



WORLDWIDE LEADER IN RENEWABLE ENERGY STRONGER PLATFORM  
TECHNOLOGY LINKING TURKEY TO THE FUTURE THE ESSENCE OF  
ALL KEY SEGMENTS SUPPORTING GLOBAL DEVELOPMENT

TECHNOLOGY IN ALL KEY SEGMENTS SUPPORTING  
GROUP FROM TURKEY TO THE WORLD STRONGER PLATFORM  
S R&D CAPABILITIES FROM THE WORLD TO TURKEY LEADING  
CUSTOMER SERVICE WORLDWIDE LEADER IN RENEWABLE  
TECHNOLOGY LINKING TURKEY TO THE FUTURE THE  
WORLDWIDE LEADER IN RENEWABLE ENERGY SUPPORTING GLOBAL  
THE DEVELOPMENT

**Prysmian**  
Group

**TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.**  
2012 ANNUAL REPORT

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## MESSAGE FROM CEO

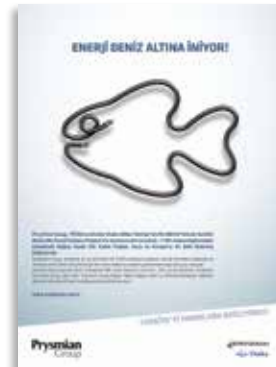
**Dear shareholders,**

The global economy continued with a slow growth rate although with different dynamics in different geographical areas of the world. Europe, the biggest export market of Turkey is still suffering from debt sustainability crisis of member countries and political turmoil and deciding on the measures to overcome economic difficulties. We expect this negative effect to keep the same phase also for 2013. Depending on the relative strength of European economies and the Euro exchange rate parity, raw material prices starting with Copper, the most important ingredient of cable industry, has volatile prices although not as drastic as previous years.

Turkish economy also cooled down in 2012 after very strong growth figures in 2011 causing negative pressure on inflation. The Construction industry continued to slow down since the peak of 23.7% in third quarter of 2010. We started the year with 2.7% in first quarter of 2012 and very close to "0" for the rest of the year. Manufacturing industry following the same trend started the year with 3.2% and then reaching 1.3% at 3rd quarter of 2012. The best estimates now reflecting a GDP growth rate of 2.3% in 2012, which is well below the long term average performance of Turkish economy.

2012 was a mile stone year for Turk Prysmian as we launched our mission "Linking Turkey to the future". Combining the global know-how and resources of the Prysmian Group with the Turk Prysmian strong local presence, we took a major step forward as the industry leader to builds a safe, high performance and economically efficient society.

As part of this new mission we are especially proud of having won in September the first ever HV submarine project in Turkey connecting, for the first time, Europe and Asia. Also in December 2012 we launched the most comprehensive project of cable industry in Turkey, "Attention! All cables are not the same..." initiative as an action to significantly improve the market standards and increase the awareness of the inconsistent quality of cable sold in Turkey. Our objective was to educate all the stakeholder of how to make a step-change in terms of safety, performance but also



reduce the cost of installation. We also aim to start recovering the poor international reputation that the Turkish cable industry has gotten in recent years, due to poor product quality and below specification product, to further grow the export opportunities. This project will remain as the key initiative of Turk Prysmian also in 2013.

As Turk Prysmian we continued to invest to capture the changing demand in cable market which requires newest technology cables and system solutions. 2012 has been a year of success as we had the chance to see the result of our investments in these new technologies. Despite the worsening market conditions, we managed to increase our net result to 7.7 mil. TL in 2012, a growth rate of 120% vs. 2011. This strong financial performance achieved through a lot of hard work by all members of Turk Prysmian family.

2012 was also a year where we significantly increased our investment in our human capital. In 2012 only we held over 20,000 hours of employee training (+130%), launched the new Prysmian Academy in Mudanya, launched new employee scholarship fund and many other new initiatives to develop our human capital.

Today with the completion of the Prysmian/ Draka integration we are stronger and better prepared than ever offering: scientifically-proven, best and most efficient product solutions, a factory that has been significantly upgraded and extended, our highly motivated and most experienced team of the sector, the best distribution partners and strong customer relationships.

Although the economic conditions are uncertain we are confident that 2013 will be a good year for us. Our aim is continue on the road that we prepared in 2012 and expect 2013 to become even stronger, working closely with our partners in the market and together build a safe, high-performing and more economically efficient cable market.

**Hans GS Hoegstedt**  
CEO



**Ercan Karaismailoğlu**  
Board Member & CFO

**Halil İbrahim Kongur**  
Board Member  
& Factory Director

**Hans GS Hoegstedt**  
Vice Chairman of Board  
of Directors & CEO

## TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.

## GENERAL INFORMATION

Prysmian's business is centered on the key markets of energy Cables and Systems, Telecom Cables and Systems, in which we are among the world leaders and innovators for more than a century we have grown as a truly multinational corporation, deeply rooted in local markets throughout the world and building upon our core sectors.

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.

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 annual report includes the period of 01.01.2012 and 31.12.2012.

The Trade Registry Information about Türk Prysmian Kablo ve Sistemleri A.Ş. is above mentioned:

**Headquarters:** Ömerbey Mah. Bursa Asfaltı Cad. No:51 Mudanya / BURSA

**Tel:** +90 224 270 3000 **Fax:** +90 224 270 3024

**Branch:** Ömer Avni Mahallesi İnebolu Sok. Haktan İş Merkezi No:39 K:2 Setüstü Kabataş Beyoğlu/İSTANBUL

**Tel:** +90 212 393 7700 **Fax:** +90 212 393 7762

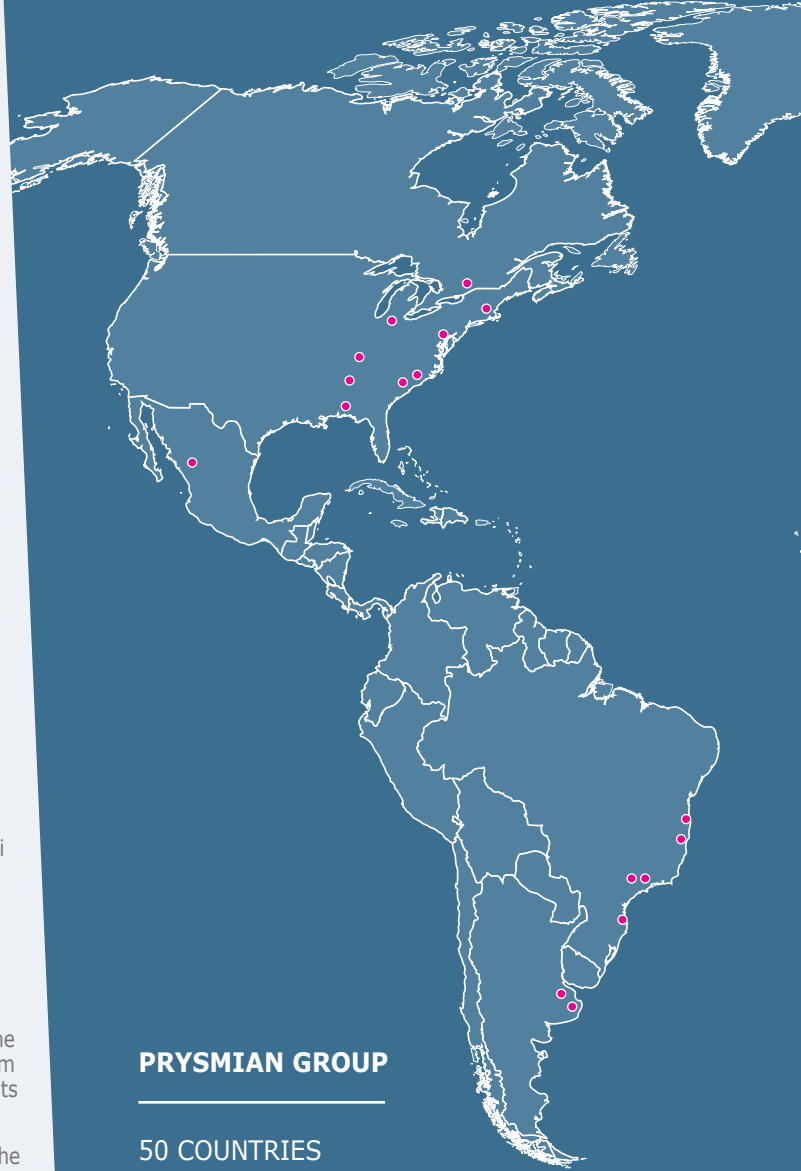
**Trade Registry Number:** M0153/Bursa Merkez

**Web site:** [www.prysmian.com.tr](http://www.prysmian.com.tr)

Amendment of Articles of Association during business year: The articles of association amendment made by our company from 01.01.2012 until 31.12.2012 and justifications of such amendments are as follows.

- Social responsibility principles on Article 3 are amended for the purpose of establishing charities and making donations after the natural disaster experienced in Van.
- Articles 10, 11, 14 and 16 of our company's articles of association are amended as per the Communiqué numbered IV/56, as amended by Communiqué Nr. IV/56 published by the Capital Market Board and as per the Policy Decisions announced by the Capital Market Board.

The revised edition of the articles of association is available on [www.prysmian.com.tr](http://www.prysmian.com.tr) and [www.kap.gov.tr](http://www.kap.gov.tr).



## PRYSMIAN GROUP

50 COUNTRIES

97 PLANTS

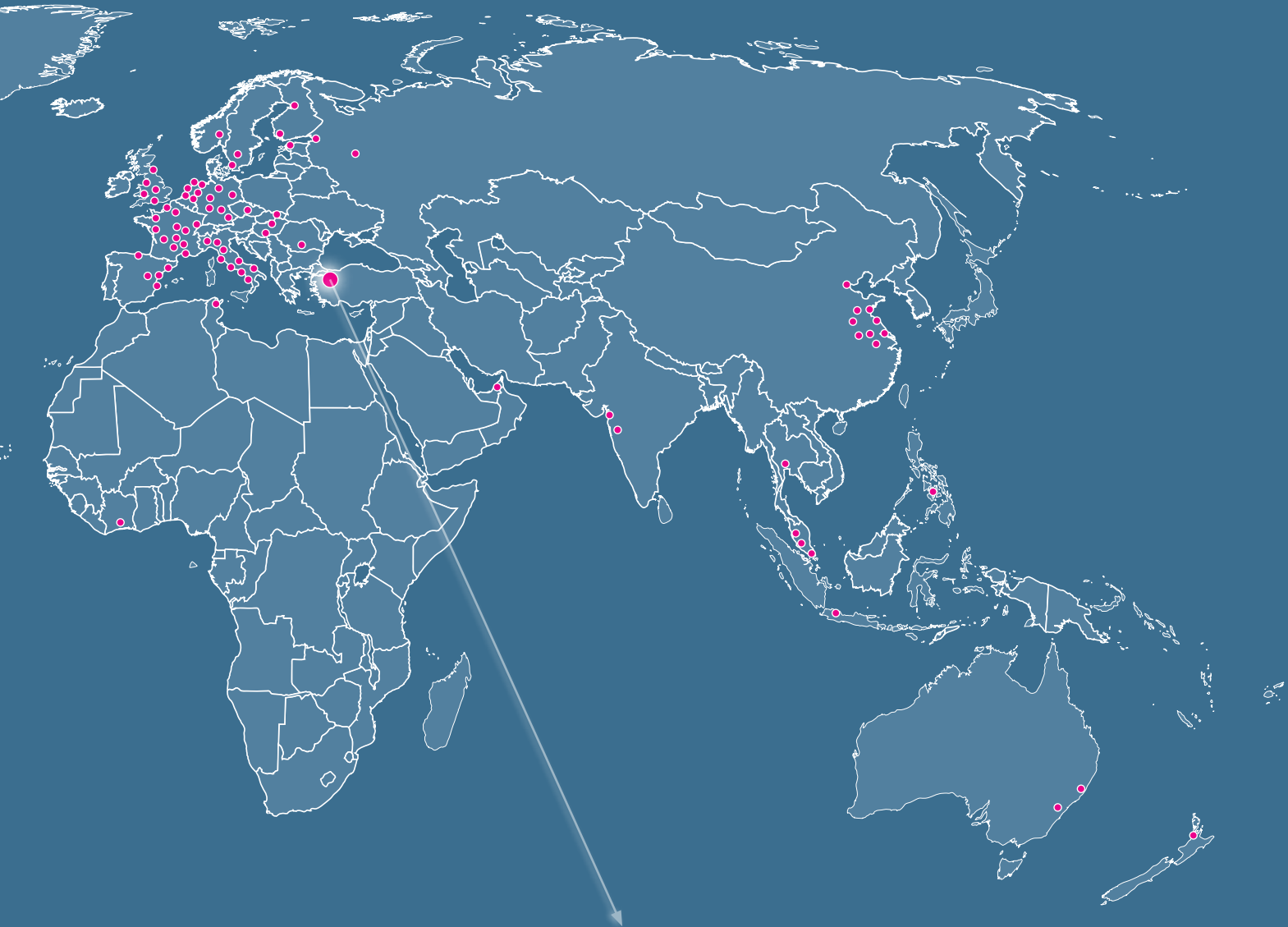
17 R&amp;D CENTRES

22.000 EMPLOYEES

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

Türk Prysmian Kablo ve Sistemleri A.Ş. is Turkish operation of Prysmian Group, worldwide leading company in energy and telecommunication cables' industry following the merge realized between Prysmian and Draka, in 2011. The company is headquartered in Mudanya (Bursa) since 1964 and carries out its activities in a total area of 180.000 m<sup>2</sup> (covered area: 79.000 m<sup>2</sup>).

The company stands out in Prysmian Group as one of the 12 plants that can simultaneously produce energy and telecom cables. All the energy cables up to 220 kV, copper conductor communication cables up to 3.600 pairs, optical fiber cables, special cables used for industrial applications are in the full range of product of Türk Prysmian. Today Mudanya factory can produce 22.000 different cables. Besides all these, Türk Prysmian performs "turn key" projects for cables and systems, and provides all its customers unique and superior services.



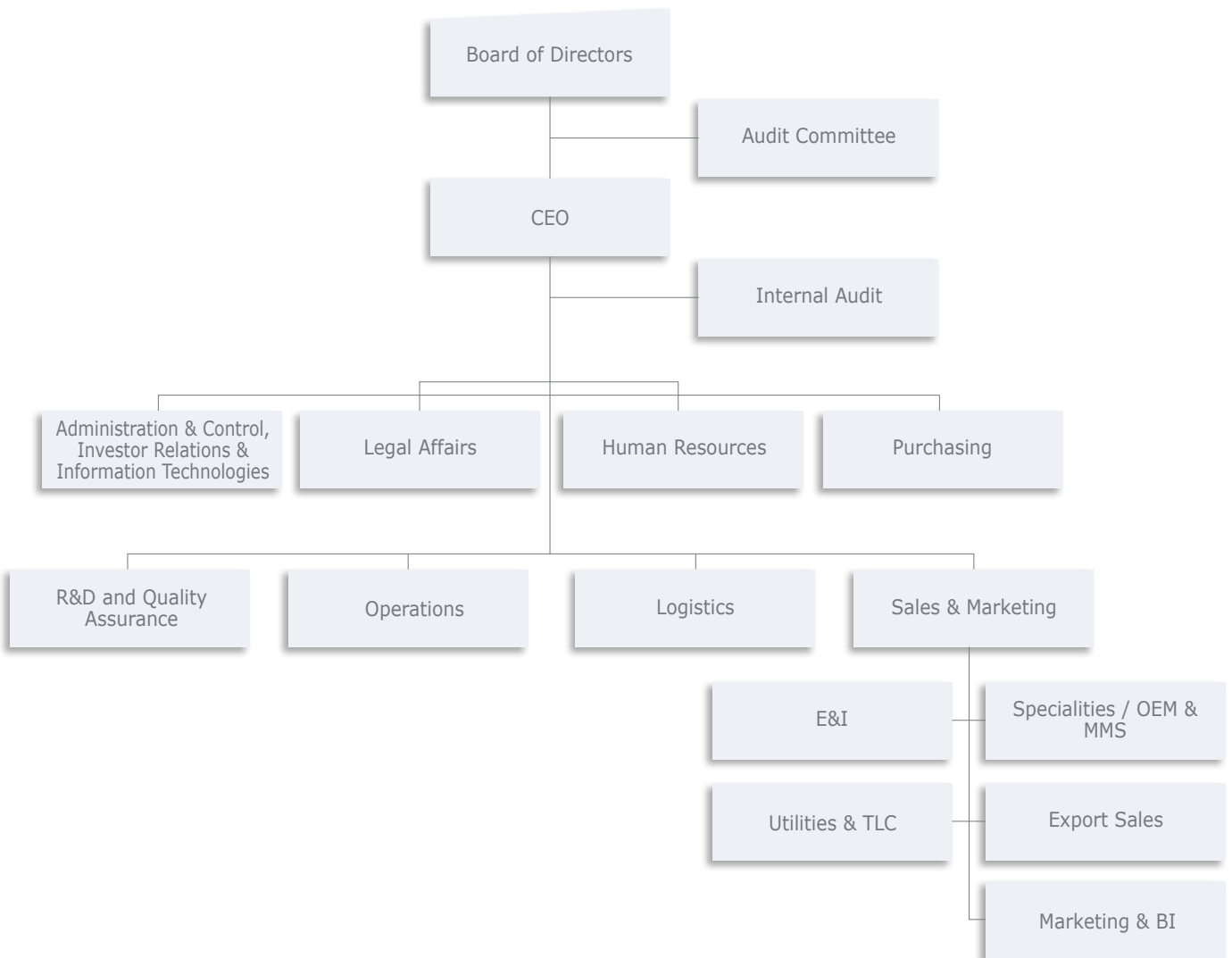
**MUDANYA / TURKEY  
TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.**

The installed capacity of Türk Prysmian 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, which continues to be a privileged export centre within the Prysmian Group exported approximately 39% of its TL677.424.555 turnover in 2012. Today, the company exports to more than 40 countries including Azerbaijan, Iraq, Turkmenistan, UK, France, Jordan and Barbados, other countries in the Middle East and North Africa regions as well as Chile, Papua New Guinea, Sri Lanka and China.

Prysmian Group has 17 R&D centers worldwide; one of these R&D centers is in Türk Prysmian's Mudanya factory. The laboratories of the company use the most advanced technology and are certified by the Turkish Standards Institute. Türk Prysmian has sustained its leadership regarding to innovation, technology, quality and customer satisfaction in Turkey and in the international markets.

Türk Prysmian Kablo ve Sistemleri A.Ş., listed on the Istanbul Stock Exchange, 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.

# ORGANISATIONAL STRUCTURE



## COMPANY BOARDS

|  |   |  |
|--|---|--|
| <b>The Board of Directors</b>                              | <i>Chairman</i><br><i>Vice Chairman</i><br><i>Board Member</i><br><i>Board Member</i><br><i>Board Member</i><br><i>Independent Board Member</i><br><i>Independent Board Member</i><br><i>Independent Board Member</i> | <b>Mahmut Tayfun ANIK</b><br><b>Hans GS HOEGSTEDT</b><br><b>Fabio Ignazio ROMEO</b><br><b>Ercan KARAİSMAİLOĞLU</b><br><b>Halil İbrahim KONGUR</b><br><b>Ali Aydın PANDIR</b><br><b>Neslihan TONBUL</b><br><b>Mehmet Emin TUTAN</b> |
| <b>The Board of Directors</b>                              | <i>The Board of Auditor</i>   | <b>Hikmet TÜRKEN</b><br><b>Raşit YAVUZ</b>   |
| <b>Audit Committee</b>                                     | <i>Committee Member</i>   | <b>Ali Aydın PANDIR</b><br><b>Neslihan TONBUL</b>  |
| <b>Early Risk Assessment and Risk Management Committee</b> | <i>Committee Member</i>   | <b>Ercan KARAİSMAİLOĞLU</b><br><b>Ali Aydın PANDIR</b>   |
| <b>Corporate Governance Committee</b>                      | <i>Committee Member</i>   | <b>Fabio Ignazio ROMEO</b><br><b>Ali Aydın PANDIR</b>  |





## BOARD MEMBERS



**Mahmut Tayfun Anik**  
**Chairman**

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 and Procurement in Pirelli Tyres in Turkey, Germany and Italy, he is now the Chief Procurement Officer for Prysmian S.p.A. since 2003.



**Hans GS Hoegstedt**  
**Vice Chairman of Board of Directors & CEO**

Hans Hoegstedt, before its appointment to Türk Prysmian as CEO, worked as "Worldwide Director for the two targets business units; Power Distribution and Trade & Installers" within Prysmian Group '06-'11. Hoegstedt, started his career in London in 1994 and has since then held several senior marketing, sales and general manager / CEO positions in leading B2C and B2B multinational companies including The Coca-Cola Company, Fiat Auto/ Alfa Romeo and now the Prysmian Group. During his career he has worked in 7 different countries including UK, Germany, US, Romanian, Italy and now Turkey. He holds an BA and MBA studying at Pepperdine University and Harvard University.



**Fabio Ignazio Romeo**  
**Board Member (Prysmian (Dutch) Holdings B.V. natural person per procuration)**

Fabio Romeo is the Head of our Energy Cables & Systems division. He 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.



## BOARD MEMBERS



**Ercan Karaismailoğlu**  
*Board Member & CFO*

Ercan Karaismailoğlu has joined to Prysmian family in 2001 as a Planning and Controlling Manager. Between 2004 - 2009, he has worked as Chief Financial Officer (CFO) of Türk Prysmian Cables and Systems. Between 2009 - 2011 he went to USA and worked as North America Chief Financial Officer (CFO). He returned to Turkey in April 2011 and started to work as Chief Financial Officer (CFO) again. He started his professional career life in 1995 in PriceWaterhouseCoopers Audit department, then worked in Arthur Andersen Tax and Outsourcing departments. He has graduated from Middle East Technical University, department of Economics and has certification of CPA (Chart of Public Accountant).



**Halil İbrahim Kongur**  
*Board Member & Factory Director*

Halil İbrahim Kongur has joined to the Prysmian family in 1986 and since 2003 he has been working as Factory Director. Kongur, worked as Planning Engineer, Logistics Manager, Production Manager and Purchasing Director before assigned to this job. He has graduated from Karadeniz Technical University, department of Mechanical Engineering and completed his masters degree in Berlin Technical University in Manufacturing Technologies department.



**Ali Aydın Pandır**  
*Independent Board Member*

Ali Aydın Pandır has been serving as the Consultant to the Chair of Fiat Auto's Board of Directors since January 2012. Employed as Tofaş's CEO and a member of Tofaş's Board of Directors between 2006 and 2012, Pandır has also served in positions such as supply chain director and general director/CEO in General Motors factories located in Indonesia, Singapore and Chinde between 1996 and 2006. Between 1993 and 1996, he worked as Aftersales services manager for Opel Germany, followed by his employment in the same position in General Motors. Starting his career in Tekersan Jant Sanayii, Pandır worked as Production Manager in Otokar A.Ş. from 1984 to 1989 and as Project Engineer in Koç Holding A.Ş. between 1982 and 1984. Pandır is a graduate of İstanbul Technical University, Department of Mechanical Engineering.



**Neslihan Tonbul**  
*Independent Board Member*

Neslihan Tonbul's first employment was in Bloomingdale Corp. (USA) as sales consultant between 1978 and 1983. Nominated as vice chairman responsible for Middle East and Africa regions in Trust Company, NY (USA) in 1983, Tonbul retained this position until 1998. Between 1988 and 2008, she served as country director for Turkey, Israel and Azerbaijan within the body of New York Mellon, and provided consultancy services to a number of luxury lifestyle brands aiming to create a brand image and develop Market position in Turkey and South Africa between 2008 and 2009. Serving as a member of the Board of Directors in Yaşar Holding since 2009, Tonbul has also taken office between 2010 and 2011 as a member of advisory board in 212 VC Partners company, which provides investment consultancy services. Neslihan Tonbul graduated from Rutgers University, Department of Economy and Political Sciences and has received her PhD from Tufts University - Fletcher School of Law and Diplomacy, Department of Development Economy and International Trade.



**Mehmet Emin Tutan**  
*Independent Board Member*

Mehmet Emin Tutan served as Ak Party's parliament member from Bursa during November 2002-June 2011 period. Holding office between 2001 and 2002 as Bursa, Yıldırım District President of Ak Party, Tutan has also served as a member of Council in Bursa during 1989-2002 period. A Certified Public Accountant, Tutan also has a Certified Public Accounting office. Tutan is a graduate of Uludağ University, Department of Business Management.

## MANAGERS



**Erkan Aydođdu**  
*Logistics and R&D Director*

Erkan Aydođdu started to work in the Production Planning department in 1997 in Prysmian family. Between 2001 - 2002 he went to Italy-HQ and worked as Process Kaizen Engineer in the Logistics department. He returned to Turkey in 2003 and started to work as Logistics Chief and then Logistics Manager. Since 2010 he has been managing both Logistics and R&D Manager. Aydođdu has graduated from Middle East Technical University department of Mechanical Engineering.



**İbrahim Etem Bakaç**  
*Domestics Sales Director*

İbrahim Etem Bakaç started to work in Domestics Sales department in 2001. In 2003, he was appointed as Domestics Sales Manager and between 2010 - 2011 he worked as Sales & Marketing Director. Since 2011 he has been working as Domestics Sales Director. He has graduated from Istanbul Technical University department of Electrical & Electronics Engineering and he completed his masters degree in Istanbul Technical University department of Electrical & Electronics Engineering.



**Ufuk Çolak**  
*Marketing and Business Intelligence Manager*

Ufuk Çolak has joined to Prysmian Group family in 1994 and has worked in different roles in Sales and Marketing department. Çolak has worked as FP Product Manager at Prysmian Cables UK from 2007 to 2009. On his return to Turkey in 2010, he started to work as Key Account Manager. Since 2011 he has been working as Marketing and Business Intelligence Manager. Ufuk Çolak has graduated from Istanbul Technical University department of Electrical Engineering.



**Aydan Biltekin Gökdağ**  
*Internal Audit Manager*

Aydan Biltekin has started her professional career in 2003 in Moore Stephens Audit Services Consultancy as Tax Auditor. In 2004 she started to work in Ernst & Young as Auditor. Biltekin has joined to Prysmian family in 2006. She has been working as Internal Audit Manager, graduated from Marmara University department of Business Administration and completed her masters degree in Marmara University of Finance department. Biltekin has certification of CPA (Chart of Public Accountant).



**Faik Kürkçü**  
*Utilities & Contractors Sales Director*

Faik Kürkçü started to work in Utility Sales department in 1995 and he was appointed as Utility Sales Manager in 2005. Since 2010 he has been working as Utilities & Contractors Sales Director. He has graduated from Yıldız Technical University department of Electrical Engineering.



**Sabri Levent Özçengel**  
*Human Resources Director*

Sabri Levent Özçengel has joined to Prysmian family in 2000. Since 2006 he has been working as Human Resources Manager, before he assigned to his current job, he worked in Administration & Control and Export Sales departments. Özçengel has graduated from Middle East Technical University department of Public Administration, and he completed his masters degree in Anadolu University department of International Economics.



**İlhan Öztürk**  
*Special Cables Sales Director*

İlhan Öztürk has worked in various positions in Sales and Logistics departments in Cable sector since 1994. Öztürk has joined to Prysmian family as Industrial Sales Manager. Between 2010 - 2011 he worked as Export Sales Manager. He has been working as Special Cables Sales Manager since 2011. Öztürk has graduated from Istanbul Technical University department of Electrical Engineering.



