Amount due from related parties is TL8,358,557; of which TL8,245,736 is due from group companies and TL112,821 due from company personnel.

Our inventories to the sum of TL50,920,617. The total of raw materials and materials existing in the inventories amounted to TL12,774,850, semi-finished goods to TL18,522,837, commercial goods to TL690,158, and finished goods to TL20,053,605. The other inventories to the sum of TL174,920 consist of scrap inventories. Provision for the inventories is TL1,295,753.

Other receivables total TL7,429,592, and consist of VAT receivable to the sum of TL7,045,072, expenses for the coming months and other receivables to the sum of TL374,811.

During the year, the expenses for tangible fixed assets amounted to TL2,827,266 and the amount of tangible fixed assets which had been sold totalled TL254,746. Net asset value was calculated as TL49,022,017 by adding the additions of fixed tangible assets to the value of fixed tangible assets at the beginning of the year, deducting disposals and the accumulated depreciation. An important item within intangible fixed assets to the sum of TL33,352 is the SAP software.





LIABILITIES

There is no bank loans indicated in financial debts as of 31 December 2010.

Trade payables were realized at TL115,545,782. In trade payables, debts to domestic suppliers amounted to TL53,225,798, debts to related party suppliers amounted to TL5,100,792 and debts to other foreign suppliers totalled TL57,342,001.

Other current payables total TL7,014,474 consist of order advances received to the sum of TL7,003,742 and dividends due to shareholders from previous years to the sum of TL10,732.

Other current liabilities reached the sum of TL2,307,973. Out of this sum, TL1,169,489 consists of tax liabilities and the remainders are for other short term liabilities to be paid.

Liabilities related to construction contracts sum up to TL383,385 as of 31 December 2010.

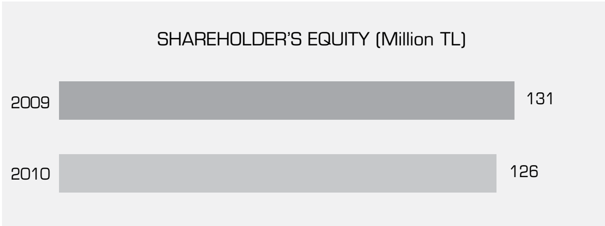
There is no provision for corporate tax for 2010.

In cases where the Labor Act deems it suitable, provision for severance indemnity payable to our personnel is TL6,071,592 as of the end of the accounting period, the severance indemnity being calculated on the ceiling value of TL2,623.23.

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 TL2,677,497.

Paid in capital for 31 December 2010 is TL112,233,652.

Net income for the period decreased to a value of TL5,416,031 as loss, including also the impact of nonrecurring TL5,616,533 tax case reconciliation payment related to year 2004.



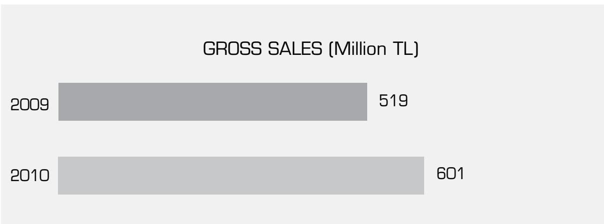
INCOME STATEMENT

Following of the recovery from overall economic crises and increase in strategic metal prices impacts, our gross sales improved by 16% to TL600,681,157. Our domestic sales totalled TL404,656,925 -which is increased by 21% compare to last year- and our exports TL184,972,871 -which is increased by 6% compare to last year-. Other sales amounted to TL10,866,921 of which TL184,440 consists of interest charged on credit sales.

Total sales deductions amounted to TL106,333,130, of which TL100,297,728 corresponded to sales discounts and the rest TL6,035,402 consisted of sales returns.

The cost of the goods sold totalled TL446,190,539 which corresponded to 90% 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. 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 TL1,159,233, therefore keeping more or less the same level of previous year in absolute value despite the continued effects of economic crises.

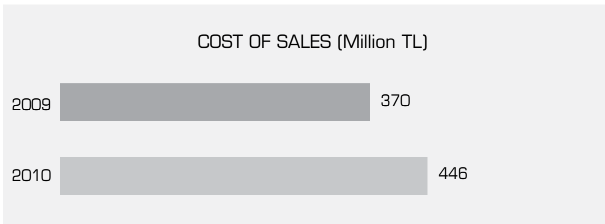


Marketing, sales and distribution expenses, which is decreased by 22% compare to last year, accounted for 5% of the net sales and totalled TL23,273,281, whereas general administrative expenses, which is decreased by 20% compare to last year, to the sum of TL18,518,055 accounted for 4% of the net sales revenue.

Our other operating income reached the sum of TL2,416,107, of which TL1,370,575 consisted of income from reserved provisions, TL207,134 consisted of income from previous year, TL487,599 consisted of rediscount income and TL350,799 consisted of other income.

Our other operating expenses reached the sum of TL10,513,122, of which TL8,235,370 consisted of payments related to legal and advisory expenses, TL1,740,125 consisted of provision expenses and TL11,330 consisted of other expenses.

Net financial expenses amounted to TL1,890,998, of which TL2,451,139 consisted of interest on bank deposits and losses originated from buying and selling our marketable securities as well as interest revenue limited as of the end of accounting period and net-of exchange rate gains valued TL560,141.



THE STATEMENT OF RESPONSIBILITY / PROFIT DISTRIBUTION PROPOSAL

THE STATEMENT OF RESPONSIBILITY
AS PER CAPITAL MARKETS BOARD'S COMMUNIQUE SERIAL:XI NUMBER 29 ARTICLE 9

THE BOARD OF DIRECTORS RESOLUTION RESOLVED ON ACCEPTANCE OF FINANCIAL STATEMENTS AND ANNUAL REPORT:

MEETING MINUTES DATES : 11 February 2011 and 11 March 2011
MEETING MINUTES NUMBERS : 03 and 06

We hereby declare the following;

a) January 1, 2010 to December 31, 2010 financial statements of our company, prepared in comparison with the previous year, footnotes thereof and annual report were reviewed by us;

b) To the best of our knowledge in the field and area of our responsibility within the Company, financial statement and annual report include no misinterpretation or false remarks or explanations in any of the important aspects as of the date of remark;

c) To the best of our knowledge in the field and area of our responsibility within the Company, financial statements, which were prepared in line with financial reporting standards in place, reflect the truth pertaining to assets, obligations, financial standing, and profit and loss standing of the enterprise, and annual report reflects the truth, along with all important risks and uncertainities that surround the enterprise, pertaining to performance and progress of business and activity results.

CHAIRMAN Mahmut Tayfun Anık	**VICE CHAIRMAN** Francesco Fanciulli
BOARD MEMBER Fabio Ignazio Romeo	**BOARD MEMBER** Hasan Özgür Demirdöven

THE BOARD OF DIRECTORS RESOLUTION ON PROFIT DISTRIBUTION PROPOSAL

MEETING MINUTES DATE: 08 March 2011
MEETING MINUTES NUMBER: 05

As a result of discussions with respect to the "Profit Distribution Proposal" to be submitted to the Ordinary General Assembly related to financial year of 2010.

It has been unanimously resolved

That since, according to 2010 financial tables which are prepared pursuant to the CMB Communiqué Serial XI and No 29 and in accordance with the International Financial Reporting Standards and audited by independent auditors as required by CMB's decision dated 17 April 2008, "Net Loss for The Period" is determined as TL5.416.031, not to distribute any dividend for 2010 fiscal year according to CMB's rules relating to distribution of dividend, current profit distribution policy and submission of this decision to the approval of the General Assembly and notifying the shareholders.

CHAIRMAN Mahmut Tayfun Anık	**VICE CHAIRMAN** Francesco Fanciulli
BOARD MEMBER Fabio Ignazio Romeo	**BOARD MEMBER** Hasan Özgür Demirdöven

AGENDA FOR ORDINARY GENERAL ASSEMBLY MEETING

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.
ORDINARY GENERAL ASSEMBLY AGENDA

1. Opening of the Meeting and formation of the Meeting Council,

2. Authorization of the Meeting Council to sign the Minutes of the General Assembly Meeting,

3. Review and discussion of the Reports issued by the Board of Directors, Auditors' Board and Independent Auditing Company belonging to the year 2010,

4. Discussion and approval of the Activity Report of the Board and Auditing Report covering the Accounting Period between 01 January 2010 - 31 December 2010 as well as the financial tables which are prepared pursuant to the CMB legislation, release of members of the Board of Directors and Auditors' Board,

5. Discussion and voting of the proposal made by the Board of Directors in connection with the distribution of the profit made in the Accounting Period between 01 January 2010 - 31 December 2010,

6. Furnishing information to the General Assembly on the donations given during the year 2010 and obtaining approval in this respect,

7. Election of the directors in replacement of the Board members whose terms of office are to be expired, and determination of remuneration of the directors,

8. Election of the members of the Auditors' Board and determination of their terms of office and their fees,

9. Furnishing information to the shareholders on the asset, service and obligation transferring transactions with the related parties, which trigger transfer pricing evaluation within the scope of CMB Communiqué Serial: IV, No:41,

10. Discussion of the amendment of articles 3, 4, 6 and 23 of the Articles of Association according to the attached drafts approved by Capital Markets Board and Ministry of Industry and Trade and within the context increase of the registered capital ceiling of the Company to TL135,000,000 and approval thereof,

11. Furnishing information to the General Assembly pursuant the CMB legislation, on the guarantees, liens and mortgages given to the third parties,

12. Delegation of the Managing Director Francesco Fanciulli with the authority to award bonuses to the Company's personnel who contributed to realization of Company's targets during the year 2010 within the frame of general principles adopted by the Company, and determination of amount of bonus vis a vis the targets achieved by the Company's management and submission of the same to the approval of the General Assembly,

13. Approval of the Independent Auditing Company to audit the activities and accounts of 2011 which is selected by the Board of Directors pursuant the CMB Communiqué and the agreement,

14. Submitting the Ethical Code of Turk Prysmian to discussion and approval of the General Assembly,

15. Approval of the activities mentioned under article 14 of the Articles of Association of the company realized until the General Assembly and grant prior authorization for the same activities to be realized after the General Assembly,

16. Authorization of the Chairman and Directors of the Board to perform transactions pursuant to Clauses 334 and 335 of the Turkish Commercial Code,

17. Recommendation and Adjournment.

AUDITORS' REWIEV REPORT

TO THE GENERAL ASSEMBLY OF
TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.

Company Title	: Türk Prysmian Kablo ve Sistemleri A.Ş.
Head Office	: Mudanya
Capital	: TL112,233,652.00
Activity	: Manufacturing of energy and telecommunication cables, insulated conductors.
Auditors' names and duration of their appointment, their relation to the Company (partners or not)	: Hikmet TÜRKEN and Raşit YAVUZ appointed to the accounting year 2010, both are not the employees.
Number of Board of Directors meetings participated	: No participation took place in Board of Directors meetings.
Extent of audit made on the Company's accounts, books and documents and conclusions reached	: During audits, it has been observed that the records were kept in accordance with the documents and accounting principles.
Counts made at the Company treasury according to Article 353 / 1-3 of the Turkish Commercial Law and their results	: The records for the Period January 1, 2010 - December 31, 2010 have been inspected, it was observed that the cash balance was in accordance with the actual records.
Dates of audits made at the company treasury according to Article 353 / 1-4 of the Turkish Commercial law and their results	: The obligatory monthly inspections of the records of securities were conducted and audits showed that the assets were existing and corresponded to the records kept.
Denunciations or irregularities reported to the Board of Directors and measures taken	: No complaints or denunciations of any kind have been made to the Board of Auditors.

We have audited the accounts and the operations of Türk Prysmian Kablo ve Sistemleri A.Ş. for the period January 1, 2010 – December 31, 2010 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, 2010 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, 2010 - December 31, 2010 reflects the real results of the activities for the considered period.

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

THE BOARD OF AUDITORS

Hikmet TÜRKEN **Raşit YAVUZ**

INDEPENDENT AUDITOR'S REPORT

CONVENIENCE TRANSLATION TO ENGLISH OF FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS FOR THE YEAR 1 JANUARY 2010 – 31 DECEMBER 2010

To the Board of Directors of TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. / İstanbul

Introduction

We have audited the accompanying balance sheet of Türk Prysmian Kablo ve Sistemleri A.Ş as of 31 December 2010 and the related statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards issued by the Capital Markets Board. 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

Our responsibility is to express a conclusion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing standards announced by the Capital Market Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Türk Prysmian Kablo ve Sistemleri A.Ş. as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards announced by the Capital Markets Board.

Other Matter

The Company's financial statements for the year ended 31 December 2009 were audited by another independent audit firm. The audit firm expressed an unqualified opinion in the independent auditors' report dated 16 February 2010.

