



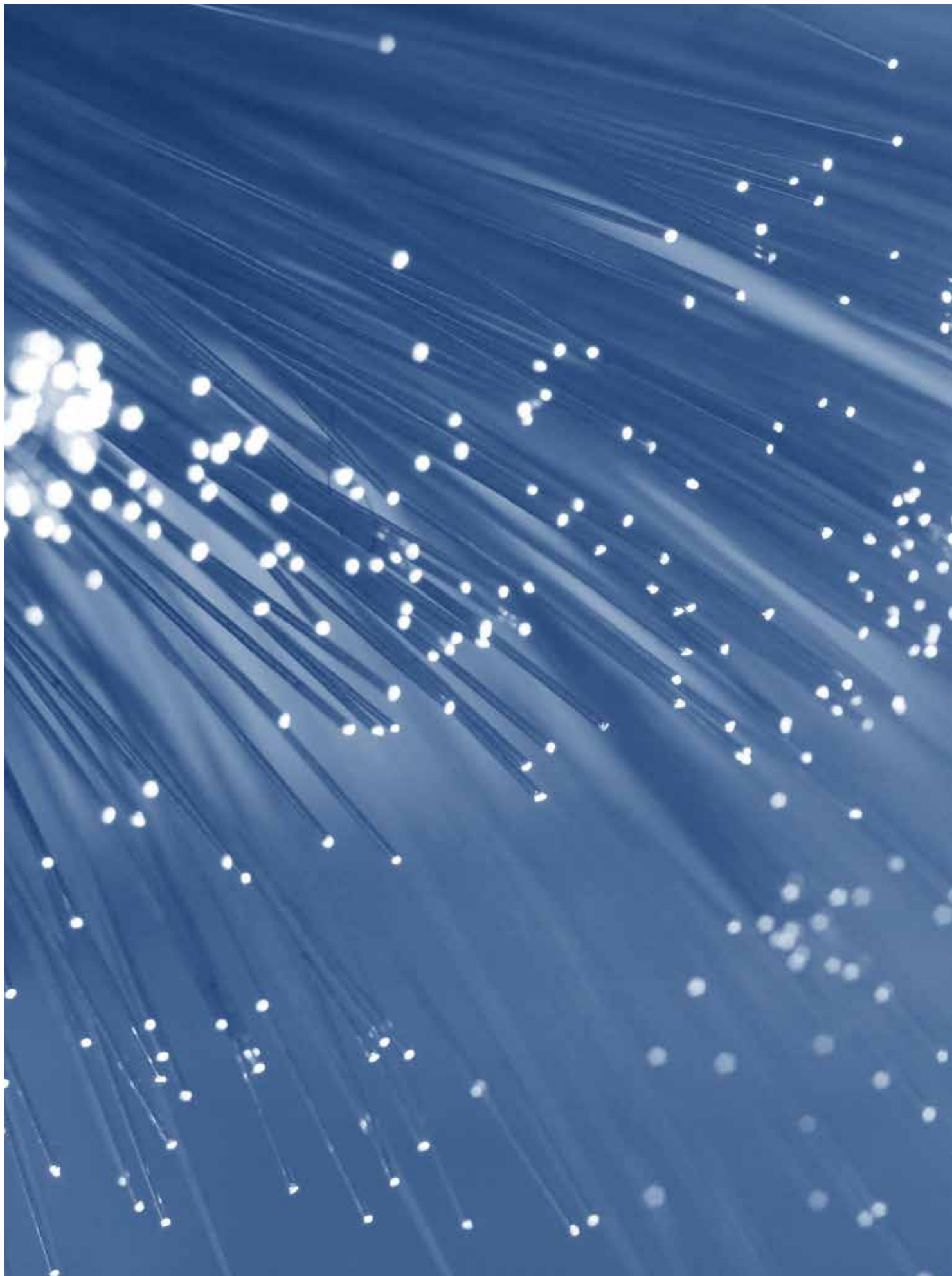
PRESTIGIOUS PROJECTS BRIDGES HIGH QUALITY STANDARDS  
TECHNOLOGY LINKING TURKEY TO THE FUTURE  
INFRASTRUCTURE PROJECTS WORLDWIDE LEADER STADIUMS  
TUNNELS SHOPPING CENTERS RESIDENCES  
PIONEER MINES HIGH QUALITY STANDARDS TECHNOLOGY WIDE

## Türk Prysmian Kablo ve Sistemleri A.Ş.

2018 ANNUAL REPORT

Türk Prysmian Kablo ve Sistemleri A.Ş.

2018 ANNUAL REPORT



# Türk Prysmian Kablo ve Sistemleri A.Ş.

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## MESSAGE FROM THE CEO



### Dear Shareholders,

Since the first day of our establishment in 1964, we make contribution to the Turkish economy thanks to our production operations and we continue to lead the cable sector with various successful projects completed. We take inspiration by our mission "Linking Turkey to the Future" and we support industrialization in Turkey with our innovative products and investments.

Having strategical importance both in international and regional terms, Turkey achieved growth in 2018. Taking strength from the consistent growth rate in economy we continued our activities at full speed again this year. On a general view of the whole year; we experienced the joy of accomplishing works and projects that will make important contributions to the sector. Just like we did in previous years, we as Türk Prysmian Kablo have ended year 2018 with successful results.

Last year, as Türk Prysmian Kablo, we all felt the proud and advantage of being the affiliate of a group with high financial power. Taking into considerations the macroeconomic developments in Turkey, Prysmian Group proved once again that it supports Turkish operation by renouncing its receivables in respect of royalties and services provided.

### Major projects and activities

We as Türk Prysmian Kablo, Turkish operation of a worldwide leading company in energy and telecommunication cables industry with its 112 factories in 50 countries, continues to grow up with the quality standards and innovations implemented in the sector.

Like in the previous years, we have executed major projects in 2018 that will make significant contributions to the growth of our company, and we found the opportunity to demonstrate our strength. In line with this, "Istanbul Airport" project has been one of the most outstanding projects for us. We have provided 4 million 200 thousand meters of energy and low voltage cables worth TRY 100 million for "Istanbul Airport" project, one of the most prestigious projects accomplished in Turkey.

Furthermore in 2018, we have become the cable supplier of STAR Refinery, with an investment value of 6.3 billion Dollars, realized by SOCAR, the biggest direct foreign investor of Turkey. We also played an important role in respect of the crucial developments in the health industry, and supported the sector with our cables. We provided cables to the City Hospital built in Eskisehir which is the city's biggest health investment and to Ankara Bilkent City Hospital ranked in the third spot among the city hospitals worldwide with a total of 3.180 inpatient bed availability. Also we provided CPR compliant C class cables for the Gaziantep Panorama Museum expected to be opened in the first half of 2019, the construction of which has been undertaken by Gaziantep Municipality.

We continued our studies on CPR (Construction Products Regulation) that became mandatory in July 1st, 2017 for cable producers with the purpose of guaranteeing that not only the cables but also the construction materials in whole are made safe against fire. Within this scope we continued to offer low smoke zero halogen (LSOH) solutions with our AFUMEX™ cables manufactured at our R&D center in Mudanya. Also as of the end of 2018 we have in total 8 TÜBİTAK projects developed by our R&D center in Mudanya. As Türk Prysmian Kablo, we will continue our operations always keeping in mind our pioneer role in the sector, and will keep on enlightening the sector and raising awareness in respect of both the quality and performance issues.

### Our Values

There are trainings at the bottom of our pioneer role in the sector and of our accomplishments. We continue our efforts in this respect and believe that our employees' trainings lie on the core of our success. As Türk Prysmian Kablo, we organize training programs in the Manufacturing Academy situated in our Mudanya Factory, targeting Prysmian Group employees coming from various places all around the world. Until the end of 2018, trainings for 402 people are organized in the Manufacturing Academy that is founded with the purpose to train Prysmian Group's future production and factory managers. It is the major indicator of Prysmian Group's faith in Turkey as it requires the potential employees to be trained, raised and have similar approaches in the Manufacturing Academy in Mudanya before they are assigned to the senior managers positions in the future. Driven with this sense of responsibility we will be continuing our trainings and activities at full blast in 2019.