**Murat Tezcan**  
*Export Sales and Telecom Solutions Director*

Murat Tezcan started to work in Export Sales department in 1992 in Prysmian. Between 2000 - 2010 he worked as Export Sales Manager. Between 2010 - 2011 he went to Italy-HQ and worked as TLC Cables Worldwide Sales Director, and he returned to Turkey and in addition to TLC Cables Worldwide Sales Coordinator position, started to work as Export Sales & TLC Solutions Sales Director. Tezcan, graduated from Yıldız Technical University department of Mechanical Engineering. He completed his masters degree in Istanbul University in International Trade department and he is currently attending to his second masters education about Finance in Yeditepe University.



**Yiğit Türsoy**  
*Legal Affairs Director*

Yiğit Türsoy has joined to Prysmian family in 2005. He has been working as Legal Affairs Director, graduated from Istanbul University Faculty of Law. Türsoy, in 2007, completed his masters degree in Galatasaray University in Law and Economics department and in 2010 Istanbul Bilgi University Master of Business Administration programme.



**Sevda Yücel**  
*Purchasing Director*

Sevda Yücel started to work in Purchasing department in 1997 in Prysmian family. Between 2001 - 2002 she went to Italy-HQ and worked as a Lead Buyer in the Purchasing department. She returned to Turkey in 2003 and continued her task as Raw Material Purchasing Chief in Pirelli Group. Since 2005, she has been working as Purchasing Manager. She has graduated from Istanbul Technical University department of Mechanical Engineering, and she completed her masters degree in Istanbul Technical University department of Mechanical Engineering.

## MANAGERS

### **Esat Baykal** **Quality Manager**

Esat Baykal started to work in Prysmian family in 1984. Since 2004 he has been working as Quality Manager. Before he has been assigned to his current job, he worked as High Voltage Laboratory Chief, Communication Cables Quality Manager and R&D Manager. He has graduated from Middle East Technical University department of Electrical Engineering.

### **İdris Çolakgil** **Information Technology Manager**

İdris Çolakgil has provided consulting services to our company since 1998, and started to work in the Information Technology department in 2000 in Prysmian family. He worked as SAP Logistics Specialist and Information Technology Chief and since 2008 he has been working as Information Technology Manager. İdris Çolakgil has graduated from Middle East Technical University department of Electrical & Electronics Engineering.

### **Can Durgun,** **Planning and Controlling Manager**

Can Durgun has started his professional career in 2008 at PricewaterhouseCoopers as Auditor. Durgun has joined to Prysmian family in 2012. He has been working as Planning and Controlling Manager, graduated from Uludag University department of Business Administration. Durgun has Independent Auditing in Capital Markets Licence.

### **Sezgin İslamoğlu** **Production Manager**

Sezgin İslamoğlu in 2006 joined the family of Prysmian. From 2012, has been serving as Energy and Telecom Production Manager. Prior to this position, has served as a Mechanical Maintenance and Telecom Cable Production Chief. Sezgin İslamoğlu, graduated from Marmara University Department of Mechanical Engineering. Since 2008 continues in Anadolu University School of Business Administration.

### **Gaye Yurdaşen Kantar** **Credit and Risk Manager**

Gaye Yurdaşen Kantar, after 9 years of banking experience, has joined to Prysmian family in 2012 and she has been working as Credit and Risk Manager. Kantar has graduated from İstanbul University department of Economics.

### **Nevin Kocabaş** **General Accounting and Investor Relations Manager**

Nevin Kocabaş has started her professional career in 2003 in T. İş Bankası A.Ş. at exchange department. She had worked at the group of T. Şişe ve Cam Fabrikaları A.Ş as a General Accounting Chief from 2005. Kocabaş has joined to Prysmian family in 2011. She has graduated from Uludağ University department of Business Administration and also completed her masters degree in Uludağ University, department of Accounting and Finance.

### **Figen Tamuroğlu** **Treasury Manager**

Figen Tamuroğlu has started her professional life in foreign trade business, worked as finance and import expert before joining the Prysmian group in 1994. She has continued her work as Treasury Chief and Group Treasury Manager between 2003 - 2005 in Pirelli Group. Tamuroğlu has been working as Treasury Manager, she has graduated from İstanbul University Faculty of Forestry Engineering, completed her master degree in Managerial economics in faculty of Business Administration in İstanbul University.

### **Celal Uruçay** **Industrial Improvement Manager**

Celal Uruçay, has started his professional career in 2005 in Production Department in Prysmian family. He started to work in Industrial Improvement department in 2009 and he has been working as Industrial Improvement Manager since 2012. Celal Uruçay, has graduated from İstanbul Technical University department of Electrical Engineering,

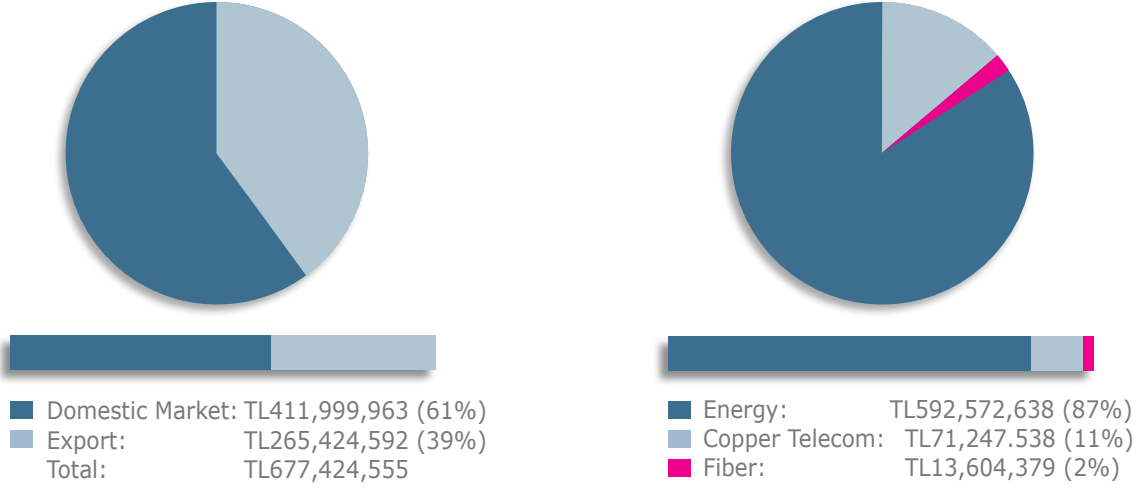
### **Okay Yıldız** **Technical Services Manager**

Okay Yıldız started to work in the Technical Services department in 1988 in Prysmian family. From 1993, he worked as Mechanical Group Manager and Energy Cables Production Manager, since 2002 he has been working as Technical Services Manager. Yıldız has graduated from Uludağ University department of Mechanical Engineering.

## SALES STRUCTURE

Türk Prysmian Kablo ve Sistemleri A.Ş.'s sales structure, from the first day of its establishment, is composed of its A Team Distributors from all around Turkey and its Key Account customers from Turkey and worldwide.

**Our company's sales structure in 2012 is as below:**



**Türk Prysmian's A-Team Distributors are as below:**

|                     |                         |                  |                   |
|---------------------|-------------------------|------------------|-------------------|
| Adnan Elektrik      | Egesim                  | Kıraç Elektrik   | Ruhbaş Elektrik   |
| Alfa Elektrik       | Ekay Elektrik           | Konya Elmak      | Santral Elektrik  |
| Asal Elektrik       | Elpim                   | Mefa Elektrik    | Simpa Elektrik    |
| Cihan Elektrik      | Emta Adana              | Nepa Elektrik    | Ünko Elektrik     |
| Çağın Elektromarket | Findikkaya Elektrik     | Oskar Elektrik   | Yeğenler Elektrik |
| Çetin-İş Elektrik   | Gerilim Elektrik        | Özteknik Enerji  | Yılmaz Elektrik   |
| Delta Tema Elektrik | Güzel Ufuk Elektrik     | Panosan Elektrik |                   |
| Derya Elektrik      | Karadeniz Elektromarket | Promeda Elektrik |                   |

**Türk Prysmian's Some Key Account Customers are as below:**

|                            |                        |                      |                   |
|----------------------------|------------------------|----------------------|-------------------|
| ABB                        | Elco Contracting       | Nuh Çimento          | Tekfen            |
| Alarko                     | Enerji-SA              | Park Teknik          | Teleset           |
| Alstom                     | Ereğli Demir Çelik     | Petrofac             | Tınarsoy          |
| Anel Elektrik              | FGC Elektronik         | R&M Electrical Group | Torunlar          |
| Arçelik                    | Gama Industrial        | Sasel Elektromekanik | Turtle&Hughes     |
| Areva                      | Habaş                  | Savronik             | Tüpraş            |
| Arma Elektropanç           | HKS Has Asansör        | Siemens              | Türk Telekom      |
| Beşiktaş Gemi İnşa         | İçdaş                  | Superonline          | Vesco Contracting |
| Cengiz Enerji              | İnşel                  | Taisei               | Vestel            |
| Diler / Yazıcı Demir Çelik | İskenderun Demir Çelik | Technip              | Vodafone          |
| Ege Yapı                   | Karadeniz Enerji       | Teiaş                |                   |



## PRESTIGIOUS PROJECT REFERENCES



**Türk Prysmian Kablo ve Sistemleri A.Ş. yielded the cable infrastructure of several prestigious projects in Turkey and also worldwide.**

- **Ayada**, First Turkish Island in Maldives / Maldives, 2011
- **Baku Flame Towers**, The Tallest and Most Modern Building of Azerbaijan / Baku, Azerbaijan, 2011
- **Fenerbahçe Ülker Sports Arena City**, The Most Modern Indoor Facility of Turkey / Istanbul, 2011
- **Istanbul Sapphire Tower**, The Tallest Building of Turkey / Istanbul, 2011
- **Marmara Forum**, The Shopping Mall With the Highest Number of Brands / Istanbul, 2011
- **Marmaray**, The Largest Infrastructure Project Connecting Europe to Asia / Istanbul, 2011
- **Mecca Clock Tower**, The Tallest Building of Saudi Arabia / Mecca, Saudi Arabia, 2011
- **Terracity**, The Biggest Shopping Center in Antalya / Antalya, 2011
- **Türk Telekom Arena**, The Newest and High Technology Football Stadium of Turkey / Istanbul, 2011
- **Trump Towers Istanbul**, The First "Trump" Towers in Europe / Istanbul, 2011
- **Zorlu Center**, Master Planning – Cityscape Architectural Awards / Istanbul, 2011
- **City of Capitals**, The Tallest Building of Europe / Moscow, 2010
- **Çağlayan Court of Justice**, The Largest Court of Justice of Turkey / Istanbul, 2010
- **Dubai Metro**, The Longest Metro Built in One Go / Dubai, 2010
- **Tripoli University**, The Largest University of Libya / Tripoli, Libya, 2010
- **MMK Metalurji A.Ş.**, The Best Metal Project in Europe / İskenderun, 2010
- **Palazzo Versace**, The First Hotel With a Refrigerated Beach / Dubai, 2010
- **Mardan Palace Hotel**, The Most Luxury Hotel in Turkey / Antalya, 2009
- **Sabiha Gökçen Airport**, World's Best International Public Development Project / Istanbul, 2009
- **Zonguldak Termic Energy Station**, The Best Energy Project in Europe / Zonguldak, 2009
- **380 kV TEİAŞ Davutpaşa - İktelli Project**, Turkey's First 380 kV Underground Power Cable Project / Istanbul, 2007
- **154 kV TEİAŞ Alibeyköy - Etiler Project**, Turkey's First 154 kV XLPE 1600 mm<sup>2</sup> Miliken HV Power Cable Project / Istanbul, 2006
- **Adam&Eve Hotel**, The Best Design Hotel in Turkey / Antalya, 2006
- **Formula1 Istanbul Park**, The Biggest Race Circuit of Turkey / Istanbul, 2004
- **Fuel to Electrical Car Transformation**, First Fuel to Electrical Car Transformation Project / Turkey, 2012
- **GE – 19 Tower Project**, First Tower Project Where Türk Prysmian Cables Are Used / Turkey, 2012
- **Mercedes Buses**, Turkey's Highest Technology Buses / Turkey, 2008-2012
- **Ankara-Konya High Speed Train**, Turkey's first high speed railway line which is completely constructed by Turkish project managers and engineers / Turkey, 2011
- **Sinan Erdem Sports Arena**, Turkey's Biggest Sport Arena / Istanbul, 2012
- **Turkmenistan TV Tower**, World's biggest star in architecture / Turkmenistan, 2011
- **Digiturk 3D Live Broadcast Car**, Turkey's first 3D Live Broadcast Car / Turkey, 2011
- **Algida-Konya Ice Cream Factory**, World's First Leed Certificated Ice Cream Factory / Konya, 2012
- **Shangri-La Bosphorus Hotel**, World's first hotel which has 7 floors undersea / Istanbul, 2012

## 2012 ECONOMIC OVERVIEW

Many emerging economies have made unconventional policy implementations to manage macro financial risks in 2012. The recent improvement in the global risk perceptions and risk appetite towards the Turkish economy is likely to pose an appreciation pressure on exchange rates since beginning of the year.

The Central Bank of Turkey stated in its December meeting that in order to contain the risks on financial stability, the appropriate policy response would be to keep interest rates at low levels while continuing with macroprudential measures therefore the policy rate and corridor have recently been shifted down and a measured tightening has been implemented through reserve requirement policy. CBRD increased the FX required reserve ratios by 0.5 points for all maturities except for FX deposits with 1 year and longer maturities and other FX liabilities longer than 3 year maturity. Moreover it was expressed that a measured adjustment in the interest rate corridor might also be considered in the forthcoming period if deemed necessary for financial stability.

Current account deficit decreased to USD84 billion in 2012 which was USD106 billion at the end of December 2011. At USD7.2 billion, the trade gap in December came in considerably narrower than market expectations. The improvement in the non-energy trade deficit, which narrowed to USD31.6 bn in 2012 from USD58.4 bn in 2011 first time since October 2010 is remarkable. It is also worth noting the importance of net gold exports, which decreased from a deficit of USD4.8 bn in 2011 to a surplus of USD5.7 bn in 2012, in shaping the country's trade performance last year. Total exports raised to USD152.6 bn while total imports USD236.6 bn. Import coverage ratio rose to %64.5 increasing by 8.5% in comparison to 2011.

Consumer price index which was at the double digit levels in the first half 2012 increased by 0.38% in December but annual inflation fell to %6.16 the lowest end year figure of last 10 years.

The risk outlook in global financial markets has improved following the announcement of the Fiscal cliff deal in USA, however problems partly solved markets have settled down relatively and returned to normalized volumes. Strong performance in portfolio investments followed in last quarter of the year specially banks and other sector leader's participation in international bond markets gained momentum benefiting low interest rates. 2 year benchmark bond yields fell to historical low level %5.75 compound and 10 year benchmark rates %7 compound at the beginning of December.

EUR/USD that floated in the range of 1.29 and 1.32 in December and first half of January, exceeded this band thereafter on the back of "normalization" of financial markets in Eurozone, growing expectations of a short-lived slowdown especially in Germany, major EM currencies strengthened against USD increasing above 1.35.

The central administration budget closed 2012 with a TRY28.8bn deficit which is 2.0% of GDP compared with the last year, better than the revised official target 2.3% of GDP. The increase in the tax revenues which started after the tax adjustments being effective in October has become more apparent in November and December. Special Consumption Tax which has an important share in total tax revenues, increased by 12% compared to the 2011 year-end and displayed a relatively positive outlook due to the tax adjustments implemented in the last quarter.

Turkish economy grown 1.6% in third quarter of 2012, the rate came below market expectations which was around 2.6%. Capacity utilization rate floated in a 73-74% range since May 2012.



## 2013 ECONOMIC EXPECTATIONS

Advanced Economies expected to eliminate their current financial problems in 2013 with improved financial channels in last months. The ECB left the rates unchanged with an economic assessment of a very gradual recovery new year, also supported by improvement in confidence indicators in financial markets. Economic activity gaining momentum in USA with support of FED announced that the policy rate around zero will not be increased until unemployment rate come down 6,5% unless inflation raised up to 2,5%. BOJ explained they may target a higher inflation rate.

The policy framework announced by the CBRT for 2013 to balance macro financial risks coupled with the rich set of instruments it has developed, offers a flexible framework to contain the impact of global shocks on the domestic economy. Forecasts announced in the baseline scenario take the framework outlined in the Medium Term program. Strengthening the structural reform agenda that would ensure the sustainability of the fiscal discipline and reduce the savings deficit would support macroeconomic stability in the medium term.

Globally easing financial conditions due to rise in capital inflows to emerging markets may result in a higher growth than expected in first quarter of 2013, indicators for orders, loans and other leading economic factors also support this outlook. The CBRT delivered a measured cut in both the upper and lower band of the interest rate corridor between O/N lending and borrowing rates since November which in return sharply pushed O/N repo rates in the market down close to 4.75% in January. As a result of these developments credit growth has started to accelerate during last quarter of the year. Annual rate of credit growth in total credit stock has realized around 16% at the end of 2012 which is slightly higher than 15% benchmark level.

Forecasts for average oil prices for 2013 which was USD 107 per barrel in previous October inflation report revised to USD 108 in line with future market prices. A mild increase in exports also assumed. Inflation is expected to be with 70% of probability between 3.9% and 6.7% an average 5.3% at the end of 2013 and 4.9% on average in 2014.





## SECTOR ANALYSIS

Despite the measures taken for minimizing the negative impacts experienced after the recession resulted from the impacts of global crisis, the economics continue to suffer from recession. Economic growth of developing countries has slowed down due to these issues suffered by the world's economy and international institutions revised growth expectations by reducing the figures.

Turkey is considered to be one of the fastest growing countries around the world thanks to the growth rate of 8.5% achieved in 2011. The slowing down trend experienced in the last quarter of 2011 because of global uncertainties was dominant also on the first quarter of 2012. The positive impact of increasing exportation restricted the negative impacts of troublesome period suffered by the domestic demand on the total growth figures. Accordingly it is estimated that 2012 turnover index of construction sector, one of the most important growth indicators of our sector, will be similar to 2011 figures.

Due to the performance achieved by Turkey in 2012, Turkish cable sector failed to realize the expected growth because the construction sector having a tough year despite the public investments continued, just like it did in 2011, failed to achieve the expected growth and because of performance displayed by the industry sector.

In parallel with all these developments, the sector mainly focused on exportation market marked a 2011 real growth of 9.8% in cable exportation and continued to grow in 2012 and the marked a real increase of 10.1%, in comparison to 2011.

Türkiye Elektrik Dağıtım A.Ş. (TEDAŞ), the largest user of energy cable sector, started privatization of "Electricity Distribution Companies" in 2009 and 13 of total 21 regions are being operated by private sector members as

a result of the privatization process. In 2012, privatized energy distribution companies continued to procure and thus invest in distribution networks.

In 2012, gross electric power generation in Turkey increased by 4.2% in comparison to the previous year and marked a value of 239 billion kWh. Turkey is still the one of OECD countries where energy demand rapidly increased in the previous period. The projections of past years indicated that this trend would go on and efforts to accelerate and diversify power supply infrastructure investments have started. Meanwhile, the goal is to increase share of renewable energy in the power supply portfolio and also to add nuclear energy to the energy basket. The plan is to meet increasing energy demand with such efforts.

The research "Turkey's Electricity and Electronics Sector, Strategy Statement and Action Plan, 2012-2016", which is published by the Ministry of Science, Industry and Technology, reviewed the sector as well as determining the priority issues and setting forth an action plan. Meanwhile, "Urban Transformation" project performed under the coordination of Ministry of Environment and Urban Planning has started in 2012 and it is assumed that the project will lead to positive future developments in Turkish Cable Sector.

The activities, organized by Association of Cable and Insulated Conductor Manufacturers, in cooperation with Turkish Standards Institute and Ministry of Industry, for the purpose of eliminating security of life and property risks caused by low quality cables and negative impacts suffered by exportation markets due to discredited Turkish products as well as improving product quality standards and ensuring cable production meeting the standards.

### Forecasting about company progress

Türk Prysmian Kablo ve Sistemleri A.Ş., a strategically important company of Prysmian Group, goes on reinforcing its status as the technology leader as well as developing and marketing products meeting the most recent standards and regulations. Mudanya factory, the center of R&D activities aimed at producing products meeting the standards and having high performance as well as offering cost effective solutions to the end users, will continue to work on such areas. Also, a joint project, making use of Prysmian Group's R&D skills and realized with the head office and R&D centers in other countries, is in progress; the goal is to enrich product range by focusing on products used on specific applications as well as having high levels of added value. The initiative titled "Attention! All Cables Are Not The Same..." started the informative and training meetings to be organized all around Turkey in December 2012 and the regional seminars will continue in 2013. In 2012, we worked actively for improving exportation channels, informative meeting and seminars were organized on abroad for the purpose of introducing wide range of products and we will go on scheduling informative meetings in the upcoming periods.



## R&D ACTIVITIES



Türk Prysmian Kablo ve Sistemleri A.Ş. intends to improve its competitive power by leading innovation and development in energy sector and works on environment-friendly new products and systems. Mudanya R&D is one of the total 17 centers operated by Prysmian Group R&D family which is the global leader of cable production and material technologies with over 600 employees.

Türk Prysmian leads the sector with its R&D activities. Innovative product studies, high-performance cable researches prioritizing security of life, certification and certificate processes important for the energy sector and environment-friendly product projects are the main items of R&D activities.

In 2012, we took the initiative with our Prysmian Performance Test project for the purpose of improving market awareness about flameproof and fireproof high performance cables. It's organised a wide-range launch and training programs for this project.

Studies on design and production of cables used for renewable energy generation systems continued in 2012.

We took an active role in operations of international standard institutions such as IEC. In 2012, we received an award as being a 25-Year TSE Certified Company.



## ATTENTION! ALL CABLES ARE NOT THE SAME...

### TÜRK PRYSMIAN LAUNCHES "ATTENTION! ALL CABLES ARE NOT THE SAME..." INITIATIVE AND "THE PRYSMIAN PERFORMANCE TEST" (PPT)

After almost two years of market analysis and product tests and development Türk Prysmian Kablo ve Sistemleri A.Ş. launches the biggest marketing and education campaign in the history of the Turkish cable market.

Despite an increasing number of fires (in Istanbul, +32% only in '11 vs '10), more and more multi-storey buildings (+30% between '07-'11) and a general inconsistency in terms of quality, performance, safety and ease-of-use of the cable the market research showed that **the general perception is that all cables are the same in the Turkish market.** This was the starting point for the almost two year's development of this comprehensive project that heavily involved local and HQ R&D, marketing and sales.

Despite the cost of cable represents on average less than 1% of total cost of construction projects, choosing the right cable makes a significant difference. Türk Prysmian, with its belief to the need of living in a safe and more efficient world, in order to increase the awareness of Turkish cable sector, started a new initiative named **"Attention! All cables are not the same..."**. The focus of this project is to raise the awareness that all cables are not the same and to educate all the stakeholders in the market that it is important to be careful when choosing the cable solution and brand to have a safe, good performance and importantly save on the total cost of ownership.

The project started by an in-depth investigating the current market situation and to understand in detail the work of the electricians, project companies and installers. After this R&D developed a comprehensive number of cable tests that do not only cover geometrical tests, electrical tests, mechanical tests and performance tests but also "usability" test that calculate the economical impact of ease and speed of installation. Throughout the period R&D did 2645 tests on different brands and cables and continuously improved the performance of the Prysmian Group solutions.

During the launch week of 3-7 of December 2012, the R&D, manufacturing, marketing and sales team presented the initiative and gave evidence with real life examples in the Academy, in the R&D lab and in the newly renovated fire lab. The first day of the launch week was dedicated to the internal Türk Prysmian employees explaining the initiative and to train key people. Then starting from December 4th the "external" launch started with key industry opinion leaders including key economic and trade press, top customers and their key purchasing and sales people and finally installation companies and specifiers.

To support the launch a fully integrated communication and educational campaign was developed with a strong key visual and a simple but strong headline "Attention! All cables are not the same...". The launch material included a dedicated web site [www.prysmianperformanstesti.com](http://www.prysmianperformanstesti.com), selected advertisement in trade magazines, co-branded communication material with key business partners, PR/ press campaign, an i-Phone App as well as a strong social media campaign on facebook, twitter, youtube, daily motion and vimeo.

In the week of December 17 all of the Istanbul office and R&D in Mudanya visited and "activated" 124 different point-of-sales across 14 different cities of Turkey with promotional materials.



In January 2013 the initiative continued with the **"Attention! All the cables are not the same..." Roadshow** with the objective to bring our laboratories and educational program to all the key cities of Turkey with the ambitious objective to reach more than 1000 of the opinion leaders in the cable and installation industry across Turkey. To further improve the reach a Webinar was organized where you could follow the demonstrations directly from your computer in an interactive manner allowing the viewers to also ask questions and make comments.

Türk Prysmian, is proud of realizing a "first project" in Turkish cable sector with its project developed in the context of this initiative **"Prysmian Performance Test" (PPT)** and which will be continued with the same speed in 2013.

## ATTENTION!

### PRYSMIAN PERFORMANCE TEST

PPT results show that the Prysmian Group solutions, not only ensures you safe and higher performance but also allows you to work faster reducing the labour cost by up to 50%\* and reducing the total cable cost by up to 12%\*.

The main advantages of the right cable decision are safety, performance and economic advantage.

**SAFETY:** Throughout the lifecycle of the cables, they are required to ensure that the transmission function; is one-to-one associated with the quality of the materials used, the design and production technologies. By use of a cable is not correctly selected or manufactured outside the standards, such as losing its function in a short period of time, can cause electrical leakage and fire. Projects that increase the value and safety of cables are used in this context is an essential element.

**PERFORMANCE:** In case of, flame retardant cables, with the spread of flame around for cables is critical to keep to a minimum. However, low toxic smoke gas extracting feature prevents poisoning. Low smoke density and increasing the visibility of vital importance in order to facilitate the evacuation process. In addition, during a fire, fire alarm, emergency exit lighting, ventilation fan, fire, water pump, fire systems, such as lift cables used to carry on the function saves lives. According to research, the main cause of fire deaths (70%), smoke and gases resulting from the combustion

of materials. On the effects of the spread of fire and smoke the best-known example of a fatal, resulting in the death of 17 people in 1996, Düsseldorf

Airport fire disaster. cable installed in the trays burned and as a result of the combustion of electric cables, passengers have been exposed to the deadly toxic smoke. Therefore, in order to ensure the safety of life and property in case of fire high performance cables should be preferred.

**ECONOMIC ADVANTAGE:** To comply with construction standards and high performance cables, as well as in case of fire, use ease is also important. Cables during installation, create efficiency on labor and on-time advantage. Cable workmanship, comfortable stripping of the outer sheath vessels, filling materials over the cores does not remain within the cable during installation, installing cables easily through the pipes increases the efficiency of labor.

[www.prysmianperformanstesti.com](http://www.prysmianperformanstesti.com)

\*It is based on the reports by independent bodies.



## ALL CABLES ARE NOT THE SAME...

## CORPORATE SOCIAL RESPONSIBILITY

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

In 2008, Türk Prysmian supported the "Uluabat Lake Management Plan, Stork Friendly Villages Project". As part of the project, Türk Prysmian aimed to renovate the electricity system of Eskikaraağaç Village in Karacabey provincial district in collaboration with the village to replace the bare copper conductors with insulated wires and eventually prevent the storks that hit the village's power lines from injuries.

Türk Prysmian, during the same year, supplied the cable infrastructure and donated the cables for the Turkish Hearing and Speech Rehabilitation Foundation to build a center for deaf children aged 0 - 6 who are not provided with proper education.

In addition to these projects, in 2008, Türk Prysmian published a book titled "Tirilye - from past to present" written and photographed by travel writer Reyhan Tüvi to contribute to the promotion and the cultural heritage of the region where Türk Prysmian's factory is located.