İstanbul, 11 February 2011

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Özlem Gören Güçdemir
Partner

FINANCIAL STATEMENTS

Türk Prysmian Kablo ve Sistemleri A.Ş.

BALANCE SHEETS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	(Audited) 31 December 2010	(Audited) 31 December 2009
ASSETS			
Current Assets		**219,811,723**	**184,906,098**
Cash and Cash Equivalents	6	51,977,407	26,019,602
Trade Receivables	10, 37	101,807,922	102,321,477
Receivables on Construction Contracts	15	-	271,553
Other Current Receivables	11	7,429,592	4,290,464
Inventories	13	50,920,617	44,434,941
Other Current Assets	26	7,676,185	7,568,061
Non-current Assets		**51,347,902**	**55,165,748**
Property, Plant and Equipment	18	49,022,017	52,191,927
Intangible Assets	19	33,252	74,088
Deferred Tax Assets	35	1,791,185	2,426,122
Other Non-Current Assets	26	501,448	473,611
TOTAL ASSETS		**271,159,625**	**240,071,846**
LIABILITIES			
Current Liabilities		**134,820,954**	**97,923,966**
Trade Payables	10, 37	115,545,782	78,033,380
Construction Contracts Acquisition Value	15	383,385	-
Other Current Payables	11	7,014,474	3,209,271
Tax Liabilities	35	-	3,774,096
Provisions	22	9,569,340	10,322,909
Other Current Liabilities	26	2,307,973	2,584,310
Non-current Liabilities		**10,737,479**	**10,804,661**
Provisions	22	3,051,550	3,129,440
Benefits to Personnel	24	7,685,929	7,675,221
SHAREHOLDERS' EQUITY		**125,601,192**	**131,343,219**
Paid-in Capital	27	112,233,652	112,233,652
Restricted Reserves	27	5,656,089	5,656,089
Retained Earnings	27	13,127,482	18,742,540
Net Income / (Loss) for the Period	27	(5,416,031)	(5,289,062)
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**271,159,625**	**240,071,846**

These financial statements as at and for the period ended 31 December 2010 were approved by Board of Directors on 11 February 2011.
The accompanying notes form an integral part of these financial statements.

Türk Prysmian Kablo ve Sistemleri A.Ş.

STATEMENTS OF INCOME FOR THE PERIODS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	(Audited) 1 January 2010 - 31 December 2010	(Audited) 1 January 2009 - 31 December 2009
CONTINUING OPERATIONS			
Sales Income (net)	28	494,348,027	428,768,437
Cost of Sales	28	(446,190,539)	(370,369,617)
Gross Operating Profit / (Loss)		**48,157,488**	**58,398,820**
GROSS PROFIT / (LOSS)		**48,157,488**	**58,398,820**
Marketing, Sales and Distrubution Expenses (-)	29, 30	(23,273,281)	(29,760,391)
General Administrative Expenses (-)	29, 30	(18,518,055)	(23,215,163)
Research and Development Expenses	29, 30	(1,159,233)	(1,182,030)
Other Operating Income	31	2,416,107	4,402,707
Other Operating Expenses (-)	31	(10,513,122)	(11,150,350)
OPERATING PROFIT / (LOSS)		**(2,890,096)**	**(2,506,407)**
Financial Income	32	21,451,889	28,928,460
Financial Expenses (-)	33	(23,342,887)	(29,712,722)
INCOME / (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES		**(4,781,094)**	**(3,290,669)**
Taxes on (Income) / Loss		**(634,937)**	**(1,998,393)**
- Taxes on Income / (Loss) for the Period	35	-	(3,774,096)
- Deffered Tax Income / (Loss)	35	(634,937)	1,775,703
NET INCOME / (LOSS) FROM CONTINUING OPERATIONS		**(5,416,031)**	**(5,289,062)**
NET INCOME / (LOSS) FOR THE PERIOD		**(5,416,031)**	**(5,289,062)**
Other Comprehensive Income	**24**	**(325,996)**	**-**
TOTAL COMPREHENSIVE INCOME AFTER TAX		**(5,742,027)**	**(5,289,062)**
Earnings Per Share	**36**	**(0.005)**	**(0.005)**
Earnings per Share from Operations		**(0.005)**	**(0.005)**

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

Türk Prysmian Kablo ve Sistemleri A.Ş.

STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	(Audited) 1 January 2010 - 31 December 2010		(Audited) 1 January 2009 - 31 December 2009	
A. CASH FLOW FROM OPERATING ACTIVITIES			**28,184,182**		**8,894,011**
Net Profit Before Taxation (+)		**(4,781,094)**		**(3,290,669)**	
Adjustments:					
Amortisation (+)	18, 19	5,990,378		6,810,163	
Employment Termination Benefit	24	1,005,136		893,425	
Interest Income (-)	32	(964,691)		(1,138,846)	
Interest Expense (+)	33	689,569		84,048	
Loss from the Fixed Asset Sales (net)	31	(278,233)		102,367	
Change in the Provision for Doubtful Receivables	10	(1,488,224)		1,182,848	
Change in the Deferred Financial Income	10	132,258		(986,038)	
Change in the Deferred Financial Expense	10	(93,560)		262,484	
Change in Asset and Liabilities:					
Change in Trade Receivables	10, 37	1,869,521		27,446,040	
Change in Other Receivables	11	(3,139,128)		(942,850)	
Change in Inventories	13	(6,485,676)		20,071,070	
Change in Other Current Assets	26	(1,414,196)		7,423,045	
Change in Other Long Term Receivables	26	(27,837)		546,775	
Change in Trade Payables	10, 37	38,260,900		(38,063,070)	
Change in Short Term Provisions	22	(2,126,372)		1,379,932	
Change in Other Short Term Liabilities	26, 22	3,260,719		(5,302,304)	
Change in Liabilities for Long Term Financial Leasing	26, 22	1,294,913		(906,665)	
Taxes Paid	35	(2,468,024)		(5,285,171)	
Employment Termination Benefits Paid	24	(1,052,177)		(1,392,573)	
Net Cash Generated from the Operating Activities		**28,184,182**		**8,894,011**	
B. CASH FLOW FROM INVESTMENT ACTIVITIES			**(2,501,399)**		**(2,677,964)**
Fixed Asset Additions (-)	18	(2,846,270)		(3,277,371)	
Cash Provided from the Fixed Asset Sales (+)	18	344,871		599,407	
Cash Generated from Investment Activities		**(2,501,399)**		**(2,677,964)**	
C. CASH FLOW FROM FINANCIAL ACTIVITIES			**275,022**		**(2,362,354)**
Interest Paid (-)	33	(689,569)		(84,048)	
Interest Received (+)	32	964,691		1,138,846	
Dividends Paid (-)	27	(100)		(3,417,152)	
Net Cash Generated from Financial Activities		**275,022**		**(2,362,354)**	
Net Increase / (Decrease) in Cash and Cash Equivalents		**25,957,805**	**25,957,805**	**3,853,693**	**3,853,693**
Cash and Cash Equivalents at the Beginning of Period	6		**26,019,602**		**22,165,909**
Cash and Cash Equivalents at the End of Period	6		**51,977,407**		**26,019,602**

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

Türk Prysmian Kablo ve Sistemleri A.Ş.

STATEMENT OF SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

								Reserves and Retained Earnings		Accumulated Losses			
	Notes	Share Capital	Adjustment to shareholders' equity (-)	Company's Own Shares (-)	Share Premium	Revaluation Fund	Translation Reserves	Legal Reserves	Other Reserves	Statue Reserves	Shareholders' Equity Resta. Differences	Net profit for the period	Total
1 January 2009		**39,312,000**	**8,462,823**	-	-	-	-	**1,590,231**	**26,453**	**8,196,067**	**64,458,829**	**18,004,730**	**140,051,133**
Dividends Paid	27	-	-	-	-	-	-	-	-	-	-	(3,418,852)	(3,418,852)
Transfers	27	-	-	-	-	-	-	1,087,266	2,952,139	10,546,473	-	(14,585,878)	-
Share Capital Increase	27	72,921,652	**(8,462,823)**	-	-	-	-	-	-	-	(64,458,829)	-	-
Net Income for the Period	27	-	-	-	-	-	-	-	-	-	-	(5,289,062)	(5,289,062)
31 December 2009		**112,233,652**	-	-	-	-	-	**2,677,497**	**2,978,592**	**18,742,540**	-	**(5,289,062)**	**131,343,219**
1 January 2010		**112,233,652**	-	-	-	-	-	**2,677,497**	**2,978,592**	**18,742,540**	-	**(5,289,062)**	**131,343,219**
Transfer	27	-	-	-	-	-	-	-	-	(5,289,062)	-	5,289,062	-
Actuarial Adjustments	27	-	-	-	-	-	-	-	-	(325,996)	-	-	(325,996)
Net Income for the Period	27	-	-	-	-	-	-	-	-	-	-	(5,416,031)	(5,416,031)
31 December 2010		**112,233,652**	-	-	-	-	-	**2,677,497**	**2,978,592**	**13,127,482**	-	**(5,416,031)**	**125,601,192**

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

NOTES

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES OF THE COMPANY

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 in the Capital Markets Board ("CMB") and 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 kVolt, 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 Ömerbey Mah. Bursa Asfaltı Cad. No:51 16941 Mudanya Bursa. The average number of employees of the Company as of the period is stated as follows:

31 December 2010

Personnel Type	Union	Union Name	None-Union
Blue Collar	275	Birleşik Metal İş Sendikası	26
White Collar	-	-	78
TOTAL	**275**		**104**

31 December 2009

Personnel Type	Union	Union Name	None-Union
Blue Collar	290	Birleşik Metal İş Sendikası	-
White Collar	-	-	79
TOTAL	**290**		**79**

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis of Presentation:

CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI–25, "The Accounting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS / IFRS") endorsed by the European Union. Until the differences of the IAS / IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS / IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS / TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

With the decision taken on 17 March 2005, the CMB 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 CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year commencing from 1 January 2005.

As the differences of the IAS / IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS / IFRS. The financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated 14 April 2008 and 9 January 2009, including the compulsory disclosures.

2.2. Changes in Accounting Policies:

There is not any accounting policy changed or planned to be changed in the period. All accounting policies applied are consistent with the prior periods' policies.

2.3. Changes in Accounting Estimates and Errors:

Material changes in accounting policies or material errors are corrected, retrospectively; restating the prior period financial statements. Effects of changes in accounting estimates are recognized prospectively; i.e. the effects of such changes on current and future periods are recognized in the current and future periods.

2.4. Adoption of New and Revised Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no material impact on the financial statements are set out in this section.

a) New and Revised Standards affecting presentation and disclosure only;

Amendments to IAS 7 *Statement of Cash Flows* (as part of Improvements to IFRSs issued in 2009)	The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 *Intangible Assets* for capitalisation as part of an internally generated intangible asset. This change has been applied retrospectively.
Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)	The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Company has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

b) Standards and Interpretations that are effective in 2010 with no impact on the financial statements;

IFRS 3 (revised), "Business Combinations" and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates", and IAS 31, "Interests in joint ventures", are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

IAS 28 (revised in 2008) Investments in Associates, the principle adopted under IAS 27 (2008) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss. The amendment is not relevant as the Company does not have any investments in associates.

IFRIC 17, "Distributions of non-cash assets to owners", effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Company, as it has not made any non-cash distributions.

IFRIC 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Company, as it has not received any assets from customers.

"Additional exemptions for first-time adopters" (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Company, as it is an existing IFRS preparer.

IFRS 2, "Share-based Payments – Group Cash-settled Share Payment Arrangements" is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Company, as the Company does not have share-based payment plans.

Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of Improvements to IFRSs issued in 2008) clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Company committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Company will retain a non-controlling interest in the subsidiary after the sale.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover 12 main standards/ interpretations as follows: IFRS 2 *Share-based Payments*, IFRS 8 *Operating Segments*, IAS 1 *Presentation of Financial Statements*, IAS 17 *Leases*, IAS 18 *Revenue*, IAS 36 *Impairment of Assets*, IAS 38 *Intangible Assets*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRIC 9 *Reassessment of Embedded Derivatives*, IFRIC 16 *Hedges of Net Investment in a Foreign Operation*. The effective dates vary standard by standard but most are effective 1 January 2010.

c) Standards and Interpretations that are issued but not yet effective in 2010 and have not been early adopted

IFRS 1 (amendments) *First-time Adoption of IFRS – Additional Exemptions and Two Other Amendments*

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

On 20 December, IFRS 1 is amended to;
• Provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs.
• Provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

The amendment above will be effective for annual periods beginning on or after 1 July 2011. These amendments are not relevant to the Company, as it is an existing IFRS preparer.