One of our training programs, the Second Generation Project is another sustainable activity carried out by our company. Within the scope of this project realized in the last quarter of 2018, we organized trainings on finance, production, logistics, sales and marketing topics for the 2nd generation of our A-Team distributors. This project is supported with trainings organized in our Manufacturing Academy aimed to raise awareness in building a strong company vision for this generation. Along with these, we have reached 1.717 people till the end of December 2018 through Online Cable Training we launched in 2015 for Turkish cable sector. We intend to reach larger masses with this free training that is the first in the cable sector.

### A Glance at the Future

Our goal is by leveraging on our knowledge built since 1964, to maintain and continuously improve our activities with greater success in 2019. In parallel with our "Linking Turkey to the Future" mission, we plan to accomplish many more prestigious projects and invest in the future of our company.

We take pride in being the member of a family that constantly grows and becomes stronger. On behalf of Türk Prysmian Kablo, I would like to express my sincere thanks to all our stakeholders who embarked on this journey with us and who extended us their support.

**Erkan Aydođdu**  
CEO



**Halil İbrahim Kongur**  
Chairman  
& Factory Director

**Erkan Aydođdu**  
Vice Chairman  
& CEO

**Ercan Gökdađ**  
Board Member  
& CFO

## TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.

## GENERAL INFORMATION

We as Prysmian Group are worldwide leading company in energy and telecommunication cables industry. We are a multinational company, operating successfully in the markets where we're specialized for more than a century and carrying on powerfully in local markets.

**Our vision** is, while keeping inside alive the workforce which will help us to exhibit a creative and superior performance with our outstanding and innovative role, having an organizational structure that gives importance to openness and social responsibility, carrying on long term partnerships by providing customer satisfaction continuously, creating constant value for our shareholders and dedicating ourselves to improve the community's conditions, to be the industry leader in Turkey and in international platforms as a member of Prysmian Group.

**Our mission** is to add value to our shareholders and to the sector by providing high quality and safe products and services that we define innovative, high technological and appropriate to the standards.

Our annual report includes the period of 01.01.2018 and 31.12.2018.

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 Mah. 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

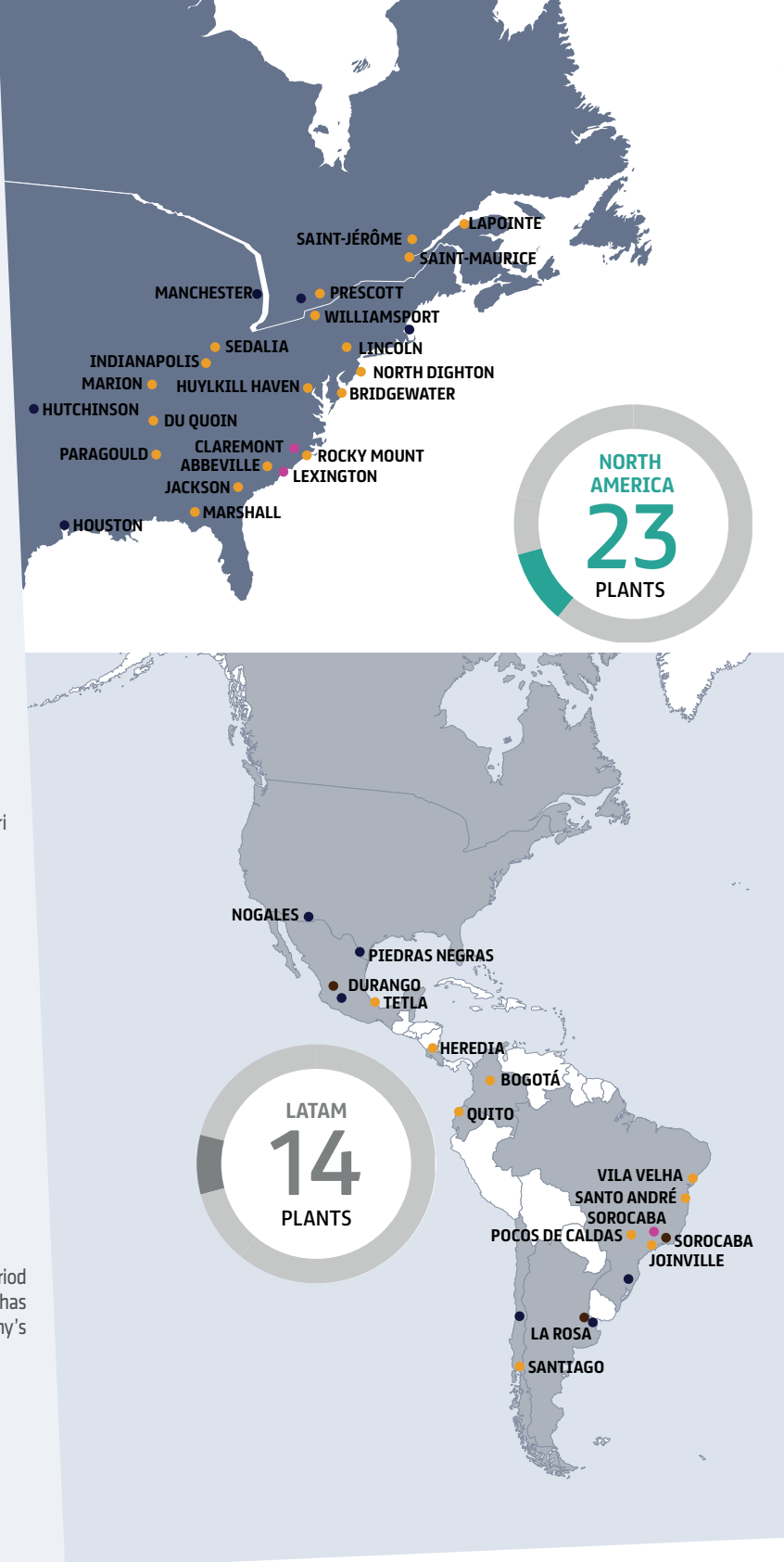
**Mersis No:** 6783845359492210

**Web Site:** [www.prysmiangroup.com.tr](http://www.prysmiangroup.com.tr)

Amendment of Articles of Association during business year: Within the period of 01.01.2018 - 31.12.2018 of our Company, change of Articles of Association has been made on 08.02.2018 and 20.02.2018 and it was announced at Company's website. The link is below.

<https://tr.prysmiangroup.com/sites/default/files/ARTICLES-OF-ASSOCIATION-2018.pdf>

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



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

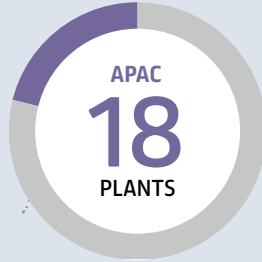
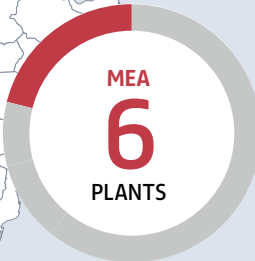
Türk Prysmian Kablo ve Sistemleri A.Ş. is Turkish operation of Prysmian Group, worldwide leading company in energy and telecommunication cables' industry with its approximately 30.000 employees and 112 factories in 50 countries following the merge realized globally with General Cable.






The company stands out in Prysmian Group as one of the 16 plants that can simultaneously produce energy and telecom cables with Prysmian and Draka brands. All the energy cables up to 220 kV, copper conductor communication cables up to 3.600 pairs, optical fiber cables, railway-signaling cables, studio broadcast cables and special cables are in the company's product range. 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.