Türk Prysmian also renovated the Balabancık Village Primary School in Bursa where the company's factory is located. Following the reopening ceremony in October 7, 2009; education in the school resumed. The project has enabled Balabancık Village's students to be educated in their own village instead of commuting to another village.

Türk Prysmian provided the cable infrastructure and donated the cables for Istanbul Technical University's Solar Car which participated in the World Solar Challenge in Australia - one of the most important races of its kind in the world. Istanbul Technical University's Solar Car Team formed by mechanical, electrical and organizational subgroups that first got together in 2004 returned from the 4000k race with the "Best Newcomer Award".

Furthermore, Türk Prysmian donated some equipment to Yakacık Hatice Abbas Halim Kindergarten's gym to contribute to the renovation process of the school in 2009, aiming to ensure that the children have the chance to exercise during their education.

Türk Prysmian and Mimar Sinan Fine Arts University reached a mutual agreement in late 2009 to carry out the second "Cable in My Life Art Workshop" which was first held in 2008. The purpose of the workshop which took place on April 7-14, 2010 with the participation of students from Mimar Sinan Fine Arts University was for the students to individually create unique pieces of art using different types of industrial cables as well as to provide contribution to education and arts. The art works created by the students were exhibited at Prysmian's Mudanya factory from April 15 to May 21, at Mimar Sinan Fine Arts University from May 27 to June 11 and at Rahmi M. Koç Museum from July 13 to July 27.

In 2011, Türk Prysmian provided the cable infrastructure of "Sahne Hal", the stages built by "Tiyatro Hal" with their own means. By donating the cables for "Sahne Hal" located in Mecidiyeköy, İstanbul, Türk Prysmian once again showed its regard for arts.

Türk Prysmian continued to support various educational institutions in 2012, namely Hatice İsmail Hakkı Kayan Primary School, İkbâl-Betül-İhsan Çilingir Primary School, Ahmet Rüştü High School, and NOSAB Primary School.

Giving priority to the development of Mudanya region where the factory is located, Türk Prysmian, in collaboration with Mudanya Municipality, Mudanya Police Department, Mudanya Justice Department, Tirilye Youth and Sports Directorate, Mudanya Tuberculosis Control Association, and 911 Search and Rescue Association, carried out a number of projects in 2012 to ensure that the residents are better served.

Aside from the contributions provided to the residents in the region, Türk Prysmian has also continued to support its employees and donated 38 computers.

Türk Prysmian will continue to provide contribution to similar projects in the coming years.



## FINANCIAL ANALYSIS



### OVERVIEW

With the impacts of the slowdown in economic activity in Europe, we have successfully completed the 2012 fiscal year thanks to the particularly positive trend.

**Remarkable Financial Issues** are given below:

- **Operating Profit...** 14.8 million TL in profits, corresponding to 2.2% of net sales (12.5 million TL profit in previous year)
- **Operating Expenses...** With the increase in sales, 15% increase in operating expenses due to the increased sales and distribution expenses resulting for inflation,

- **R&D...** 1.3 million TL in resources to increase product quality and bring innovations,

- **Liquidity...** A cash increase of 35 million TL (from 52 Million TL to 87 Million TL) as a result of the improvements in profitability and operating capital

These concrete developments were achieved, before everything else, thanks to the consistence and determination of the company in its policies towards strategic goals. Detailed balance sheet and income statement of our 2011 fiscal year is presented in the Independent Audit Report, and some clarification about the balance sheet and the income statement are summarized below.

### ASSETS

Available cash is TL18,274. Of this, 781 is Turkish Liras, and the remaining amount of TL17,493 is foreign currency cash. Our bank savings amounts to TL115,264,934, and an increase of 60% is observable upon comparison with the previous year. Total amount of checks received is TL3,507,130.

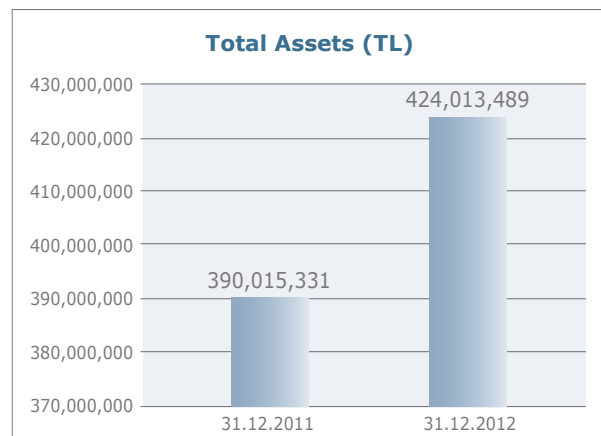
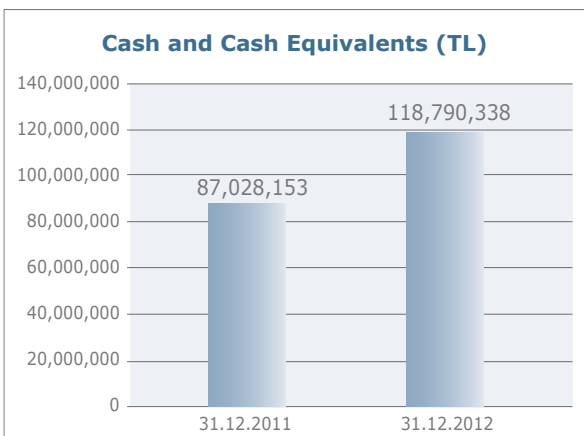
Our short-term trade receivables stand at TL164,056,466. Average collection time of our receivables has become 75 days.

TL731,358 receivables rediscount has been applied on the entire amount of the TL70,197,659 seen in the notes receivables account item. Total of this amount is the provisions made during the year, and its balance is carried forward from previous years. The provision made for the collection risk of our domestic and international receivables is TL14,374,215. The balance of our receivables from related parties is TL13,297,273, and the entire amount is formed of our receivables from related companies.

Our stocks stand at TL65,172,145. The total amount of first matter and material in the stocks is TL14,776,039, with the amount of semi-finished products being TL19,458,598, amount of commercial goods being TL2,137,387, and the amount finished products being TL30,486,064. The total provision made for stocks is TL1,685,943.

The total of other receivables realized at TL618,641, and this amount consists of our VAT receivables of TL312,991, receivables and the remaining portion from other miscellaneous receivables.

The total amount of tangible fixed assets is TL47,675,842 net after additions to the net values of tangible fixed assets at the beginning of the year, and reductions of pay-outs and depreciations. This year there is no non-tangible fixed assets.



## LIABILITIES

In general, the main financial instruments utilized by the company are the operating capital and bank loans. As of 31 December 2012, there are no payables due to bank loans within the financial payables.

Our trade payables stand at TL204,003,090. Within the trade payables, payables to non-related sellers stand at TL196,702,609, and the total amount of payables to foreign-related sellers stand at TL7,559,577.

The total amount of other payables stands at TL37,659,310, and advance orders received consists of a TL23,375,557 for Lapseki – Sütluce 380 kV Submarine Cable Project contract signed in 2012, TL3,000,000 for Maslak 1453 – Ağaoğlu Akdeniz İnşaat154kV Project contract, TL11,451 is the dividend payments to shareholders and TL852,458 is other payables.

Our other short-term liabilities stand at TL29,745,188.

As of 31 December 2012, progress billing from ongoing construction contracts is TL83,649.

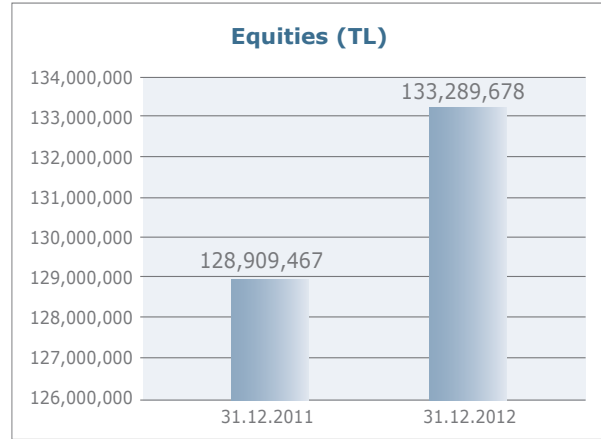
The provision for corporate tax for 2011 is TL5,659,564.

The provision for seniority pay for payment to our personnel where required under the Labor Law is TL7,546,427 as of the end of our account period, and has been calculated over the ceiling amount of TL3,033.98.

Degree I legal reserves equal to 5% of gross profit are being set aside every year until it reaches 20% of the paid-up capital. To this end, the balance of our existing legal reserve is TL3,318,489 as of the end of accounting period.

The paid-up capital is TL112,233,652 as of 31 December 2012.

In the 2012 fiscal year, our net profit stands at TL3,530,373.



## STATEMENT OF INCOME

With the effect of the signs of betterment in the economy following the global crisis and the increase in the prices of strategic metals, our gross sales increased by 14% compared with the previous year, reaching TL932,306,180. Our domestic sales stand at TL664,300,224, and international sales stand at TL264,878,109. And our other sales stand at TL3,127,847. The sales discounts made amount to TL254,881,625.

The cost of goods sold amounting to TL592,153,846 is 87% of our net sales. The cost of goods sold consist of raw materials and auxiliary materials, direct workmanship, general production expenses, shares for amortization, and changes in stocks of semi-finished products and finished products.

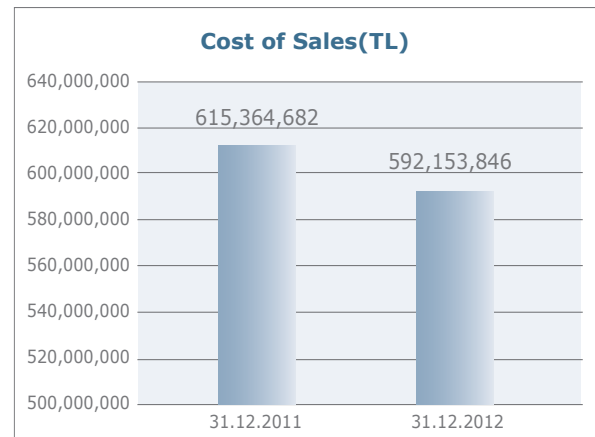
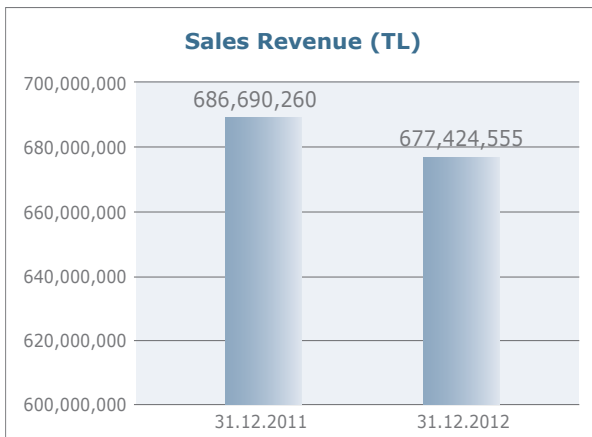
This year's operating expenses stand at 10% of our net sales. To this end, in line with the importance our

company puts at research and development, our R&D expenditures realized at 0.2% of our net sales revenues, reaching to TL1,298,801.

Marketing, sales and distribution expenses stand at 5.9% of our net sales at TL40,283,665, and our general management expenses is 3.9% of net sales revenues at TL26,990,480.

Our revenues and profits from other activities realized at TL1,360,485. This amount consists of cost reflection revenues and no-subject provisions. Our expenses and losses from other activities realized at TL3,239,352.

Net financing expenses realized at TL2,617,431. The major portion of this amount consists of transaction costs of forward contracts made against the effects of currency.



## THE STATEMENT OF RESPONSIBILITY / DIVIDEND DISTRIBUTION PROPOSAL

### TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. THE STATEMENT OF RESPONSIBILITY AS PER CAPITAL MARKETS BOARD'S COMMUNIQUÉ SERIAL:XI NUMBER 29 ARTICLE 9

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

**MEETING MINUTES DATE** : 15 February 2013 - 6 March 2013  
**MEETING MINUTES NUMBER** : 2013/3 - 2013/9

**We hereby declare the following;**

- a)** January 1, 2012 to December 31, 2012 financial statements of our company, prepared in comparison with the previous year, footnotes thereof and January 1, 2012 to December 31, 2012 the annual activity report were reviewed by us and ;
- 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 uncertainties that surround the enterprise, pertaining to performance and progress of business and activity results.

|   |   |
|---|---|
| <b>CHAIRMAN</b><br>Mahmut Tayfun Anık   | <b>VICE CHAIRMAN</b><br>Hans Gunnar Staffan Hoegstedt |
| <b>BOARD MEMBER</b><br>Prysmian (Dutch) Holdings B.V. natural person per procuration<br>Fabio Ignazio Romeo | <b>BOARD MEMBER</b><br>Ercan Karaismailođlu           |
| <b>BOARD MEMBER</b><br>Halil İbrahim Kongur   | <b>BOARD MEMBER</b><br>Neslihan Tonbul                |
| <b>BOARD MEMBER</b><br>Ali Aydın Pandır   | <b>BOARD MEMBER</b><br>Mehmet Emin Tutan              |

### TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş. BOARD OF DIRECTORS RESOLUTION

**Resolution No. : 2013/4**

**Date : 04.03.2013**

#### **DIVIDEND DISTRIBUTION PROPOSAL**

As a result of discussions with respect to the "Dividend Distribuiton Proposal" to be submitted to the Ordinary General Assembly related to financial year of 2012:

It has been unanimously resolved

- To distribute the dividend of TL7,140,598-, which constitutes 6.36% of the issued capital, from the net distributable profit of TL7,703,583- remaining after deduction of the I. Statutory Reverse TL410,094- and II. Statutory Reverse TL152,891 which is determined in line with the generally accepted accounting principles published by Capital Market Board and recorded in the balance sheet of the company issued for the year 2012, to ourshareholders in cash, as of 16 April 2013, by taking the relevant clauses of company's articles of association and dividend distribution policy in consideration; thus distributing net TL0.054079216.- per share with a nominal value of TL1-, following of deduction of 15% tax to be calculated over gross TL0.063622607,
- To introduce this figures as a proposal in the Ordinary General Assembly Meeting for the financial year 2012,

|   |   |
|---|---|
| <b>CHAIRMAN</b><br>Mahmut Tayfun Anık   | <b>VICE CHAIRMAN</b><br>Hans Gunnar Staffan Hoegstedt |
| <b>BOARD MEMBER</b><br>Prysmian (Dutch) Holdings B.V. natural person per procuration<br>Fabio Ignazio Romeo | <b>BOARD MEMBER</b><br>Ercan Karaismailođlu           |
| <b>BOARD MEMBER</b><br>Halil İbrahim Kongur   | <b>BOARD MEMBER</b><br>Neslihan Tonbul                |
| <b>BOARD MEMBER</b><br>Ali Aydın Pandır   | <b>BOARD MEMBER</b><br>Mehmet Emin Tutan              |

## 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, Auditor's Board and Independent Auditing Company Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Financial Tables of the Company belonging the Accounting Period between 01.01.2012 – 31.12.2012 and obtaining approval of the General Assembly.
4. Discussion and approval of all the financial tables, reports and accounts which are prepared pursuant to the CMB legislation, release of each member of the Board of Directors and Auditor's Board respectively.
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 01.01.2012 - 31.12.2012,
6. Determination of the distribution of profit policy of the Company,
7. Furnishing information to the General Assembly on the donations given the during the year 2012 and obtaining approval in this respect, Determining Donation and Aid Policy of the Company in frame of the proposal made by Board of Directors and the upper limit of the donations
8. Discussion of the amendment of articles 4,9,10,11,13,23 ve 26 of the Articles of Association according to the attached drafts approved by Capital Market Board and Ministry of Customs and Trade
9. Furnishing information to the General Assembly pursuant the CMB legislation, on the guarantees, liens and mortgages given to the third parties.
10. Approval of the Independent Auditing Company to audit the activities and accounts of 2012 in frame of Capital Market Board Regulations and 6102 numbered Turkish Commercial Code which is selected by the Board of Directors based on the suggestion of Audit Committee
11. 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.
12. Authorization of the shareholders who have the control of management, the members of the Board, the senior officers, and their spouses, consanguinities and affinities up to second degree, to perform the transactions mentioned with the Corporate Governance Principle 1.3.7 under the CMB communique Serial :IV, No:56 and authorization of relevant persons for the such transactions and their allowance to compete; furnishing information to shareholders if such transactions have already been performed during this period
13. Discussion and approval of the Internal Directive prepared by board of Directors in compliance with the provisions of "Principles and Procedures of the General Assembly Meetings of the Incorporated Companies" and "Regulations on Representatives of the Ministry of Customs and Trade"
14. Recommendation and Adjournment.





## AUDITORS' REVIEW REPORT

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

|  |  |
|--|--|
| <b>Company Title</b>   | : Türk Prysmian Kablo ve Sistemleri A.Ş.   |
| <b>Head Office</b>   | : Mudanya  |
| <b>Capital</b>   | : TL112,233,652.00   |
| <b>Activity</b>  | : Manufacturing of energy and telecommunication cables, insulated conductors   |
| <b>Auditors' names and duration of their appointment, their relation to the Company (partners or not)</b>                        | : Hikmet TÜRKEN and Raşit YAVUZ appointed to the accounting year 2012, both are not the employees.   |
| <b>Number of Board of Directors meetings participated</b>  | : No participation took place in Board of Directors meetings.  |
| <b>Extent of audit made on the Company's accounts, books and documents and conclusions reached</b>                               | : During audits, it has been observed that the records were kept in accordance with the documents and accounting principles.   |
| <b>Counts made at the Company treasury according to Article 353/1-3 of the Turkish Commercial Law and their results</b>          | : The records for the Period January 1, 2012 - December 31, 2012 have been inspected, it was observed that the cash balance was in accordance with the actual records. |
| <b>Dates of audits made at the company treasury according to Article 353/1-4 of the Turkish Commercial law and their results</b> | : The obligatory monthly inspections of the records of securities were conducted and audits showed that the assets were existing and corresponded to the records kept. |
| <b>Denunciations or irregularities reported to the Board of Directors and measures taken</b>                                     | : No complaints or denunciations of any kind have been made to the Board of Auditors.  |

We have audited the accounts and the operations of Türk Prysmian Kablo ve Sistemleri A.Ş. for the period January 1, 2012 – December 31, 2012 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, 2012 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, 2012 - December 31, 2012 reflects the real results of the activities for the considered period.

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

#### THE BOARD OF AUDITORS

Hikmet TÜRKEN

Raşit YAVUZ

## INDEPENDENT AUDITOR'S REPORT

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

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

#### Introduction

1. We have audited the accompanying financial statements of Türk Prysmian Kablo ve Sistemleri A.Ş. ("the Company") which comprise the balance sheet as of 31 December 2012 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

#### Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB.

#### Additional paragraph for convenience translation into English

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

Başaran Nas Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
a member of  
PricewaterhouseCoopers

#### ORIGINALLY SIGNED IN TURKISH

Coşkun Şen, SMMM  
Partner

İstanbul, 15 February 2013

## FINANCIAL STATEMENTS

Türk Prysmian Kablo ve Sistemleri A.Ş.  
**BALANCE SHEETS AS OF DECEMBER 31 2012 AND 2011**  
 (All amounts are in Turkish Liras ("TRY") unless otherwise noted)

|  | Reference<br>Footnote | Independently<br>audited<br>December 31 2012 | Independently<br>audited<br>December 31 2011 |
|--|-----------------------|--|--|
| <b>ASSETS</b>                                    |                       |  |  |
| <b>Floating Assets</b>                           |                       | <b>371,658,498</b>                           | <b>339,735,613</b>                           |
| Cash and Cash Equivalents                        | 6                     | 118,790,338                                  | 87,028,153                                   |
| Trade Receivables                                | 10, 37                | 164,056,466                                  | 145,278,257                                  |
| Remunerations for Ongoing Construction Contracts | 15                    | 83,649                                       | -  |
| Other Receivables                                | 11                    | 618,641                                      | 714,035                                      |
| Derivative Financial Instruments                 | 39                    | -  | 5,536,716                                    |
| Inventories                                      | 13                    | 65,172,145                                   | 83,348,340                                   |
| Other Floating Assets                            | 26                    | 22,937,259                                   | 17,830,112                                   |
| <b>Fixed Assets</b>                              |                       | <b>52,354,991</b>                            | <b>50,279,718</b>                            |
| Tangible Fixed Assets                            | 18                    | 47,675,842                                   | 47,367,003                                   |
| Intangible Fixed Assets                          | 19                    | -  | 10,838                                       |
| Deferred Tax Assets                              | 35                    | 3,848,778                                    | 2,687,085                                    |
| Other Fixed Assets                               | 26                    | 830,371                                      | 214,792                                      |
| <b>ASSETS TOTAL</b>                              |                       | <b>424,013,489</b>                           | <b>390,015,331</b>                           |
| <b>RESOURCES</b>                                 |                       |  |  |
| <b>Short Term Liabilities</b>                    |                       | <b>275,267,738</b>                           | <b>249,793,578</b>                           |
| Trade Payables                                   | 10, 37                | 204,003,090                                  | 219,025,133                                  |
| Remunerations for Ongoing Construction Contracts | 15                    | -  | 2,392,403                                    |
| Other Payables                                   | 11                    | 37,659,310                                   | 5,694,733                                    |
| Tax Obligation on Period Profit                  | 35                    | 1,552,682                                    | -  |
| Derivative Financial Instruments                 | 39                    | 2,307,468                                    | -  |
| Short Term Liabilities                           | 26                    | 29,745,188                                   | 22,681,309                                   |
| <b>Long Term Liabilities</b>                     |                       | <b>15,456,073</b>                            | <b>11,312,286</b>                            |
| Provisions of Debts                              | 22                    | 2,651,773                                    | 2,335,241                                    |
| Provisions for Employee Benefits                 | 24                    | 12,804,300                                   | 8,977,045                                    |
| <b>SHAREHOLDER'S EQUITY</b>                      |                       | <b>133,289,678</b>                           | <b>128,909,467</b>                           |
| <b>Parent Company's Equity</b>                   |                       |  |  |
| Paid-in Capital                                  | 27                    | 112,233,652                                  | 112,233,652                                  |
| Limited Reserves Set From Profit                 | 27                    | 6,297,081                                    | 5,656,089                                    |
| Retained Earnings/(Losses)                       | 27                    | 7,055,362                                    | 7,489,353                                    |
| Net Period Profit/(Loss)                         | 27                    | 7,703,583                                    | 3,530,373                                    |
| <b>RESOURCES TOTAL</b>                           |                       | <b>424,013,489</b>                           | <b>390,015,331</b>                           |

Footnotes that follow constitute an integral part of the financial statements.

**Türk Prysmian Kablo ve Sistemleri A.Ş.**  
**COMPREHENSIVE INCOME STATEMENTS**  
**FOR FISCAL YEAR OF JANUARY 1 – DECEMBER 31 2012**

(All amounts are in Turkish Liras ("TRY") unless otherwise noted.)

|  | Notes | Independently<br>audited<br>January 1 -<br>December 31 2012 | Independently<br>audited<br>January 1 -<br>December 31 2011 |
|--|-------|---|---|
| <b>ONGOING ACTIVITIES</b>                          |       |   |   |
| Sales Revenue                                      | 28    | 677,424,555   | 686,690,260   |
| Cost of Sales (-)                                  | 28    | (592,153,846)   | (615,364,682)   |
| <b>GROSS PROFIT / (LOSS)</b>                       |       | <b>85,270,709</b>   | <b>71,325,578</b>   |
| Marketing, Sales and Distribution Expenses (-)     | 30    | (40,283,665)  | (33,083,361)  |
| General Administrative Expenses (-)                | 30    | (26,990,480)  | (25,781,659)  |
| Research & Development Expenses (-)                | 30    | (1,298,801)   | (1,381,471)   |
| Other Operating Revenue                            | 31    | 1,360,485   | 1,489,248   |
| Other Operating Expenses (-)                       | 31    | (3,239,352)   | (89,510)  |
| <b>ACTIVITY PROFIT / (LOSS)</b>                    |       | <b>14,818,896</b>   | <b>12,478,825</b>   |
| Financial Income                                   | 32    | 25,374,108  | 104,605,234   |
| Financial Expenses (-)                             | 33    | (27,991,539)  | (114,010,482)   |
| <b>PRETAX PROFIT/(LOSS)</b>                        |       | <b>12,201,465</b>   | <b>3,073,577</b>  |
| <b>Tax (Expenses) / Income</b>                     |       | <b>(4,497,882)</b>  | <b>456,796</b>  |
| Period Tax (Expenses) / Income                     | 35    | (5,659,564)   | (383,580)   |
| Deferred Tax (Expenses) / Income                   | 35    | 1,161,682   | 840,376   |
| <b>PERIOD PROFIT / (LOSS)</b>                      |       | <b>7,703,583</b>  | <b>3,530,373</b>  |
| <b>Other Comprehensive Income / (Expenses):</b>    |       | <b>(636,800)</b>  | <b>(222,098)</b>  |
| Actuary Income / (loss) from Pension Plans         |       | (636,800)   | (222,098)   |
| <b>COMPREHENSIVE INCOME / (EXPENSES) AFTER TAX</b> |       | <b>7,066,783</b>  | <b>3,308,275</b>  |
| Earning/(loss) Per Share                           | 36    | 0.0069  | 0.0031  |

Türk Prysmian Kablo ve Sistemleri A.Ş.  
**TABLE OF EQUITIES CHANGES FOR**  
**FISCAL PERIOD OF JANUARY 1- DECEMBER 31 2012 AND 2011**  
 (All amounts are in Turkish Liras ("TRY") unless otherwise noted)

| Footnote                      | Capital            | Limited Reserves Set Aside From Profit |                  |                  | Past Year Earnings/(Loss) | Net Period Earnings/(Loss) | Total |
|-------------------------------|--------------------|--|------------------|------------------|---------------------------|----------------------------|-------|
|                               |                    | Legal Reserves                         | Other Reserves   |                  |                           |                            |       |
| January 1 2011                | 112,233,652        | 2,677,497                              | 2,978,592        | 13,127,482       | (5,416,031)               | 125,601,192                |       |
| Transfer                      | -                  | -                                      | -                | (5,416,031)      | 5,416,031                 | -                          |       |
| Actuary Valuation Differences | -                  | -                                      | -                | (222,098)        | -                         | (222,098)                  |       |
| Net Period Income / (Loss)    | -                  | -                                      | -                | -                | 3,530,373                 | 3,530,373                  |       |
| Total Comprehensive Income    | -                  | -                                      | -                | (222,098)        | 3,530,373                 | 3,308,275                  |       |
| <b>December 31 2011</b>       | <b>112,233,652</b> | <b>2,677,497</b>                       | <b>2,978,592</b> | <b>7,489,353</b> | <b>3,530,373</b>          | <b>128,909,467</b>         |       |

| Footnote                      | Capital            | Limited Reserves Set Aside From Profit |                  |                  | Past Year Earnings/(Loss) | Net Period Earnings/(Loss) | Total |
|-------------------------------|--------------------|--|------------------|------------------|---------------------------|----------------------------|-------|
|                               |                    | Legal Reserves                         | Other Reserves   |                  |                           |                            |       |
| January 1 2012                | 112,233,652        | 2,677,497                              | 2,978,592        | 7,489,353        | 3,530,373                 | 128,909,467                |       |
| Transfer                      | -                  | 640,992                                | -                | 202,809          | (843,801)                 | -                          |       |
| Dividend Payment              | -                  | -                                      | -                | -                | (2,686,572)               | (2,686,572)                |       |
| Actuary Valuation Differences | -                  | -                                      | -                | (636,800)        | -                         | (636,800)                  |       |
| Net Period Income / (Loss)    | -                  | -                                      | -                | -                | 7,703,583                 | 7,703,583                  |       |
| Total Comprehensive Income    | -                  | -                                      | -                | (636,800)        | 7,703,583                 | 7,066,783                  |       |
| <b>December 31 2012</b>       | <b>112,233,652</b> | <b>3,318,489</b>                       | <b>2,978,592</b> | <b>7,055,362</b> | <b>7,703,583</b>          | <b>133,289,678</b>         |       |

Footnotes that follow constitute an integral part of the financial statements.