IFRS 7 *Financial Instruments: Disclosures*

In October 2010, IFRS 7 *Financial Instruments: Disclosures* is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IFRS 9 *Financial Instruments: Classification and Measurement*

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 *Financial Instruments: Recognition and Measurement.* The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Company has not had an opportunity to consider the potential impact of the adoption of this standard.

IAS 12 ***Income Taxes***

In December 2010, IAS 12 is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. **The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.**

IAS 24 (Revised 2009) ***Related Party Disclosures***

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 32 (Amendments) ***Financial Instruments: Presentation*** **and IAS 1** ***Presentation of Financial Statements***

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Company has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

IFRIC 14 (Amendments) ***Pre-payment of a Minimum Funding Requirement***

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made. The Company does not expect any impact of the adoption of this amendment on the financial statements.

IFRIC 19 ***Extinguishing Financial Liabilities with Equity Instruments***

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability. The Company has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/interpretations as follow: IFRS 1 *First-time Adoption of International Financial Reporting Standards*; IFRS 3 *Business Combinations;* IFRS 7 *Financial Instruments: Disclosures*; IAS 27 *Consolidated and Separate Financial Statements*; IAS 34 *Interim Financial Reporting* and IFRIC 13 *Customer Loyalty Programs*. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011. Early adoption of these amendments is allowed. The Company has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

2.5. Summary of Significant Accounting Policies:

2.5.1 Revenue Recognition:

Net revenues represent the invoiced value of goods shipped. Revenues are recognized 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 2.5.17). 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 recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

2.5.2. Inventories:

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories are materials, labor 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 labor, 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 13).

The Company performs monthly stock counts. Cost of inventories includes total purchase costs and other costs incurred in bringing the inventories to their present location and condition.

2.5.3. Tangible Assets:

Property, plant and equipment are carried at cost less accumulated depreciation (Note 18). 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;

	Economic Life	Method
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
Leasehold improvements	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.

Costs for repair and maintenance of property, plant and equipment are normally charged as expenses. They are, however, capitalized in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

2.5.4. Intangible Assets:

Intangible assets comprise acquired computer software and development costs. They are recorded at their acquisition cost and amortized 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 19).

2.5.5. 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.

In case that increase in the recoverable amount of the asset is related with a situation that has occurred in the period subsequent to the period in which the impairment of an asset is booked, impairment amount can be reversed. Reversal amount cannot be greater than the impairment amount that has been booked before.

6.6.6. Trade Receivables:

Trade receivables that are originated by the Company by providing goods or services directly to a debtor are carried at amortized 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.

2.5.7. Borrowing Costs:

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

2.5.8. Financial Instruments:

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 inter-companies. 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 (Note 10).

Liquidity 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 (Note 10).

The Company does not have any bank loans, bonds issued and financial leasing liabilities. Explanations related with the liquidity risk arising from trade payables and other payables are presented in Note 10.

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 (Note 38). 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

Balances denominated in foreign currencies are translated at year-end bid rates declared by Central Bank of Turkey.

Financial assets including cash and amounts due from banks are translated at bid rates declared by the Central Bank of Turkey.

The carrying value of trade receivables are also translated at year-end bid rates and their fair values are considered to approximate with the related allowance of doubtful accounts.

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.

Trade payables and borrowings are translated at period-end ask rates declared by the Central Bank of Turkey.

Long-term borrowings which are denominated in foreign currencies are translated at period-end rates and their fair values are considered to approximate their respective carrying values.

c) Other financial liabilities

Derivative financial instruments and hedge accounting

The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

The Company does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2.5.9. Business Combinations:

None (2009: None).

2.5.10. 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 denominated in foreign currencies have been translated into Turkish Lira at the ask rates prevailing at the balance sheet dates. Payables denominated in foreign currencies have been translated into Turkish Lira at the bid 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.

2.5.11. 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.

2.5.12. Subsequent Events:

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

2.5.13. Provisions, Contingent Assets and Liabilities:

Provisions are recognized when the Company has a present legal or constructive obligation or a result of past events, it is probable that on 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 (Note 22).

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 41).

2.5.14. Leasing

None (2009: None).

2.5.15. 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 37).

2.5.16. Segment Reporting:

None (2009: None).

2.5.17. Construction Type Contracts:

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

2.5.18. Discontinued Operations:

None (2009: None).

2.5.19. Government Grants and Incentives:

Government grants, including non-monetary grants at fair value, are not recognized until there is reasonable assurance that the entity will comply with the conditions attached to them and that the grants will be received. Even if the state incentives are obtained either by offsetting an obligation or in cash, they are recognized in the same method in financial statements.

2.5.20. Investment Property:

None (2009: None).

2.5.21. Taxes on Income:

Corporation tax is payable at a rate of 20% for the year 2010 (2009: 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.

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

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 35).

2.5.23. 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 Labor Law.

2.5.24. 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 three months (Note 6).

2.5.25. Capital and Dividends:

Ordinary shares are classified as equity. Dividends receivable are recognized as income in the period when the right to receive payment is established and dividends payable are recognized as an appropriation of profit in the period in which they are declared (Note 27).

2.5.26. 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 7).

2.5.27. 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.

2.6. Significant Accounting Estimates and Assumptions:

Preparation of financial statements requires use of estimates and assumptions that may affect the amount of assets and liabilities recognized as of balance sheet date, contingent assets and liabilities disclosed and amount of revenue and expenses reported. Although, these estimates and assumptions rely on the Company management's best knowledge about the current events and transactions, actual outcome may vary from those estimates and assumptions.

NOTE 3 – BUSINESS COMBINATIONS

The Company does not have any business combinations as of 31 December 2010 (2009: None).

NOTE 4 – JOINT VENTURES

The Company does not have any joint ventures as of 31 December 2010 (2009: None).

NOTE 5 – SEGMENT REPORTING

The Company operates in one business (cable production and sale) and one geographical segment. Therefore, segment recognized is not required (2009: None).

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2010	31 December 2009
Cash – TL	3,419	1,394
Cash – Foreign Currency	6,420	6,824
Bank – Demand Deposit	28,352	109,826
Bank – TL – Time Deposit	22,128,398	17,418,131
Bank – Foreign Currency	940,415	291,629
Bank – USD – Time Deposit	21,525,620	4,356,143
Bank – EURO – Time Deposit	6,141,387	2,705,949
Cheques Received	1,203,396	1,129,706
TOTAL	**51,977,407**	**26,019,602**

Maturity dates and interest rates of time deposits are as follows:

	31 December 2010		31 December 2009	
	Maturity	Int. Rate (%)	Maturity	Int. Rate (%)
Time Deposit – TL	Overnight	8.25	Overnight	9
Time Deposit – TL	38Days	9	Overnight	8.5
Time Deposit – TL	-	-	Overnight	7.5
Time Deposit – TL	-	-	19 Days	10.75
Time Deposit – TL	-	-	17 Days	10.75
Time Deposit – USD	Overnight	1	Overnight	1.5
Time Deposit – USD	15 Days	2	Overnight	1
Time Deposit – EURO	Overnight	1	Overnight	1
Time Deposit – EURO	15 Days	2	-	-
Time Deposit – USD	42 Days	3.55	-	-
Time Deposit – USD	50 Days	3.3	-	-
Time Deposit – USD	57 Days	3.3	-	-

NOTE 7 - FINANCIAL INVESTMENT

The Company does not have any financial investments as of 31 December 2010 (2009: None).

NOTE 8 – FINANCIAL DEBTS

The Company does not have any financial debts as of 31 December 2010 (2009: None).

NOTE 9 – OTHER FINANCIAL LIABILITIES

None (2009: None).

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables:

	31 December 2010	31 December 2009
Trade Receivables	57,207,854	66,328,842
Trade Receivables (Foreign Related Parties) (Note 37)	8,245,736	3,615,084
Notes Receivables	36,857,806	32,748,767
Doubtful Receivables	12,971,287	14,459,511
Provision for Doubtful Receivables	(12,971,287)	(14,459,511)
Unearned Financial Income	(503,474)	(371,216)
TOTAL	**101,807,922**	**102,321,477**

Foreign exchange differences accrued for foreign currency doubtful receivables are included in the provision and reflected to the foreign exchange income/loss.

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

	2010	2009
1 January	**14,459,511**	**13,276,663**
Additions and collections in the period	(1,759,094)	1,230,353
Changes due to the foreign exchange rate differences	270,870	(47,505)
31 December	**12,971,287**	**14,459,511**

Aging analysis of Cheques and Notes Receivables:

	31 December 2010	31 December 2009
0 - 30 Days Maturity	14,486,371	14,928,609
31 - 60 Days Maturity	16,589,172	11,197,942
61 - 90 Days Maturity	5,043,545	4,906,485
91 Days and Over	738,718	1,715,731
TOTAL	**36,857,806**	**32,748,767**

Guarantees received regarding trade receivables:

The Company minimizes all risks regarding trade receivables by effective controls and by guarantees received. A trade relationship is formed between the Company and its customer after guarantees are obtained from the customers. All guarantee terms are kept under control both before order date and shipment date. As of 31 December 2010 the Company has TL22,900,626 (31 December 2009: TL23,704,005) of guarantees for its trade receivables. All of the mentioned guarantees have been obtained from third parties, there are no guarantees obtained from inter-companies.

Factoring transactions regarding trade receivables:

The Company has started to make without recourse factoring agreements for its domestic and export-listed receivables in 2010. The receivables within the guarantee terms of factoring agreements are the receivables of factoring company and in the accompanying financial statements receivables and liabilities are presented on a net basis. As of 31 December 2010, total amount of receivables transferred to the factoring company is TL37,497,272.

Aging analysis of trade receivables:

As of 31 December 2010 and 31 December 2009, maturities of trade receivables, for which no bad debt provision has been accounted, are as follows;

	31 December 2010	31 December 2009
Overdue receivables (*)	15,516,797	2,784,148
0 - 30 Days Maturity	21,237,497	41,083,397
31 - 60 Days Maturity	25,047,339	24,219,913
61 - 90 Days Maturity	1,985,722	1,386,534
91 - 120 Days Maturity	404,531	469,934
121 Days and Over	1,261,704	-
TOTAL	**65,453,590**	**69,943,926**

(*) Overdue days	**31 December 2010**	**31 December 2009**
0 - 1 Month	15,402,175	2,742,702
1 - 3 Months	58,568	18,581
3 Months and Over	56,054	22,865
TOTAL	**15,516,797**	**2,784,148**

b) Short-Term Trade Payables:

	31 December 2010	31 December 2009
Trade Payables	110,567,799	73,491,145
Trade Payables (Foreign Related Parties) (Note 37)	5,100,792	4,571,484
Deferred Financial Expenses	(122,809)	(29,249)
TOTAL	**115,545,782**	**78,033,380**

Non-derivative financial liabilities as of 31 December 2010

Expected terms	Net book value	Expected total cash outflows	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Trade Payables	115,545,782	115,668,591	65,337,535	50,331,056	-	-
Other Payables	7,014,474	7,014,474	5,243,675	1,319,366	77,362	374,071

Non-derivative financial liabilities as of 31 December 2009

Expected terms	Net book value	Expected total cash outflows	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Trade Payables	78,033,380	78,062,629	61,493,135	16,569,494	-	-
Other Payables	3,209,271	3,209,271	2,300,580	10,159	878,968	19,564

	Receivables				
31 December 2010	**Trade Receivables**		**Other Receivables**		**Bank Deposits**
	Related Parties	**Other Parties**	**Related Parties**	**Other Parties**	
Maximum risk on receivables as of reporting date (A+B+C+D+E)	**8,245,736**	**93,562,186**	**112,821**	**7,316,771**	**50,764,172**
Guaranteed portion of the maximum risk	-	-	-	-	-
A. Net book value of the assets that are not due or provision (impairment) has not been accounted for	8,226,122	78,065,003	112,821	7,316,771	50,764,122
B. Value of the financial assets that circumstances have been renegotiated, otherwise will be overdue or impaired	-	-	-	-	-
C. Book value of the overdue assets that provision (impairment) has not been accounted for	19,614	15,497,183	-	-	-
- Guaranteed portion	-	13,172,605	-	-	-
D. Net book value of the assets that impaired (provision has been accounted for)	-	-	-	-	-
Overdue (gross book value)	-	12,971,287	-	-	-
Impairment (-)	-	(12,971,287)	-	-	-
Guaranteed portion of the net book value	-	-	-	-	-
Not due (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Guaranteed portion of the net book value	-	-	-	-	-
E. Off balance sheet items that pose credit risk	-	-	-	-	-

	Receivables				
31 December 2009	**Trade Receivables**		**Other Receivables**		**Bank Deposits**
	Related Parties	**Other Parties**	**Related Parties**	**Other Parties**	
Maximum risk on receivables as of reporting date (A+B+C+D+E)	**3,615,084**	**98,706,393**	-	**4,290,464**	**24,881,678**
Guaranteed portion of the maximum risk	-	-	-	-	-
A. Net book value of the assets that are not due or provision (impairment) has not been accounted for	3,438,867	96,098,462	-	4,290,464	24,881,678
B. Value of the financial assets that circumstances have been renegotiated, otherwise will be overdue or impaired	-	-	-	-	-
C. Book value of the overdue assets that provision (impairment) has not been accounted for	176,217	2,607,931	-	-	-
- Guaranteed portion	-	1,050,794	-	-	-
D. Net book value of the assets that impaired (provision has been accounted for)	-	-	-	-	-
Overdue (gross book value)	-	14,459,511	-	-	-
Impairment (-)	-	(14,459,511)	-	-	-
Guaranteed portion of the net book value	-	-	-	-	-
Not due (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Guaranteed portion of the net book value	-	-	-	-	-
E. Off balance sheet items that pose credit risk	-	-	-	-	-

NOTE 11 – OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

	31 December 2010	31 December 2009
VAT Receivable from Direct Export Sales	3,833,506	2,778,216
Receivable for Forward Transactions	3,211,566	1,232,131
Due from Personnel	112,821	198,501
Other Doubtful Receivables	28,195	32,695
Provision for Other Doubtful Receivables	(28,195)	(32,695)
Deposits and Guarantees Given	74,914	57,167
Other Sundry Receivables	196,785	24,449
TOTAL	**7,429,592**	**4,290,464**

b) Other Payables:

	31 December 2010	31 December 2009
Due to Shareholders	10,732	10,832
Order Advances Received	7,003,742	3,198,439
TOTAL	**7,014,474**	**3,209,271**

NOTE 12 – RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (2009: None).