-  +50 COUNTRIES
-  112 PLANTS
-  25 R&D CENTERS
-  30.000 EMPLOYEES



[Türk Prysmian Kablo ve Sistemleri A.Ş.](#)



-  Energy
-  Offices
-  Telecom
-  HQ
-  Combined Energy & Telecom

The installed capacity of Türk Prysmian is also at a level to compete in the international markets. Türk Prysmian, with its 78% capacity saturation in 2018 and which continues to be a privileged export center within the Prysmian Group exported approximately 24% of its TL1,373,378,408 turnover in 2018. Türk Prysmian has sustained its leadership regarding to innovation, technology, quality and customer satisfaction in Turkey and in the international markets. Today, the company exports to more than 40 countries including Azerbaijan, Barbados, China, Chile, France, Iraq, Jordan, other countries in Middle East, North Africa regions, Papua New Guinea, Sri Lanka, Turkmenistan and UK.

Prysmian Group has 25 R&D centers worldwide; one of these R&D centers is in Türk Prysmian's Mudanya factory. Material Technologies Laboratory located in this R&D center is registered by Turkish Accreditation Agency (TÜRKAK) with accreditation certificate named as TS EN ISO/IEC 17025 "General Requirements For The Competence of Testing and Calibration Laboratories". The certificate given by TÜRKAK represents that the results of "fire tests" completed in Türk Prysmian's laboratory have reliability and also an international validity.

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.



# ORGANIZATIONAL STRUCTURE



## COMPANY BOARDS

**The Board of Directors**

<i>Chairman</i> .....	<b>Halil İbrahim KONGUR</b>
<i>Vice Chairman</i> .....	<b>Erkan AYDOĞDU</b>
<i>Board Member</i> .....	<b>Ercan GÖKDAĞ</b>
<i>Board Member</i> .....	<b>Andrea PIRONDINI</b>
<i>Board Member</i> .....	<b>Pier Francesco FACCHINI</b>
<i>Independent Board Member</i> .....	<b>Ayşe Canan EDİBOĞLU</b>
<i>Independent Board Member</i> .....	<b>İsmet SU</b>
<i>Independent Board Member</i> .....	<b>Banu UZGUR</b>

**Audit Committee**

<i>Chairman</i> .....	<b>Ayşe Canan EDİBOĞLU</b>
<i>Committee Member</i> .....	<b>Banu UZGUR</b>

**Corporate Governance Committee**

<i>Chairman</i> .....	<b>Banu UZGUR</b>
<i>Committee Member</i> .....	<b>İsmet SU</b>
<i>Committee Member</i> .....	<b>Nevin KOCABAŞ</b>

**Early Risk Assessment and Risk Management Committee**

<i>Chairman</i> .....	<b>Ayşe Canan EDİBOĞLU</b>
<i>Committee Member</i> .....	<b>Ercan GÖKDAĞ</b>
<i>Committee Member</i> .....	<b>Banu UZGUR</b>



## BOARD MEMBERS



**Halil İbrahim Kongur**  
**Chairman & Factory Director**

Halil İbrahim Kongur has joined the Prysmian family in 1986 and since 2003, he has been working as Factory Director. Additional to his current responsibility, he's appointed as Chairman on January 2015. Kongur, worked as Planning Engineer, Logistics Manager, Production Manager and Purchasing Director before assigned to these roles. He is graduated from Karadeniz Technical University, department of Mechanical Engineering and completed his masters degree in Berlin Technical University in Manufacturing Technologies department.



**Erkan Aydođdu**  
**Vice Chairman & CEO**

Erkan Aydođdu started to work in the Production Planning department, in 1997 within Prysmian family. Aydođdu, who went to Italy in 2000 as Process Kaizen Engineer, was the leader of continuous improvement teams in Europe's different facilities between 2001-2002. Aydođdu came back to Turkey in 2003 and worked as Logistics Chief and Logistics Manager; and then in 2010 took the responsibility of R&D and Logistics Director. Since 2015, Erkan Aydođdu has been working as CEO and Vice Chairman of Türk Prysmian. Aydođdu is graduated from Middle East Technical University department of Mechanical Engineering.



**Ercan Gökdađ**  
**Board Member & CFO**

Ercan Gökdađ has joined Prysmian family in 2007 as Planning and Controlling Chief. Between 2011-2012, he has worked as Planning and Controlling Manager of Türk Prysmian Cables and Systems. Between 2012-2015 he went to Denmark and worked as Chief Financial Officer (CFO) of Prysmian Denmark. He returned to Turkey in May 2015 and started to work as Planning and Controlling Manager again. He has been working as a CFO since September, 2016 and he became a Board Member of Türk Prysmian Kablo ve Sistemleri A.Ş. since 2017. He started his professional career in 2004 in Ernst&Young at Audit Department after being graduated from Marmara University, department of Economics.



**Pier Francesco Facchini**  
**Board Member**

Pier Francesco Facchini has been Prysmian Group CFO since January 2007. He is graduated from Business Economics in 1991 from the "Luigi Bocconi" University in Milan. His first work experience was with Nestlé Italia, where he held different positions in the Accounting and Finance department between 1991 and 1995. From 1995 to 2001, he worked for the Panalpina Group where he held the position of Regional Financial Controller for the Asia-Pacific region and CFO of Panalpina Korea (Seoul) and Panalpina Italia Trasporti Internazionali S.p.A. In April 2001 he was appointed as Finance Director of Fiat Auto's Consumer Services business unit, leaving in 2003 to become CFO of the Benetton Group, a post he held until November 2006. He has been a member of Prysmian's Board of Directors since February 2007.



## BOARD MEMBERS



**Andrea Pirondini**  
Board Member

Andrea Pirondini has been Chief Operating Officer of Prysmian Group since January 2014. He has a degree in Business Administration from the "Luigi Bocconi" University in Milan. He started his career in Pirelli Group in 1989, holding various positions in the UK, Italy, Turkey, Russia and Egypt over a 24-year period, both in the Tyres and Cables & Systems businesses, where he was involved in restructuring the manufacturing system for energy cables. In 2012 he was appointed as Chief Commercial Officer of Pirelli Tyre S.p.A, a position he held until December 2013.



**Ayşe Canan Ediboğlu**  
Independent Board Member

Canan Ediboğlu started her professional life in Southampton University as Research Assistant. She returned to Turkey in 1980 and within the same year, she took the responsibility of Planning Manager in Shell Turkey. As of 1980, she worked in various departments within Shell Turkey such as Marketing, Treasury and Planning. Ediboğlu worked as Shell Turkey Country Director and General Manager between 2001-2009 and Independent Board Member in ING Bank Turkey from 2010 and Aygaz from 2012. Canan Ediboğlu is graduated from Southampton University, Economy department and had her masters degree in the same university, Financial Control Management field.



**İsmet Su**  
Independent Member of the Board

Having graduated from the Faculty of Law, Istanbul University in 1984, İsmet Su worked as an independent lawyer for many years and is a member of Bursa Bar Association. Beginning his political career in 1994, İsmet Su continued his career as one of the founders of the Ak Party in the city of Bursa serving as Chairman of the Board of Arbitration for Intra-Party Democracy, member of the Board, Deputy-Chairman for Electoral Affairs, and Deputy Chairman of the Province (Office of Political and Legal Affairs). İsmet Su was elected and served as Member of the Parliament during the 24th Parliamentary Period. Currently, İsmet Su serves as "AK Party's Vice Chairman for the Group's Disciplinary Board" and "Spokesman for the Constitutional Commission". İsmet Su is married, with three children.