**Türk Prysmian Kablo ve Sistemleri A.Ş.**  
**CASH FLOW TABLES FOR**  
**THE FISCAL PERIOD OF JANUARY 1- DECEMBER 31 2012 AND 2011**

(All amounts are in Turkish Liras ("TRY") unless otherwise noted.)

|  | Reference<br>Footnote | Independently<br>audited<br>January 1 -<br>December 31 2012 | Independently<br>audited<br>January 1 -<br>December 31 2011 |
|--|-----------------------|---|---|
| <b>A. Cash flows originating from primary activities</b>         |                       |   |   |
| Net profit before tax (+)  |                       | 12,201,465  | 3,073,577   |
| <b>Corrections:</b>  |                       |   |   |
| Amortization (+)   | 18, 19                | 5,364,626   | 5,824,689   |
| Provision of severance payments                                  | 24                    | 1,840,000   | 983,062   |
| Interest earnings (-)  | 32                    | (3,609,510)   | (1,952,443)   |
| Interest expenses (+)  | 33                    | 867,464   | 2,065,664   |
| Inventory value decrease   | 13                    | 858,601   | (468,411)   |
| Fixed asset sales earning/loss net                               |                       | (242,497)   | (140,593)   |
| Provision of unused leaves/personnel incentives                  | 24                    | 3,209,672   | -   |
| Change in provision of bad debts                                 | 10                    | (1,748,344)   | 3,151,272   |
| Change in deferred financing earning                             | 10                    | (425,652)   | 653,536   |
| Change in deferred financing loss                                | 10                    | 898,072   | (1,034,359)   |
| <b>Changes in assets and liabilities:</b>                        |                       | <b>19,213,897</b>   | <b>12,155,994</b>   |
| Change in trade receivables                                      | 10, 37                | (16,604,213)  | (47,275,143)  |
| Change in other receivables                                      | 11                    | 95,394  | (6,468,170)   |
| Change in inventories  | 13                    | 17,317,594  | (31,959,312)  |
| Change in other floating assets                                  | 26                    | (5,107,147)   | (4,464,644)   |
| Change in Other Fixed Assets                                     | 26                    | (615,579)   | 286,656   |
| Change in Trade Payables   | 10,37                 | (15,920,115)  | 104,513,710   |
| Change in provision for short term liabilities                   | 11                    | 31,964,577  | 2,009,018   |
| Change in Other Short Term Liabilities                           | 26                    | 7,063,879   | 11,875,847  |
| Change in Other Long Term Liabilities                            | 22                    | 316,532   | (716,309)   |
| Tax payments   |                       | (4,743,693)   | (383,580)   |
| Severance payments fulfilled                                     | 24                    | (1,222,417)   | (403,432)   |
| Change in Derivative Financial Instruments                       | 39                    | 7,844,184   | -   |
| Change in remunerations for ongoing construction contract prices | 15                    | (2,476,052)   | -   |
| <b>Net cash originating from primary activities</b>              |                       | <b>37,126,841</b>   | <b>39,170,635</b>   |
| <b>B. Cash flows originating from investment activities</b>      |                       |   |   |
| Purchases of tangible assets (-)                                 | 18                    | (5,703,992)   | (4,165,910)   |
| Cash inflow from sales of tangible assets (+)                    |                       | 283,862   | 159,242   |
| <b>Net cash used in investment activities</b>                    |                       | <b>(5,420,130)</b>  | <b>(4,006,668)</b>  |
| <b>C. Cash flows originating from financing activities</b>       |                       |   |   |
| Interest payments (-)  | 33                    | (867,464)   | (2,065,664)   |
| Interest sums collected (+)                                      | 32                    | 3,609,510   | 1,952,443   |
| Dividend paid (-)  | 27                    | (2,686,572)   | -   |
| <b>Net cash acquired from/(used in) financing activities</b>     |                       | <b>55,474</b>   | <b>(113,221)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>      |                       | <b>31,762,185</b>   | <b>35,050,746</b>   |
| <b>Cash and cash equivalents balance as of period beginning</b>  | <b>6</b>              | <b>87,028,153</b>   | <b>51,977,407</b>   |
| <b>Cash and cash equivalents balance as of period end</b>        | <b>6</b>              | <b>118,790,338</b>  | <b>87,028,153</b>   |

Footnotes that follow constitute an integral part of the financial statements.

## FOOTNOTES

### Türk Prysmian Kablo ve Sistemleri A.Ş. EXPLANATORY FOOTNOTES ON FINANCIAL STATEMENTS FOR THE FISCAL PERIOD OF JANUARY 1– DECEMBER 31 2012

(All amounts are in Turkish Liras ("TRY") unless otherwise noted.)

#### FOOTNOTE 1 – COMPANY'S ORGANIZATION AND FIELD OF ACTIVITY

Field of Activity of Türk Prysmian Kablo ve Sistemleri A.Ş. established and pursuing activities in Turkey (hereinafter the "Company") is manufacturing, import, export and trade of cables, conductive, machinery, apparatus, tools and devices of all kind, as well as those of spare parts and accessories thereof. Company was incorporated in 1964 and currently pursues its activities in form of a joint stock company with Prysmian(Dutch) HoldingsB.V.(83.75%) it's dominant shareholder.

Publicly traded Company pursues its activities in a certain business line (manufacturing and sales of cables) and in a certain geographical region. Company's product portfolio consists of all types of power cables up to 220 kVolt and communications cables with up to 3.600 pairs of copper conductors as well as fiber optic cables. Company's factory is in Mudanya, Bursa, which includes a scientific thermal, mechanic, chemistry and electric research and test laboratory that has TSE accreditation and high level of technological qualifications in the cable sector.

Company's registered primary business address is "Ömerbey Mahallesi, Bursa Asfaltı Caddesi, No:51, 16941, Mudanya, Bursa". Company also has an Istanbul Branch registered at the address of "Ömer Avni Mah. İnebolu Sok. Haktan İş Mekezi No:39 Kat:2 Setüstü Kabataş Beyoğlu, İstanbul" as of December 20, 2012 and category breakdown of average numbers of employees of the Company as follows:

#### December 31, 2012

| Personnel Type | Union-Affiliated | Affiliated Union           | No Union Affiliation |
|----------------|------------------|----------------------------|----------------------|
| Blue Collar    | 303              | United Metal Workers Union | 41                   |
| White Collar   | -                | -                          | 78                   |
| <b>Total</b>   | <b>303</b>       |                            | <b>119</b>           |

#### December 31, 2011

| Personnel Type | Union-Affiliated | Affiliated Union           | No Union Affiliation |
|----------------|------------------|----------------------------|----------------------|
| Blue Collar    | 297              | United Metal Workers Union | 28                   |
| White Collar   | -                | -                          | 77                   |
| <b>Total</b>   | <b>297</b>       |                            | <b>105</b>           |

#### Attest of financial statements:

Financial statements were attested by the Board of Directors and authorized to be published as of February 15 2013.

## FOOTNOTE 2 – PRINCIPLES THAT GOVERN PRESENTATION OF FINANCIAL STATEMENTS

### 2.1 Basic Principles That Govern Presentation:

#### Fundamentals of Preparations of Financial Tables and Certain Accounting Policies

Company keeps its legal books and legal financial statements as per the provisions of the Turkish Commerce Code (hereinafter "TTK") and in accordance with the accounting fundamentals adopted as per the tax legislation.

Financial reports to be issued by commercial enterprises and principles, fundamentals and rules that govern the preparation and presentation of the same are established by Capital Markets Board (hereinafter "SPK") by means of SPK's Communiqué Serial: XI No: 29 titled "Communiqué for Fundamentals That Govern Financial Reporting in the Capital Market" (hereinafter "Communiqué Serial: XI No: 29"). Aforementioned Communiqué has been in effect and applicable for all first interim financial statements for fiscal periods of January 1, 2008 and thereafter and abolishes and replaces the former Communiqué Seri: XI, No: 25 titled "Communiqué for Accounting Standards in the Capital Market". As per the provisions of the aforementioned Communiqué, commercial enterprises are obligated to prepare their financial statements as per the International Financial Reporting Standards (hereinafter "UMS/IFRS") as recognized by the European Union. However, UMF/IFRSs shall be applicable until such time when the differences between UMS/IFRS recognized by the European Union and those standards that were published by the International Accounting Standards Committee (hereinafter "UMSK") are announced by the Turkish Accounting Standards Committee (hereinafter "TMSK"). In this context, the basis shall be Turkish Accounting/Financial Reporting Standards (hereinafter "TMS/IFRS") published by the TMSK as long as they do not conflict with the adopted standards.

Financial statements and associated footnotes in the enclosure have been prepared and presented in conformance with the formats designated by the SPK by means of their announcements dated April 17 2008 and January 9 2009 and all the mandatory information set forth in the aforementioned announcements have been included in these.

With the Government Decree No 660 that came in effect upon its publication in the Official Gazette edated November 2, 2011, Article Schedule 1 of Code 2499 has been abolished and Public Surveillance, Accounting and Auditing Standards Institution (hereinafter the "Institution") has been incorporated. As per the provisions of Provisional Article 1 of the aforementioned Government Decree, current arrangements and regulations will remain applicable until such time when standards and regulations to be published by the Institution goes in effect. Therefore, aforementioned circumstances does not result in any change in the "Basic Principles That Govern Preparation and Presentation of the Financial Tables" as of the current reporting date.

In case of revaluation of certain financial instruments, financial statements are prepared on historical cost basis. In determining the historical cost, usually the realistic value of the sums paid for any asset is taken as the basis.

#### Currency Used

Company's financial statements are presented using the currency that is valid and in use in the economic environment where the Company pursues their activities (i.e. functional currency).

#### Correction of tables in periods with high inflation rates

As per the provisions of SPK Decision 11/367 dated March 17 2005, inflation accounting practice is discontinued as of January 1, 2005, for companies pursuing activities in Turkey and preparing financial statements in accordance with the provisions of the SPK's Accounting Standards (including those companies that adopted UMS/IFRS practices). Accordingly, Standard No 29 titled "Financial Reporting in Economies with High Inflation" published by the UMSK, effective January 1, 2005, (hereinafter "UMS/TMS 29") does not apply in this particular case.

#### Comparative information and correction of financial statements pertaining to past periods

Company's financial tables are prepared in a comparative manner to allow determination of financial states and performance trends. In order to provide compatibility with preparation and presentation of the current period's financial tables, comparative information is rearranged, reclassified as necessary and significant changes are explained. Company has made certain classifications in its past period financial statements to render them compatible with the current period financial statements. Contents and amounts of the aforementioned classifications are explained in below:

7,494,445 TRY of receivables from fixed term foreign currency contracts figure, which was indicated under "Other Receivables" in December 31, 2011 is now indicated under "Derivative Financial Instruments" account.

1,957,728 TRY of expense accruals pertaining to fixed term foreign currency contracts figure, which was indicated under "Other Receivables" in December 31, 2011 is now indicated under "Derivative Financial Instruments" account.

5,689,282 TRY of VAT receivable applicable on direct exports figure, which was indicated under "Other Receivables" in December 31, 2011 is now indicated under "Other Floating Assets" account.

### 2.2 Changes in Accounting Policies:

There are no accounting policies that were changed or expected to be changed, and all accounting policies applied are identical with those that were applicable to past periods.

### 2.3 Changes and Errors in Accounting Estimations:

In case of any changes or errors in accounting policies and accounting estimations, any significant accounting policy changes that took place and/or any significant accounting errors that were detected are retrospectively implemented/corrected and financial tables of past periods are rearranged accordingly. If changes in accounting estimations concern only a given period, it is implemented only for the given period; otherwise, if it concerns future periods as well, it is implemented for the given period as well as future periods.



## 2.4. Changes in International Financial Reporting Standards:

### (a) New standards, changes and comments that were not mandatory for the fiscal year that started on January 1 2012 and had no effect on Company's financial tables:

- UFRS 1 (amendment), "First Time Implementation of UFRS" is applicable for July 1 2011 and all fiscal reporting periods that begin after the aforementioned date. This Amendment addresses the methods of preparation of an UFRS-compatible financial statement in cases where the currency of a given commercial enterprise is subject to hyperinflation.
- UFRS 7 (amendment), "Financial Instruments: Remarks", is applicable for July 1 2011 and all fiscal reporting periods that begin after the aforementioned date. This Amendment aims to increase the transparency of transfer operations, to provide a better understanding of risks involved in financial asset transfers, and the effects of the aforementioned risks on the commercial enterprise's financial status.
- Changes were introduced to 6 standards and 1 comment in 2010 in the scope of the project for improvement of UFRSs: UFRS 1, UFRS 3, UFRS 7, UMS 27, UMS 34 and UFRYK 13.

### (c) Changes and comments on standards that are not yet in effect but early adoption of which has been chosen by the Company on Company's discretion:

- UMS 12 (amendment), "Income Taxes", is applicable for January 1 2012 and all fiscal reporting periods that begin after the aforementioned date. This Amendment introduces certain exceptions to current principles applicable to measuring deferred tax assets and liabilities pertaining to real estate properties that are accounted for on basis of their fair market value.
- UMS 19 (amendment), "Employee Benefits", is applicable for January 1 2013 and all fiscal reporting periods that begin after the aforementioned date. These Amendments abolish corridor method and provide that financial expenditure must be calculated on basis of net funding. It allows early implementation.
- UMS 1 (amendment), "Presentation of Financial Statements, Other Comprehensive Income", is applicable for July 1 2011 and all fiscal reporting periods that begin after the aforementioned date. Basic change that takes place as a result of these amendments is the requirement that commercial enterprises must now group all accounts that were previously indicated under other comprehensive income in a manner they will be associated with the income statement. This amendment does not address what items will be accounted under other comprehensive income. It allows early implementation.
- UFRS 9, "Financial Instruments" is applicable for January 1 2015 and all fiscal reporting periods that begin after the aforementioned date. This standard is the first step in the process of changing UMS 39 Standard titled "Financial Instruments: Accounting and Measuring". UFRS 9 brings new requirements for measurement and classification of financial instruments.
- UFRS 10, "Consolidated Financial Statements" is applicable for January 1 2013 and all fiscal reporting periods that begin after the aforementioned date. This standard recognizes the controlling concept as a distinctive factor for acceptance of an enterprise in the scope of consolidation and further builds on the existing principles. Standard also brings further explanations for cases where determination of the controlling is difficult.
- UFRS 11, "Joint Contracts" is applicable for January 1 2013 and all fiscal reporting periods that begin after the aforementioned date. This standard emphasizes on the rights and liabilities brought about by the common arrangements rather than the legal form thereof and introduces a more realistic perspective in relation to common arrangements. The standard defines two forms of common arrangements: joint activities and business partnerships. With this standard pro-rata consolidation method for business partnerships has been discontinued.
- UFRS 12, "Explanations Pertaining to Shares in Other Enterprises" is applicable for January 1 2013 and all fiscal reporting periods that begin after the aforementioned date. This standard covers the statement requirement of all shares in all other enterprises including common arrangements, affiliations, special purpose instruments and other non-balance-sheet instruments.
- UFRS 13, "Measurement of Fair Value" is applicable for January 1 2013 and all fiscal reporting periods that begin after the aforementioned date. The standard aims to further improve consistency and decrease complexity by providing a full fair value definition and a single measurement and explanation source that'll be applicable for all UFRSs.
- UMS 27 (revised), "Individual Financial Statements" is applicable for January 1 2013 and all fiscal reporting periods that begin after the aforementioned date. This standard addresses remaining provisions relating to individual financial statements since the UMS 27's controlling-related provisions were addressed in the new UFRS 10.
- UMS 28 (revised), "Investments in Affiliates and Business Partnership" is applicable for January 1, 2013 and all fiscal reporting periods that begin after the aforementioned date. This standard covers affiliated and business partnerships related obligations that will be accounted for equity method following the publication of the new UFRS 11.
- UFRYK 20, disassembly costs that occur during mine-related productions.
- UFRS 7 (amendment), "Financial Instruments: Explanations" is applicable for January 1 2013 and all fiscal reporting periods that begin after the aforementioned date. The purpose of this amendment is to further improve the footnote explanations that are in force and increasing the comparability of the companies that prepare UFRS and US GAAP financial statements.
- UMS 32 (amendment), "Financial Instruments: Presentations" is applicable for January 1 2014 and all fiscal reporting periods that begin after the aforementioned date. This amendment was updated with the purpose of rendering it to be more explanatory regarding clarification of the financial assets and financial liabilities given in the implementation guide balance sheet included in the UMS 32, "Financial Instruments: Presentation" standard.

- UFRS 1 (amendment), "First Time Implementation of the UFRS" is applicable for January 1 2013 and all fiscal reporting periods that begin after the aforementioned date. This standard addresses method of accounting of public loans used by companies that implement the UFRS for the first time at interest rates that are lower than the usual market rates.
- There have been 5 standards that were amended in the year 2011 in the scope of the project for improving the UFRSs: UFRS 1, UMS 1, UMS 16, UMS 32 and UMS 34. Aforementioned amendments are applicable for January 1, 2013 and all fiscal reporting periods that begin after the aforementioned date.

## 2.5 Summary of Some Important Accounting Policies:

### 2.5.1 Sales Revenues:

This includes the invoiced amounts of sales of goods and services. Following the delivery of the product or provision of the service, transfer of the risks and benefits that relate to the product, determination of the revenue amount safely, and finally the probability of the inflow of the economic interests that relate to the transaction to the company, sales are accounted for in books and records on accrual basis based on the fair value of the payment received or will be received. Revenue relating to long-term projects is included in financial statements pro-rata based on the percentage of completed work as of the date of the balance sheet (Footnote 2.5.17). In the event where sales include a significant financing cost, a fair amount is determined by discounting the payment collections by a discrete interest rate included in the financing costs. Differences, if any, between the nominal values and actual values are calculated on accrual basis and considered as interest earnings.

#### **Interest earnings**

Interest earnings made from financial assets are accounted for as long as the Company continues to enjoy economic benefits of the same and as long as safe calculation of the earnings is possible. Interest earning accrual is made in related periods at rates equal to effective interest rate that discounts the estimated cash inflows that shall be acquired from a given financial asset throughout the useful life of the asset with capital balance to registered value of the subject asset.

### 2.5.2 Inventories:

Inventories are accounted for in financial statements based on either accrual value or acquisition value (based on the lower of these two values). Production costing system is a phase costing and, with the exception of valuable metal inventories (such as copper and aluminum), first-in-first-out (FIFO) cost method applies. Valuable metal inventories on the other hand are accounted for on basis of weighted average costing method. Product and semi-product costs include raw materials, direct labor, other direct costs and relevant general management overhead but do not include borrowing costs. Net potential accrual value is the amount calculated by subtracting from estimated sales price of the product within the ordinary course of the business, the sum of completion cost and estimated sales cost to conclude the sales (Footnote 13).

Actual inventory counts are carried out on monthly basis at the ends of periods. Costs include all costs that are incurred to render inventories readily available.

### 2.5.3 Tangible Fixed Assets:

Tangible Fixed Assets are shown on basis of their net value once the accumulated amortization has been deducted from the acquisition cost (Footnote 18). Amortization is calculated using the linear amortization method based on the useful lives of tangible fixed assets. Estimated useful lives of the assets are given in the following table.

|                                   | <b>Economic Life</b> | <b>Method</b>       |
|-----------------------------------|----------------------|---------------------|
| Buildings                         | 20 to 50 years       | Linear Amortization |
| Machinery, facilities and devices | 5 to 15 years        | Linear Amortization |
| Vehicles, tools and gadgets       | 5 years              | Linear Amortization |
| Furniture and registered goods    | 2 to 5 years         | Linear Amortization |
| Special cost amounts              | 5 to 10 years        | Linear Amortization |
| Rights                            | 8 to 20 years        | Linear Amortization |

Amortization is not calculated for land and real properties as these have unlimited useful lives.

If registered value of a tangible fixed asset is higher than its estimated recovery value, registered value shall be discounted to estimated recovery value. Profit or loss resulting from the sales of tangible fixed assets is determined by comparison of corrected amounts and amounts actually collected, and is then carried to income and cost accounts of the relevant fiscal period.

Maintenance and repair costs are written off on the date they're accrued. If maintenance and repair are carried to assets in cases where they're likely to result in an expansion or a significant improvement in the assets.

### 2.5.4 Intangible Fixed Assets:

Intangible Fixed Assets covers computer software and development costs. Intangible Fixed Assets are expressed by deducting amortization and redemption amounts from the cost. Amortization and redemption amounts are calculated using the normal amortization method for a term up to five years. In case of any loss in their value, registered value of intangible fixed assets is discounted to its recovery value (Footnote 19).

### 2.5.5 Devaluation of Assets:

It is examined whether registered values of Other Fixed Assets, which includes Tangible Fixed Assets and Intangible Fixed Assets, are devaluated to a value lower than their recovery values as a result of any change or incident. In the event where recovery value, which is considered to be equal to higher of the net sales price and use value of the asset, is lower than the registered value of the asset, a devaluation is made in financial tables to equal the registered value to recovery value.

Any devaluation of assets shall be reversed, provided that such reversal shall not exceed the total amount of devaluation, in the event where a following increase in the recovery value of the subject asset can be associated with a given incident that occurred in the period that immediately follows the devaluation of the asset.

#### **2.5.6 Trade Receivables:**

Commercial receivables arising from Company originated forward sales which were formed by supply of goods or services to a debtor directly, are evaluated through discounted costs by use of effective rate. Short term commercial receivables with no specified interest rate, are evaluated based upon amount of invoice in case the effect of interest realization is insignificant.

In case the Company cannot collect the amounts to be paid, an impairment provision is generated for commercial receivables. Aforementioned amount of provision is the difference between the registered value of the receivable and the amount recoverable. Recoverable amount is the discounted value of all cash flows including recoverable amounts of collateral and assurances where the original real interest rate of the commercial receivable is taken as a basis.

If the impairment amount is decreased due to an event which takes place after the write off, aforementioned amount will be registered for other incomes in current period.

#### **2.5.7 Borrowing Costs:**

When assets which will take significant amount of time to be ready for use and sale are in question, interest incomes that may be related directly with purchase, manufacturing and production will be concluded in costs until the related asset is made ready for use or sale. Financial investment income that is attained by using the unexpended part of the investment credit for a temporary period in financial investments is absorbed from the borrowing costs that can be capitalized.

All other financing costs are registered on the statement of income on the period of their realization

#### **2.5.8 Financial Instruments:**

##### **a) Financial Instruments and Financial Risk Management**

The company is exposed to various financial risks because of company's activities. These risks are credit risk, market risk (includes rate of exchange risk and interest rate risk) and liquidity risk. The Company's general risk management program focus on reducing the effects of instability of financial markets and probable negative effects on the Company's financial performance to minimum.

Financial risk management is being performed within the frame of policies that are approved by the Executive Board.

##### ***Loan Risk***

Possession of financial assets accompanies the risk of non-fulfillment of the contract by the other party. Significant part of the commercial receivables are from dealers and related companies. The Company has constituted an effective control system upon her dealers and the risks arising from these operations are pursued by the management and also these risks are limited for each and every debtor. Getting sufficient assurance from the dealers is another method being used in credit risk management (Footnote 10).

##### **a) Financial Instruments and Financial Risk Management (Continued)**

##### ***Liquidity Risk***

The risk of financing current and probable debt liabilities is being managed by providing sufficient financing commitments from creditors with high financing capacity (Footnote 10).

The Company does not have any banking credit, issue of debt instrument nor leasing liabilities and related explanations about liquidity risks arising from Trade Payables and Other Payables are made in Footnote 10.

##### ***Interest Rate Risk***

The Company is exposed to interest rate risk because of the effects of changes in the interest rates on interest yielding assets and liabilities. Aforementioned interest rate risk is being managed by natural measures formed by balancing of assets and liabilities that are sensitive to interest rates.

##### ***Foreign Exchange Rate Risk***

The Company is exposed to rate of exchange risk arising from the change in rates due to translation of the amounts that the Company is the debtor or creditor in foreign currency to Turkish Lira (Footnote 8). Aforementioned rate of exchange risk is being pursued by analyzing the foreign currency positions daily and being kept under control and balanced one-to-one.

##### **b) Fair Value of Financial Instruments**

Fair value is the amount that purchase and sale of a financial instrument may be made, on a transformation with mutual consent of the parties except compulsory sales and liquidation. In case in existence, quoted market price reflects fair value ideally.

The methods and assumptions used to forecast the fair value of financial instruments are as below:

##### ***Monetary Assets***

Balances in foreign currency are evaluated with Foreign Currency buying rate of Central Bank at the end of period.

Certain financial assets including cash and cash equivalents are evaluated with Foreign Currency buying rate of Central Bank.

Registered nominal values of commercial receivables are evaluated with Foreign Currency buying rate of Central Bank again at the end of period and it is forecast that they reflect the fair value together with provisions of doubtful trade receivables.

### **Capital Risk Management**

The Company's goals while managing capital are providing return for shareholders and providing the continuation of the Company's activities by maintaining the most appropriate capital structure with the aim of reducing capital cost.

In order to maintain and recapitalize the capital structure, the Company may change the amount of share of profit that is distributed to the partners, may render the capital to the shareholders, may issue new shares and may sell the assets to reduce loans.

The Company tracks the capital by using debt/capital ratio. This ratio is calculated by dividing the net debt to total capital. Net debt is calculated by subtracting nominal values of cash and cash equivalents total debt amount (includes credits and leasing debts). Total capital is calculated by adding equity capital as shown in balance sheet with net debt.

### **Monetary Liabilities**

Since bank credits and other monetary debts are short-term, it is assumed that their registered nominal values and fair values are close.

Registered nominal values of Trade Payables and credits are evaluated with Foreign Currency buying rate of Central Bank at the end of period.

Since long-term foreign currency loans are translated with current foreign currency rate of exchange at the end of the year, it is assumed that their registered nominal values are close to fair values.

### **c) Other Financial Liabilities**

#### **Derivative Financial Instruments and Financial Risk Protection Accounting**

The Company is exposed to financial risks that are due to the changes in rate of exchange and interest rate because of her activities. The Company uses Derivative Financial Instruments (which are substantially exchange rate of foreign currency forward contracts) to be protected against financial risks related with exchange rate fluctuations that are caused by certain binding commitments and assumed future transactions.

The Company uses Derivative Financial Instruments for speculative reasons.

Derivative Financial Instruments are registered with the market value on the date of derivative contract is signed at the first registration and reevaluated with successor market value. Incomes and deficiencies arising from the increase or decrease of the computed price of the derivative instruments that can not procure sufficient conditions for hedging accountancy are related directly with income statement.

Derivatives with positive current values are kept as assets and derivatives with negative current values are kept as liabilities on the balance sheet. Derivatives that have more than 12 months to their date of maturity and derivatives which are not expected to be realized in 12 months are shown as long-term assets or long-term liabilities. Other derivative instruments are shown as short-term assets or short-term liabilities

#### **2.5.9 Enterprise Mergers:**

None (2011: None).