NOTE 13 - INVENTORIES

	31 December 2010	31 December 2009
Raw materials and supplies	12,774,850	9,557,974
Semi-finished goods	18,522,837	14,483,162
Finished goods	20,053,605	21,856,559
Trade goods	690,158	446,660
Other inventories	174,920	49,982
Provision for diminution in value of inventories	(1,295,753)	(1,959,396)
TOTAL	**50,920,617**	**44,434,941**

As of 1 January – 31 December 2010, TL393,892,074 (1 January - 31 December 2009: TL320,932,770) of cost of goods sold is related with raw material usage (Note: 28).

Movement for the provision of obsolete inventory:	**2010**	**2009**
1 January	**1,959,396**	**2,465,742**
Additions and deductions during the period	(663,643)	(506,346)
31 December	**1,295,753**	**1,959,396**

NOTE 14 - BIOLOGICAL ASSETS

Biological assets are not included in the principal business activities of the Company (2009: None).

NOTE 15 – ASSETS RELATED TO CONSTRUCTION CONTRACTS

The Company applies percentage of completion method for construction type contracts for revenue and cost recognition. There is one contract that the Company has signed in this respect in 2010 (2009: 2 contracts). Previously signed contracts related with ongoing and completed projects are as follows:

a) TEİAŞ 154 kV 1.600 mm² BURSA SANAYİ TM – MERİNOS TM and İSTANBUL ÜMRANİYE GIS TM – VANİKÖY GIS TM Underground Power Cable Connection Project:

The Company signed related contract at 17 December 2010. Construction and installation has not started related with the project as of 31 December 2010 accordingly there is no detained progress payments.

b) TEİAŞ 380 kV DAVUTPAŞA GIS TM-YENİBOSNA GIS TM Underground XLPE Power Cable Project:

The Company recognized revenues and incurred costs related with the project as of the current period with 78% percentage of completion.

c) TEİAŞ Yarımca – 1 TM / TÜPRAŞ 154 kV Cable Telecommunication Project:

The Company recognized revenues and incurred costs related with the project as of the current period according to the completion percentage of the project.

Total amount of revenues and costs related with the construction contracts in 2010 and 2009 balance sheets are as follows:

	31 December 2010	31 December 2009
Ongoing construction contract costs:	15,481,226	631,903
Profit minus losses recorded (net)	1,804,238	202,117
	17,285,464	**834,020**
Revenues recognized (-)	(17,668,849)	(562,467)
	(383,385)	**271,553**

Total amount of revenues recognized and costs incurred related with the construction contracts are as follows:

	31 December 2010	31 December 2009
Additions to sales revenue	8,864,340	5,151,691
Additions to cost of sales	6,546,310	3,621,405
Net income /(loss) on financial statements	**2,318,030**	**1,530,286**

NOTE 16 - INVESTMENTS VALUED BY EQUITY METHOD

None (2009: None).

NOTE 17 - INVESTMENT PROPERTY

The Company does not have any investment property as of 31 December 2010 (2009: None).

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

2010	31 December 2009	Additions	Disposals	31 December 2010
Cost				
Land	3,164,360	-	-	3,164,360
Buildings	44,376,979	123,728	-	44,500,707
Machinery and equipment	193,700,869	2,063,955	(112,819)	195,652,005
Motor vehicles, furniture and fixtures	22,076,473	658,587	(141,927)	22,593,133
Leasehold improvements	77,543	-	-	77,543
TOTAL	**263,396,224**	**2,846,270**	**(254,746)**	**265,987,748**
Accumulated Depreciation				
Buildings	(22,550,276)	(771,621)	-	(23,321,897)
Machinery and equipment	(168,291,344)	(4,532,594)	73,137	(172,750,801)
Motor vehicles, furniture and fixtures	(20,285,162)	(645,327)	114,971	(20,815,518)
Leasehold improvements	(77,515)	-	-	(77,515)
TOTAL	**(211,204,297)**	**(5,949,542)**	**188,108**	**(216,965,731)**
Net Book Value	**52,191,927**	**(3,103,272)**	**(66,638)**	**49,022,017**

As of 31 December 2010, the Company has TL5,949,542 of depreciation expense for tangible assets and TL40,836 of amortization expense for intangible assets amounting to total of TL5,990,378. This amount is allocated to cost of goods and operating expenses as TL5,344,587 and TL645,791, respectively.

2009	31 December 2008	Additions	Disposals	31 December 2009
Cost				
Land	3,780,040	-	(615,680)	3,164,360
Buildings	44,113,319	265,568	(1,908)	44,376,979
Machinery and equipment	206,424,460	2,577,578	(15,301,169)	193,700,869
Motor vehicles, furniture and fixtures	23,070,338	434,225	(1,428,090)	22,076,473
Leasehold improvements	77,543	-	-	77,543
TOTAL	**277,465,700**	**3,277,371**	**(17,346,847)**	**263,396,224**
Accumulated Depreciation				
Buildings	(21,781,328)	(769,264)	316	(22,550,276)
Machinery and equipment	(178,190,240)	(5,416,003)	15,314,899	(168,291,344)
Motor vehicles, furniture and fixtures	(21,032,381)	(582,639)	1,329,858	(20,285,162)
Leasehold improvements	(77,515)	-	-	(77,515)
TOTAL	**(221,081,464)**	**(6,767,906)**	**16,645,073**	**(211,204,297)**
Net Book Value	**56,384,236**	**(3,490,535)**	**(701,774)**	**52,191,927**

As of 31 December 2009, the Company has TL6,767,906 of depreciation expense for tangible assets and TL42,257 of amortization expense for intangible assets amounting to total of TL6,810,163. TL6,219,825 of this amount is allocated to cost of goods sold and TL590,338 of the depreciation expense is allocated to operating expenses.

NOTE 19 - INTANGIBLE ASSETS

2010	31 December 2009	Additions	Disposals	31 December 2010
Cost	969,373	-	-	969,373
Accumulated amortization	(895,285)	(40,836)	-	(936,121)
Net Book Value	**74,088**	**(40,836)**	**-**	**33,252**

2009	31 December 2008	Additions	Disposals	31 December 2009
Cost	969,373	-	-	969,373
Accumulated amortization	(853,028)	(42,257)	-	(895,285)
Net Book Value	**116,345**	**(42,257)**	**-**	**74,088**

NOTE 20 - GOODWILL

None (2009: None).

NOTE 21 - GOVERNMENT GRANTS AND INCENTIVES

a) Research and Development Tax Incentive:

In accordance with the Income Tax Law 10/1-a, 40% of the research and development (R&D) expenditures on technology and knowledge research made by the Company itself are exempt from corporate tax. Stoppage is not applied on R&D expenditure allowance.

In order for an expense to be considered as a subject to R&D tax exemption, it has to be an expense realized in the structure of the enterprise for the exclusive use of new technology and information research. 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. As of 31 December 2010, there is no tax allowance subject to research and development expenses as of 31 December 2009 (2009: TL172,290).

b) Research and Development TÜBİTAK Support:

The Company makes periodical applications to Turkish Scientific and Technical Research Association (TÜBİTAK) for the R&D project named as “CABLES MAKING LIFE EASIER” in order to obtain R&D grant in the scope of Communiqué related to Research and Development Grants, No 98/10 dated 4 November 1998 of the Monetary and Credit Coordination Board, obtained based on the authority granted by Article 4 of decision related to State Aids for Exports, no 94/6401 dated 27 December 1994, of the Council of Ministers. As of 31 December 2009, TÜBİTAK support related with the expenditures are as in the following table. As of 31 December 2010, there is no grant accounted for in the financial statements as a result of such expenditures as of 31 December 2009.

NOTE 22 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Short - Term Provisions:

	31 December 2010	31 December 2009
Expense accruals related with construction type contracts	112,357	208,097
Provision for service and goods that invoices are not received	7,021,524	7,460,075
Expense accruals of order commissions	906,152	796,397
Expense accruals for warranty costs	190,185	848,510
Expense accruals of foreign service contracts	407,884	550,524
Expense accruals of forward contracts	497,561	296,503
Expense accruals of distributor sales premiums	433,677	162,803
TOTAL	**9,569,340**	**10,322,909**

b) Long - Term Provisions:

	31 December 2010	31 December 2009
Provisions for court cases	2,603,655	2,590,599
Provisions for warranty expenses	447,895	538,841
TOTAL	**3,051,550**	**3,129,440**

NOTE 23 - COMMITMENTS

As of 31 December 2010 and 31 December 2009, guarantees / pledges / mortgages given by the Company is as follows:

	31 December 2010	31 December 2009
A. Total amounts of GPM given on behalf of its own legal entity	92,867,610	72,944,201
B. Total amounts of GPM given on behalf of subsidiaries that are included in full consolidation	-	-
C. Total amounts of GPM given in order to guarantee third parties debts for routine trade operations	-	-
D. Total amounts of other GPM given	**2,731,985**	**4,481,500**
i. *Total amount of GPM given on behalf of parent company*	-	-
ii. *Total amount of GPM given on behalf of other group companies that are not included in group B and C*	*TL1,730,062* *EUR486,607*	*TL2,477,652* *EUR973,214*
iii. *Total amount of GPM given on behalf of third parties that are not included in group C*	-	-
TOTAL	**95,599,595**	**77,425,701**

Other guarantees, pledges, and mortgages given by the Company compose 1% of equity as of 31 December 2010 (31 December 2009: 2%).

The guarantee letters mentioned in A section in the table above is composed of performance bonds given to customs, various tender authorities and customers in terms of sales contracts. The guarantee letters mentioned in D section is given in accordance with consortium established with Prysmian Cavi e Sistemi Energia Srl.

As of 31 December 2010, the Company does not have any pending export commitments (2009: none).

NOTE 24 – EMPLOYEE BENEFITS

	31 December 2010	31 December 2009
Provision for employment termination benefits	6,071,592	5,792,637
Accruals related with personnel bonuses	1,279,508	1,591,960
Accruals related with personnel vacations	334,829	290,624
TOTAL	**7,685,929**	**7,675,221**

Retirement pay provision:

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed 25 years of service (20 for women) and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age (58 for women and 60 for men). Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TL2,517.01 (2009: TL2,365.16) for each period of service at 31 December 2010. There are no agreements for pension commitments other than the legal requirement as explained above. In addition, the liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 requires 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 liability:

	31 December 2010	31 December 2009
Discount rate (%)	4.67	5.92
Anticipated turnover rate (%)	98.00	97.39

The principal assumption is that the maximum liability for each year of service will increase parallel 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 TL2,623.23 effective from January 1, 2011 has been taken into consideration in calculation of provision from employment termination benefits (1 January 2010: TL2,427.04). Movement of retirement pay provision is as follows:

	2010	2009
1 January	**5,792,637**	**6,291,785**
Provision paid	(1,052,177)	(1,392,573)
Actuarial losses	325,996	-
Interest cost	582,620	692,096
Service cost	422,516	201,329
31 December	**6,071,592**	**5,792,637**

The Company has used actuarial valuation methods to develop present value and current charge of employment termination benefits. Liability termination benefit is discounted even the related liability is going to be paid within twelve months after balance sheet date. The Company has calculated employee termination benefit with actuarial method in accordance with "IAS 19 Employee Benefits" ("IAS 19") and accounted in the accompanying financial statements.