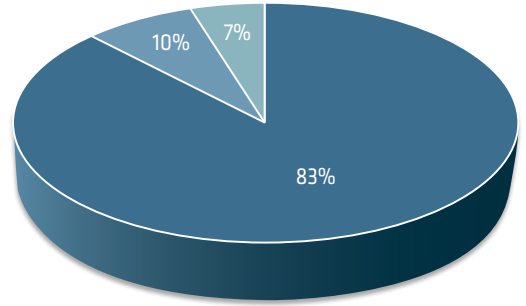
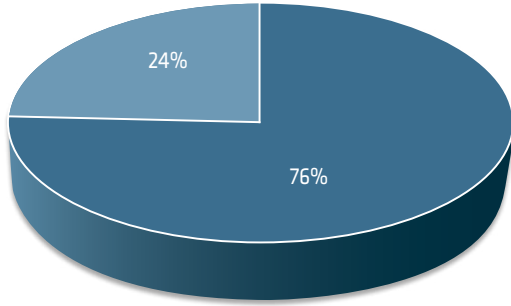
**Banu Uzgur**  
Independent Member of the Board

After graduating from the Faculty of Economics, Istanbul University in 1995, Banu Uzgur started her career at the Accounting Department of Otak Construction, a subsidiary of Yaşar Holding, and she received her master's degree in Finance from California State University at San Bernardino between 1997-1999. Uzgur worked as senior analyst at Kent Investment between 2000-2002, at Ak Investment between 2002-2003, and at the Investor Relations Department of Turkcell starting October 2003. Managing Turkcell Group's International Media Relations starting from September 2011, Uzgur continues her professional career as a Strategic Consultant, mainly in investor relations, since May 2013 when she left Turkcell.



## SALES STRUCTURE

Our company's sales structure in 2018 is as below:



Domestic Market:	TL1,050,461,257 (76%)
Export:	TL322,917,151 (24%)
Total:	TL1,373,378,408

Energy-Cables:	TL1,138,342,639 (83%)
Energy-Projects:	TL135,495,070 (10%)
Telecom:	TL99,540,699 (7%)

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

Adnan Elektrik  
Alfa Elektrik  
Asal Elektrik  
Aymeda Elektrik  
Cihan Elektrik  
Çağın Elektromarket  
Çetin Elektrik

Delta Tema Elektrik  
Derya Elektrik  
Des Elektrik  
Egesim  
Ekay Elektrik  
Elpim  
Fındıkkaya Elektrik

Gerilim Elektrik  
Güzel Ufuk Elektrik  
Karadeniz Elektromarket  
Kıraç Elektrik  
Mefa Elektrik  
Oskar Elektrik  
Öztan Elektrik

Öztek Enerji  
Panosan Elektrik  
Promeda Elektrik  
Timur Elektrik  
Tümpa Elektrik  
Yılmaz Elektrik



## PRESTIGIOUS PROJECT REFERENCES

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

### REFERENCE PROJECTS FROM 2018

<b>Ankara Bilkent Hospital:</b>	World's Third Biggest Hospital With Inpatient Bed Availability
<b>Eskişehir City Hospital:</b>	Europe's Best Health Project
<b>Gaziantep Panorama Museum:</b>	The Museum That Sheds Light on the History of Gaziantep
<b>Istanbul Airport:</b>	World's Biggest Airport Built From Scratch
<b>Marmaray, İstanbul:</b>	The Largest Infrastructure Project Connecting Europe to Asia

### REFERENCE PROJECTS FROM 2017

<b>Gaziantep Iconova:</b>	"Best Architecture Multiple Residence" in Turkey and Europe - European Property Awards
<b>Kazan Soda Elektrik:</b>	Europe's Biggest Natural Dense Soda Ash and Sodium Bicarbonate Factory in Europe
<b>SASA Polyester:</b>	Turkey's Unique Polyester Fiber Manufacturer
<b>Skyland İstanbul:</b>	The Tallest Building in Turkey After Completion
<b>Star Refinery (SOCAR):</b>	Turkey's First Private Sector Refinery
<b>Şanlıurfa Göbeklitepe Museum:</b>	UNESCO World Heritage Candidate With Its At Least 11.600 Years History

### REFERENCE PROJECTS FROM 2016

<b>Ilgaz 15 July Independence Tunnel:</b>	Turkey's Tallest Tunnel Open To The Traffic
<b>Osmangazi Bridge:</b>	World's Fourth-Longest Suspension Bridge By Length
<b>Şenol Güneş Stadium:</b>	Turkey's First Sport Facility Built On The Sea
<b>Yavuz Sultan Selim Bridge:</b>	World's Tallest Suspension Bridge With a Railway System

### REFERENCE PROJECTS FROM 2015

<b>Antalya Arena:</b>	Turkey's First Energy Producing Sport Complex
<b>Ayşegül Sultan, KPS10:</b>	Turkey's Biggest Energy Ship
<b>Bilkent Integrated Health Complex:</b>	Europe's Biggest Health Complex
<b>Çamlıca Mosque:</b>	Biggest Mosque in the history of Turkish Republic

### REFERENCE PROJECTS FROM 2014

<b>Beşiktaş Vodafone Arena, İstanbul:</b>	Turkey's First Smart Stadium
<b>Kayseri Organized Industrial Zone:</b>	Turkey's Biggest Solar Panel Farm
<b>Tema İstanbul, İstanbul:</b>	"Best Mixed Project" from Sign of the City Awards

### REFERENCE PROJECTS FROM 2013

<b>Avrasya Tunnel, İstanbul:</b>	The Most Modern Infrastructure Project Connecting The Continents
<b>İstanbul Tramvayı, İstanbul:</b>	Turkey's First Local Tram
<b>Mercury City Tower, Rusya:</b>	Europe's Tallest Building
<b>Prime Mall, Gaziantep:</b>	World's Best Project Award (Shopping Mall)

### REFERENCE PROJECTS FROM 2012

<b>Algida Ice Cream Factory, Konya:</b>	World's First Leed Certificated Ice Cream Factory
<b>Fuel to Electrical Car Transformation:</b>	First Fuel to Electrical Car Transformation Project
<b>GE -19 Tower Project:</b>	First Tower Project Where Türk Prysmian Cables Are Used
<b>Mercedes Buses:</b>	Turkey's Highest Technology Buses
<b>Shangri-La Bosphorus Hotel, İstanbul:</b>	World's First Hotel Which Has 7 Floors Undersea
<b>Sinan Erdem Sports Arena, İstanbul:</b>	Turkey's Biggest Sport Arena
<b>Spine Tower, İstanbul:</b>	2012 Europe Best Office Architect Award

### REFERENCE PROJECTS FROM 2011

<b>Ankara-Konya High Speed Train:</b>	Turkey's First High Speed Railway Line
<b>Fenerbahçe Ülker Sports Arena, İstanbul:</b>	The Most Modern Indoor Facility of Turkey
<b>Istanbul Sapphire Tower, İstanbul:</b>	The Tallest Building of Turkey
<b>Marmaray, İstanbul:</b>	The Largest Infrastructure Project Connecting Europe to Asia
<b>Türk Telekom Arena, İstanbul:</b>	The Newest and High Technology Football Stadium of Turkey
<b>Zorlu Center, İstanbul:</b>	Master Planning - Cityscape Architectural Awards

## 2018 ECONOMIC OVERVIEW

### 2018 4th Quarter

Central banks of developed countries went ahead with gradual monetary tightening in the fourth quarter of 2018 as well. In December, Fed made its fourth-rate hike of 2018. During this period, unemployment rates reaching historically low levels, on-target inflation rates, financial risks caused by low interest rates and the desire to create more room for policy maneuver has prompted central banks to normalize their policies.

On the other hand, the slowdown in global growth and increased uncertainty related to the global economy lead to the expectation that the ongoing policy normalization in advanced economies would decelerate and lead to a decline in bond yields and emerged the expectation that the Federal Reserve's (Fed) monetary policy normalization process may proceed more slowly. ECB phased out and concluded its bond purchases as previously announced; however, the weakening growth momentum in Euro Area pushed back prospects of an ECB rate hike. Accordingly, as of September a recovery trend has been observed in respect of portfolio flows towards developing countries.