#### **2.5.10 Effects of Changes in Foreign Exchange Rate:**

Transactions that are represented with foreign currency within the period is translated with current exchange rate of the transaction date, assets that are on the balance sheet and represented with foreign currency are translated with CBTR/TCMB foreign currency buying exchange rate of the date of the balance sheet and debts are translated with CBTR/TCMB foreign currency selling exchange rate to Turkish Lira. Exchange rate difference income and expenditures arising as a result of these transactions are concluded in the calculation of the profit of period.

#### **2.5.11 Earning per Share:**

Profit per share that is stated on income statement, is calculated by dividing net period profit to the weighted average number of the equity shares available in the market during the period. In Turkey, companies may increase profit by distributing "bonus shares" to their current shareholders from previous years' profits and reevaluation funds. Such "bonus share" distributions are valued as issued stocks in profit per share calculations. In accordance with this, weighted average number of shares that are used in these calculations are found by calculating the retroactive effects of equity share distributions.

#### **2.5.12 Events After the Balance Sheet Date:**

Events after the Balance Sheet Date; comprise all events between the balance sheet date and authorization date of balance sheet publication, even if they happened after any announcement related with profit or disclosure of certain information to public.

In case of occurrence of events which require adjustment after the balance sheet date, the Company adjusts these amounts that are included in financial statements in accordance with the new conditions.

#### **2.5.13 Provisions, Conditional Liabilities and Conditional Assets:**

Provisions can be accounted only if there are legal and structural current liabilities as of the Company's balance sheet date and legal and structural liabilities arising from previous periods, if there is possibility for resources providing economic benefits to be realized in order for the liabilities to be fulfilled and if a trustworthy assumption can be made about the amount of the liabilities.

Liabilities arising from past event and whose existence is not completely under the control on the Company, liabilities which are only possible depending on whether one or more inexact events are realized in the future or not are not included in financial statements and are considered as conditional liabilities.

Conditional assets usually comprise of unplanned or other unexpected events that procuring economic benefits to enter to the company. Since displaying conditional assets on financial statements may cause accounting of income that can never be acquired, aforementioned assets do not take part in financial statements. Conditional assets are explained at the footnotes of the financial statements if it is possible for economic benefits to enter into the company. Conditional assets continuously go through assessment to ensure that they are represented accurately on financial statements. In case the economic benefits entering to the company becomes almost certain, related asset and regarding income are reflected on the financial statements of the period that the change takes place.

#### **2.5.14 Leasing Transactions:**

None (2011: None).

#### **2.5.15 Affiliated Parties:**

Affiliated parties are accepted and stated with regards to financial statements, as partners, high level management staff and executive board members, their families and companies that are controlled by them or that are bound to them, employees, affiliates, associates and partnerships. (Footnote 37).

#### **2.5.16 Division-Based Reporting of Financial Information:**

None (2011: None).

#### **2.5.17 Construction Contracts:**

Receipts and expenditures related with construction contracts are reflected to income and expense financial statements based on completion level of the contact activities as of balance sheet date.

#### **2.5.18 Aborted Activities:**

None (2011: None).

#### **2.5.19 Government Subsidies and Grants:**

Government subsidies and grants can not be reflected on financial statements, unless there is a fair assurance that the company fulfills necessary conditions and that the subsidies will be acquired.

Government subsidies and grants are reflected to profit and loss systematically during the periods that the costs which is planned to be met by these subsidies and grants are accounted as expenditures. Government subsidies which are financing instruments themselves, should be associated with statement of financial position (balance sheet) as unearned income in stead of being accounted as profit or loss in order to clarify the expense item that they finance and should be reflected to profit or loss systematically during the economic life of the related assets.

Government subsidies and grants that are assigned in order to meet expenses and losses that realized before or to provide urgent finance support without any expense being necessary for the company in the future, should be accounted as profit or loss on the period when they become collectible.

The benefit of the credit that is assigned from the government with a lower interest rate than the market rate is accepted as government subsidies or grants. The benefit caused by the interest rate is calculated as the difference between the book cost of the credit at the beginning and the acquisition obtained.

#### **2.5.20 Investment-Purpose Real Estates:**

None (2011: None).

#### **2.5.21 Taxes Calculated Based on Enterprise's Income:**

Corporate tax ratio of Turkey is 20% for 2012 (2011: 20%). This ratio is applied to tax assessment which found by adding expenses where tax discounts are not accepted in accordance with tax law to companies' corporate income and reducing exemptions (such as affiliate income exemptions) and discounts (such as R&D discounts) partaking in tax laws. If profit is not distributed, no other tax payment will be made.

#### **2.5.22 Deferred Taxes:**

Deferred taxes are calculated through temporary differences between the registered nominal values of assets and liabilities on the financial statements and their tax values, by using liability method. In deferred tax calculation, tax ratios which are prevalent as of balance sheet date in accordance with current tax regulations.

Deferred taxes arising from discountable temporary differences should be calculated considering that it will be high-likely to benefit from these differences by getting taxable profit in the future, whereas deferred tax obligation is calculated for all taxable temporary differences.

Deferred tax assets and deferred tax liabilities may be set off from each other reciprocally provided that both are subject to the tax regulations of the same country and in case there is a right that can be applied legally stating that current tax assets and current tax liabilities can be set off (Footnote 35).

**2.5.23 Employee Benefits / Severance Payments:**

Severance payment provision expresses the reduced amount of the assumed total provision of probable future liabilities of the Company which will be caused by the retirement of the employees in accordance with Turkish Labor Law, to present time (Footnote 24). Actuarial valuation method is used for reducing the severance payment liabilities. Actuarial assumptions were made for this. The most important one among them is the discount rate used for reduction. All actuarial incomes and losses that are calculated are reflected on the statement of comprehensive income.

**2.5.24 Cash and Cash Equivalents:**

Cash and cash equivalents are reflected on the balance sheet with their expense values. Cash and cash equivalents comprise of available cash, bank deposits and investments that have determined balances, that have high liquidity which can be translated into cash easily and that do not have any variation risks except exchange rate difference on the value and that have due dates equal or shorter than three months (Footnote 6).

**2.5.25 Capital and Dividends:**

Ordinary shares are classified as equity share. Capital bonuses that are distributed out of ordinary shares are registered by means of offsetting out of accumulated profits that the shares are announced. Capital bonuses to be received are registered as profit on the period they were announced (Footnote 27).

**2.5.26 Cash-Flow Table:**

On the cash flow table, cash flow related with the period are classified and reported depending on operating, investment and financing activities.

Cash flows arising from the operating activities, indicate the cash flows arising from the Company's real operating income.

Cash flows related with investment activities indicate the cash flows that the Company uses and acquires from investment activities (capital investments and financial investments).

Cash flows related with financing activities indicate the resources that the Company use in financing activities and repayment of these resources.

Cash and cash equivalents are reflected on the balance sheet with their expense values. Cash and cash equivalents comprise of available cash, bank deposits and investments that have determined balances, that have high liquidity which can be translated into cash easily and that do not have any variation risks except exchange rate difference on the value and that have due dates equal or shorter than three months (Footnote 6).

**2.6 Important Accounting Valuations, Estimations and Assumptions:**

Preparation of financial statements require the amounts of the assets and liabilities that are reported as of balance sheet date, declaration of conditional assets and liabilities and usage of predictions and assumptions which may affect the income and expenses that are reported during accounting period. Actual results may show differentials although these predictions and assumptions are based on prime information of the Company's management about current events and transactions.

Deferred Tax

Deferred tax assets and liabilities are registered by using fundamentally determined tax ratios for the effect of temporary differentials of assets and liabilities on book and tax bases. As tax losses are transferred to the next period, there are deferred tax assets which may decrease taxable income in the future and which arise from the deferred temporary differentials. It is determined relying on the accessible positive and negative proofs, whether it is possible for the whole or part of the deferred assets to be realized. Principal factors considered are future income potential, total losses of the previous years, history of losses passed to the next period and other expired tax assets, period that is passed forward related with deferred tax assets, future reversals of current taxable temporary differentials, tax plan strategies which will be used if in need and the nature of the income that can be used to realize deferred tax assets. As the conclusion of the evaluation made, the Company has created tax assets considering the opportunity that there is taxable income enough to use tax assets.

Provisions for Bad Debts

Doubtful receivable provisions reflect the amounts that the Company assumes to meet the future losses of the receivables which are existing as of balance sheet date but have noncollectable risk due to economic conditions.

**FOOTNOTE 3 – ENTERPRISE MERGERS**

As of the date of balance sheet, there are no enterprise mergers (2011: None).

**FOOTNOTE 4 – BUSINESS PARTNERSHIPS**

As of the date of balance sheet, Company has no business partnerships (2011: None).

**FOOTNOTE 5 – DIVISION-BASED REPORTING**

Because Company pursues activities in only one business line (production and sales of cables) and in a single geographical region, Company does not have division-based reporting (2011: None).

**FOOTNOTE 6 – CASH AND CASH EQUIVALENTS**

|   | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|---|--------------------------|--------------------------|
| Cash – TRY                              | 781                      | 1,228                    |
| Cash – Foreign Currency                 | 17,493                   | 6,357                    |
| Bank – Drawing Account                  | 530,534                  | 15,614                   |
| Bank – TRY – Term Deposit Account       | 35,650,189               | 37,223,374               |
| Bank – Foreign Currency Drawing Account | 294,567                  | 36,531                   |
| Bank – US DOLLAR – Term Deposit         | 57,772,211               | 40,268,386               |
| Bank – EURO – Term Deposit              | 21,017,433               | 3,999,673                |
| Bank-Checks Received                    | 3,507,130                | 5,476,990                |
| <b>TOTAL</b>                            | <b>118,790,338</b>       | <b>87,028,153</b>        |

Maturity dates and interest rates of term deposit accounts are as follows:

|                                      | <b>December 31, 2012</b> |                          | <b>December 31, 2011</b> |                          |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                      | <b>Maturity</b>          | <b>Interest Rate (%)</b> | <b>Maturity</b>          | <b>Interest Rate (%)</b> |
| TRY Term Deposit Accounts            | Over-Night               | 7.5                      | Over-Night               | 10.25                    |
| TRY Term Deposit Accounts            | 32 days                  | 8.5                      | 30 days                  | 12.00                    |
| FC Term Deposit Accounts - US Dollar | Over-Night               | 2.5                      | Over-Night               | 4.25                     |
| FC Term Deposit Accounts - US Dollar | 32 days                  | 3.45                     | 30 days                  | 5.35                     |
| FC Term Deposit Accounts - EURO      | Over-Night               | 2.50                     | Over-Night               | 3.61                     |
| FC Term Deposit Accounts - US Dollar | 42 days                  | 3.25                     | 42 days                  | 4.35                     |
| FC Term Deposit Accounts - US Dollar | 50 days                  |                          | 50 days                  | 4.3                      |
| FC Term Deposit Accounts - US Dollar | 57 days                  |                          | 57 days                  | 4.25                     |

**FOOTNOTE 7 – FINANCIAL INVESTMENTS**

Company does not have any financial investments as of December 31, 2012 (2011: None).

**FOOTNOTE 8 – FINANCIAL DEBTS**

Company does not have any ongoing loan debts as of December 31, 2012 (2011: None).

**FOOTNOTE 9 – OTHER FINANCIAL LIABILITIES**

None (2011: None).

**FOOTNOTE 10 – TRADE RECEIVABLES AND LIABILITIES****a) Short-Term Trade Receivables:**

|  | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|--|--------------------------|--------------------------|
| Customer's Current Accounts  | 81,292,892               | 86,836,293               |
| Customer's Current Accounts (international affiliations) (Footnote 37) | 13,297,273               | 8,315,903                |
| Receivables in checks and deeds  | 70,197,659               | 51,283,071               |
| Bad Debts  | 14,374,215               | 16,122,559               |
| Provision for Bad Debts  | (14,374,215)             | (16,122,559)             |
| Unaccrued Financing Income Originating from Sales on Credit Terms      | (731,358)                | (1,157,010)              |
| <b>TOTAL</b>   | <b>164,056,466</b>       | <b>145,278,257</b>       |

Standard payment term applicable to Company's trade receivables is 30 to 60 days (December 31, 2011: 30 to 60 days). Effective annual interest rates applicable to Company's TRY, EURO and US Dollar trade receivables are 12%, 9% and 9% in respective order (December 31, 2011: annual 18%, 12% and 12%).

Provisions of accrued foreign exchange rate differences have been included for bad debts in foreign currencies and equivalent amounts were reflected in foreign exchange rate difference earnings and losses as well. Changes in the period in provisions for bad debts are given in the following table:

|   | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|---|--------------------------|--------------------------|
| <b>January 1</b>                              | <b>16,122,559</b>        | <b>12,971,287</b>        |
| Additional increases within the period        | (2,117,600)              | 637,777                  |
| Changes resulting from foreign exchange rates | 369,256                  | 2,513,495                |
| <b>TOTAL</b>                                  | <b>14,374,215</b>        | <b>16,122,559</b>        |

**Guarantees taken for trade receivables:**

Company minimizes all of its trade risks by means of an efficient controlling and guarantees received and carried out preliminary investigation of companies with whom Company has commercial relationships. Commercial relationships are commenced only after receiving an appropriate guarantee from the customers depending on the result of the aforementioned investigations and guarantee conditions of all customers are being kept under control both before the order and after the shipment. In this context, Company has received letters of guarantee to the amount of 36,581,589 TRY for its trade receivables as of December 31, 2012 (December 31, 2011: 36,594,000 TRY). All of the aforementioned guarantee letters are guarantee letters issued by third parties and there isn't any letter of guarantee issued by affiliated companies themselves.

**Trade receivables related factoring transactions:**

Company has begun carrying out irrevocable factoring transactions for its domestic and international (export) receivables as of 2010. As per the provisions of the relevant articles of factoring contracts, these receivables are essentially the receivables of the factoring company and receivables and liabilities are indicated clearly in the financial statements in the enclosure. Total amount of sums assigned to factoring companies as of December 31, 2012 is 11,805,138 TRY (December 31, 2011: 37,497,272 TRY).

**Aging analysis for trade receivables:**

Maturities of trade receivables with no provision set aside as of December 31, 2012 and December 31, 2011 are as follows:

|                         | December 31, 2012 | December 31, 2011 |
|-------------------------|-------------------|-------------------|
| Overdue Receivables     | 12,259,465        | 8,778,266         |
| 0 to 30 days maturity   | 38,617,258        | 35,986,365        |
| 31 to 60 days maturity  | 32,506,713        | 42,950,472        |
| 61 to 90 days maturity  | 11,090,709        | 3,043,609         |
| 91 to 120 days maturity | 116,020           | 3,701,495         |
| 121+ days maturity      | -                 | 691,989           |
| <b>TOTAL</b>            | <b>94,590,165</b> | <b>95,152,196</b> |

Aging analysis of overdue but unevaluated trade receivables as of December 31, 2012 and December 31, 2011 are as follows:

|                      | December 31, 2012 | December 31, 2011 |
|----------------------|-------------------|-------------------|
| Days overdue         |                   |                   |
| 0 - 30 days overdue  | 11,458,106        | 8,743,996         |
| 1 - 3 months overdue | 606,157           | 21,750            |
| 3+ months overdue    | 195,202           | 12,520            |
| <b>TOTAL</b>         | <b>12,259,465</b> | <b>8,778,266</b>  |

**b) Short Term Trade Payables:**

|  | December 31, 2012  | December 31, 2011  |
|--|--------------------|--------------------|
| Supplier current accounts                                  | 196,702,609        | 215,817,867        |
| Suppliers (international affiliated parties) (Footnote 37) | 7,559,577          | 4,364,434          |
| Unaccrued financing costs resulting from forward purchases | (259,096)          | (1,157,168)        |
| <b>TOTAL</b>   | <b>204,003,090</b> | <b>219,025,133</b> |

Company's average payment term for its Trade Payables is 90 days (December 31, 2011: 90 days). Effective annual interest rates applicable to Company's trade payables in TRY, EURO and US Dollar currencies are 6.5%, 5.45% and 5.45% in respective order (December 31, 2011: 11%, 9.16% and 6.32%).

**Non-Derivative Financial Liabilities as of December 31, 2012**

| Expected Maturities          | Book Value  | Total Cash Outflow Expected | Shorter than 3 months | Between 3-12 months | Between 1-5 years | 5+ years |
|------------------------------|-------------|-----------------------------|-----------------------|---------------------|-------------------|----------|
| Trade Payables               | 204,003,090 | 204,262,186                 | 113,525,044           | 90,737,142          | -                 | -        |
| Other Payables (Footnote 11) | 37,659,310  | 37,659,310                  | 14,116,455            | -                   | 23,542,855        | -        |

**Non-Derivative Financial Liabilities as of December 31, 2011**

| Expected Maturities       | Book Value  | Total Cash Outflow Expected | Shorter than 3 months | Between 3-12 months | Between 1-5 years | 5+ years |
|---------------------------|-------------|-----------------------------|-----------------------|---------------------|-------------------|----------|
| Trade Payables            | 219,025,133 | 220,182,281                 | 127,027,731           | 93,154,550          | -                 | -        |
| Other Payables(Dipnot 11) | 5,694,733   | 5,694,733                   | 5,694,733             | -                   | -                 | -        |



| December 31, 2012  | Receivables       |                    |                   |             | Savings in Banks   |
|--|-------------------|--------------------|-------------------|-------------|--------------------|
|  | Trade Receivables |                    | Other Receivables |             |                    |
|  | Affiliated Party  | Other Party        | Affiliated Party  | Other Party |                    |
| <b>Exposed maximum loan as of reporting date (A+B+C+D+E)</b>   | <b>13,297,273</b> | <b>150,759,193</b> | -                 | -           | <b>115,264,934</b> |
| Portion of maximum risk that is warrantied by means of letter of guarantee etc.  | -                 | -                  | -                 | -           | -                  |
| <b>A. Net book value of assets that are not overdue and not subject to devaluation</b>   | <b>8,582,367</b>  | <b>143,214,634</b> | -                 | -           | <b>115,264,934</b> |
| <b>B. Value of financial assets whose conditions are renegotiated or otherwise will become overdue or subject to devaluation</b> | -                 | -                  | -                 | -           | -                  |
| <b>C. Book value of overdue assets which are not subject to devaluation</b>  | <b>4,714,906</b>  | <b>7,544,559</b>   | -                 | -           | -                  |
| - Portion that is warrantied by means of letter of guarantee etc.  | -                 | 36,581,589         | -                 | -           | -                  |
| <b>D. Net book value of assets subject to devaluation</b>  | -                 | -                  | -                 | -           | -                  |
| Overdue (gross book value)   | -                 | 14,374,215         | -                 | -           | -                  |
| Devaluation (-)  | -                 | (14,374,215)       | -                 | -           | -                  |
| Portion of net value that is warrantied by means of letter of guarantee etc.   | -                 | -                  | -                 | -           | -                  |
| Not overdue (gross book value)   | -                 | -                  | -                 | -           | -                  |
| Devaluation (-)  | -                 | -                  | -                 | -           | -                  |
| Portion of net value that is warrantied by means of letters of guarantee etc.  | -                 | -                  | -                 | -           | -                  |
| <b>E. Out-of-balance-sheet loan risk factors</b>   | -                 | -                  | -                 | -           | -                  |

| December 31, 2011  | Receivables       |                    |                   |             | Savings in Banks  |
|--|-------------------|--------------------|-------------------|-------------|-------------------|
|  | Trade Receivables |                    | Other Receivables |             |                   |
|  | Affiliated Party  | Other Party        | Affiliated Party  | Other Party |                   |
| <b>Exposed maximum loan as of reporting date (A+B+C+D+E)</b>   | <b>8,315,903</b>  | <b>136,962,354</b> | -                 | -           | <b>81,543,578</b> |
| Portion of maximum risk that is warrantied by means of letter of guarantee etc.  | -                 | -                  | -                 | -           | -                 |
| <b>A. Net book value of assets that are not overdue and not subject to devaluation</b>   | <b>7,987,588</b>  | <b>128,184,088</b> | -                 | -           | <b>81,543,578</b> |
| <b>B. Value of financial assets whose conditions are renegotiated or otherwise will become overdue or subject to devaluation</b> | -                 | -                  | -                 | -           | -                 |
| <b>C. Book value of overdue assets which are not subject to devaluation</b>  | <b>328,315</b>    | <b>8,778,266</b>   | -                 | -           | -                 |
| - Portion that is warrantied by means of letter of guarantee etc.  | -                 | 36,594,000         | -                 | -           | -                 |
| <b>D. Net book value of assets subject to devaluation</b>  | -                 | -                  | -                 | -           | -                 |
| Overdue (gross book value)   | -                 | 16,122,559         | -                 | -           | -                 |
| Devaluation (-)  | -                 | (16,252,559)       | -                 | -           | -                 |
| Portion of net value that is warrantied by means of letter of guarantee etc.   | -                 | -                  | -                 | -           | -                 |
| Not overdue (gross book value)   | -                 | -                  | -                 | -           | -                 |
| Devaluation (-)  | -                 | -                  | -                 | -           | -                 |
| Portion of net value that is warrantied by means of letters of guarantee etc.  | -                 | -                  | -                 | -           | -                 |
| <b>E. Out-of-balance-sheet loan risk factors</b>   | -                 | -                  | -                 | -           | -                 |

**FOOTNOTE 11 – OTHER RECEIVABLES AND LIABILITIES****a) Other Receivables:**

|                               | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|-------------------------------|--------------------------|--------------------------|
| Receivables from Tax Office   | 312,991                  | -                        |
| Deposits and guarantees given | -                        | 105,696                  |
| Other bad debts               | 28,195                   | 28,195                   |
| Provision for bad debts       | (28,195)                 | (28,195)                 |
| Other various receivables     | 305,650                  | 608,339                  |
| <b>TOTAL</b>                  | <b>618,641</b>           | <b>714,035</b>           |

**b) Other Payables:**

|                                   | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|-----------------------------------|--------------------------|--------------------------|
| Advance orders received (*)       | 36,795,401               | 5,441,086                |
| Due to Shareholders (Footnote 37) | 11,451                   | 10,533                   |
| Other Various Payables            | 852,458                  | 243,114                  |
| <b>TOTAL</b>                      | <b>37,659,310</b>        | <b>5,694,733</b>         |

(\*) Advance orders received consists of a 23,375,557 TRY for Lapseki – Sütluce 380 kV Submarine Cable Project contract signed in 2012, 3,000,000 TRY for Maslak 1453 – Ağaoglu Akdeniz İnşaat - 154kV Project contract, a 132,996 TRY received for ABB Fırat Plastik 154kV Construction, Cable, Head, Assembly, Test and Commissioning work, and are all related to long-term construction projects (Footnote 15). Remaining balance consists of advances received from our customers due to our other cable sales.

**FOOTNOTE 12 – OTHER RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR ACTIVITIES**

None (2011: None).

**FOOTNOTE 13– INVENTORIES**

|                              | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|------------------------------|--------------------------|--------------------------|
| First substance raw material | 14,776,039               | 23,455,377               |
| Semi-products                | 19,458,598               | 19,276,767               |
| Products                     | 30,486,064               | 39,987,957               |
| Commodities                  | 2,137,387                | 1,455,581                |
| Inventory devaluation        | (1,685,943)              | (827,342)                |
| <b>TOTAL</b>                 | <b>65,172,145</b>        | <b>83,348,340</b>        |

532,173,098 TRY portion of Company's cost of products sold incurred in the period of January 1 - December 31, 2012 is related to first substance raw material consumption (January 1– December 31, 2011: 539,103,257 TRY).

**Inventory devaluation movements table**

|   | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|---|--------------------------|--------------------------|
| January 1                                 | 827,342                  | 1,295,753                |
| Provisions and outflows within the period | 858,601                  | (468,411)                |
| <b>Total</b>                              | <b>1,685,943</b>         | <b>827,342</b>           |

**FOOTNOTE 14 – LIVE ASSETS**

Company's primary field of activity does not involve live assets (2011: None).

**FOOTNOTE 15 – ASSETS RELATED WITH ONGOING CONSTRUCTION CONTRACTS**

Company bases the passing the revenues and costs relating to the ongoing construction works to their financial statements on the percentage of completion of the aforementioned construction works. In this context, Company's completed/ongoing construction works that were carried out as per the contracts signed in 2012 and previous year are as follows:

**a) TEİAŞ 154 kV 1.600 mm<sup>2</sup> BURSA SANAYİ TM – MERİNOŞ TM ve İSTANBUL ÜMRANİYE GIS TM – VANİKÖY GIS TM Underground Power Cable Connection Construction Work:**

Company has signed the contract for the aforementioned construction works on December 17, 2010. Revenues and costs calculated (on basis of percentage of completion) of the aforementioned construction work have been reflected in the financial statements on one hundred percent completion basis as of the current fiscal period.

**b) ABB Fırat Plastik 154kV Construction, Cable, Head, Assembly, Test and Commissioning Work:**

Company has signed the contract for the aforementioned construction works on September 28, 2012. Revenues and costs calculated (on basis of percentage of completion) of the aforementioned construction work have been reflected in the financial statements on sixty five percent completion basis as of the current fiscal period.

**c) Lapseki – Sütluçe 380 kV Submarine Cable Project:**

Company has signed the contract for the aforementioned construction works on September 19, 2012; however, Company did not reflect any revenue or cost in their financial statements as the construction and assembly of the project are not commenced yet as of December 31, 2012.

**d) Maslak 1453 – Ağaoğlu Akdeniz İnşaat- 154kV Project :**

Company has signed the contract for the aforementioned construction works on October 12, 2012; however, Company did not reflect any revenue or cost in their financial statements as the construction and assembly of the project are not commenced yet as of December 31, 2012.

**e) TEİAŞ Gebze OSB TM - Tuzla TM 154 kV Cable Project:**

Company has signed the contract for the aforementioned construction works on December 20, 2012; however, Company did not reflect any revenue or cost in their financial statements as the construction and assembly of the project are not commenced yet as of December 31, 2012.

Total revenues and costs reflected in Company's aforementioned construction works in financial statements of December 31, 2012 and December 31, 2011 are as follows:

|   | December 31, 2012 | December 31, 2011  |
|---|-------------------|--------------------|
| Costs incurred for ongoing construction works | 33,521,486        | 28,193,069         |
| Registered income minus losses (net)          | 10,665,968        | 6,915,442          |
|   | 44,187,454        | 35,108,511         |
| Accrued remunerations                         | (44,103,805)      | (37,500,914)       |
| <b>TOTAL</b>                                  | <b>83,649</b>     | <b>(2,392,403)</b> |

Total amount of advance payments received by the Company in relation to aforementioned projects as of December 31, 2012 is 26,508,553 TRY (December 31, 2011: 2,265,303 TRY).

**FOOTNOTE 16 – INVESTMENTS VALUATED ON BASIS OF EQUITY METHOD**

None (2011: None).

**FOOTNOTE 17 – INVESTMENT-PURPOSE REAL ESTATES**

Company does not have any investment-purpose real estate properties as of the date of the balance sheet (2011: None).