NOTE 25 – RETIREMENT PLANS

The Company does not have any retirement plans, except the employment termination benefits as disclosed in Note 24 (2009: None).

NOTE 26 - OTHER ASSETS AND LIABILITIES

a) Other Current Assets:

	31 December 2010	31 December 2009
Prepaid taxes	1,325,833	1,960,662
Taxes, dues and other receivables	1,231,220	13,036
Order advances given	4,141,219	2,394,656
Business advances	710,004	3,008,174
Prepaid expenses	251,159	189,388
Due from personnel	16,736	1,368
Other current assets	14	777
TOTAL:	**7,676,185**	**7,568,061**

b) Other Non-Current Assets:

	31 December 2010	31 December 2009
Advances given for purchase of fixed assets	398,336	417,337
Prepaid expenses	103,112	56,274
TOTAL:	**501,448**	**473,611**

c) Other Liabilities:

	31 December 2010	31 December 2009
Taxes, dues and other payables	1,169,489	1,456,041
Due to personnel	397,753	387,980
Other	740,731	740,289
TOTAL:	**2,307,973**	**2,584,310**

NOTE 27 - SHAREHOLDERS' EQUITY

a) Paid-in Capital:

Shareholders who hold 5% or more of the shares of the Company as of 31 December 2010 and 31 December 2009 are as follows:

31 December 2010		
Description	**Percentage (%)**	**Amount (TL)**
Prysmian (Dutch) Holdings B.V.	83.75	93,991,660
Other	16.25	18,241,992
TOTAL	**100.00**	**112,233,652**

31 December 2009		
Description	**Percentage (%)**	**Amount (TL)**
Prysmian (Dutch) Holdings B.V.	83.75	93,991,660
Other	16.25	18,241,992
TOTAL	**100.00**	**112,233,652**

At 30 April 2009, Board of Directors agreed to increase share capital over the TL80,000,000 capital ceiling, all financed from retained earnings, from TL39,312,000 to TL112,233,652. Issued shares have TL72,921,652 nominal value and were registered to Capital Market Board at 2 July 2009 with 68/519 number. Capital increase was registered to Bursa Trade Register Office at 9 July 2009 according to the regulations of Capital Market Board by Central Register Office. There are 1,122,336,520 (31 December 2009: 1,122,336,520) shares with nominal value of TL0.10 each (2009: TL0,10).

b) Restricted 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.

In accordance with Capital Market Board Financial Reporting Standards, above-mentioned amounts should be classified under "Restricted Reserves". "Restricted Reserves" amount to TL5,656,089 as of 31 December 2010 (31 December 2009: TL5,656,089).

In accordance with the CMB requirements, effective up to 1 January 2008, the accumulated deficit amount arising from the first application of inflation accounting used to be deducted, when computing the distributable profit in line with CMB's profit distribution regulations. However, it was possible to offset such accumulated deficit initially against net income and retained earnings, and the remaining amount of deficit against extraordinary reserves, legal reserves and shareholders' equity restatement differences.

Furthermore, in accordance with the CMB implementations, effective up to 1 January 2008, items in statutory shareholders' equity such as "share capital, share premium, legal reserves, other reserves, special reserves and extraordinary reserves", used to be presented at their historical amounts and the total difference between the amounts adjusted for the effect of inflation and historical amounts of these items was presented under shareholders' equity inflation adjustment differences. In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences shall be classified as follows:

- the difference is arising from the "Paid-in Capital" and not been transferred to capital yet, it shall be classified under the "Inflation Adjustment To Share Capital";

- the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilized in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings / (Accumulated Losses)".

The other capital components are shown with their evaluated sums in accordance with CMB Financial Reporting Standards.

Share capital adjustment differences can only be added to share capital.

In accordance with the decision of Capital Markets Board on 27 January 2010 number 02/51, there is not any minimum profit distribution obligation for companies related with 2009 (2009: 20%). If a Company decides to distribute dividend, that can realize distribution in cash or as bonus shares through the addition of dividend to equity upon the decision of the Company's general assembly. It has been further enabled that if initial dividend amount is less than the 5% of the existing paid /issued capital, Company can decide to retain this amount if the following situation does not exist; "a Company is obligated to distribute the initial dividend amount in cash if a capital increase without performing a dividend distribution in the previous period is existing".

In addition, based on the CMB Decree 7/242, dated 25 February 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the whole amount of distributable profit should be distributed. If it exceeds the statutory net distributable profit, the whole amount of the statutory net should be distributed. It is stated that dividend distributions should not be made if there is a loss in either the financial statements prepared in accordance with CMB regulations or in the statutory financial statements. None of the Company shareholders have preferential or privileged voting right; all of the votes have equal value. Because there is no beneficial share class in the capital of the Company, there exists no privilege related to the participation in the Company's profit. According to the aforementioned principles above and in line with Communiqué No: 29 shareholders' equity accounts of the Company as of 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010	31 December 2009
Paid-in Capital	**112,233,652**	**112,233,652**
Retained Earnings	**13,127,482**	**18,742,540**
Retained Earnings	*(5,289,062)*	-
Extraordinary Reserves	*18,742,540*	*18,742,540*
Actuarial Difference on Employee Benefits	*(325,996)*	-
Restricted Reserves	**5,656,089**	**5,656,089**
Legal Reserves	*2,661,634*	*2,661,634*
Legal Reserves Inflation Adjustment Differences	*15,863*	*15,863*
Investment and Property Sales Gains to be Transferred to the Share Capital (*)	*2,978,592*	*2,978,592*
Net Income/Loss for the Period	**(5,416,031)**	**(5,289,062)**
TOTAL SHAREHOLDERS' EQUITY	**125,601,192**	**131,343,219**

(*) 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.

In accordance with the decision taken in the General Assembly on 26 March 2010, there is no profit distribution for the period 2009 regarding the CMB profit distribution policy since there has been "Net loss" after "corporate tax expense" and "deferred tax income" amounting TL5,289,062 according to the financial statements prepared for the fiscal year of 2009 in accordance with International Financial Reporting Standards and CMB Communiqué No: XI-29.

NOTE 28 - SALES AND COST OF SALES

	1 January – 31 December 2010	1 January – 31 December 2009
Domestic Sales	404,656,925	334,456,730
Export Sales	184,972,871	174,690,128
Other Sales	10,866,921	9,042,975
Other Operating Income	184,440	495,028
Sales Discounts	(106,333,130)	(89,916,424)
Cost of Sales	(446,190,539)	(370,369,617)
TOTAL	**48,157,488**	**58,398,820**

Cost of sales for the twelve months period ended 31 December 2010 and 31 December 2009 are as follows:

	1 January – 31 December 2010	1 January – 31 December 2009
Direct Material Costs	393,892,070	320,932,770
General Production Costs	18,829,044	18,646,125
Cost of Trade Goods Sold	5,720,128	4,647,338
Cost of Other Sales	10,787,870	8,811,417
Direct Labor Costs	11,616,840	11,112,142
Depreciation Costs	5,344,587	6,219,825
TOTAL	**446,190,539**	**370,369,617**

NOTE 29 - RESEARCH AND DEVELOPMENT EXPENSES; MARKETING, SALES AND DISTRIBUTION EXPENSES; GENERAL ADMINISTRATIVE EXPENSES

	1 January – 31 December 2010	1 January – 31 December 2009
Selling and Marketing Expenses	23,273,281	29,760,391
General Administrative Expenses	18,518,055	23,215,163
Research and Development Expenses	1,159,233	1,182,030
TOTAL	**42,950,569**	**54,157,584**

NOTE 30 - EXPENSES BY NATURE

a) Selling and Marketing Expenses:

	1 January – 31 December 2010	1 January – 31 December 2009
Logistics	16,303,154	18,372,139
Sales and Guarantees Letter Commission Expenses	1,658,570	5,448,634
Personnel Expenses	2,871,703	2,868,343
Other Sales and Distribution Expenses	2,330,939	2,990,801
Depreciation Expenses	108,915	80,474
TOTAL	**23,273,281**	**29,760,391**

b) General and Administrative Expenses:

	1 January – 31 December 2010	1 January – 31 December 2009
License Expenses	11,407,113	13,657,213
Personnel Expenses	3,927,356	5,632,399
Other Administrative Expenses	2,164,270	2,908,438
Depreciation Expenses	490,087	459,241
Outsourced Service Expenses	529,229	557,872
TOTAL	**18,518,055**	**23,215,163**

c) Research and Development Expenses:

	1 January – 31 December 2010	1 January – 31 December 2009
Personnel Expenses	604,798	637,227
Project Costs	-	63,807
Depreciation Expenses	46,789	50,623
Auditing Expenses	194,377	95,149
Outsourced Service Expenses	189,777	168,922
Other Expenses	123,492	166,302
TOTAL	**1,159,233**	**1,182,030**

NOTE 31 - OTHER OPERATING INCOME AND EXPENSES

	1 January – 31 December 2010	1 January – 31 December 2009
Expense Distribution	-	1,127,947
Released Provisions	1,370,575	955,709
Discount Income	487,599	723,554
Purchase Premium Gains	-	580,756
Prior Period Income	207,134	807,658
Research and Development Incentive Income	-	112,190
Other Income	350,799	94,893
Other Operating Income and Profits	**2,416,107**	**4,402,707**
Discount Expense	(526,297)	-
Provision Expenses	(1,740,125)	(45,703)
Payments Related to Tax Penalty Declarations and Consultancy Service Expenses (Note:41)	(8,235,370)	(11,064,673)
Other Expenses (*)	(11,330)	(39,974)
Other Operating Expense and Losses	**(10,513,122)**	**(11,150,350)**

(*) All of the contributions and aids amounting to TL18,194 given to different associations, foundations, corporations and enterprises in the current period has been included in the Other Expenses (31 December 2010: TL31,796).

NOTE 32 - FINANCIAL INCOME

	1 January – 31 December 2010	1 January – 31 December 2009
Foreign Exchange Difference Income	20,313,204	26,971,966
Financial Income from Forward Contracts	173,994	817,648
Interest Income	964,691	1,138,846
TOTAL	**21,451,889**	**28,928,460**

NOTE 33 - FINANCIAL EXPENSE

	1 January – 31 December 2010	1 January – 31 December 2009
Foreign Exchange Difference Expense	(19,753,063)	(27,183,157)
Financial Expense from Forward Contracts	(1,911,699)	(1,367,773)
Bank Transaction Commissions and Other Financial Expense	(327,133)	(537,869)
Interest Expense	(689,059)	(84,048)
Guarantee Letter Expenses	(661,933)	(539,875)
TOTAL	**(23,342,887)**	**(29,712,722)**

NOTE 34 - ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2009: None).

NOTE 35 - TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

a) Current period tax charge:

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 rate is 20% in 2010 (2009: 20%). Corporate tax rate is applied to the tax base which is calculated by 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.

Corporations are required to calculate advance corporation tax quarterly at the rate of 20% on their corporate income and declare by the 14th and pay by the 17th of the second subsequent month. 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 31 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 (TURKSTAT PPI-Producer Price Index increase rate) 100% and 10% respectively. Since these conditions in question were not fulfilled in 2010 and 2009, 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 25th 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 Exception

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.

	1 January – 31 December 2010	1 January – 31 December 2009
Current Period Corporate Tax	-	(3,774,096)
Deferred Tax Income / Expense	(634,937)	1,775,703
Total Tax Expense	**(634,937)**	**(1,998,393)**

	1 January – 31 December 2010	1 January – 31 December 2009
Income before tax	**(4,781,094)**	**(3,290,669)**
Corporate tax provision calculated with 20% tax rate	(956,219)	(658,134)
Non-deductible expenses	2,421,196	4,515,217
Non-taxable income	(2,568,208)	(1,873,634)
Non-deductible expenses (non-taxable income) base for deferred tax	1,738,168	14,944
Total Tax Provision	**634,937**	**1,998,393**

As of 31 December 2010, carried forward tax losses amounts to TL3,290,300.

b) 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-29 and financial statements prepared according to the Turkish tax legislation. Deferred income taxes are calculated using a principal tax rate of 20% (2009: 20%) on temporary differences that are expected to be realized or settled in the following periods.