As for the Turkish economy, economic rebalancing that started in the second quarter continued into the third quarter and became more significant in the fourth quarter. As of the second quarter of 2018, bank's funding costs have increased due to the rise in risk premium and depreciation of the Turkish Lira and also a lower appetite for lending also pushed TL commercial loan rates, which were flat in the first quarter of 2018, up in the second and third quarters. In the last quarter of the year, the uncertainty in the financial markets has been alleviated thanks to the implementation of measures, which pulled the in deposit interest rates and currency swap interest rates down, however despite this decline, the loan-deposit rate spreads hover above their historical average. Central Bank of the Republic of Turkey has implemented a strong monetary tightening in September in order to support the price stability by raising the one-week repo auction rate to 24%, and keeping it constant until the end of the year. Following the tightening in the credit market in the third quarter of 2018, the slowdown in loan growth rate become more apparent in the final quarter of 2018.

Consumer inflation receded to 20.3 percent at the end of 2018. This decline in recent months has been driven by basic goods and energy prices. Both the recovering Turkish lira and the tax cuts on automobiles, furniture and home appliances since November had a significant impact on core goods. On the other hand, lower international oil prices had positive impact on the energy group and annual food inflation remained high. Annual services inflation continued to climb due to the cumulative increase in costs. The volatility in financial markets and the tightening in financial conditions in this period led to a contraction in domestic demand driven by consumption and investment.

In the 4th quarter foreign demand remained strong despite the partial recession signals in the global growth perspective. Firms' orientation towards external markets amid sluggish domestic demand and the cumulative real exchange rate depreciation, and their flexibility in market diversification continue to stimulate exports of goods. In addition, while the course of revenues from tourism and associated transportation services remained favorable, export of goods and services contribution to the growth has increased. In November, 12-month foreign trade deficit was determined as USD 61.6 billion.

Global PMI data for the last quarter of 2018 indicate a more negative growth outlook, particularly for the manufacturing industry, compared to previous periods, it is striking that in this period US and Euro Area manufacturing PMI declined significantly. In addition, the year-on-year contraction of 1.7% in industrial production in November implies a sharper slowdown in Euro Area growth during the last quarter. Whereas Japan's manufacturing figures in November were recorded as all-time low since March 2016.

In the November, industrial production decreased by 6.5% on annual basis. The slowdown in sectors that cater to the domestic market led by construction-related businesses continued with further spread across all sectors. Double figure fall stands out especially in the automotive and metal industry. Among the sectors for which tax cuts were introduced in November, increase in production is seen only in the furniture manufacturing sector, which means the rise in sales in other sectors were largely met out of the stocks and that the production did not increase. It is observed that in the last quarter of the year, the slowdown in the construction sector continues, which is one of the main sectors that contributed negatively to annual growth.

Despite OPEC's larger-than-expected output cut in December, oil prices collapsed further due to booming US production and OPEC members refusing to commit to previous production quotas. Brent type oil price for barrel declined by 22.4% in December compared to the beginning of the year and ended the year 2018 at a price of USD 52.2.

GDP at the end of the third quarter remain below expectations and grow by 1.6% compared to the previous year and nine-month growth is recorded as 4.5%. The central government budget balance posted a deficit of TRY 72.6 billion, and a surplus of TRY 1.3 billion in 2018. Revenues obtained tax free income like the zoning amnesty and military service compensation fees had a positive effect on the budget balance.



## 2019 ECONOMIC EXPECTATIONS

### 2019 1st Quarter

In the last quarter of 2018, heightened volatilities in global markets and declines in asset prices, Fed rate hike expectations for 2019 dropped to two following the downward revision of the US growth forecasts in particular. In December, ECB pointed out to the significance in downside risks in EURO zone in Europe and announced its support towards a much looser monetary policy. China announced significant tax cuts to be made in 2019. Amid persistently low levels of inflation in Japan, the Bank of Japan announced continuation of its accommodative monetary policy. In such an environment as of mid of 2018 where Turkey's risk premium moved in tandem with other emerging economy risk premiums, it is seen that portfolio outflows in emerging economies that had been in place since mid-2018 due to global volatilities and decreased risk appetite were replaced by portfolio inflows in the current reporting period.

Risk premiums of emerging economies, which have been volatile partly due to geopolitical risks, started to recede since January in tandem with the rise in the global risk appetite. Turkey 5-year CDS score of Turkey was recorded as 383 at the end of November whereas this figure in month of December was 360 and lower at the beginning of 2019.

Although real income, which decreased in the second half of 2018 due to the rapid climb in inflation, is expected to support private consumption in the first quarter on the back of the wage adjustments introduced in early 2019, its contribution to growth throughout the year is expected to be limited depending on the labor force outlook. Meanwhile, the recent rise in uncertainties pertaining to monetary policies of advanced economies and global economic activity keep downside risks to growth via capital flows and foreign trade channels in place.

On the expenditures side, an analysis of 2018 third quarter data reveals that the slowdown in the economy mainly stemmed from domestic demand while net exports curbed further quarterly contraction. In this quarter, the public sector's direct contribution to growth decreased compared to previous periods. Underpinned by strong tourism activities, exports of goods and services increased in the third quarter while imports of goods and services decreased due to weak domestic demand and the depreciation in real exchange rates. We can expect strong contribution from net exports for the year 2019 to continue with an increase.

Based on statements of Central Bank of the Republic of Turkey it is projected that inflation will converge gradually to the target under a tight policy stance and enhanced policy coordination focused on bringing inflation down. Within this frame inflation is projected to be 14.6% at the end of 2019 and then fall to 8.2% at the end of 2020 and 5.4% at the end of 2021, before stabilizing around 5% over the medium term. Furthermore it is stated that the downtrend in crude oil prices accelerated in recent months and crude oil price assumption of 80 USD/bbl is revised down to 63 USD/bbl for year 2019.





## 2018 SECTORAL EVALUATION

Rise of industrialization due to increasing demand of world population; construction industry evolving towards dense housing, rapidly changing infrastructure and transportation needs, studies carried out to shift to renewable energy, and big data transfers by way of digital revolutions like Industry 4.0 and Internet of Things have lead "Energy and Communication" become an essential part of the modern life.

As fiber optic cables, a high technology product are favored on product group basis, the demand for external copper telecom cables continues to fall but to the contrary there is a serious increase in demand for fiber optical cables. The demand for energy cables continue to increase but at a very low rate. Also the increase in oil and metal prices drive the moneywise growth of the total cable market. In parallel to the increasing competition, major part of the cable production has started to shift to developing countries.

Unfortunately in 2018 Turkish construction sector could not maintain the positive growth trend of recent years as in 2018 Turkish economy did not deliver the growth performance of the recent years; and the construction sector that plays the major role in terms of development of the cable sector had faced substantial difficulties; and building construction and important superstructure projects carried out by the private sector came to an halt; and particularly due to the decline in the projects financed with build-operate-transfer model, transportation projects and prestigious residence projects compared to the previous years. The decrease in housing demands and cement sales supports this conjuncture.

Another development indicator in the Turkish cable sector is the installed capacity of Turkey. According to figures from TEIAS, electricity energy installed capacity of Turkey has reached around 88,500 MW as of the end of 2018. Investments in the field of solar energy, hydroelectric plants with dams and wind power play the biggest part in this increase. Even though until today natural gas and coal power plant were the major players in Turkey's power generation sector, hydroelectric power plants have become the leader of the sector in late years and use of renewable energy resources in Turkey are increasing every passing day. Specifically, the hydroelectric (HES) and geothermal (JES) power plants constructed in recent years and the rise in wind (RES) and solar energy (GES) power plants reveals the emphasis placed on renewable energy. In the light of these developments, the development of the cable sector is supported by the fact that Turkey is becoming one of the most important players of the region in the energy field.

The number of broadband internet subscribers which is around 74 million according to data from Information and Communication Technologies Authority, 82% of which are mobile users, is a great indicator of communication technologies development in Turkey. Along with the continuing growth of Internet and mobile market and developments in fiber optic cable technologies, there is a regression in copper telecom cable sector because of transition from copper telecom cables to fiber optic cables despite the fact that Turkey still has an enormous capacity in terms of copper telecom cable production. In the third quarter of year 2018, with an average monthly mobile usage of 459 minutes Turkey was ranked first among European countries included in the survey, just like it had been in the previous period.