**FOOTNOTE 18 – TANGIBLE FIXED ASSETS**

| 2012 statement                  | December 31, 2011    | Additions          | Outflows         | December 31, 2012    |
|---------------------------------|----------------------|--------------------|------------------|----------------------|
| <b>Cost</b>                     |                      |                    |                  |                      |
| Lands and lots                  | 3,164,360            | -                  | -                | 3,164,360            |
| Buildings                       | 44,597,787           | 17,152             | -                | 44,614,939           |
| Machinery and facilities        | 199,021,385          | 4,808,973          | (189,100)        | 203,641,258          |
| Vehicles and reg. goods         | 23,177,334           | 877,867            | (258,769)        | 23,796,432           |
| Special costs                   | 77,543               | -                  | -                | 77,543               |
|                                 | <b>270,038,409</b>   | <b>5,703,992</b>   | <b>(447,869)</b> | <b>275,294,532</b>   |
| <b>Accumulated amortization</b> |                      |                    |                  |                      |
| Buildings                       | (24,092,622)         | (772,289)          | -                | (24,864,911)         |
| Machinery and facilities        | (177,163,136)        | (4,011,845)        | 181,685          | (180,993,296)        |
| Vehicles and reg. goods         | (21,338,133)         | (569,654)          | 224,819          | (21,682,968)         |
| Special costs                   | (77,515)             | -                  | -                | (77,515)             |
|                                 | <b>(222,671,406)</b> | <b>(5,353,788)</b> | <b>406,504</b>   | <b>(227,618,690)</b> |
| <b>Net registered value</b>     | <b>47,367,003</b>    | <b>350,204</b>     | <b>(41,365)</b>  | <b>47,675,842</b>    |

Company has total amortization cost of 5,364,626 TRY consisting of 5,353,788 TRY for tangible fixed assets and 10,838 TRY for intangible fixed assets as of December 31, 2012. 4,788,897 TRY of the aforementioned amortization cost has been reflected in production costs while the balance of 575,729 has been reflected in activity costs.

| 2011 statement                  | December 31, 2010    | Additions          | Outflows         | December 31, 2011    |
|---------------------------------|----------------------|--------------------|------------------|----------------------|
| <b>Cost</b>                     |                      |                    |                  |                      |
| Lands and lots                  | 3,164,360            | -                  | -                | 3,164,360            |
| Buildings                       | 44,500,707           | 97,080             | -                | 44,597,787           |
| Machinery and facilities        | 195,652,005          | 3,369,380          | -                | 199,021,385          |
| Vehicles and reg. goods         | 22,593,133           | 699,450            | (115,249)        | 23,177,334           |
| Special costs                   | 77,543               | -                  | -                | 77,543               |
|                                 | <b>265,987,748</b>   | <b>4,165,910</b>   | <b>(115,249)</b> | <b>270,038,409</b>   |
| <b>Accumulated amortization</b> |                      |                    |                  |                      |
| Buildings                       | (23,321,897)         | (770,725)          | -                | (24,092,622)         |
| Machinery and facilities        | (172,750,801)        | (4,412,335)        | -                | (177,163,136)        |
| Vehicles and reg. goods         | (20,815,518)         | (619,215)          | 96,600           | (21,338,133)         |
| Special costs                   | (77,515)             | -                  | -                | (77,515)             |
|                                 | <b>(216,965,731)</b> | <b>(5,802,275)</b> | <b>96,600</b>    | <b>(222,671,406)</b> |
| <b>Net registered value</b>     | <b>49,022,017</b>    | <b>(1,636,365)</b> | <b>(18,649)</b>  | <b>47,367,003</b>    |

Company has total amortization cost of 5,824,689 TRY consisting of 5,802,275 TRY for tangible fixed assets and 22,414 TRY for intangible fixed assets as of December 31, 2011. 5,300,494 TRY of the aforementioned amortization cost has been reflected in production costs while the balance of 524,195 has been reflected in activity.

#### FOOTNOTE 19 - INTANGIBLE FIXED ASSETS

| 2012                        | December 31, 2011       | Additions        | Outflows        | December 31, 2012        |
|-----------------------------|-------------------------|------------------|-----------------|--------------------------|
| Cost                        | 969,373                 | -                | -               | 969,373                  |
| Accumulated amortizations   | (958,535)               | (10,838)         | -               | (969,373)                |
| <b>Net registered value</b> | <b>10,838</b>           | <b>(10,838)</b>  | <b>-</b>        | <b>-</b>                 |
| <b>2011</b>                 |                         |                  |                 |                          |
|                             | <b>December 31 2010</b> | <b>Additions</b> | <b>Outflows</b> | <b>December 31, 2011</b> |
| Cost                        | 969,373                 | -                | -               | 969,373                  |
| Accumulated amortizations   | (936,121)               | (22,414)         | -               | (958,535)                |
| <b>Net registered value</b> | <b>33,252</b>           | <b>(22,414)</b>  | <b>-</b>        | <b>10,838</b>            |

#### FOOTNOTE 20 – GOODWILL

Company did not have any acquisitions in the fiscal period that ended on December 31, 2012 that would involve any goodwill calculation (2011: None).

#### FOOTNOTE 21 – GOVERNMENT SUBSIDIES AND GRANTS

##### Tübitak R&D Support:

Company has made periodical applications to The Scientific and Technical Research Council of Turkey (TUBITAK) for a research and development project titled "Yasam Kolaylastirici Kablolar" (Cables That Simplify our Lives) to obtain a research and development support in the scope of Communique for Research and Development (R&D) No: 98/10 dated November 4, 1998, that was issued by the Money-Loans and Coordination Committee that was incorporated as per the provisions of Article 4 of Cabinet Decree 94/6401 "Export-Related Supports Decree" dated December 27, 1994. Company does not have any TUBITAK support sums to be reflected in Company's financial statements as of December 31, 2012 (2011: None).

#### FOOTNOTE 22 – PROVISIONS, CONDITIONAL ASSETS AND LIABILITIES

| Provisions for Long Term Debts                   | December 31, 2012 | December 31, 2011 |
|--|-------------------|-------------------|
| Provisions for lawsuit risks and other costs (*) | 2,072,670         | 1,661,541         |
| Provisions for guarantee costs                   | 579,103           | 673,700           |
| <b>TOTAL</b>                                     | <b>2,651,773</b>  | <b>2,335,241</b>  |

(\*) Aforementioned sum consists of the provisions set aside to cover certain lawsuits filed by various parties against the Company. Total sum of these provisions is accounted for as general management costs within the income statement. It is expected that the sum dated December 31, 2012 will be used in one year. In the management's opinion and with a favorable legal conclusion, aforementioned lawsuits should not result in any significant loss that exceeds the provision dated December 31, 2012.

| <b>Provisions for lawsuit risk and other costs</b> | <b>2012</b>      | <b>2011</b>      |
|--|------------------|------------------|
| <b>January 1</b>                                   | <b>1,661,541</b> | <b>2,603,655</b> |
| Increases / decreases within the period            | 342,768          | (854,485)        |
| Foreign exchange rate differences                  | 68,361           | (87,629)         |
| <b>December 31</b>                                 | <b>2,072,670</b> | <b>1,661,541</b> |

| <b>Provisions for guarantee costs</b>   | <b>2012</b>    | <b>2011</b>    |
|---|----------------|----------------|
| <b>January 1</b>                        | <b>673,700</b> | <b>447,895</b> |
| Increases / decreases within the period | -              | 225,805        |
| Foreign exchange rate differences       | (94,597)       | -              |
| <b>December 31</b>                      | <b>579,103</b> | <b>673,700</b> |

## FOOTNOTE 23 – GUARANTEES

### A- Letters of guarantee given

Table showing the Company's issued/given guarantee / pledge / collateral position as of December 31, 2012 and December 31, 2011 is as follows:

|   | <b>December 31, 2012</b>         | <b>December 31, 2011</b>      |
|---|----------------------------------|-------------------------------|
| <b>A.</b> Total amount of guarantees Company's gave for its own legal entity:   | 59,816,187                       | 54,563,188                    |
| <b>B.</b> Total amount of guarantees, pledges and collaterals Company gave for its partnerships in the scope of full consolidation: | -                                | -                             |
| <b>C.</b> Total amount of guarantees, pledges and collaterals Company gave for 3rd parties to pursue ordinary course of business:   | -                                | -                             |
| <b>D.</b> Total amount of other guarantees, pledges and collaterals given by the Company  | <b>41,972,216</b>                | <b>2,595,524</b>              |
| <i>i.</i> Guarantess, pledges and collaterals given for the parent partnership  | -                                | -                             |
| <i>ii.</i> Total amount of guarantees, pledges and collaterals given for other group companies excluding those in B and C           | 1,321,080 TRY<br>17,203,189 Euro | 1,321,080 TRY<br>515,995 Euro |
| <i>iii.</i> Total amount of guarantees, pledges and collaterals given for 3rd parties excluding those in item C above               | -                                | -                             |
| <b>TOTAL</b>  | <b>101,788,403</b>               | <b>57,158,712</b>             |

Guarantees, pledges and collaterals given by the Company pro-rated to Company's equities is 31% as of December 31, 2012 (December 31, 2011: 2%).

Letters of guarantee set forth in Item A above consist of performance bonds given by the Company to customs, several contract authorities, and buyer as per the provisions of sales contracts. Letters of guarantee set forth in Item D consist of a sum of € 16,684.19 given by the Company as a requirement of a tender where Company participates in a consortium with Prysmian Power link Srl while the remaining letters of sums € 518,995 and 1,321,080 TRY were given as a requirement for a consortium partnership between Company and Prysmian Cavi e Sistemi Energia Srl.

Company does not have open export credit undertaking obligations as of December 31 2012.

### B-Letters of guarantee received

|                               | <b>Original currency</b> | <b>December 31, 2012</b>    |                       | <b>December 31, 2011</b>    |                       |
|-------------------------------|--------------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|
|                               |                          | <b>Foreign curr. amount</b> | <b>TRY equivalent</b> | <b>Foreign curr. amount</b> | <b>TRY equivalent</b> |
| Letters of guarantee received | <b>TL</b>                | 18,973,604                  | 18,973,604            | 23,199,226                  | 23,199,226            |
| Letters of guarantee received | <b>USD</b>               | 8,984,534                   | 16,015,829            | 9,111,999                   | 17,211,655            |
| Letters of guarantee received | <b>EUR</b>               | 775,000                     | 1,822,568             | 1,094,692                   | 2,675,208             |
| Guarantee deeds received      | <b>TL</b>                | 1,499,046                   | 1,499,046             | 1,649,046                   | 1,649,146             |
| Guarantee deeds received      | <b>USD</b>               | 4,727,271                   | 8,426,833             | 5,822,604                   | 10,998,317            |
| Guarantee deeds received      | <b>EUR</b>               | -                           | -                     | 89,196                      | 217,977               |
| Guarantee checks received     | <b>USD</b>               | 1,821,669                   | 3,247,307             | 156,860                     | 296,293               |
| Guarantee checks received     | <b>TL</b>                | 2,458,000                   | 2,458,000             | 6,548,259                   | 6,548,259             |
| Guarantee bills received      | <b>USD</b>               | 29,206,181                  | 52,062,938            | 25,966,386                  | 49,047,907            |
| Guarantee bills received      | <b>TL</b>                | 23,098,392                  | 23,098,392            | 22,181,364                  | 22,181,364            |
| <b>TOTAL</b>                  |                          |                             | <b>127,604,517</b>    |                             | <b>134,025,352</b>    |

**FOOTNOTE 24 – EMPLOYEE BENEFITS**

|   | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|---|--------------------------|--------------------------|
| Provision for employment termination benefits | 7,546,427                | 6,928,844                |
| Personnel incentive cost accruals             | 4,656,911                | 1,550,110                |
| Personnel leave cost accruals                 | 600,962                  | 498,091                  |
| <b>TOTAL</b>                                  | <b>12,804,300</b>        | <b>8,977,045</b>         |

**Provision for Employment Termination Benefits**

As per the provisions of the Turkish Labor Code, Company is obligated to make a severance payment to those members of personnel who has completed one year of service in the Company before discharge or retirement, who becomes entitled to retirement upon completion of total of 25 service years (20 years for women) (retirement is at 58 y.o. age for women and 60 y.o. age for men), or called to military service or deceased. With the legislation amendment that passed on May 23, 2002, certain transitional clauses that address service term prior to retirement were abolished.

Severance payment to be made is equivalent to one month's salary per each service year and the aforementioned sum is limited to TL3,033.98 as of December 31, 2012 (December 31, 2011: TL2,731.85). Severance payment obligation is legally not subject to any funding and there is no condition of funding.

Provision for severance payment is calculated on basis of estimation of today's value of the potential payment that shall be made in case of the retirement of the personnel. Communique requires the Company to develop actuarial calculation and estimation methods to estimate the provision for severance payments. Accordingly, following actuarial assumptions were used in estimation of the aforementioned obligation:

|   | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|---|--------------------------|--------------------------|
| Discount Rate (%)   | 2.52                     | 4.67                     |
| Circulation rate regarding the retirement possibility (%) | 98.00                    | 98.00                    |

The main assumption is that the highest reserves determined for each service per year is to increase in proportion to inflation rate. In that case, the applied discount rate shows the actual rate of discount by eliminating the effects of inflation. The movements of severance pay within the period are as below:

|   | <b>2012</b>      | <b>2011</b>      |
|---|------------------|------------------|
| <b>January 1</b>  | <b>6,928,844</b> | <b>6,071,592</b> |
| Paid within the year  | (1,222,417)      | (403,432)        |
| Additional provisions due to implementation of the actuarial method | 796,000          | 277,622          |
| Interest cost   | 633,000          | 584,296          |
| Service cost  | 411,000          | 398,766          |
| <b>December 31</b>  | <b>7,546,427</b> | <b>6,928,844</b> |

The Company has applied actuarial valuation method to determine the severance pay liabilities' current values and the service costs belonging to previous years, since it is in line with the current service costs and has deducted all liabilities regarding benefits provided after resignation or retirement even though such liabilities are to be paid within twelve months after the date of the balance sheet. The provisions for severance pay has been calculated according to the "International Accounting Standard for Benefits Provided to Employees" (TMS 19-93 A paragraph) by actuarial method and have been included in the financial tables attached.

**FOOTNOTE 25 – PENSION PLANS**

The Company does not have any additional pension plans provided for its employees except for the severance pay as indicated in the Benefits Provided for Employees (Footnote 24) (2011: None).

**FOOTNOTE 26 – OTHER ASSETS AND LIABILITIES****a) Other Current Assets:**

|   | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|---|--------------------------|--------------------------|
| Tax, duty and other deduction receivables | 14,665,754               | 13,054,209               |
| Advance orders given for inventories      | 7,101,097                | 1,889,480                |
| Costs for future months                   | 952,379                  | 360,376                  |
| Prepaid Tax                               | -                        | 2,420,775                |
| Receivables from the Personnel            | 217,973                  | 105,257                  |
| Other Current Assets                      | 56                       | 15                       |
| <b>TOTAL</b>                              | <b>22,937,259</b>        | <b>17,830,112</b>        |

**b) Other Fixed Assets:**

|   | December 31, 2012 | December 31, 2011 |
|---|-------------------|-------------------|
| Withholding tax paid for long-term construction works | 813,404           | -                 |
| Costs for future years                                | 16,967            | 16,969            |
| Advances given for intangible fixed asset purchases   | -                 | 197,823           |
| <b>TOTAL</b>  | <b>830,371</b>    | <b>214,792</b>    |

**c) Other Liabilities:**

|   | December 31, 2012 | December 31, 2011 |
|---|-------------------|-------------------|
| Tax, duty and other deductions to be paid             | 13,559,811        | 11,545,527        |
| Cost accruals for goods and services not yet invoiced | 7,254,218         | 7,201,125         |
| Accruals for international service contracts          | 5,617,406         | 424,958           |
| Provisions of costs and expenditure                   | 7,554             | -                 |
| Cost accruals for guarantee costs                     | 1,629,246         | 576,702           |
| Cost accruals for vendor sales incentives             | 966,273           | 750,571           |
| Payable to the personnel                              | -                 | 1,535,813         |
| Cost accruals relating to order commissions           | 222,186           | 603,932           |
| Other several debt                                    | 488,494           | 42,681            |
| <b>TOTAL</b>  | <b>29,745,188</b> | <b>22,681,309</b> |

**FOOTNOTE 27 – SHAREHOLDERS' EQUITY****a) Paid-in Capital:**

The shareholders with 5% or more of the share certificates of the Company as of December 31, 2012 and December 31, 2011 and the shareholding ratios are as indicated below:

| December 31, 2012              |                      |                    |
|--------------------------------|----------------------|--------------------|
| Full Name/Company Name         | Share Percentage (%) | Share Value (TRY)  |
| Prysmian (Dutch) Holdings B,V, | 83.75                | 93,991,660         |
| Other                          | 16.25                | 18,241,992         |
| <b>TOTAL</b>                   | <b>100.00</b>        | <b>112,233,652</b> |

| December 31, 2011              |                      |                    |
|--------------------------------|----------------------|--------------------|
| Full Name/Company Name         | Share Percentage (%) | Share Value (TRY)  |
| Prysmian (Dutch) Holdings B,V, | 83.75                | 93,991,660         |
| Other                          | 16.25                | 18,241,992         |
| <b>TOTAL</b>                   | <b>100.00</b>        | <b>112,233,652</b> |

**b) Limited reserves reserved from the profit:**

Accumulated profits indicated in legal books may be distributed except for the legal reserves indicated by laws. According to the Turkish Commercial Code, legal reserves are divided into two as first and second order legal reserves. As per the Turkish Commercial Code, the first order legal reserves may be reserved up to 20% of the Paid-in Capital of the Company and as 5% of the legal net profit and the second order legal reserves is 10% of the distributed profit exceeding 5% of the Paid-in Capital of the Company. According to the Turkish Commercial Code, the legal reserves can only be used for settling if any, losses of the Company provided that they don't exceed 50% of the Paid-in Capital.

The above-mentioned amounts should be classified within 'Limited Reserves Reserved from Profit' according to the Financial Reporting Standards of the Capital Market Board. The amount of the limited reserves reserved from the profit of the Company as of December 31, 2012 is TL6,297,081 (2011: TL5,656,089).

Since the company does not have any privileged share types in its capital, no privileges are offered for participation to the company's profit. According to the matters above, the equity accounts of the company as per the Notification of the Capital Market Board Series: XI No. 29, as of December 31, 2012 and December 31, 2011 are as indicated below:

|   | December 31, 2012  | December 31, 2011  |
|---|--------------------|--------------------|
| <b>Paid-in Capital</b>  | <b>112,233,652</b> | <b>112,233,652</b> |
| <b>Retained Earnings/(Losses)</b>                             | <b>7,055,362</b>   | <b>7,489,353</b>   |
| Accumulated Losses  | (10,705,103)       | (10,705,103)       |
| Extraordinary Reserve Funds                                   | 18,945,349         | 18,742,540         |
| Actuarial Valuation Differences of Employee Benefits          | (1,184,884)        | (548,084)          |
| <b>Limited Reserves Retained from Profit</b>                  | <b>6,297,081</b>   | <b>5,656,089</b>   |
| Legal Reserves  | 3,302,626          | 2,661,634          |
| Inflation Correction Differences on Legal Reserves            | 15,863             | 15,863             |
| Real Estate and Partnership Share Sales Profit Exemptions (*) | 2,978,592          | 2,978,592          |
| <b>Net Period Profit/(Loss)</b>                               | <b>7,703,583</b>   | <b>3,530,373</b>   |
| <b>Equities</b>   | <b>133,289,678</b> | <b>128,909,467</b> |

(\*) The Exemption for Property and Fixed Asset Sales in Corporate Tax Law No. 5520 has been modified and as opposed to the previous Corporate Tax Law No. 5422, the requirement of addition to the capital has been eliminated. Thus, up to 75% of the gains from sales shall be kept in a special fund account until the end of the fifth year following the year of the sale. Within this period or after this period, the fund may be added to the capital and may be used freely and without any restrictions after the end of the fifth year following the sale.

According to the financial tables for 2011, which have been issued in line with Notification Serial: XI, No: 29 of the Capital Market Board and in conformity with International Financial Standards and of which the presentation has been audited by an independent audit company as per the resolution dated 17.04.2008 and no. 11/467 of the Capital Market Board during the Ordinary Meeting of the General Assembly held on March 30, 2012, when the 'period tax expenditure' and 'deferred tax income' are considered together, it was unanimously determined that TL2,686,572 shall be distributed to shareholders after the legal reserves for the 2011 fiscal year are deducted from the 'Net Period Income' equaling to TL3,530,373.00 in accordance with the regulations of the Capital Market Board and the current profit distribution policy of the Company.

#### FOOTNOTE 28 – SALES AND COST OF SALES

|                     | January 1-<br>December 31, 2012 | January 1-<br>December 31, 2011 |
|---------------------|---------------------------------|---------------------------------|
| Domestic Sales      | 664,300,224                     | 581,002,631                     |
| International Sales | 264,878,109                     | 239,518,548                     |
| Other Sales         | 3,127,847                       | 1,734,504                       |
| Sales Discounts     | (254,881,625)                   | (135,565,423)                   |
| Sales Costs         | (592,153,846)                   | (615,364,682)                   |
| <b>TOTAL</b>        | <b>85,270,709</b>               | <b>71,325,578</b>               |

They are issued by the sales departments according to the changes in raw material prices and foreign exchange fluctuations, few times a year or when necessary, on product basis and according to the list of sales prices.

The sales promotions or discount policies are detected based on the market conditions and perfect and fair competition conditions, without considering whether such sales were domestic, foreign, in-group or from outside of the group.

Costs of sales for the years ending on December 31, 2012 and December 31, 2011 are as below:

|   | January 1-<br>December 31, 2012 | January 1 -<br>December 31, 2011 |
|---|---------------------------------|----------------------------------|
| Direct First Substance and Raw Material Costs | 532,173,098                     | 539,103,257                      |
| General Production Costs                      | 23,942,433                      | 20,672,172                       |
| Cost of Commercial Goods Sold                 | 13,883,437                      | 19,849,059                       |
| Cost of Other Sales                           | 4,731,522                       | 17,438,095                       |
| Direct Labor Costs                            | 12,634,459                      | 13,001,605                       |
| Amortization Cost                             | 4,788,897                       | 5,300,494                        |
| <b>TOTAL</b>                                  | <b>592,153,846</b>              | <b>615,364,682</b>               |



**FOOTNOTE 29 – RESEARCH AND DEVELOPMENT COSTS; MARKETING, SALES AND DISTRIBUTION COSTS; GENERAL MANAGEMENT COST**

|                                   | January 1-<br>December 31, 2012 | January 1-<br>December 31, 2011 |
|-----------------------------------|---------------------------------|---------------------------------|
| Sales and Distribution Expenses   | 40,283,665                      | 33,083,361                      |
| General Management Expenses       | 26,990,480                      | 25,781,659                      |
| Research and Development Expenses | 1,298,801                       | 1,381,471                       |
| <b>TOTAL</b>                      | <b>68,572,946</b>               | <b>60,246,491</b>               |

**FOOTNOTE 30 – EXPENSES BY NATURE****a) Sales and Distribution Expenses:**

|   | January 1-<br>December 31, 2012 | January 1-<br>December 31, 2011 |
|---|---------------------------------|---------------------------------|
| Logistics Expenses and Guarantee Letter Commissions | 32,962,756                      | 29,909,347                      |
| Personnel Expenses                                  | 3,755,413                       | 3,076,510                       |
| Other Sales and Distribution Expenses               | 3,456,324                       | -                               |
| Amortization Expenses                               | 109,172                         | 97,504                          |
| <b>TOTAL</b>  | <b>40,283,665</b>               | <b>33,083,361</b>               |

**b) General Administrative Expenses:**

|                             | January 1-<br>December 31, 2012 | January 1-<br>December 31, 2011 |
|-----------------------------|---------------------------------|---------------------------------|
| License Expenses            | 18,597,026                      | 17,163,772                      |
| Personnel Expenses          | 4,890,854                       | 4,920,090                       |
| Other Management Expenses   | 2,178,960                       | 2,490,354                       |
| Amortization Expenses       | 416,687                         | 383,668                         |
| Outsourced Service Expenses | 906,953                         | 823,775                         |
| <b>TOTAL</b>                | <b>26,990,480</b>               | <b>25,781,659</b>               |

**c) Research and Development Expenses:**

|                              | January 1-<br>December 31, 2012 | January 1-<br>December 31, 2011 |
|------------------------------|---------------------------------|---------------------------------|
| Personnel Expenses           | 539,183                         | 605,249                         |
| Amortization Expenses        | 49,870                          | 43,023                          |
| Audit Expenses               | 316,228                         | 285,961                         |
| Outsourced Services Expenses | 207,021                         | 214,069                         |
| Other Expenses               | 186,499                         | 233,169                         |
| <b>TOTAL</b>                 | <b>1,298,801</b>                | <b>1,381,471</b>                |

**FOOTNOTE 31 – OTHER OPERATING INCOME / EXPENSES**

|  | January 1-<br>December 31, 2012 | January 1-<br>December 31, 2011 |
|--|---------------------------------|---------------------------------|
| Cost Allocation Income                     | 772,477                         | 220,525                         |
| Provision Income                           | 73,408                          | 1,001,272                       |
| Other Income                               | 514,600                         | 267,451                         |
| <b>Other Operating Income and Profits</b>  | <b>1,360,485</b>                | <b>1,489,248</b>                |
| Project Commission Expenses                | (2,393,370)                     | -                               |
| Other Expenses                             | (845,982)                       | (89,510)                        |
| <b>Other Operating Expenses and Losses</b> | <b>(3,239,352)</b>              | <b>(89,510)</b>                 |

**FOOTNOTE 32 – FINANCIAL INCOME**

|   | January 1-<br>December 31, 2012 | January 1--<br>December 31, 2011 |
|---|---------------------------------|----------------------------------|
| Foreign Exchange Gains  | 20,269,452                      | 86,602,122                       |
| Rediscount Interest Income                                      | 1,472,697                       | 1,524,450                        |
| Financing Earnings on Foreign Currency Forward Purchase / Sales |                                 | 14,526,219                       |
| Interest Earnings   | 3,609,510                       | 1,952,443                        |
| Other Financing Costs   | 22,449                          | -                                |
| <b>TOTAL</b>  | <b>25,374,108</b>               | <b>104,605,234</b>               |

**FOOTNOTE 33 – FINANCIAL EXPENSES**

|   | January 1-<br>December 31, 2012 | January 1--<br>December 31, 2011 |
|---|---------------------------------|----------------------------------|
| Exchange Rate Differences                                 | (16,431,335)                    | (100,821,156)                    |
| Financing Expenses of Forward Currency Purchase/Sales     | (7,169,699)                     | (6,864,398)                      |
| Rediscount Expenses                                       | (1,010,886)                     | (1,143,628)                      |
| Bank transaction commissions and other financing expenses | (2,335,348)                     | (2,842,316)                      |
| Interest Expenses   | (867,464)                       | (2,065,664)                      |
| Letter of Guarantee Expenses                              | (176,807)                       | (273,320)                        |
| <b>TOTAL</b>  | <b>(27,991,539)</b>             | <b>(114,010,482)</b>             |

**FOOTNOTE 34 – FIXED ASSETS RETAINED FOR SALES PURPOSES AND ABORTED ACTIVITIES**

None (2011: None).

**FOOTNOTE 35 – TAX-RELATED ASSETS AND LIABILITIES (including Deferred Assets and Liabilities)****a) Period Tax Expenses:**

Corporate tax rate for 2012 and 2011 in Turkey was 20%.

The companies calculate a temporary tax at the rate of 20% of their financial profit for each quarter (December 31, 2011: %20), declare this amount until the 14<sup>th</sup> day following the said quarter and pay the related tax on the 17<sup>th</sup> day within business hours. Temporary taxes paid within a year belong to that fiscal year and are deducted from the corporate tax amount as stated on the corporate tax statement belonging to the same year. If any paid temporary tax exceeding the deducted amount remains, this may be collected in cash or deducted from another financial liability to the government.