Details of the cumulative temporary differences and deferred tax assets and liabilities calculated by the current tax rate as of 31 December 2010 are as follows:

	Cumulative Temporary Differences		Deferred Tax Assets /(Liabilities)	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Deferred Tax Assets				
Net difference between the tax base and carrying value of inventories	2,366,240	3,528,009	473,248	705,602
Provision for doubtful receivables	557,516	606,085	111,503	121,217
Deferred credit finance expense	380,665	341,967	76,133	68,393
Expense accruals	15,995,085	19,054,662	3,199,017	3,810,932
	19,299,506	**23,530,723**	**3,859,901**	**4,706,144**
Deferred Tax Liabilities				
Net difference between the tax base and the carrying value of property, plant and equipment	(8,944,907)	(11,165,786)	(1,788,981)	(2,233,157)
Construction type contracts income accruals	(1,214,241)	(217,800)	(242,848)	(43,560)
Other income accruals	(184,435)	(16,527)	(36,887)	(3,305)
	(10,343,583)	**(11,400,113)**	**(2,068,716)**	**(2,280,022)**
Net Deferred Tax Assets	**8,955,923**	**12,130,610**	**1,791,185**	**2,426,122**

	1 January 2010	Charged to income statement	31 December 2010
Deferred Tax Assets	**4,706,144**	**(846,243)**	**3,859,901**
Net difference between the tax base and carrying value of inventories	705,602	(232,354)	473,248
Provision for doubtful receivables	121,217	(9,714)	111,503
Deferred credit finance expense	68,393	7,740	76,133
Expense accruals	3,810,932	(611,915)	3,199,017
Deferred Tax Liabilities	**2,280,022**	**211,306**	**(2,068,716)**
Net difference between the tax base and the carrying value of property, plant and equipment	2,233,157	444,176	(1,788,981)
Construction type contracts income accruals	43,560	(199,288)	(242,848)
Other income accruals	3,305	(33,582)	(36,887)
Net Deferred Tax Assets	**2,426,122**	**(634,937)**	**1,791,185**

NOTE 36 – EARNINGS PER SHARE

	1 January – 31 December 2010	1 January – 31 December 2009
Net loss for the year (TL)	(5,416,031)	(5,289,062)
Average number of ordinary shares (10 Kr nominal value)	1,122,336,520	1,122,336,520
Earnings per share (TL)	**(0.005)**	**(0.005)**

NOTE 37 – RELATED PARTY DISCLOSURES

Amounts due from and due to related parties at the end of the year and transactions with the related parties during the period are summarized below:

	31 December 2010	31 December 2009
Due from group companies	8,245,736	3,615,084
Due from personnel	112,821	198,501
Due from related parties	**8,358,557**	**3,813,585**
Due to group companies	5,100,792	4,571,484
Due to shareholders	10,732	10,832
Due to related parties	**5,111,524**	**4,582,316**

a) Due from Group Companies:

	31 December 2010	31 December 2009
Prysmian Cables et Systemes France SAS	1,532,173	-
Prysmian Cavi e Sistemi Telecom Italia S.r.l.	-	1,868,293
Prysmian Cavi e Sistemi Italia S.r.l	2,769,990	-
Prysmian Kabel und Systeme GmbH	1,559,827	1,035,069
Prysmian Cabluri si Sisteme S.A.	1,095,189	-
Prysmian Wuxi Cable Company Ltd.	717,680	-
Prysmian Telecom Cables & Systems UK Ltd.	-	453,619
Due from Other Group Companies	570,877	258,103
TOTAL	**8,245,736**	**3,615,084**

b) Due to Group Companies:

	31 December 2010	31 December 2009
Prysmian Cavi e Sistemi Energia S.r.l.	3,094,025	3,268,593
Prysmian Cavi e Sistemi Telecom S.r.l.	514,879	546,896
Prysmian Cavi e Sistemi Energia Italia S.r.l.	484,405	317,697
Prysmian Metals Ltd.	-	251,443
Fibre Ottiche Sud - F.O.S. S.r.l.	511,286	-
Due to Other Group Companies	496,197	186,855
TOTAL	**5,100,792**	**4,571,484**

c) Due to Shareholders:

	31 December 2010	31 December 2009
Dividends from previous years	10,732	10,832
TOTAL	**10,732**	**10,832**

d) Sales to Group Companies:

Name:	1 January – 31 December 2010	1 January – 31 December 2009
Prysmian Cavi e Sistemi Telecom Italia S.r.l.	1,411,520	30,232,056
Prysmian Kabel und Systeme GmbH	11,191,266	7,191,357
Prysmian Telecom Cables & Systems UK Ltd.	488,183	3,838,248
Prysmian Cavi e Sistemi Italia S.r.l	12,369,451	-
Prysmian Cables et Systemes France	10,753,128	2,356,062
Prysmian Cables & Systems Ltd.	2,751,444	-
Prysmian Cavi e Sistemi Telecom S.r.l	2,579,561	681,341
Prysmian Cabluri si Sisteme S.A.	1,717,236	-
Sales to Other Group Companies	1,524,202	239,391
TOTAL	**44,785,991**	**44,538,4555**

e) Trade Goods, Service and Fixed Asset Purchases from Group Companies:

Foreign Purchases: (1 January – 31 December 2010)

Name	Raw Materials & Trade Goods	Service	Fixed Assets	TOTAL
Prysmian Metals Ltd.	24,809,976	-	-	24,809,976
Prysmian Cavi e Sistemi Energia S.r.l.	-	10,314,344	-	10,314,344
Fibre Ottiche Sud - F.O.S. S.r.l.	4,065,771	-	-	4,065,771
Prysmian Cables Et Systemes France SAS	8,113,481	-	-	8,113,481
Prysmian Cavi e Sistemi Italia S.r.l.	4,587,424	-	101,570	4,688,994
Prysmian Kabel und System GmbH.	2,508,614	142,340	-	2,650,954
Prysmian Cavi e Sistemi Telecom S.r.l	-	1,225,533	-	1,225,533
Purchases from Other Group Companies	384,210	853,822	25,680	1,263,712
TOTAL	**44,469,476**	**12,536,039**	**127,250**	**57,132,765**

Foreign Purchases: (1 January – 31 December 2009)

Name	Raw Materials & Trade Goods	Service	Fixed Assets	TOTAL
Prysmian Metals Ltd.	36,006,998	-	-	36,006,998
Prysmian Cavi e Sistemi Energia S.r.l.	-	11,212,633	-	11,212,633
Fibre Ottiche Sud - F.O.S. S.r.l.	2,388,681	-	-	2,388,681
Prysmian Cavi e Sistemi Energia Italia S.r.l	3,265,089	-	-	3,265,089
Purchases from Other Group Companies	1,810,569	3,136,701	-	4,947,270
TOTAL	**43,471,337**	**14,349,334**	**-**	**57,820,671**

f) License Expense Paid to Group Companies:

	1 January – 31 December 2010	1 January – 31 December 2009
Prysmian Cavi e Sistemi Telecom S.r.l.	1,225,533	11,212,633
Prysmian Cavi e Sistemi Energia S.r.l.	10,181,575	2,444,580
TOTAL	**11,407,108**	**13,657,213**

g) Dividend Income:

None (2009: None).

h) Remunerations to Key Management Personnel:

	1 January – 31 December 2010	1 January – 31 December 2009
Short-term benefits (Salaries, bonus payments, public housing, car, social security, health insurance, permit etc.)	1,208,726	1,621,048
Benefits after severance (Prescribed payments will be made to key personnel after retirement etc.)	-	-
Other long-term benefits (Provision for employment termination benefits, long term parts of the allowance provisions, long term bonus plans etc.)	10,783	64,333
Benefits extended due to employment terminations (Severance, termination benefits and other legal amounts paid to redundant managers)	-	118,727
Share based payments	-	-
TOTAL	**1,219,509**	**1,804,108**

NOTE 38 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

The table below summarizes the foreign currency position risk of the Company as at 31 December 2010 and 31 December 2009. Carrying values of foreign currency assets and liabilities of the Company are as follows:

FOREIGN EXCHANGE POSITION TABLE

	31 December 2010					31 December 2009				
	TL Equivalent	**USD**	**EURO**	**GBP**	**CHF**	**TL Equivalent**	**USD**	**EURO**	**GBP**	**CHF**
1. Trade receivables	48,331,127	14,383,854	12,734,220	-	-	57,975,316	20,390,635	12,615,377	8,428	-
2a. Monetary Financial Assets (including Cash, Banks accounts)	28,642,287	14,504,281	3,034,829	-	-	7,590,617	2,894,922	1,495,964	-	-
2b. Nonmonetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	2,941,200	281,354	1,221,963	-	1,400	4,836,665	285,786	1,995,167	26,822	22,161
4. Current Assets (1+2+3)	**79,914,614**	**29,169,489**	**16,991,012**	-	**1,400**	**70,402,598**	**23,571,343**	**16,106,508**	**35,250**	**22,161**
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Nonmonetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Fixed Assets (5+6+7)	-	-	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	**79,914,614**	**29,169,489**	**16,991,012**	-	**1,400**	**70,402,598**	**23,571,343**	**16,106,508**	**35,250**	**22,161**
10. Trade Payables	106,573,427	61,135,400	5,632,575	879	-	68,882,420	41,503,185	2,781,369	21,062	-
11. Financial Liabilities	-	-	-	-	-	-	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
12b. Other Nonmonetary Liabilities	-	-	-	-	-	-	-	-	-	-
13. Short-term Liabilities (10+11+12)	**106,573,427**	**61,135,400**	**5,632,575**	**879**	-	**68,882,420**	**41,503,185**	**2,781,369**	**21,062**	-
14. Trade Payables	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-	-	-	-	-
16a. Other Monetary Liabilities	10,962,956	2,265,491	3,613,987	-	1,400	12,820,739	3,562,415	3,408,340	-	22,161
16b. Other Nonmonetary Liabilities	-	-	-	-	-	-	-	-	-	-
17. Long-term Liabilities (14+15+16)	**10,962,956**	**2,265,491**	**3,613,987**	-	**1,400**	**12,820,739**	**3,562,415**	**3,408,340**	-	**22,161**
18. Total Liabilities (13+17)	**117,536,383**	**63,400,891**	**9,246,562**	**879**	**1,400**	**81,703,159**	**45,065,600**	**6,189,709**	**21,062**	**22,161**
19. Net Asset / (Liability) Position of the Off-Balance-Sheet Foreign Exchange Based Derivatives (19a-19b)	**37,565,458**	**33,781,369**	**(7,100,000)**	-	-	**16,185,909**	**21,841,851**	**(7,694,000)**	-	-
19a. The Amount of the Asset Type Off-Balance-Sheet Foreign Exchange Based Derivatives	60,815,861	38,277,219	800,000	-	-	32,887,275	21,841,851	-	-	-
19b. The Amount of the Liability Type Off-Balance-Sheet Foreign Exchange Based Derivatives	23,250,403	4,495,850	7,900,000	-	-	16,701,366	-	7,694,000	-	-
20. Net Foreign Exchange Asset / (Liability) Position (9-18+19)	**(56,311)**	**(450,033)**	**644,450**	**(879)**	-	**4,885,348**	**347,594**	**2,222,799**	**14,188**	-
21. Net Foreign Exchange Asset / (Liability) Position of the Monetary Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(40,562,969)**	**(34,512,756)**	**6,522,487**	**(879)**	**(1,400)**	**(16,137,226)**	**(21,780,043)**	**7,921,632**	**(12,634)**	**(22,161)**
22. Total Fair Value of the Financial Instruments Used for the Foreign Exchange Hedge	**37,565,458**	**33,781,369**	**(7,100,000)**	-	-	**16,185,909**	**21,841,851**	**(7,694,000)**	-	-

	1 January - 31 December 2010	**1 January - 31 December 2009**
23. Total Exports (TL)	183,645,912	174,483,026
24. Total Imports (TL)	186,344,552	144,692,352
25. Hedging ratio of foreign currency position (%)	52%	40%

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to EUR, USD, GBP, and CHF.

Foreign currency sensitivity analysis table				
31 December 2010	**Profit/Loss**		**Equity**	
	Appreciation of foreign currencies	Depreciation of foreign currencies	Appreciationof foreign currencies	Depreciation of foreign currencies
If US Dollars 10% is appreciated / depreciated				
1- US Dollars net assets/liabilities	(5,339,215)	5,339,215	-	-
2- Hedged from US Dollar risk (-)	5,219,228	(5,219,228)	-	-
3- US dollars net effect (1+2)	**(119,987)**	**119,987**	**-**	**-**
If EURO 10% is appreciated / depreciated				
4- Euro net assets/liabilities	1,577,761	(1,577,761)	-	-
5- Hedged from AVRO risk (-)	(1,790,538)	1,790,538	-	-
6- Avro net effect (4+5)	**(212,777)**	**212,777**	**-**	**-**
If other currencies10% is appreciated / depreciated				
7- Other foreign currency net assets/liabilities	(213)	213	-	-
8- Hedged from other foreing currencies risk (-)	-	-	-	-
9- Other foreign currencies net effect (7+8)	**(213)**	**213**	**-**	**-**
TOTAL (3+6+9)	**(332,977)**	**332,977**	**-**	**-**

Foreign currency sensitivity analysis table				
31 December 2009	**Profit/Loss**		**Equity**	
	Appreciation of foreign currencies	Depreciation of foreign currencies	Appreciation of foreign currencies	Depreciation of foreign currencies
If US Dollars 10% is appreciated / depreciated				
1- US Dollars net assets/liabilities	(3,269,288)	3,269,288	-	-
2- Hedged from US Dollar risk (-)	3,288,728	(3,288,728)	-	-
6- Avro net effect (4+5)	**19,440**	**(19,440)**	**-**	**-**
If EURO 10% is appreciated / depreciated				
4- Euro net assets/liabilities	2,135,889	(2,135,889)	-	-
5- Hedged from AVRO risk (-)	(1,670,137)	1,670,137	-	-
6- Avro net effect (4+5)	**465,752**	**(465,752)**	**-**	**-**
If other currencies10% is appreciated / depreciated				
7- Other foreign currency net assets/liabilities	3,343	(3,343)	-	-
8- Hedged from other foreing currencies risk (-)	-	-	-	-
9- Other foreign currencies net effect (7+8)	**3,343**	**(3,343)**	**-**	**-**
TOTAL (3+6+9)	**488,535**	**(488,535)**	**-**	**-**

NOTE 39 - FINANCIAL INSTRUMENTS (Fair Value Disclosures and Hedging Disclosures)

Fair value is the amount at which a financial instrument could 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 available market information and appropriate valuation methodologies. However, interpreting the fair values of financial instruments by evaluating the market information requires judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company can realize in a current market exchange.