Broadband data considered, the number of broadband internet subscribers has increased to a total of approximately 73,8 million users with 13 million fixed-line subscribers and 60,8 million mobile subscribers; and compared to the same period of the previous year, number of internet subscribers has increased by 8.5%. The highest increase seen is 41.5% in the number of "Fiber to Home" subscribers followed by 11.6% increase in number of xDSL subscribers. In terms of the fiber infrastructure, total fiber length recorded as 311,214 km in the previous year has showed an 11% increase and reached to 345,275 km in year 2018. This is the proof of significance of mobile services.

Turkish cable sector growing in parallel with the developments in construction, energy and communication sector, has reached the level of competing in the global cable sector and exporting to all world countries thanks to production technologies at international standards, well educated work force, R&D works and increasing quality awareness every day. According to studies and statistics made by institutions like TUIK and TIM during the recent years, total domestic and international sales volume of the Turkish cable sector is around 4-5 billion USD and 80-90% of the total production and revenue of cable producers in Turkey is realized by top 20 companies in the sector. Due to difficulties experienced in 2018 both in economy of the Turkey and particularly the construction sector, most of the cable producers in Turkey turned towards export market and thus export figure in 2018 increased by 11.4% compared to year 2017. The fact that our annual export volume is around 2 billion USD and approximately 40% of the sector is being exported are the main indicators of Turkey cable sector's important position in the region in consideration of its proximity to European, African and Middle East countries by its geographical location. On the other hand, the step up of incentives to promote R&D works, opting for domestic products in local projects and more emphasis being placed on use of domestic products has positive impact on the domestic market. On the other side, upon entry into force of the "Import Regime Decree (Supplemental Decree)" no.433 dated 9 December 2018, it was decided to apply additional custom duties to specific countries and products, which is a positive development made for the sake of protecting local cable producers.



Since there is a higher demand for the cables used in new generation buildings, nowadays the most desired features of cables are their level of ensuring safety of life and property, having safety against fire performance, and for the information and communication cables, the means to transfer more data in a faster way and by covering less space. Turkish cable sector is adapting itself to amended regulations and R&D works are being carried out in respect of producing fire-safety cables and the sector benefits from advanced technologies and new generation cable technologies which will keep pace with this transformation.

To prevent loss of life and property, it is absolutely necessary to use LSOH installation cables in buildings surfacing due to ongoing urbanization and overpopulation. These cables have features such as low smoke density and being halogen-free, flame retardant and fire resistant. LSOH and FE 180 type cables identified as fire safety cables are being designed and produced to allow evacuation of people present in the building at the time of fire and to ensure operation of critical systems during any fire (emergency lighting, sound, announcement, automatic doors, emergency lifts, fire evacuation systems and jet-fans etc.).

Along with this, the major cable producers, manufacturers associations and relevant official bodies continue their activities to ensure high performance solutions that are cost effective are preferred in order to live in a safer and more productive world; to raise awareness of the sector about using the right cable; to carry out Surveillance and inspection activities to ensure compliance of the cables used in the market to standards; and to raise awareness on the inconsistency of quality of some cable being sold in Turkey. Particularly more emphasis is being placed on the measures that need to be taken to prevent unfair competition arising from the launch of low quality products.

With the objective of making not only the cables but also all construction products fire-proof, the new **"CPR-Construction Products Regulation"** has entered into force in European Union and in our country on 10 July 2016 and following 1 year transition period has become legally binding for all the cable producers on 1 July 2017, and accordingly the producers that could adapt to these standards decided to diversify their products and focus on products with higher added value and started to increase their chances in the export market. Besides this, quality and standards have improved at all stages from the producers to the end user, and serious responsibilities were conferred to relevant institutions and individuals in regard to using CPR compliant products and monitoring of these. Especially the increase use of Cca and B2ca class CPR compliant top-level products in prestigious domestic projects as of year 2018 is critical in terms of the emphasis placed on quality and human life.

Coming into effect of EN 50575 standard within the scope of Construction Products Regulation regulating classification of cables according to their fire reaction performance is extremely important for our sector. Use of cables complying with this regulation in all housing projects with fire risk; audits to be made by Market Surveillance and Inspection Teams operating under Ministry of Environment and Urbanization in order to inspect whether cables in the market comply with CPR; and increasing the number of audits being carried out by Ministry of Industry and Technology and including cables within the scope of these inspections shall play crucial roles in improving the levels of quality and safety in Turkish cable sector.



## R&D ACTIVITIES

Türk Prysmian Kablo ve Sistemleri A.Ş.'s goal is to improve its competitive power by offering cutting-edge technology users, its leadership in terms of innovation and development in the energy and telecommunication cables sector; and to carry out studies on productive, efficient, superior and environment-friendly product and system solutions. R&D Center located in the county of Mudanya is one of the 25 centers under the Prysmian Group R&D family globally leading the field of cable production and material technologies. Mudanya R&D Center pioneers the Turkish Cable Sector with its extensive infrastructure and activities carried out in the sector.

"Attention! All Cables Are Not The Same..." campaign, the most advanced initiative in the Turkish Cable Sector that is being conducted for the purpose of educating and raising awareness of users in respect of low performance products that do not comply with the standards, which is definitely one of the most important problems of the Turkish Cable Sector, and the Prysmian Performance Test project studying the cables in terms of their compliance with standards, their performance, ease of use and cost-efficiency are the two programs that had been developed during year 2012 and released in the sector within the scope of an extremely extensive communication program. In year 2013 activities have been carried out in respect of this initiative. Upon positive feedback from the market and the users, the 3rd stage of the "Attention! All Cables Are Not The Same..." initiative was initiated in year 2014 and we had the chance to offer the sector our analyses on products in the market and solution proposals to differentiate our products. During year 2015 of the initiative, solar cables have been examined and we continued to enlighten the sector about "how all cables are not the same" and on the 4th stage of the initiative, performance characters in selection of solar cables have been shared with users through seminars and simulators developed. Türk Prysmian left behind 5 stages of "Attention! All Cables Are Not The Same..." until the end of 2018 and still keeps working on the initiative.

Construction Products Regulation (AB) No: 305/2011 that Türk Prysmian addressed within the scope of "Attention! All Cables Are Not The Same..." initiative and carried out extensive, detailed studies about for long years was issued by Ministry of Environment and Urbanization in 2011 for the first time and has legally became mandatory for cables on July 1st, 2017. CPR sets forth the declaration of performance regarding technical characteristics of materials used in structures and the rules for applying CE marking on materials and the CPR Certificate certifies fire reaction performance of cables and documents their compliance with Regulation. EN 50575 Standard regulating implementation of CPR in cable sector determines the fire reaction performance requirements of power, control and communication cables used in any structure, including buildings and infrastructures, the tests regarding these requirements and criteria regarding conformity assessments.

Türk Prysmian being the first company granted the CPR certificate in the Turkish Cable Sector as the result of research and development activities and leading the sector with its expertise in this field started its activities regarding debriefing about CPR in May, through 8 separate seminars organized for the representatives of the sectors. The first meeting within this scope was held on May 9th, 2017 at the Mudanya factory whereby

authorities of project, construction and development companies were invited. This meeting was followed by A-Team distributors meeting held on May 10th, sub-dealers meeting held on May 17th and A-Team distributors employees meeting on May 18th. Later on May 23rd in İzmir, on May 24th in Bursa and on May 25th in Ankara, Association of Electricians were invited to the factory for debriefing on this subject. Türk Prysmian organized dedicated seminars for 647 representatives of the sector during the month of May in 2017 and started debriefing seminars for CPR as it has become legally mandatory in Turkey as of July 1st, 2017. Total of 120 people participated in these highly popular seminars held in Gaziantep on July 10th, 2017 and in Antalya on September 20th, 2017 and 170 people participated in Erzurum on January 12th, 2018.