According to the Turkish tax code, financial losses indicated on the tax declaration may be deducted from the income of the company for 5 years. However, financial losses cannot be deducted from the profit of previous years.

|                                    | December 31, 2012 | December 31, 2011 |
|------------------------------------|-------------------|-------------------|
| Calculated current corporate tax   | (5,659,564)       | 383,580           |
| Prepaid corporate tax              | 4,106,882         | (383,580)         |
| <b>Payable tax liability - net</b> | <b>1,552,682</b>  | <b>-</b>          |

|                                     | January 1<br>December 31, 2012 | January 1<br>December 31, 2011 |
|-------------------------------------|--------------------------------|--------------------------------|
| Current period corporate tax        | (5,659,564)                    | (383,580)                      |
| Deferred tax income/expenditure     | 1,320,882                      | 895,900                        |
| Calculated under equity             | 159,200                        | 55,524                         |
| Calculated on the Income Statement  | 1,161,682                      | 840,376                        |
| <b>Total tax income / (expense)</b> | <b>(4,338,682)</b>             | <b>512,320</b>                 |

|  | January 1-<br>December 31, 2012 | January 1-<br>December 31, 2011 |
|--|---------------------------------|---------------------------------|
| <b>Pre-tax profit /(loss)</b>  | <b>12,201,465</b>               | <b>3,073,577</b>                |
| Corporate tax reserve calculated over<br>%20 active tax rate             | (2,440,293)                     | 614,715                         |
| Non-deductible expenses  | (1,586,794)                     | 1,524,623                       |
| Tax free income  | 820,330                         | (1,116,104)                     |
| Non-deductible expenses on legal and<br>deferred tax basis / (discounts) | -                               | (566,438)                       |
| Other  | (1,291,125)                     | -                               |
| <b>Tax reserves</b>  | <b>(4,497,882)</b>              | <b>456,796</b>                  |

**b) Deferred tax assets and liabilities:**

The Company calculates its deferred tax assets and liabilities by considering the temporary differences occurring due to different assessments of tax rates applied to assets and liabilities according to the assets and liabilities indicated in the Notification Series XI No: 29 of the Capital Market Board. The rate that will be applied to deferred tax assets and liabilities calculated according to the liability method over the temporary differences that might occur in the coming terms is 20% (2011: %20).

The breakdown of the temporary differences and deferred tax assets and liabilities calculated on the current tax rate as of December 31, 2012 and December 31, 2011 is as below:

|   | Accumulated<br>Temporary Differences |                     | Deferred Tax<br>Assets / (Liability) |                     |
|---|--------------------------------------|---------------------|--------------------------------------|---------------------|
|   | December 31<br>2012                  | December 31<br>2011 | December 31<br>2012                  | December 31<br>2011 |
| Net difference between the registered stock values and taxable values       | 2,765,299                            | 4,846,971           | 553,060                              | 969,394             |
| Reserves for bad debts  | -                                    | 948,975             | -                                    | 189,795             |
| Unaccrued financial expenses/(income), net                                  | -                                    | (130)               | -                                    | (26)                |
| Severance pay reserves  | 7,546,427                            | 6,928,844           | 1,509,285                            | 1,385,769           |
| Provisions of Debts   | 18,215,355                           | 10,700,116          | 3,483,870                            | 2,140,023           |
| <b>Deferred tax assets</b>  | <b>28,527,081</b>                    | <b>23,424,776</b>   | <b>5,546,215</b>                     | <b>4,684,955</b>    |
| Net difference between registered tangible fixed assets and taxable amounts | (6,455,448)                          | (7,083,425)         | (1,234,311)                          | (1,416,685)         |
| Accrued construction income spread to years                                 | (2,315,632)                          | (3,283,830)         | (463,126)                            | (656,766)           |
| Accrued income  | -                                    | 377,905             | -                                    | 75,581              |
| <b>Deferred tax liabilities</b>   | <b>(8,771,080)</b>                   | <b>(9,989,350)</b>  | <b>(1,697,437)</b>                   | <b>(1,997,870)</b>  |
| <b>Net deferred tax assets</b>  | <b>19,756,001</b>                    | <b>13,435,426</b>   | <b>3,848,778</b>                     | <b>2,687,085</b>    |

**FOOTNOTE 36 – EARNING PER SHARE**

|  | January 1-<br>December 31, 2012 | January 1-<br>December 31, 2011 |
|--|---------------------------------|---------------------------------|
| Net period profit (TRY)                                    | 7,703,583                       | 3,530,373                       |
| Number of share certificates with a nominal value of 10 Kr | 1,122,336,520                   | 1,122,336,520                   |
| <b>Earning per share (TRY)</b>                             | <b>0.0069</b>                   | <b>0.0031</b>                   |

**FOOTNOTE 37 – RELATED PARTY DISCLOSURES**

83.75% of the shares of Türk Prysmian Kablo ve Sistemleri A.Ş. belongs to Prysmian (Dutch) Holding B.V. and 100% of the shares of Prysmian (Dutch) Holding B.V. belongs to Prysmian Cavi e Sistemi Energia S.r.L., which is completely owned by the parent holding company Prysmian S.p.A.

The receivables from and remaining balances owed to affiliated parties as period ends and the summary of transactions carried out during the related period with the affiliated parties are as indicated below:

|  | December 31, 2012 | December 31, 2011 |
|--|-------------------|-------------------|
| Trade receivables from group companies (Footnote 10) | 13,297,273        | 8,315,903         |
| <b>Receivables from affiliated parties</b>           | <b>13,297,273</b> | <b>8,315,903</b>  |
| Trade Payables to group companies (Footnote 10)      | 7,559,577         | 4,364,434         |
| Payables to Shareholders (Footnote 10)               | 11,451            | 10,533            |
| <b>Payables to Affiliated Parties</b>                | <b>7,571,028</b>  | <b>4,374,967</b>  |

**a) Trade receivables from group companies:**

|  | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|--|--------------------------|--------------------------|
| Prysmian Cables Limited                                  | 1,574,396                | 6,041,872                |
| Prysmian Energy c&s Argentina s.a                        | -                        | 390,128                  |
| Prysmian OEKW GmbH,                                      | -                        | 88,875                   |
| Prysmian Telecomunicações Cabos                          | -                        | 137,397                  |
| Prysmian Cables et Systemes France SAS                   | 352,713                  | -                        |
| Prysmian Cavi e Sistemi Italia S.r.l                     | 10,208,870               | 369,687                  |
| Prysmian Kabel und Systeme GmbH                          | -                        | 988,824                  |
| Prysmian S.p.a   | 164,461                  | 130,872                  |
| Prysmian Cabluri si Sisteme s.a.                         | 251,499                  | 112,627                  |
| Prysmian Cables y Sistemas S.A.                          | 141,309                  | -                        |
| Draka Comteq Berlin GmbH & Co                            | 148,579                  | -                        |
| Draka Istanbul Asansor Ihracaat I                        | 226,262                  | -                        |
| Draka Comteq Kablo Limited Sirketi                       | 52,420                   | -                        |
| Draka Denmark  | 49,524                   | -                        |
| Prysmian Kablo s.r.o.                                    | 83,294                   | -                        |
| Total of other trade receivables from affiliated parties | 43,946                   | 55,621                   |
| <b>TOTAL</b>   | <b>13,297,273</b>        | <b>8,315,903</b>         |

**b) Trade Payables to Group Companies:**

|   | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|---|--------------------------|--------------------------|
| Prysmian Cavi e Sistemi S.r.l.                        | 2,999,207                | -                        |
| Prysmian Cavi e Sistemi Energia S.r.l.                | -                        | 3,643,932                |
| Prysmian S.p.a  | -                        | 252,600                  |
| Prysmian Cables y Sistemas S.A.                       | 631,410                  | 218,646                  |
| Prysmian Cables and Systems B.V.                      | -                        | 138,495                  |
| Prysmian Kabel und Systeme GmbH                       | 543,687                  | 104,627                  |
| Prysmian Cavi e Sistemi Italia S.r.l.                 | 651,233                  | -                        |
| Draka Comteq Germany GmbH & Co KG KÖLN                | 106,648                  | -                        |
| Draka Comteq Fibre BV                                 | 189,276                  | -                        |
| Draka Comteq Berlin GmbH & Co. KG Berlin / Köpenick   | 2,009,084                | -                        |
| Draka Comteq UK Limited                               | 378,393                  | -                        |
| Total of other trade payables from affiliated parties | 50,639                   | 6,134                    |
| <b>TOTAL</b>  | <b>7,559,577</b>         | <b>4,364,434</b>         |

**c) Payables to shareholders:**

|                                      | <b>December 31, 2012</b> | <b>December 31, 2011</b> |
|--------------------------------------|--------------------------|--------------------------|
| Payable dividends for previous years | 11,451                   | 10,533                   |
| <b>TOTAL</b>                         | <b>11,451</b>            | <b>10,533</b>            |

**d) Sales to group companies:**

|   | January 1 -<br>December 31, 2012 | January 1 -<br>December 31, 2011 |
|---|----------------------------------|----------------------------------|
| Prysmian Cavi e Sistemi Telecom Italia S.r.l. | -                                | 4,368,533                        |
| Prysmian Kabel und Systeme GmbH               | 2,114,414                        | 7,028,881                        |
| Prysmian Cavi e Sistemi Italia S.r.l.         | 18,418,419                       | 6,454,171                        |
| Prysmian Cables et Systemes France            | 5,128,730                        | 6,013,197                        |
| Prysmian Cables & Systems Ltd.                | 20,782,717                       | 16,851,682                       |
| Prysmian Cavi e Sistemi Telecom S.r.l.        | -                                | 3,116,171                        |
| Prysmian Cabluri si Sisteme S.A.              | 3,127,008                        | -                                |
| Prysmian Telecomunicações Cabos e S           | -                                | 3,189,720                        |
| Prysmian Wuxi Cable Company Ltd               | -                                | 3,189,228                        |
| Prysmian Cables et Systèmes                   | -                                | 2,674,578                        |
| Prysmian Cables y Sistemas S.A.               | 23,516                           | 2,158,187                        |
| Prysmian LLC Rybinskelektrokabel              | 829,874                          | -                                |
| Draka Istanbul Asansor Ihracaat I             | 709,140                          | -                                |
| Draka Comteq Kablo Limited Sirketi            | 220,318                          | -                                |
| Draka Offshore Asia Pacific Pte Ltd SINGAPORE | 229,125                          | -                                |
| Total sales to other group companies          | 709,474                          | 3,169,326                        |
| <b>TOTAL</b>                                  | <b>52,292,735</b>                | <b>58,213,674</b>                |

**e) Materials, services and fixed asset purchases from group companies:**

Link support, data process support and all kinds of consultancy services are purchased from group companies. All these transactions are invoiced and deemed as service purchases.

**Foreign Purchases: (January 1 - December 31, 2012)**

| Title                                 | Materials &<br>Commercial Goods | Services          | Fixed Assets | Total             |
|---------------------------------------|---------------------------------|-------------------|--------------|-------------------|
| Prysmian Metals Ltd.                  | 19,538,349                      | -                 | -            | 19,538,349        |
| Prysmian Cavi e Sistemi S.r.l.        | 57,062                          | 17,202,462        | -            | 17,259,524        |
| Fibre Ottiche Sud - F.O.S. S.r.l.     | 3,968,359                       | -                 | -            | 3,968,359         |
| Prysmian Cables & Systems Ltd.        | 335,020                         | -                 | -            | 335,020           |
| Prysmian Cavi e Sistemi Italia S.r.l. | 7,435,800                       | -                 | -            | 7,435,800         |
| Prysmian Kabel und System GmbH.       | 5,168,270                       | -                 | -            | 5,168,270         |
| Prysmian S.p.A                        | -                               | 1,187,737         | -            | 1,187,737         |
| Prysmian Cables y Sistemas S.A.       | 4,283,121                       | -                 | -            | 4,283,121         |
| Draka Comteq Germany GmbH             | 725,664                         | -                 | -            | 725,664           |
| Draka Cable Wuppertal GmbH            | 234,315                         | -                 | -            | 234,315           |
| Draka Comteq Fibre BV                 | 187,380                         | 206,827           | -            | 394,207           |
| Draka Comteq Berlin GmbH & Co, KG     | 1,454,268                       | -                 | -            | 1,454,268         |
| Prysmian Romania Cabluri Si Sisteme   | 847,765                         | -                 | -            | 847,765           |
| Prysmian Cables and Systems B.V.      | 339,019                         | -                 | -            | 339,019           |
| Draka Comteq UK Limited               | 1,256,167                       | -                 | -            | 1,256,167         |
| Draka Comteq Kablo Ltd. Şti.          | 374,077                         | -                 | -            | 374,077           |
| Purchases from other group companies  | 121,690                         | -                 | -            | 121,690           |
| <b>TOTAL</b>                          | <b>46,326,326</b>               | <b>18,597,026</b> | -            | <b>64,923,352</b> |

**Foreign Purchases: (January 1 - December 31, 2011)**

| Title                                  | Materials &<br>Commercial Goods | Services          | Fixed Assets | Total             |
|--|---------------------------------|-------------------|--------------|-------------------|
| Prysmian Metals Ltd.                   | 22,682,427                      | -                 | -            | 22,682,427        |
| Prysmian Cavi e Sistemi Energia S.r.l. | -                               | 11,847,150        | -            | 11,847,150        |
| Fibre Ottiche Sud - F.O.S. S.r.l.      | 5,648,673                       | -                 | -            | 5,648,673         |
| Prysmian Cables y Sistemas SL.         | 4,893,070                       | -                 | -            | 4,893,070         |
| Prysmian Cavi e Sistemi Italia S.r.l.  | 7,150,589                       | -                 | -            | 7,150,589         |
| Prysmian Kabel und System GmbH.        | 5,667,086                       | -                 | -            | 5,667,086         |
| Prysmian Cavi e Sistemi S.r.l.         | -                               | 3,218,973         | -            | 3,218,973         |
| Prysmian Cavi e Sistemi Telecom S.r.l. | -                               | 1,337,480         | -            | 1,337,480         |
| Prysmian S.p.A                         | -                               | 760,168           | -            | 760,168           |
| Prysmian Power Link S.r.l              | 600,446                         | -                 | -            | 600,446           |
| Prysmian Cables & Systems BV           | 595,645                         | -                 | -            | 595,645           |
| <b>TOTAL</b>                           | <b>47,237,936</b>               | <b>17,163,771</b> | -            | <b>64,401,707</b> |

**f) Total of licenses and agreement costs related with group companies:**

|  | January 1 -<br>December 31 2012 | January 1 -<br>December, 31 2011 |
|--|---------------------------------|----------------------------------|
| Prysmian Cavi e Sistemi S.r.l.         | 17,202,462                      | 3,218,973                        |
| Prysmian Cavi e Sistemi Telecom S.r.l. | -                               | 1,975,690                        |
| Prysmian Cavi e Sistemi Energia S.r.l. | -                               | 11,221,335                       |
| Prysmian S.p.a.                        | 1,187,737                       | 747,773                          |
| Draka Comteq Fibre BV                  | 206,827                         | -                                |
| <b>TOTAL</b>                           | <b>18,597,026</b>               | <b>17,163,771</b>                |

The service charges paid to group companies consist of three service charge items, which are;

**TAF(Technical Assistance Fees) license agreement:**

The license fees are calculated as 2% of the sales from the production, of which 1% is for the trade mark right and 1% for knowhow and are invoiced by the related company. The last amendments were for title changes in 2006.

**SAG (Service Agreement ):**

All cost distributions for services such as legal, sales, Research and Development, consultancy, etc. are invoiced for each company according to various distribution keys by the Prysmian Group Holding headquarters.

**IT (IT Service Agreement):**

All information technology costs incurred are calculated by the PrysmianGrup Holding headquarters. Costs are distributed according to various distribution keys and the costs belonging to each group company are invoiced separately.

The IT service cost for the purchase made from Prysmian S.p.A. is related with S.A.P. system revision performed in 2011. It covers all technical assistance, consultancy and other expenses regarding the system revision.

The license payments to group companies are calculated at 2% over the sales of products that are subject to a license agreement. The license agreements contracted between group companies have been revised in 2006 and are still ongoing with the same terms and conditions.

**g) Dividend income:**

None (2011: None).

**h) Benefits offered to key employees at director level:**

|   | January 1-<br>December 31, 2012 | January 1-<br>December 31, 2011 |
|---|---------------------------------|---------------------------------|
| <b>Short-term benefits:</b>   |                                 |                                 |
| (Wages, bonuses, housing, cars, social security, health insurance, leaves, etc.)      | 1,817,540                       | 1,586,441                       |
| <b>Benefits after retirement:</b>   |                                 |                                 |
| (Payments for key employees, etc. after retirement)                                   | -                               | -                               |
| <b>Other long-term benefits:</b>  |                                 |                                 |
| (Severance pay provisions, long-term portions of leaves, long-term bonus plans, etc.) | 477,640                         | 8,053                           |
| <b>Benefits provided after resignation:</b>   |                                 |                                 |
| (Severance pay to resigned executives, notice pay and other legal fees)               | -                               | -                               |
| <b>Payments per shares</b>  | -                               | -                               |
| <b>TOTAL</b>  | <b>2,295,180</b>                | <b>1,594,494</b>                |

**FOOTNOTE 38 - NATURE AND SCOPE OF RISKS ORIGINATING FROM FINANCIAL INSTRUMENTS**

The table below summarizes the foreign exchange risk status of the Company as of December 31, 2012 and December 31, 2011. The registered assets and liabilities of the company in foreign currencies are as indicated below and shown with the related currency:

|  | FOREIGN EXCHANGE POSITION TABLE |                     |                     |                   |                      |                     |                    |               |
|--|---------------------------------|---------------------|---------------------|-------------------|----------------------|---------------------|--------------------|---------------|
|  | December 31, 2012               |                     |                     | December 31, 2011 |                      |                     |                    |               |
|  | TL Equivalent                   | ABD \$              | AVRO                | GBP               | TL Equivalent        | ABD \$              | AVRO               | GBP           |
| 1, Trade Receivables   | 75,971,946                      | 30,834,122          | 8,932,704           | -                 | 58,867,931           | 22,213,630          | 6,909,977          | 7,543         |
| 2a, Monetary Financial Assets (including Cash Bank Accounts, etc.)   | 79,101,783                      | 32,559,820          | 8,955,280           | 180               | 44,310,951           | 21,338,741          | 1,638,515          | -             |
| 2b, Non-Monetary Financial Assets  | -                               | -                   | -                   | -                 | -                    | -                   | -                  | -             |
| 3, Other   | 6,595,194                       | 375,505             | 2,519,803           | -                 | 490,469              | 187,486             | 50,454             | 4,466         |
| <b>4, Current Assets (1+2+3)</b>   | <b>161,668,923</b>              | <b>63,769,447</b>   | <b>20,407,787</b>   | <b>180</b>        | <b>103,669,351</b>   | <b>43,739,857</b>   | <b>8,598,946</b>   | <b>12,009</b> |
| 5, Trade Receivables   | -                               | -                   | -                   | -                 | -                    | -                   | -                  | -             |
| 6a, Monetary Financial Assets  | -                               | -                   | -                   | -                 | -                    | -                   | -                  | -             |
| 6b, Non-Monetary Financial Assets  | -                               | -                   | -                   | -                 | -                    | -                   | -                  | -             |
| 7, Other   | -                               | -                   | -                   | -                 | -                    | -                   | -                  | -             |
| <b>8, Fixed Assets (5+6+7)</b>   | -                               | -                   | -                   | -                 | -                    | -                   | -                  | -             |
| <b>9, Total Assets (4+8)</b>   | <b>161,668,923</b>              | <b>63,769,447</b>   | <b>20,407,787</b>   | <b>180</b>        | <b>103,669,351</b>   | <b>43,739,857</b>   | <b>8,598,946</b>   | <b>12,009</b> |
| 10, Trade Payables   | 191,309,940                     | 100,075,836         | 5,066,754           | 28,194            | 204,961,131          | 103,773,984         | 3,255,489          | 1,341         |
| 11, Financial Liabilities  | -                               | -                   | -                   | -                 | -                    | -                   | -                  | -             |
| 12a, Other Monetary Liabilities  | -                               | -                   | -                   | -                 | -                    | -                   | -                  | -             |
| 12b, Other Non-Monetary Liabilities  | -                               | -                   | -                   | -                 | -                    | -                   | -                  | -             |
| <b>13, Short-Term Liabilities (10+11+12)</b>   | <b>191,309,940</b>              | <b>100,075,836</b>  | <b>5,066,754</b>    | <b>28,194</b>     | <b>204,961,131</b>   | <b>103,773,984</b>  | <b>3,255,489</b>   | <b>1,341</b>  |
| 14, Trade Payables   | -                               | -                   | -                   | -                 | -                    | -                   | -                  | -             |
| 11, Financial Liabilities  | -                               | -                   | -                   | -                 | -                    | -                   | -                  | -             |
| 12a, Other Monetary Liabilities  | 74,727,969                      | 8,719,410           | 25,014,711          | -                 | 17,092,559           | 6,408,563           | 2,007,292          | -             |
| 12b, Other Non-Monetary Liabilities  | -                               | -                   | -                   | -                 | -                    | -                   | -                  | -             |
| <b>17, Long Term Liabilities (14+15+16)</b>  | <b>74,727,969</b>               | <b>8,719,410</b>    | <b>25,014,711</b>   | -                 | <b>17,092,559</b>    | <b>6,408,563</b>    | <b>2,007,292</b>   | -             |
| <b>18, Total Liabilities (13+17)</b>   | <b>266,037,909</b>              | <b>108,795,246</b>  | <b>30,081,465</b>   | <b>28,194</b>     | <b>222,053,690</b>   | <b>110,182,547</b>  | <b>5,262,781</b>   | <b>1,341</b>  |
| <b>19, Net Off-Balance Sheet Asset / (Liabilities) Position of Derivatives (19a-19b)</b>                                       | <b>83,693,070</b>               | <b>46,950,000</b>   | -                   | -                 | <b>103,909,188</b>   | <b>62,190,840</b>   | <b>(5,550,000)</b> | -             |
| 19a, Off-Balance Sheet, Asset-Type Foreign Currency Derivative Products  | 83,693,070                      | 46,950,000          | -                   | -                 | 117,472,278          | 62,190,840          | -                  | -             |
| 19b, Off-Balance Sheet, Liability-Type Foreign Currency Derivative Products  | -                               | -                   | -                   | -                 | 13,563,090           | -                   | 5,550,000          | -             |
| <b>20, Net Foreign Currency Assets / (Liabilities) Position (9-18+19)</b>  | <b>(20,675,916)</b>             | <b>1,924,201</b>    | <b>(9,673,678)</b>  | <b>(28,014)</b>   | <b>(14,475,151)</b>  | <b>(4,251,850)</b>  | <b>(2,213,835)</b> | <b>10,668</b> |
| <b>21, Monetary Items Net Foreign Currency Assets / (Liabilities) Position (UFRS 7, B23) (=1+2a+5+6a-10-11-12a-14-15-16a)*</b> | <b>(110,964,180)</b>            | <b>(45,401,304)</b> | <b>(12,193,481)</b> | <b>(28,014)</b>   | <b>(118,874,808)</b> | <b>(66,630,176)</b> | <b>3,285,711</b>   | <b>6,202</b>  |
| <b>22, Actual Total of Financial Instruments used for Foreign Currency Hedging</b>   | <b>83,693,070</b>               | <b>46,950,000</b>   | -                   | -                 | <b>103,909,188</b>   | <b>62,190,840</b>   | <b>(5,550,000)</b> | -             |
| <b>23, Amount of Hedged Foreign Currency Assets **</b>   | <b>83,693,070</b>               | <b>46,950,000</b>   | -                   | -                 | <b>117,472,278</b>   | <b>62,190,840</b>   | -                  | -             |
| <b>24, Total Import Amount (TRY)</b>   | <b>265,444,136</b>              | -                   | -                   | -                 | <b>241,315,930</b>   | -                   | -                  | -             |
| <b>25, Total Export Amount (TRY)</b>   | <b>302,205,151</b>              | -                   | -                   | -                 | <b>281,254,700</b>   | -                   | -                  | -             |
| <b>24, Hedging Ratio of Foreign Exchange Liabilities</b>   | <b>31%</b>                      | -                   | -                   | -                 | <b>53%</b>           | -                   | -                  | -             |

The Company is subject to Euro, US Dollar and British Pound risks in the current period.

| December 31, 2012   | Foreign Currency Susceptibility Analysis Table |                               |                               |                               |
|---|--|-------------------------------|-------------------------------|-------------------------------|
|   | Profit/Loss                                    |                               | Equities                      |                               |
|   | Foreign Exchange Appreciation                  | Foreign Exchange Depreciation | Foreign Exchange Appreciation | Foreign Exchange Depreciation |
| In case of 10% fluctuation in US Dollar exchange rate:                  |  |                               |                               |                               |
| 1- Net assets/liabilities in US Dollar                                  | (8,111,725)                                    | 8,111,725                     | -                             | -                             |
| 2- Protected portion of US Dollar from foreign exchange risks (-)       | 8,369,307                                      | (8,369,307)                   | -                             | -                             |
| <b>3- Net Effect of US Dollar (1+2)</b>                                 | <b>257,582</b>                                 | <b>(257,582)</b>              | -                             | -                             |
| In case of 10% fluctuation in Euro exchange rate:                       |  |                               |                               |                               |
| 4- Net assets/liabilities in Euro                                       | (2,300,275)                                    | 2,300,275                     | -                             | -                             |
| 5- Protected portion of Euro from foreign exchange risks (-)            | -  | -                             | -                             | -                             |
| <b>6- Net Effect of Euro (4+5)</b>                                      | <b>(2,300,275)</b>                             | <b>2,300,275</b>              | -                             | -                             |
| In case of 10% fluctuation in other currencies:                         |  |                               |                               |                               |
| 7- Net assets/liabilities in other currencies                           | (8,085)  | 8,085                         | -                             | -                             |
| 8- Protected portions of other currency from foreign exchange risks (-) | -  | -                             | -                             | -                             |
| <b>9- Net Effect of Other Foreign Currencies (7+8)</b>                  | <b>(8,085)</b>                                 | <b>8,085</b>                  | -                             | -                             |
| <b>TOTAL (3+6+9)</b>  | <b>(2,050,778)</b>                             | <b>2,050,778</b>              | -                             | -                             |

| December 31, 2011   | Foreign Currency Susceptibility Analysis Table |                               |                               |                               |
|---|--|-------------------------------|-------------------------------|-------------------------------|
|   | Profit/Loss                                    |                               | Profit/Loss                   |                               |
|   | Foreign Exchange Appreciation                  | Foreign Exchange Depreciation | Foreign Exchange Appreciation | Foreign Exchange Depreciation |
| In case of 10% fluctuation in US Dollar exchange rate:                  |  |                               |                               |                               |
| 1- Net assets/liabilities in US Dollar                                  | (12,686,040)                                   | 12,686,040                    | -                             | -                             |
| 2- Protected portion of US Dollar from foreign exchange risks (-)       | 11,747,228                                     | (11,747,228)                  | -                             | -                             |
| <b>3- Net Effect of US Dollar (1+2)</b>                                 | <b>(938,812)</b>                               | <b>938,812</b>                | -                             | -                             |
| In case of 10% fluctuation in Euro exchange rate:                       |  |                               |                               |                               |
| 4- Net assets/liabilities in Euro                                       | 796,752  | (796,752)                     | -                             | -                             |
| 5- Protected portion of Euro from foreign exchange risks (-)            | (1,356,310)                                    | 1,356,310                     | -                             | -                             |
| <b>6- Net Effect of Euro (4+5)</b>                                      | <b>(559,558)</b>                               | <b>559,558</b>                | -                             | -                             |
| In case of 10% fluctuation in other currencies:                         |  |                               |                               |                               |
| 7- Net assets/liabilities in other currencies                           | 1,807  | (1,807)                       | -                             | -                             |
| 8- Protected portions of other currency from foreign exchange risks (-) | -  | -                             | -                             | -                             |
| <b>9- Net Effect of Other Foreign Currencies (7+8)</b>                  | <b>1,807</b>                                   | <b>(1,807)</b>                | -                             | -                             |
| <b>TOTAL (3+6+9)</b>  | <b>(1,496,563)</b>                             | <b>1,496,563</b>              | -                             | -                             |

#### FOOTNOTE 39 - FINANCIAL INSTRUMENTS (Realistic Value Explanations and Explanations Relating to Financial Risk Protection)

##### Classes and fair values of financial instruments

Fair value is the value an asset may be exchanged or a liability may be covered in transactions carried out under normal market conditions between informed and willing parties.