31 December 2010	**Note:**	**Loans and receivables (including cash and cash equivalents):**	**Financial liabilities at amortized cost:**	**Carrying value:**
Financial Assets				
Cash and cash equivalents	6	51,977,407	-	51,977,407
Trade receivables	10, 37	101,807,922	-	101,807,922
Other current and non current assets	11	7,429,592	-	7,429,592
Finansal Liabilities				
Trade payables	6	-	115,545,782	115,545,782
Other financial liabilities	22	-	12,620,890	12,620,890

31 December 2009	Note:	Loans and receivables (including cash and cash equivalents):	Financial liabilities at amortized cost:	Carrying value:
Financial Assets				
Cash and cash equivalents	6	26,019,602	-	26,019,602
Trade receivables	10, 37	102,321,477	-	102,321,477
Other current and non current assets	11	4,290,464	-	4,290,464
Finansal Liabilities				
Trade payables	6	-	78,033,380	78,033,380
Other financial liabilities	22	-	13,462,349	13,462,349

The fair values of financial assets and financial liabilities are determined and grouped as follows:

Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Based on the fair value hierarchy, the Company's financial assets and liabilities are categorized as follows:

	Fair value as of balance sheet date		
	Level 1	**Level 2**	**Level 3**
	TL	**TL**	**TL**
Financial Assets			
Financial assets at FVTPL	-	-	-
Derivative financial assets	-	3,211,566	-
Total	**-**	**3,211,566**	**-**
Financial Liabilities			
Financial liabilities at FVTPL	-	-	-
Other financial derivatives	-	497,561	-
Total	**-**	**497,561**	**-**

Foreign currency purchase agreement:

As of 31 December 2010, the Company has ongoing forward sale contracts amounting to EURO7,900,000 and USD4,495,850 ongoing forward purchase contracts amounting to EURO800,000 and USD38,277,219. The related income amounting to TL2,281,629 is classified under *"Financial income"*.

As of 31 December 2009, the Company has ongoing forward sale contracts amounting to EURO7,694,000 and ongoing forward purchase contracts amounting to USD21,841,851 and the related income amounting to TL503,272 is classified under "*Financial income*".

NOTE 40 - SUBSEQUENT EVENTS

None (2009: None).

NOTE 41- OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

a) Tax Penalty Declarations related to 2002:

The Company received "Tax investigation report" and "Tax penalty declarations" from Revenue Administration Department Bursa Tax Administration Mudanya Tax Head Office claiming that there were irregularities related with the purchases from Ünipek Elektronik Mamulleri İmalat Sanayi ve Tic. Ltd. Şti. performed in 2002. Although the Company had no wrong intention by the usage of the documents which cause the irregularities, Tax Administration claims a VAT loss amounting to TL4,499,620 in accordance with Article 30/4-6 of the Law on Tax Procedures numbered 213 and a tax fine as one time of the VAT correction in accordance with Articles 341, 344 and 359 of the Law on Tax Procedures. A specific irregularity fine amounting TL26,000 is also stated in the report. At 31 December 2007, Company received the mentioned tax fine declaration which is prepared based on the report amounting TL9,025,240 (TL4,499,620 + 4,499,620 + TL26,000). The Company has filed a lawsuit for the cancellation of 'Tax penalty declarations' as of 29 January 2008.

Based on the above mentioned "Tax investigation report", a further "Tax penalty declaration" of TL1,157,864 (TL578,932 + TL578,932) has been presented to the Company as of 30 January 2008. The Company has filed a lawsuit for the cancellation of this "Tax penalty declaration" as of 31 January 2008.

Also, related with the tax penalties amounting to TL10,183,104 in the "Tax penalty declarations", Mudanya Tax Administration has levied and execution on the land registered address as Ömerbey Mahallesi section 32-34 Block 20 Mudanya on which the Company's facilities are located. The related levy has been released again by Mudanya Tax Administration instruction with the Mudanya Land Registry contribution dated 1 April 2010 and No: 3327.

Lawsuit completed in favour of the Company and Tax Court decided to cancellation of tax loss and penalty amounting to TL10,183,104. However, Bursa Tax Administration requested for the appeal of the case to the upper court. On 19 January 2010, the State Council decided the rejection of the appeal decision of the Bursa Tax Administration and approval of the decision in favor of Bursa 2. Tax Court. Tax Court has been raised a claim for the adjustment of the decision; however, it has been learned the decision became final on 9 July 2010 and the risk related to tax penalty notices for year 2002 has been removed.

b) Tax Penalty Declarations related to 2003:

The Company received "Tax investigation report" from Revenue Administration Department Bursa Tax Administration on 27 October 2008. In the mentioned tax investigation report, it was claimed that there were irregularities related with the purchases from Ünipek Elektronik Mamulleri İmalat Sanayi ve Tic. Ltd Şti. performed in 2003. Although the Company had no wrong intention by the usage of the documents which cause the irregularities, Tax Administration claims a VAT loss amounting to TL3,295,493 in accordance with Article 30/4-6 of the Law on Tax Procedures numbered 213. Additionally, Tax Administration claims a tax loss for the correction of VAT amounting to TL4,976,933 in accordance with Articles 116-126 of the same law and it also claims a tax fine as one time of the VAT correction in accordance with Articles 341 and 344/1 of the Law on Tax Procedures. A specific irregularity fine amounting TL40,000 is also stated in the report. At 17 November 2008, Company received the mentioned tax fine declaration. According to the tax fine, in summary, the Company has total exposure amounting TL20,721,064 in aggregate which is as follows: Tax loss for the correction of VAT amounting to TL8,272,426, tax loss fine amounting to TL12,408,638 and TL40,000 as specific irregularity fine.

With respect to the mentioned tax investigation report, the Company demanded settlement before payment notification arrival and it was agreed to hold the settlement meeting on 13 November 2008 by the Tax Administration. However, The Company cancelled the settlement request before payment notification with a written form to Revenues Administration Presidency Bursa Tax Administration Tax Audit Department on 11 November 2008 according to the article 12 of Settlement before Assessment Regulation as: "*Before the agreed meeting date, the tax payer demanding settlement before assessment might inform in written form the parties preparing the report or the unit providing secretarial services to the commission that it has relinquished its demand. In such a case, operations are carried out as if the tax payer did not ask for settlement before assessment."* The result of the evaluations made after, decision of request for settlement has been taken and on 25 November 2008, required written application has been made to Ministry of Finance in Ankara. The settlement date is set as 13 May 2009.

Agreement was provided between the parties after the settlement meeting held on 13 May 2009 with Finance Revenue Administration Settlement Office and the related settlement minute has been signed by the parties. According to the accrual documents declared to the Company by Mudanya Tax Office at 1 June 2009, Company obligated to pay total TL10,065,000 (TL3,067,250 tax, TL125,000 tax loss, and TL6,832,750 overdue interest and TL40,000 irregularity fine) related with the year 2003 as result of settlement meeting. The entire amount is paid by the Company at 12 June 2009.

c) Tax Penalty Declarations related to 2004:

The Company received "Tax investigation report" from Bursa Tax Administration on 24 November 2009. In the mentioned tax investigation report, it was claimed that there were irregularities related with the purchases from Ünipek Elektronik Mamulleri İmalat Sanayi ve Tic. Ltd. Şti. performed in 2004. Although the Company had no wrong intention by the usage of the documents which cause the irregularities, Tax Administration claims a VAT loss amounting to TL6,919,166 in accordance with Article 30/4-6 of the Law on Tax Procedures numbered 213. Additionally, Tax Administration claims a tax loss for the correction of VAT amounting to TL4,313,900 in accordance with Articles 116-126 of the same law and it also claims a tax fine as one time of the VAT correction in accordance with Articles 341 and 344/1 of the Law on Tax Procedures. A specific irregularity fine amounting TL50,000 is also stated in the report. At 10 December 2009, Company received the mentioned tax fine declaration. According to the tax fine, in summary, the Company has total exposure amounting TL28,132,664 in aggregate which is as follows: Tax loss for the correction of VAT amounting to TL16,849,598, tax loss fine amounting to TL11,233,066 and TL50,000 as specific irregularity fine.

In respect to the mentioned tax investigation report, the Company demanded settlement before payment notification arrival and it was agreed to hold the settlement meeting on 8 December 2009, Thursday by the Tax Administration. However, The Company cancelled the settlement request before payment notification with a written form to Revenues Administration Presidency Bursa Tax Administration Tax Audit Department on 7 December 2009 according to the article 12 of Settlement before Assessment Regulation as: "*Before the agreed meeting date, the tax payer demanding settlement before assessment might inform in written form the parties preparing the report or the unit providing secretarial services to the commission that it has relinquished its demand. In such a case, operations are carried out as if the tax payer did not ask for settlement before assessment."* The result of the evaluations made after, decision of request for settlement has been taken on 8 January 2010, and required written application has been made to Ministry of Finance in Ankara. Upon the response to the application request on 27 April 2010, the Company was given an appointment to discuss the terms of the agreement at the Revenue Administration Department on 13 May 2010 at 14.30.

On 13 May 2010, agreement was provided between the parties and the related settlement minute has been signed by the parties. Accordingly, the original tax amount is TL1,932,262. Also, overdue interest amount calculated on the original tax amount is TL3,684,271resulting a total amount of obligation to be paid as TL5,616,533. The related accrual slips have been taken from Mudanya Tax Office on 1 June 2010 and the payment was done on 11 June 2010 by the Company.

COMPLIANCE REPORT

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.
CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Observance Declaration Regarding Corporate Governance Principles

With its 47 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 rules specified in the Corporate Governance Principles of the Capital Market Board (CMB) 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 also 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.

Turk Prysmian Cables and Systems, the leading company of the cable sector, which has been making contributions to the Turkish economy, has been the 23rd company in 2009 to be included in the prestigious Corporate Governance Index of IMKB which reflects the company's corporate value. Derived from the research that was executed by SAHA Corporate Governance and Credit Rating Services Inc. (www.saharating.com) under the Corporate Governance Principles of Capital Markets Board (CMB), the company received the high grade requested for entering in such qualified companies' group 7.76 out of 10 (77.58%).

	Corporate Governance Rating in 2010	
MAIN SECTIONS	**WEIGHTED**	**RATING (%)**
Shareholders:	25%	88.84%
Public Disclosue & Transparency:	35%	86.14%
Stakeholders:	15%	88.13%
Board of Directors:	25%	60.86%
TOTAL	**100%**	**80.79%**

In 2010, Turk Prysmian Cable, based on the Board Ruling number 4/100, related to "Shareholders, Informing the Public and Transparency, Beneficiaries and Board Committee" dated 07.02.2005, has been evaluated able to completely fit the requirements again and, the company received the higher grade with 0.32 increase by remaining in such qualified companies' group 8.08 out of 10 (80.79%).

It is possible to see the whole Corporate Governence Report in our website (www.prysmian.com.tr) under the category of Investor Relations and the title Corparate Governance.

During the activity period ending as of 31 December 2009, 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
- Corporate Governance Committee
- 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 CMB, the works carried out by the company during the relevant period, along with other efforts and practices, are detailed herein below;

PART I - SHAREHOLDERS

2. Unit for the Relations with the Shareholders

To facilitate the follow-up of shareholder rights, the company operates a *"General Accounting & Investor Relations Service"* at its *"Administration & Control Department"*.

Inquiries in oral or written form addressed to this department, are replied as soon as possible, within the context of public information.