Through its Mudanya R&D Center, Türk Prysmian invests in technology and innovation, promoting technological innovations and products with superior performance to users with the objective of improving competitive power of our country. In line with this vision, since 2016 the company has been carrying out activities in the first R&D Center of the cable sector certified by Ministry of Science, Industry and Technology. Along with studies for innovations and product developments, Türk Prysmian has 3 completed, 3 ongoing and 2 applied Tubitak projects with a total of 8 Tubitak projects at the end of 2018, continuing its close cooperation with Tubitak and Universities.

In 2018 Türk Prysmian continued to develop innovative solutions that put high performance, productivity and safety at forefront in the R&D Center. Innovative, competitive, high performance solutions for various severe geographical, environmental conditions and conditions of use around the globe, depending on the requirements of the users and industry, for energy and telecommunication cables were developed. Among all these developed solutions, especially railway signalling cables, low voltage and optical fiber cables for petrochemical industry, minitube fiber optic cables, defense industry and wagon cables, fire resistant railway - optical fiber - cables and special cables for petrochemical industry stand out. Moreover in 2018, as a result of product and test reliability, the number of national and international tests that came under by Turkish Accreditation Agency (TURKAK) is 25.

Under the roof of R&D Center built in the Mudanya factory on a land of five thousand m<sup>2</sup>, there are 6 units: Material Technologies Laboratory, Fire Testing Laboratory, Energy Cables Testing Laboratory and Telecom and Fiber Cable Testing Laboratory and Design and Innovation Office and Process Design and Prototype Development Office. R&D Center Laboratories holds a TS EN ISO/IEC 17025 "General Requirements for Competence of Testing and Calibration Laboratories". For the first time in Turkey, Private Sector Fire Tests Laboratory included within the scope of accreditation by Turkish Accreditation Agency (TURKAK) has "CPR - Construction Products Regulation" infrastructure.

Türk Prysmian R&D Center will continue to develop innovative, cuttingedge technology products, user friendly, high performance product and system solutions in the future and to carry the Turkish Cable Sector a step further in line with the company's mission of "Linking Turkey to the Future".

### Forecasting about company progress

Türk Prysmian Kablo ve Sistemleri AŞ., which is one of the companies of the Prysmian Group with strategic significance, consolidates its technological leadership and continues its works in the issue of developing and marketing products that are in compliance with the latest standards and regulations. Intense R&D works are being exercised in Mudanya Plant in the issue of producing products that comply with the standards and have a high performance, as well as finding solutions that secure an economic advantage for the end users and similar works will continue in the next period. On the other hand, common works are being exercised together with the Mudanya R&D Center and other R&D head offices making use of the R&D skills of the Prysmian Group and the development of the product range will be targeted by focusing on products with high added values that are used in special applications. The activities about the initiative "Attention! All Cables Are Not The Same..." will take place also in the future. In addition to all of these; obtaining "ISO 27001 Information Security Management System" certificate with full compliance, launching "Customer Care Project", realizing another first in cable sector and obtaining "TURKAK Certification" and new enhanced fire test laboratory according to "CPR-Construction Products Regulations" are some examples of our technological investments.



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

**Türk Prysmian Kablo ve Sistemleri A.Ş., after almost two years of market analysis and product tests and development launched the biggest awareness and educational campaign in the history of the Turkish cable market in December, 2012.**

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 two years' development of this comprehensive project of Türk Prysmian Kablo that is realized in 2012 and heavily involved local and HQ R&D, marketing and sales teams.

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 Kablo, 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 team 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 calculates the economical impact of ease and speed of installation. Throughout the period R&D team did many tests on different brands and cables and continuously improved the performance of the Prysmian Group solutions.

During "Attention! All Cables Are Not The Same..." initiative, including "Attention! All Solar (PV) Cables Are Not The Same" wave, 5 waves were completed. During the past years and 5 waves, many seminars were organized with Türk Prysmian Kablo's main target groups such as electrical engineers, project companies and contractors. Within the scope of the waves, until the end of 2018, the initiative is shared directly with approximately 4,100 people in Adana, Ankara, Antalya, Bursa, Çankırı, Eskişehir, İstanbul, İzmir, Kayseri, Konya, Mudanya, Sakarya, Trabzon and Erbil-Iraq. Moreover, 124 different point-of-sales across 14 different cities of Turkey are decorated with promotional materials, A-Team distributors' windows are branded with the initiative's posters and stickers, the initiative's communication materials are sent to the sector professionals, projects companies, contractors, installers, subdealers and many people from the sector once again.

As a following step of this initiative, Türk Prysmian Kablo accredited the reliability of the results of the fire tests realized in its laboratories to evaluate the performance of the cable under fire to Turkish Accreditation Agency. Türk Prysmian Kablo with this certificate once again putted its sign to a "first" in its sector.

Türk Prysmian Kablo Mudanya R&D center has registered as the most comprehensive design, innovation and product development infrastructure by Ministry of Science, Industry and Technology. Türk Prysmian Kablo with this certificate once again put its sign to a "first" in its sector, proving that the results of the fire tests done in Türk Prysmian Kablo's laboratories, R&D center which is one of 25 R&D Centers within Prysmian Group are appropriate and reliable.

Türk Prysmian Kablo, 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) project that keeps the same speed since 2012.

### 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.

**EASE OF USE:** To comply with construction standards and highperformance cables, as well as in case of fire, ease of use 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.

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

## CORPORATE SOCIAL RESPONSIBILITY

Türk Prysmian Kablo ve Sistemleri A.Ş., from the first day of its establishment in 1964, with the purpose of meeting the social requirements in its own opportunities, is implementing corporate social responsibility projects in diversified areas.

In **2008**, Türk Prysmian Kablo within the scope of “**Ulubat Lake Management Plan Stork-Friendly Villages Project**”, renewed the electrical system of the county of Karacabey, village of Eskikaraağaç and converted the exposed wires into cables and aimed to prevent strokes from hitting the power lines in the village and getting injured. During the same year, our company provided the cable infrastructure for the “**Special Education Center for Children in 0-6 Age Group Having Impaired Hearing and Their Families**” established by Turkish Hearing and Speech Rehabilitation Foundation with the cooperation of Municipality of Kadıköy and published the book with the title of “**Tirilye from Past to Present**” written by the travelling writer Reyhan Tuvi with all photos taken by her as a contribution to the local community of the area where our factory is located.

Türk Prysmian Kablo, in **2009**, has completed the restoration works of the **Primary School located in Balabancık Village** of the city of Bursa where our factory is located and the school was opened once again for education. Coming to the forefront with the support it gives to the education, Türk Prysmian Kablo, within the same year, provided the cable infrastructure for the **ITU Solar Car** that has participated in the World Solar Challenge organized in Australia which is one of the most important global races in its field and that received the “Best Newcomer” prize in the 4000 km race and also to make a contribution to the renovation of the **Yakacık Hatice Abbas Halim Nursery in Istanbul**, supplied some materials required for the gym and enabled students to continue doing sports during their school years.

**Cable in My Life Art Workshop** organized for the first time in 2008 with Mimar Sinan University of Fine Arts has been organized once again in **2010**. Türk Prysmian Kablo, within the scope of the project, aimed the students to create unique pieces using different cable materials produced for industrial use and contribute to education and art.

Türk Prysmian Kablo in **2011**, provided the cable infrastructure for the “Sahne Hal” play staged by the theater group “**Tiyatro Hal**” through their own means. Türk Prysmian Kablo once again demonstrated its commitment to art by supporting “Sahne Hal” play staged in Mecidiyeköy.

**2012** has been a year where Türk Prysmian Kablo gave **support to different institutions**. Various projects have been realized with Hatice İsmail Hakkı Kayan Primary School, İkbâl-Betül-İhsan Çilingir Primary School, Ahmet Rüştü High School, NOSAB Primary School, Mudanya Municipality, Mudanya Police Department, Mudanya Court House, Tirilye Youth and Sports Directorate, Mudanya Tuberculosis Foundation and 911 Search and Rescue Foundation. Moreover, Türk Prysmian Kablo continued to **support its employees** by donating 38 computers.