The Company has determined estimate fair amounts of financial instruments by using the currently available market information and the suitable valuation method. However, estimating market information data requires interpretation and judgment. Therefore, the approximate values listed here may not be an exact picture of the amounts the Company may acquire under current market conditions.



| December 31, 2012            | Footnote | Loans and receivables (cash and similar to cash) | Financial liabilities showed by amortisation value | Book amount |
|------------------------------|----------|--|--|-------------|
| <b>Financial assets</b>      |          |  |  |             |
| Cash and cash equivalents    | 6        | 118,790,338                                      | -  | 118,790,338 |
| Trade receivables            | 10, 37   | 164,056,466                                      | -  | 164,056,466 |
| Other financial assets       | 11       | 618,641  | -  | 618,641     |
| <b>Financial liabilities</b> |          |  |  |             |
| Trade Payables               | 10.37    | -  | 204,003,090  | 204,003,090 |
| Other financial liabilities  | 11.26    | -  | 2,318,919  | 2,318,919   |

| December 31, 2011            | Footnote | Loans and receivables (cash and similar to cash) | Financial liabilities showed by amortisation value | Book amount |
|------------------------------|----------|--|--|-------------|
| <b>Financial assets</b>      |          |  |  |             |
| Cash and cash equivalents    | 6        | 87,028,153                                       | -  | 87,028,153  |
| Trade receivables            | 10, 37   | 145,278,257                                      | -  | 145,278,257 |
| Other financial assets       | 11       | 13,897,762                                       | -  | 13,897,762  |
| <b>Financial liabilities</b> |          |  |  |             |
| Trade Payables               | 10, 37   | -  | 219,025,133  | 219,025,133 |
| Other financial liabilities  | 11, 26   | -  | 1,968,261  | 1,968,261   |

The fair value of financial assets and liabilities are determined as indicated below:

**First level:** The financial assets and liabilities have been appreciated according to the stock exchange prices the same assets and liabilities are traded in the market.

**Second level:** The financial assets and liabilities have been appreciated by using the data used for setting the price observed directly or indirectly in the market besides the stock exchange price as indicated in the first level.

**Third level:** The financial assets and liabilities have been appreciated not based on the data used for setting the price observed directly or indirectly in the market besides the stock exchange price as indicated in the first level. While calculating the fair value of derivate instruments, the market prices quoted for similar instruments in the market have been used. If market prices are not available, then either discounted cash flows for non-optional financial instruments or the optional pricing method for optional derivative instruments are used.

The financial assets and liabilities shown with their fair prices and their level classifications are as indicated below:

|   | Fair value level as of the date of reporting |                |                |
|---|--|----------------|----------------|
|   | 1. Level<br>TL                               | 2. Level<br>TL | 3. Level<br>TL |
| <b>Financial assets</b>   |  |                |                |
| Financial assets of which the fair value difference is included in the profit/loss      |  |                |                |
| Derivative instruments  | -  | -              | -              |
| <b>Total</b>  | -  | -              | -              |
| <b>Financial liabilities</b>  |  |                |                |
| Financial liabilities of which the fair value difference is included in the profit/loss |  |                |                |
| Derivative instruments  | -  | (2,307,468)    | -              |
| <b>Total</b>  | -  | (2,307,468)    | -              |

**Forward Foreign Exchange Purchase Transactions:**

The financing department of the Company is responsible from ensuring regular access to financial markets and from monitoring and managing financial risk the Company is subject to. These risks include market risk (including foreign exchange risk, fair interest rate risk and price risk), liquidity risk and cash purchase risks.

In order to minimize the effects of such risks and to eliminate any related financial risks, the Company uses future purchase agreements amongst financial instruments considered as derivative products.

The net expense equaling to 2,307,469 from Forward Foreign Exchange Purchase contracts equaling in total to 46,950,000.00 as of December 31, 2012 has been included in the "Financing Costs" item on the financial tables (December 31, 2011: 5.536.716 TRY accrued income).

|  | December 31, 2012      |                    | December 31, 2011     |                   |
|--|------------------------|--------------------|-----------------------|-------------------|
|  | Agreement Amount (TRY) | Fair Values (TRY)  | Contract Amount (TRY) | Fair Values (TRY) |
| <b>Foreign Currency Derivative Financial Instruments</b> |                        |                    |                       |                   |
| Forward foreign exchange sales                           | -                      | -                  | 13,563,090            | 7,661,821         |
| Forward foreign exchange purchases                       | 83,693,070             | (2,307,468)        | 117,472,278           | (2,125,105)       |
| <b>TOTAL</b>   | <b>83,693,070</b>      | <b>(2,307,468)</b> | <b>131,035,368</b>    | <b>5,536,716</b>  |

**FOOTNOTE 40 – EVENTS AFTER THE BALANCE SHEET DATE**

The Company has received an official warning from the Republic of Turkey, Internal Revenue Service Head Office, Bursa Tax Office Directorate, Mudanya Tax Office General Directorate together with "Tax Audit Report" and "Tax/Penalty Notice". In the tax audit report it was determined as a result of the audit performed in 2010 that;

The charge out invoices issued for 2009, 2010 and 2011 for transactions carried under a service contract between the group companies and the Company should have been considered as Intangible Rights (Know-How) and the value added tax and corporate tax withholding was not applied for such payments and therefore, in accordance with Article 8 of the VAT Law and Article 30 of the Corporate Tax Law no. 5520, 263.563 TRY as VAT and 1.464.238 TRY as Corporate Tax was levied on the Company.

It was further claimed that VAT was under-assessed for payments realized as turnover premiums for the Company from foreign sellers according to Article 29 of Tax Procedure Law and 31.731 TRY VAT was levied. Further, it was claimed that the payments realized as turnover premiums were not document and therefore, an irregularity fine equaling to 20.801 TRY was levied.

In accordance with Articles 341, 344 and 339 of Tax Procedure Code, the loss of tax fine shall be deducted with a fifty percent increase over the taxed levies.

|                           | Tax Amount       | Fine Levied      |
|---------------------------|------------------|------------------|
| Value Added Tax           | 263,563          | 395,344          |
| Corporate Tax Withholding | 1,464,238        | 2,196,357        |
| Value Added Tax           | 31,731           | 47,597           |
| Irregularity Fine         | -                | 20,801           |
| <b>TOTAL</b>              | <b>1,759,532</b> | <b>2,660,099</b> |

An official notice was delivered to the Company on 2 October 2012 with the tax statements and fines issued based on the said report and tax and fine notices equaling to 4,419,630 TRY for 2009, 2010 and 2011. The Company objected to the report and these official warnings within the legal timeframe and has passed the decision to apply for a settlement after withholding and has applied to Mudanya Tax Office Directorate in order for the application to be submitted to Republic of Turkey, Ministry of Finance, Internal Revenue Directorate, Tax Office Coordination and Reconciliation Committee.

As a result of the reconciliation negotiations that took place on 28 January 2013 with Ankara Internal Revenue Directorate, Tax Office Coordination and Reconciliation Committee, the parties have reached an agreement and tax loss fine equaling to 2.660.099 TRY revoked and the actual tax amounts were decreased by 71.58%. Thus, the actual tax amount to be paid by the Company was determined to be 500.000 TRY and the default interest is 84.000 TRY and these amounts have been paid to Mudanya Tax Office Directorate.

(2011: None).

## COMPLIANCE REPORT

### Türk Prysmian Kablo ve Sistemleri 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 general rules specified in the Corporate Governance Principles of the Capital Market Board (CMB) issued in the resolution of the Capital Market Board.

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

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

Türk 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](http://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%)**.

| MAIN SECTIONS                     | Corporate Governance Rating of IMKB |               |
|-----------------------------------|-------------------------------------|---------------|
|                                   | WEIGHTED                            | RATING (%)    |
| Shareholders:                     | 25%                                 | 88.46%        |
| Public Disclosure & Transparency: | 35%                                 | 85.85%        |
| Stakeholders:                     | 15%                                 | 92.85%        |
| Board of Directors:               | 25%                                 | 73.20%        |
| <b>TOTAL</b>                      | <b>100%</b>                         | <b>84.39%</b> |

In 2011, Türk 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 0.71 increase by remaining in such qualified companies' group **8.44 out of 10 (84.39%)**.

It is possible to see the whole Corporate Governance Report in our website ([www.prysmian.com.tr](http://www.prysmian.com.tr)) under the category of Investor Relations and the title Corporate Governance.

During the activity period ending as of 31 December 2012, 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

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](http://www.prysmian.com.tr)); for further inquiries, they are directed to the following e-mail address, telephone and fax numbers:

**E-mail: [tpks@prysmiangroup.com](mailto:tpks@prysmiangroup.com); Telephone No: (0224) 270 30 00; Fax No: (0224) 270 30 24**

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

### 4. Information about the General Assembly

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

During the year 2012, the General Assemblies convened one time at the Company's Head Office, in the form of ordinary meeting (30 March 2012). The shareholders representing more than 83.75% of the shares attended to the said meetings.

The shareholders shall be invited to the General Assemblies by informing the place of the meeting, time and agenda. The invitation shall be made at least 3 weeks before the General Assembly considering the regulations of Capital Markets Board. The date of invitation and meeting date shall be excluded from said three weeks period. In addition, a declaration in the Trade Registry Gazette, a national circulating gazette and a local gazette shall be performed including the agenda, sample of power of attorney and, if any, amendment of articles of association.

The shareholders may participate to the General Assembly by their attorneys as well as in principal through physical means or via electronic environment. The electronic participation is possible provided the safe electronic signatures of the shareholders or their attorneys are obtained. Thus, the shareholders to transact in EKGS (Electronic General Assembly System) shall, in the first place, register to Merkezi Kayıt Kuruluşu A.Ş. (Central Registry Agency company) (MKK) e-MKK information portal as recording their contact information, and besides, shall have a safe electronic signature.

The period of the speeches shall be decided by the General Assembly upon the recommendation of the shareholders considering the intensity of the agenda, number of the subjects to be discussed, significance of the agenda subjects and the number of participants requesting to make speech. In such situations, the General Assembly shall make separate voting for deciding both, in the first place, if there is a need to limit the speech periods and the periods of the speeches.

The meeting (General Assembly) president shall enable any question to be asked by the shareholders through the meeting and any question not in quality of commercial secret to be answered. If a question is not related with the agenda or in such a coverage that may not be answered at once, it shall be answered in written form by the Investor Relations Unit at most in 30 business days. If such a situation exists, the meeting president shall explain to the owner of the question such a right and shall inform the shareholder about such future answer to be provided.

**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](http://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](http://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

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 490-491 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 2012: **26**

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

There is no sanction (written warning) applied by the Capital Market Board or İstanbul Stock Exchange Market's Board against failure to provide declaration on special status in time.

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

### 10. Company's Internet Site and It's Content

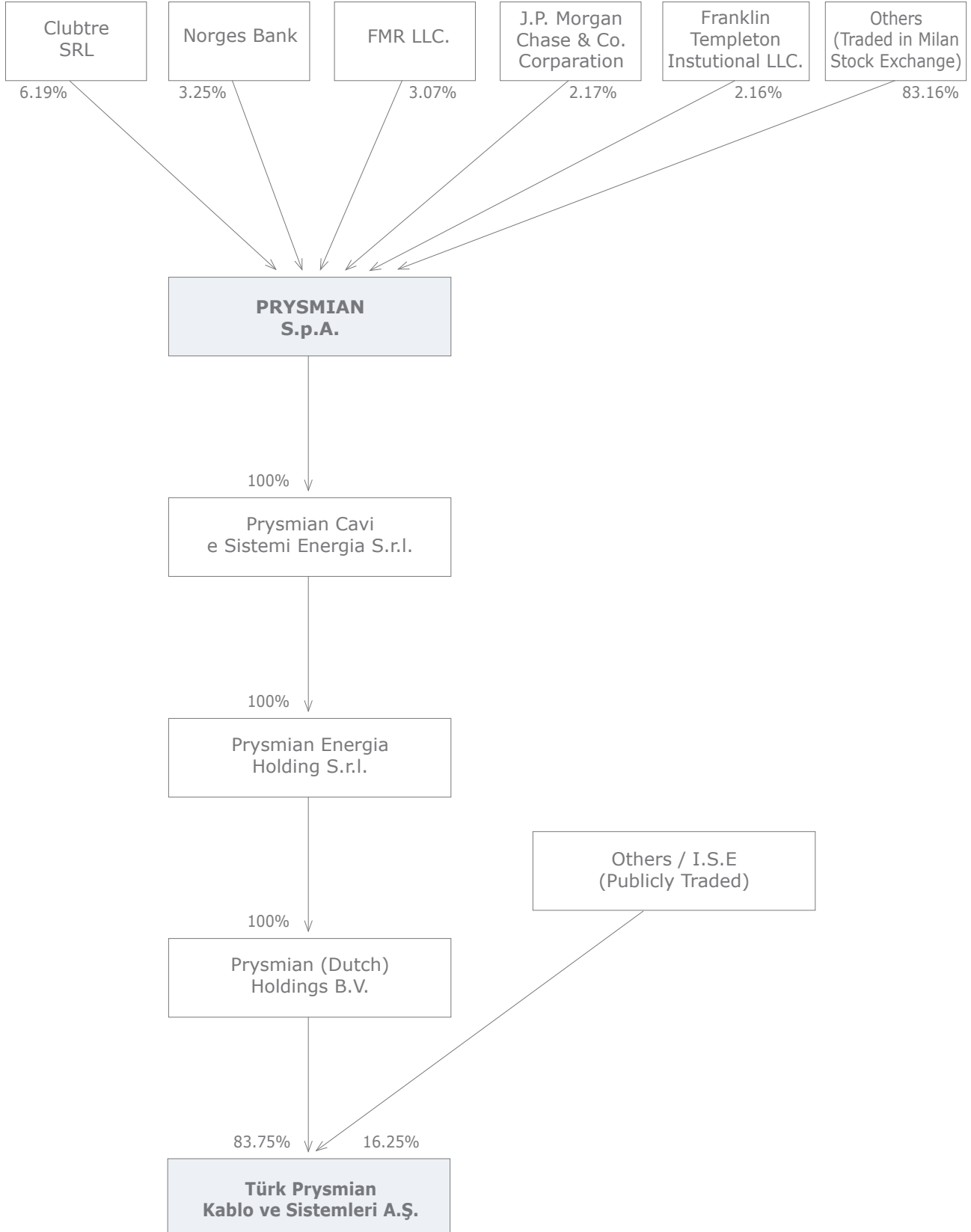
The investors may have access to the relevant documents such as the Company's Annual Report and Ethical Code both in Turkish and in English on the web site ([www.prysmian.com.tr](http://www.prysmian.com.tr)). Moreover, our Internet site under the following titles is presented to the attention of the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

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

### 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 2012



## 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;

| <b>EXECUTIVE MANAGEMENT</b>   |  |
|---|--|
| <b>Mahmut Tayfun Anık</b>   | Chairman   |
| <b>Hans GS Hoegstedt</b>  | Vice Chairman of Board of Directors & CEO                                    |
| <b>Fabio Ignazio Romeo</b>  | Board Member (Prysmian (Dutch) Holdings B.V. natural person per procuration) |
| <b>Ercan Karaismailođlu</b>   | Board Member & CFO   |
| <b>Halil İbrahim Kongur</b>   | Board Member & Factory Director  |
| <b>Ali Aydın Pandır</b>   | Independent Board Member   |
| <b>Neslihan Tonbul</b>  | Independent Board Member   |
| <b>Mehmet Emin Tutan</b>  | Independent Board Member   |
| <b>Hikmet Türken</b>  | Board of Auditor Member  |
| <b>Raşıit Yavuz</b>   | Board of Auditor Member  |
| <b>Erkan Aydođdu</b>  | Logistics and R&D Director   |
| <b>İbrahim Etem Bakaç</b>   | Domestics Sales Director   |
| <b>Ufuk Çolak</b>   | Marketing and Business Intelligence Manager                                  |
| <b>Aydan Biltekin Gökdađ</b>  | Internal Audit Manager   |
| <b>Faik Kürkçü</b>  | Utilities & Contractors Sales Director                                       |
| <b>Sabri Levent Özçengel</b>  | Human Resources Director   |
| <b>İlhan Öztürk</b>   | Special Cables Sales Director  |
| <b>Murat Tezcan</b>   | Export Sales and Telecom Solutions Director                                  |
| <b>Yiđit Türsoy</b>   | Legal Affairs Director   |
| <b>Sevda Yücel</b>  | Purchasing Director  |
| <b>Esat Baykal</b>  | Quality Manager  |
| <b>İdris Çolakgil</b>   | Information Technology Manager   |
| <b>Can Durgun</b>   | Planning and Controlling Manager   |
| <b>Sezgin İslamođlu</b>   | Production Manager   |
| <b>Gaye Yurdaşen Kantar</b>   | Credit and Risk Manager  |
| <b>Nevin Kocabaş</b>  | General Accounting and Investor Relations Manager                            |
| <b>Figen Tamurođlu</b>  | Treasury Manager   |
| <b>Celal Uruçay</b>   | Industrial Improvement Manager   |
| <b>Okay Yıldız</b>  | Technical Services Manager   |
| <b>INDEPENDENT AUDIT COMPANY : (PWC- Başaran Nas Bađımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.)</b> |  |
| <b>Çoşkun Şen</b>   | Partner  |
| <b>Seçil Koyunlu</b>  | Manager  |
| <b>Akif Çađdaş Acar</b>   | Assistant Manager  |
| <b>Fırat Çetin</b>  | Audit Assistant  |
| <b>TAX AUDIT COMPANY : (Mazars-Denge Yeminli Mali Müşavirlik A.Ş.)</b>  |  |
| <b>Şevki Boran</b>  | Partner / Tax Director   |
| <b>Nazan Yüçetaş Boran</b>  | Partner / Tax Director   |
| <b>Cihan Akşar</b>  | Tax Audit Manager  |
| <b>OTHER PEOPLE :</b>   |  |
| <b>Hafize Nazan Çekmeci</b>   | Publisher (Net Ajans Reklam Tanıtım ve Yayıncılık Hizmetleri)                |
| <b>Süalp Çekmeci</b>  | Designer (Net Ajans Reklam Tanıtım ve Yayıncılık Hizmetleri)                 |
| <b>Av. Cansu Yitmen</b>   | 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 İstanbul Stock Exchange by issuing special status declaration. Further to this announcement, the agenda of the General Assembly is informed to the attendants in the Trade Registry Gazzete and by registered mail; the decisions passed in the meeting are also published in the Trade Registry Gazzete in the most distinct and understandable manner. Moreover, information is given to the Capital Market Board (SPK) Ministry of Industry and Undersecretariat of Treasury and application is made by the Company and the necessary permissions are obtained from the said authorities. The public announcements relating to the General Assembly meetings are made in one of the local and national newspapers. Additionally, the Company employees are notified through intranet system, general circulations by e-mail and annual presentation meetings.

**Please see:** Article 8 - Company's Information Policy

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

### 14. Participation of Stakeholders in the Management

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

Moreover, by encouraging team work to develop work conduct procedures and processes undertaken by the Company's employees, special project groups are created.

### 15. Human Resources Policy

Human Resource policy is disclosed in the investor relations section of the Company's Internet site.

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

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

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

### 17. Social Responsibility

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

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

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

No law suit has been filed against our Company for causing environmental pollution. Our company provides for the recycling (if applicable), or the disposal (if recycling is not applicable) of all of the wastes attributable to the Company in accordance with the related regulations within the scope of environmental legislation.

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

**Please see:** 13. Notification of Stakeholders / Social responsibilities

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

## 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

| POZITION      | MEMBERS              | EXECUTIVE | NON-EXECUTIVE | INDEPENDENT |
|---------------|----------------------|-----------|---------------|-------------|
| Chairman      | Mahmut Tayfun Anık   |           | X             |             |
| Vice Chairman | Hans GS Hoegstedt    | X         |               |             |
| Board Member  | Fabio Ignazio Romeo  |           | X             |             |
| Board Member  | Ercan Karaismailoğlu | X         |               |             |
| Board Member  | Halil İbrahim Kongur | X         |               |             |
| Board Member  | Ali Aydın Pandır     |           |               | X           |
| Board Member  | Neslihan Tonbul      |           |               | X           |
| Board Member  | Mehmet Emin Tutan    |           |               | X           |

| POZITION      | MEMBERS              | FIRST APPOINTMENT | LATEST APPOINTMENT |
|---------------|----------------------|-------------------|--------------------|
| Chairman      | Mahmut Tayfun Anık   | 27 July 2006      | 30 March 2012      |
| Vice Chairman | Hans GS Hoegstedt    | 1 July 2011       | 30 March 2012      |
| Board Member  | Fabio Ignazio Romeo  | 22 July 2005      | 30 March 2012      |
| Board Member  | Ercan Karaismailoğlu | 25 March 2011     | 30 March 2012      |
| Board Member  | Halil İbrahim Kongur | 30 March 2012     | 30 March 2012      |
| Board Member  | Ali Aydın Pandır     | 30 March 2012     | 30 March 2012      |
| Board Member  | Neslihan Tonbul      | 30 March 2012     | 30 March 2012      |
| Board Member  | Mehmet Emin Tutan    | 30 March 2012     | 30 March 2012      |

### 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       | 6       | -       | -       | -         |

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 number and qualities of the independent members to function in the Board of Directors have been established in accordance with the corporate management arrangements of Capital Market Boards. The Board of Directors members have been elected by the General Assembly in accordance with the Capital Market Regulations, Turkish Commercial Code and Articles of Association. The entire independent Board of Directors members shall be persons resident in Turkey as required by Income Tax Code.

Moreover, the independency statement of the independent members of Board of Directors is as follows:

### **Independency Statement**

*With regard to my independent membership in Türk Prysmian Kablo Sistemleri A.Ş and as required by the corporate management principles of Capital Markets Board;*

- *I, my spouse of my blood relatives till third level have not established in the last five years direct or indirect employment, capital or any significant commercial means of contact with Türk Prysmian Kablo Sistemleri A.Ş, any one of related parties of Türk Prysmian Kablo Sistemleri A.Ş or legal entities related by means of management or capital to the shareholders who hold directly or indirectly 5% or more of Türk Prysmian Kablo Sistemleri A.Ş capital.*
- *I have not functioned, in the last five years, rating or consultancy companies which rate, audit or consult Türk Prysmian Kablo Sistemleri A.Ş or any company who perform whole or some of contracted activities and organization of Türk Prysmian Kablo Sistemleri A.Ş and I have not acted as a member of Board of Directors in such companies.*
- *I have not been a partner, employee or board of directors member in any company which provided significant amount of services and products to Türk Prysmian Kablo Sistemleri A.Ş in the last five years.*
- *I do not hold more than 1% share in Türk Prysmian Kablo Sistemleri A.Ş and any share I hold is not in privileged quality.*
- *I have the professional education, information and experience required for performing my functions in relation with my independent member status.*
- *I have not not been an employee with public institutions and offices.*
- *I have been a resident of Turkey as required by Income Tax Code.*
- *I employ the strong ethical standards, professional reputation and experience required for positively contributing to the activities of Türk Prysmian Kablo Sistemleri A.Ş, protecting my neutrality in the conflict of interest among shareholders and deciding freely by considering the rights of interest holders.*

*I submit my aforementioned statements to the information of concerned parties.*

## **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:** PC&S Group Values and Ethical Code / Targets and Values

## 21. Risk Management and Internal Audit Mechanism

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

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

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

The Audit Committee comprises of two Directors. Two Directors holding office in the Audit Committee are the persons who are not directly engaged in Company's activities and management. The Audit Committee meets regularly as indicated in the relevant communiqué of the Capital Market Board and the representative of the External Auditing Company may be invited to these meetings.

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

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

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

Information regarding to relations with PWC, independent audit company: <http://www.pwc.com.tr>, and Information regarding to BDO, tax audit company: <http://www.mazarsdenge.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 **19 times** during the year 2012.

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

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

### 25. Ethical Code

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

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

**Internal Audit System:** This system is a population of "instruments" with a view to reaching reasonably the targets regarding operational efficiency and effectiveness, reliability of financial and administrative information, observance to laws and legislation, and even protection of the Company's assets against possible fraud. The internal audit system which is based on common practices and defined within this frame, is applied to all corporate levels.

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

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

Türk Prysmian determines organizational principles and intra-structure relating to employees and executives by adopting procedures and policies covering Personnel rights, Recruitments, Purchasing / Sales activities, Investments, Protection of Environment, Information Systems, Inventory, and Intellectual Property Rights. All the procedures and policies are presented to the employees in the updated form on the intranet page of the Company.

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

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

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

**Members of Audit Committee:** Ali Aydın Pandır, Neslihan Tonbul

| Title of the Committee                                     | Number of Annual Meetings (Min.) | Number of Members | Number of Independent Members |
|--|----------------------------------|-------------------|-------------------------------|
| <b>Early Risk Assessment and Risk Management Committee</b> | 4                                | 2                 | 1                             |

**Members of Early Risk Assessment and Risk Management Committee:** Ercan Karaismailođlu, Ali Aydın Pandır

| Title of the Committee                | Number of Annual Meetings (Min.) | Number of Members | Number of Independent Members |
|---------------------------------------|----------------------------------|-------------------|-------------------------------|
| <b>Corporate Governance Committee</b> | 4                                | 2                 | 1                             |

**Members of Corporate Governance Committee :** Fabio Ignazio Romeo, Ali Aydın Pandır

It has been established as the Corporate Management Committee to perform the functions of Candidate Determination and Pricing Committees in accordance with the Communiqué Serial IV 56 for Determination and Implementation of Corporate Management Principles, Article 4.5.1 published by Capital Markets Board and that Corporate Management Working Principles as to determine the functional areas and working principles of such committees as required by the said Article.

The detailed information relating to the working principles of all the committees has been presented to the public in the "Investor Relations" placed in the internet site of the company.

#### **Assessment related to the Internal Auditing, Internal Control and Risk Management Systems performed through the Activities in the year 2012.**

Prysmian Group active in cable industry has established sufficient internal audit, internal control and risk management systems (internal systems) suitable with its scope and business branches. Aiming to monitor and manage the risks arising from the activities of the company, both the local regulations and Prysmian Group requirements have been considered while establishing the internal systems. The internal systems are suitable with the independency, objectiveness, effectiveness, sufficiency and separation of powers principles with effect to the entire organization. All our activities and business processes target customer satisfaction, sustainable income production and rising the economic benefits of the shareholders with consideration of risk sensitive capital management. Prysmian Group is responsible for establishing and managing the internal systems in line with the applicable regulations. The financial control and audit activities of this responsibility shall be supervised via Committee responsible for the Audits. Audit Committee performs this function by detailed examination of the reports arriving from the Audit Department which has been obliged to financially review, audit and report the efficiency of our processes. The Committee instructs the company management accordingly and present any issue, as deemed necessary, to the information and approval of Board of Directors. The Audit Directorate/ Department functions under the structure and coordination of Board of Directors Audit Committee and financially reviews efficiency of all the entire business processes of the company. It tests the existence, effectiveness and practice levels of the respective audit mechanisms and, if any, determines any required actions together with operations units. It reports the results of its works and activities to the Audit 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.

Net 80.000 Euro honorarium fee is paid to the independent members of Board of Directors in the year 2012. Furthermore, there are no payments effected in favor of BOD Members and other executive bodies during the year 2012. 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.

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

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Group