3. Exercise of Rights by the Shareholders to Obtain Information

During the relevant period, we received requests from the shareholders as regards to information about conversion of share certificates, attendance in the General Assembly, distribution of dividends, transfer of shares, change of commercial title and payment terms of court cases. As such requests were generally made on the phone, statistically; it was not possible to quantify the requests and the responses given to such requests. In its relations with the shareholders and in general, with the finance community, the Company, being conscious of reciprocal roles, makes every endeavour at all times to establish active and transparent dialogue with its shareholders and corporate investors.

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

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

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

4. Information about the General Assembly

The General Assembly meets as an Ordinary and as an Extra-ordinary General Assembly. The Ordinary General Assembly may convene either in the Company's Head Office (Mudanya) or in Istanbul 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 2009, the General Assemblies convened one time at the Company's Head Office, in the form of ordinary meeting (28 March 2009). 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.

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

• Acceptance of the Board of Directors' Report and the Auditor's Report,
• 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,
• Determination of number of Directors; and election, dismissal, removal re-election and remuneration of the same.
• 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.

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

The shareholders may have access to the minutes of the General Assembly meeting from the Company's Head Office, the Company's internet site (www.prysmian.com.tr) via the relevant links under the *"Investor Relations"* section and the internet site of KAP (Public Informing Project) System's web page (www.kap.gov.tr) as well as from the archives of Turkish Trade Registry Gazette retained at Bursa Trade Registry Office.

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.

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.

Disclosure 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 2009: **18**
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 Istanbul 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 Istanbul Stock Exchange.

10. Company's Internet Site and Its Content

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

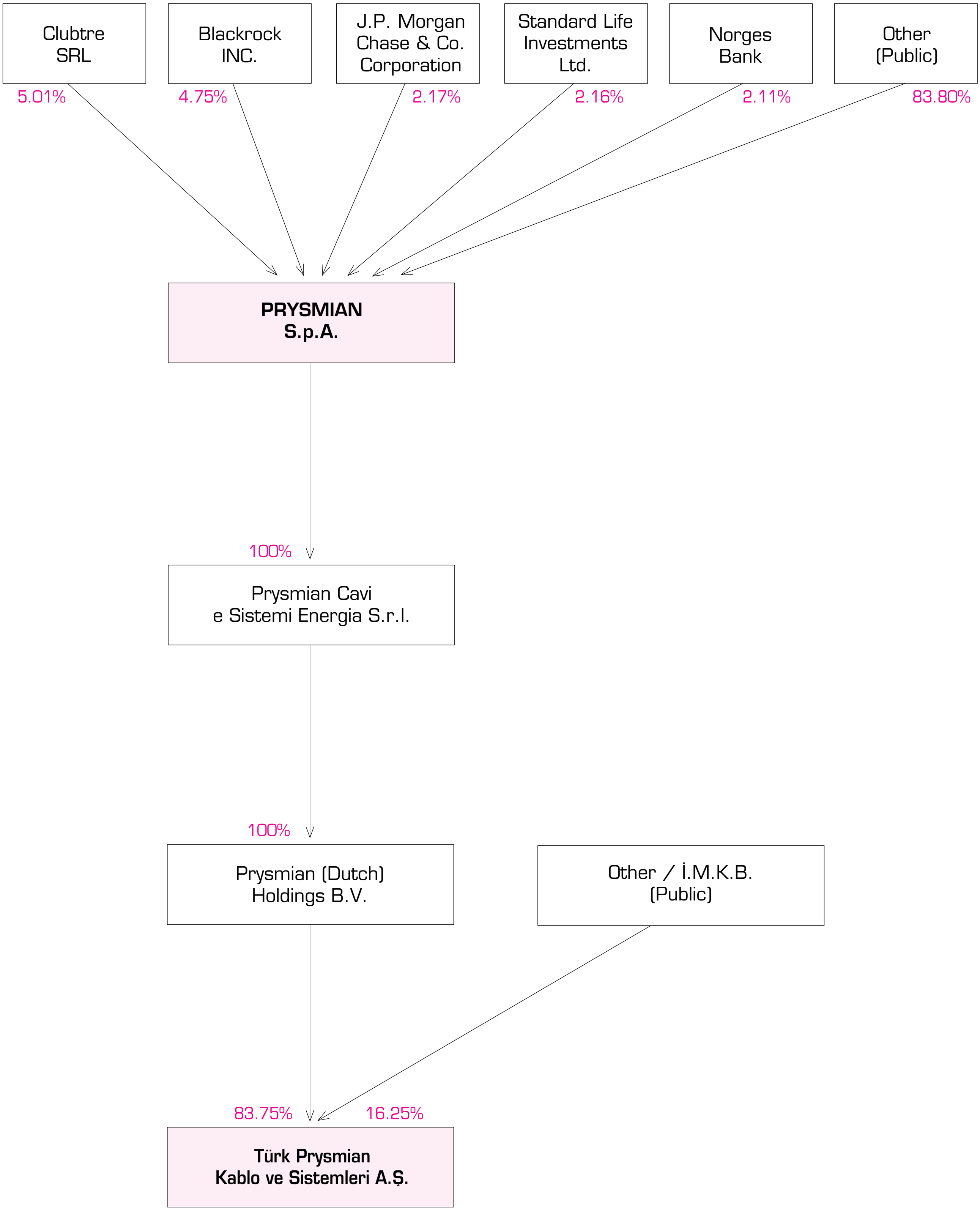
- Trade registry information,
- Latest status of partnership structure,
- Latest status of Board of Directors, Members of Auditors' Board and top level executives,
- Latest status of the Company's Articles of Association (AOA) and date / number of the Trade Registry Gazette where the amended form of the AOA is published,
- Annual Reports for the last seven years,
- Declaration of Special Status,
- Corporate Governance Observance Report,
- Attendance list, agenda and minutes of General Assembly meetings held during the last seven years,
- Proxy format,
- Periodical financial tables and independent audit reports for the last seven years,
- Company Policies,
- 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 Final 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. The real person final dominant shareholder structure of our company is as follows:

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.'
STRUCTURE OF REAL PERSON FINAL DOMINANT SHAREHOLDER (S)
AS OF 31 DECEMBER 2010



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 people having the potential for insider trading as of the date of the report are given herein below;

EXECUTIVE MANAGEMENT :	
Mahmut Tayfun Anık	Chairman of the Board of Directors and Member of Audit Committee
Francesco Fanciulli	Vice Chairman of the Board of Directors & CEO
Fabio Ignazio Romeo	Board Member and Member of Audit Committee
Hasan Özgür Demirdöven	Board Member and CFO
Hikmet Türken	The Board of Auditor Member
Raşit Yavuz	The Board of Auditor Member
İbrahim Etem Bakaç	Sales & Marketing Director
Halil İbrahim Kongur	Factory Director
Faik Kürkçü	Utilities and Contractors Sales Director
Erkan Aydoğdu	Logistics and R&D Manager
Esat Baykal	Quality Manager
Aydan Biltekin	Internal Audit Manager
İdris Çolakgil	Information Technologies Manager
Sıtkı Anıl Kovalı	General Accounting and Investor Relations Manager
Murat Okatan	Credit and Risk Manager
Sabri Levent Özçengel	Human Resources Manager
İlhan Öztürk	Export Sales Manager
Av. Yiğit Türsoy	Legal Affairs Manager
Okay Yıldız	Technical Service Manager
Sevda Yücel	Purchasing Manager

INDEPENDENT AUDIT COMPANY : (DELOITTE - DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.)	
Özlem Gören Güçdemir	Partner
Fulya Kılınç	Manager
Zeynep Dikicioğlu	Auditor
Ahmet Ömeroğlu	Audit Assistant
Kutay Kızıl	Audit Assistant

TAX AUDIT COMPANY : (BDO DENET - Denet Yönetim Danışmanlığı Yeminli Mali Müşavirlik A.Ş.)	
Haluk Erdem	Partner / Tax Director
Adem Kefelioğlu	Tax Audit Manager
Müge Erentürk	Senior Tax Auditor
Demet Uzman	Tax Audit Assistant
Berra Yavuz	Tax Audit Assistant

OTHER PEOPLE :	
Numan Lokman Ketenci	Partner (RSM - Kapital Karden Bağımsız Denetim ve Yeminli Müşavirlik A.Ş.)
Dr. Erdem Tüzgiray	CPA – Expert (RSM - Kapital Karden Bağımsız Denetim ve Yeminli Müşavirlik A.Ş.)
Hafize Nazan Çekmeci	Publisher (Net Ajans Reklam Tanıtım ve Yayıncılık Hizmetleri)
Süalp Çekmeci	Designer (Net Ajans Reklam Tanıtım ve Yayıncılık Hizmetleri)
Av. Cüneyt Büyükyaka	Lawyer (Büyükyaka Law Office)
Av. Mehmet Küçük	Lawyer (Küçük & Küçük Law Office)
Av. Ece Uygun	Lawyer

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 Istanbul 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 Undersecreteriat 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: Article 8 - Company's Information Policy
Please see: 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.

15. Human Resources Policy

Human Resource policy is disclosed in the *"Investor Relations"* section of the Company's Internet site.

Please see: Ethical Code / Article 6 - Human Resources

16. Information Regarding Relations with the Customers and Suppliers

Please see: 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: Ethical Code / Article 5 - Community - Article 7 - Environment

PART IV - BOARD OF DIRECTORS

18. Structure of the Board of Directors, Its Formation, and Independent Members

In the Company's Articles of Association, it is expressly stated that the tasks and responsibilities of the Board of Directors are subject to the basic provisions defined pursuant to Turkish Commercial Code and the adaptations in the Company's Articles of Association. The formalities relating to appointment, re-election, qualification and replacement of the Board of Directors are performed according to the Company's Articles of Association and the provisions of Turkish Commercial Code.

Structure of the Board of Directors

POSITION	MEMBERS	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT
Chairman	**Mahmut Tayfun Anık**		**X**	
Vice Chairman	**Francesco Fanciulli**	**X**		
Board Member	**Fabio Ignazio Romeo**		**X**	
Board Member	**Hasan Özgür Demirdöven**	**X**		

POSITION	MEMBERS	FIRST APPOINTMENT	LATEST APPOINTMENT
Chairman	**Mahmut Tayfun Anık**	27 July 2006	26 March 2010
Vice Chairman	**Francesco Fanciulli**	16 July 2009	26 March 2010
Board Member	**Fabio Ignazio Romeo**	22 July 2005	26 March 2010
Board Member	**Hasan Özgür Demirdöven**	26 March 2010	26 March 2010

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**	**1**	**2**	-	-	-

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

Our Mission: Our mission is to add value to our shareholders and to the sector by providing to our customers, our partners and to the community innovative, technological, high quality and safe products which are adequate to standards.

Our Vision: As being a member of Prysmian Group and as the oldest well-established and leading company in its sector, our vision is;

• To exhibit a creative and superior performance within the workforce with its distinguished and innovative role,
• To have an organizational structure which emphasizes openness and social responsibility,
• To keep customer satisfaction by providing long-term partnerships,
• To create a value for its stakeholders with permanence,
• To dedicate itself to improve the social conditions,
• To be always the leader of the sector in Turkey and international platform.

Please also see: 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 DELOITTE, independent audit company: http://www.deloitte.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.

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 2010.

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: Ethical Code

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

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

Members of Audit Committee: Mahmut Tayfun Anık, Fabio Ignazio Romeo.

The Corporate Governance Committee and other committees are not formed as of 31 December 2010. 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 2009. During the period no debt has been granted to any members of the Board and Top Manager of the company, no credit has been utilized by them and none of them has used benefits through third persons as well as no guarantees in favor of them.

Chairman of the Board of Directors

Mahmut Tayfun ANIK

TÜRK PRYSMIAN ETHICAL CODE

Türk Prysmian Kablo ve Sistemleri A.Ş.
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.
• 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 guarantee equal treatment to all classes of shareholders, and to avoid 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.

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 specified forceable 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.

ARTICLE 9 - INFORMATION - BOOKS AND RECORDS

The Prysmian Group are aware of the importance of correct information on their own activities for the investors and the community in general. Consequently, to the extent compatible with the confidentiality requirements inherent in conducting a business, Group Companies strive for transparency in their relations with all stakeholders. In particular, Group Companies communicate with the investors according to principles of honesty, clarity and equal access to information.

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

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

No false or artificial entries shall be made in the books and records of the Prysmian Group. No undisclosed or unrecorded funds may be established. “Off the books” payments are prohibited. No individual shall ever engage in any arrangement that results in a prohibited act.

ARTICLE 10 - EXPORT CONTROLS AND ECONOMIC SANCTIONS

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

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

ARTICLE 11 - OBSERVANCE OF CODE

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

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

Violations of this Code, any of the implementing policies and procedures or other Group policies, or of any applicable law or regulation will be grounds for serious disciplinary action, including possible termination of employment and/or termination of business relations.

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

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

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

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