Within the scope of “**Fire Protection Week**”, in **2013** Türk Prysmian Kablo, has organized a visit to Bursa Fire Service for the kids of the employees in Mudanya factory and the students at Hatice İsmail Hakkı Kayan Primary School. The children both had fun and found the opportunity to learn more about Fire Services thanks to this visit.

In **2014**, Türk Prysmian has granted **aid in kind** to Çamlıca Anatolian High School, Mudanya 12 Eylül Primary School, NOSAB Primary School and continued to support the region with TL7,366 **donation in cash** granted to various organizations including Mudanya Police Department.

Türk Prysmian Kablo, in **2015** was also part of the Bursa Marathon to provide tuition support to children at **Bursa Education Unit of TEGV**. A corporate running team was formed to serve to this considerate purpose.

Türk Prysmian Kablo continued these activities in **2016** and has made TL77.131 **donation in cash** to organizations like Mudanya Municipality Dinç Spor, Bursa Six Points Association of the Blind and also Halep Aid Campaign and BTSO 15 Temmuz Aid Campaign and **in kind donation** of TL75.165 to Mudanya Police Department, Mudanya Dörtçelik Industrial Vocational School, Bursa Automotive Vocational School, Gemlik Technical Vocational School, Atatürk Industrial Vocational School and Public Research Foundation.

Türk Prysmian Kablo, in **2017**, with the participation of all employees organized the “Wish Tree Campaign” within the scope of “**Happiness Coin Bank**” Project, clothes, stationaries and toys were donated to students in Eretepe Primary School in the city of Muş. Along with this campaign Türk Prysmian Kablo made TL77,380 **donation in cash** to Mudanya Municipality, Mudanyaspor, 12 Eylül Primary School, Six Points Association of Blind and Sami Evkuran Anatolian High School; TL11,485 **in kind donation** to Mudanya Customs Directorate, Mudanya Police Department, Mudanya Coast Guard Command, Mudanya Police Department, Mudanya Dörtçelik Industrial Vocation School, Directorate of Family and Social Policies, Cafer Yener Primary School, Istanbul Technical University Faculty of Electronic, Bursa Automotive Vocational School and Trabzon Technical and Vocation School.

Furthermore in **2018**, Türk Prysmian Kablo continued to support various institutions. It made TL120,900 **donation in cash** to TEİAŞ Youth and Sports Club, Mudanya Sports Club and Turkish Education Foundation; and TL118,567 **in kind donation** to Zeytinbağı Secondary School, Ömer Tunca within the scope of Cable in My Life Art Workshop, Mudanya Sami Evkuran Anatolian High School, Fethiye Martyr Teacher Şekip Akın Primary School, Gemlik Military Veterinary School, Bursa Police Department, Mudanya Mehmet Akif Ersoy Mosque, Mudanya Police Department and Mudanya Municipality.

Türk Prysmian Kablo makes **donation in cash every year** regularly, by **giving scholarship to the employees' children**. The company gave scholarship to 23 children (worth TL39,600) in 2014-2015 academic year, to 25 children (worth TL51,480) in 2015-2016, to 25 children (worth TL49,995) in 2016-2017, to 22 children (worth TL44,055) in 2017-2018 and to 20 children (worth TL31,950) in 2018-2019; and continue to support 22 children (worth TL40,500) in 2019-2020.



## FINANCIAL ANALYSIS

## FINANCIAL FIGURES

Financial Figures	2018	2017
Total liabilities	899,297,070	819,267,821
Equities	269,239,000	234,965,942
Revenue	1,373,378,408	1,176,349,873
Gross profit	141,504,522	118,892,622
Net Profit	38,538,543	8,141,821
EBITDA	75,262,544	26,214,413
Net Working Capital	174,350,101	153,834,827

Financial Ratios	2018	2017
Current Assets/Current Liabilities	1.28	1.27
Equities/Total Liabilities	0.30	0.29
Financial Liabilities/Equities	0.18	0.02
Financial Liabilities/Total Liabilities	0.06	0.01
ROE	14.31%	3.47%
EBITDA marg.	5.5%	2.2%
Gross Profit/Revenue	10.30%	10.11%

## OVERVIEW

Another year has come and gone in which we broke important ground both in Turkey and internationally. Despite, particularly, the domestic currency fluctuations, we have successfully completed the 2018 fiscal year thanks to effective corporate policies and strategies.

**Remarkable Financial Highlights** are as follows:

- **Cash and Cash Equivalents** stood at TL229.54 Million (TL165.32 Million in the previous year).
- **Total Assets** stood at TL899.30 Million (TL819.27 Million in the previous year).

- **Equities** stood at TL269.24 Million (TL234.97 Million in the previous year).
- **Revenues** stood at TL1.373.38 Million (TL1,176.57 Million in the previous year).

2018 was a particularly challenging year for financial markets. Financing costs have gone up considerably, with increased collection risks. Despite the adverse circumstances, the company managed to be minimally affected, keeping the risks at the optimum level, thanks to its experience in financial management.

All such risks and the detailed balance sheet and income statement are covered in the Independent Auditors' Report for FY 2018, with the disclosures about the balance sheet and income statement summarized below.

## ASSETS

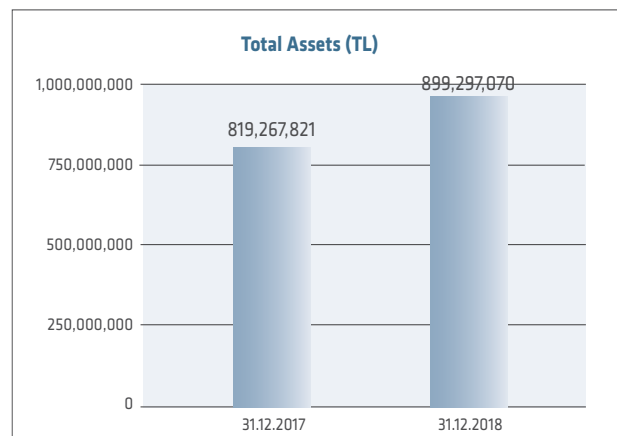
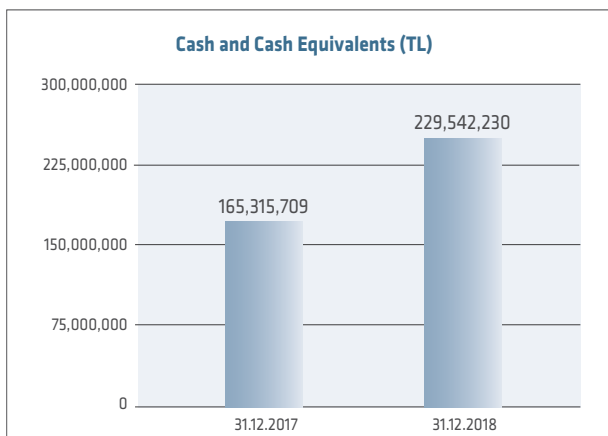
Total cash and cash equivalents are TL229,542,230 of which TL168,165,199 is in foreign currency.

Short term trade receivables reached TL344,812,931. The average collection period of our receivables was 84 days.

Our inventories is amounted TL148,636,363. The total of raw materials and supplies existing in the inventories amounted to TL42,507,426, semi-finished goods to TL25,191,369, commercial goods to TL9,923,788, and finished goods to TL83,573,817. Inventory provisions totaled TL12,560,037.

Other current assets totaled TL44,164,842, of which TL4,322,737 is our VAT receivables from the Tax Department, TL39,335,492 is VAT carried over, and the remainder is various current assets.

The total amount of tangible fixed assets is TL52,428,386, net, after making additions to the net values of fixed tangible assets at the beginning of the year and deducting disposals and accumulated depreciation. The total amount of intangible fixed assets is TL362,716.





**LIABILITIES**

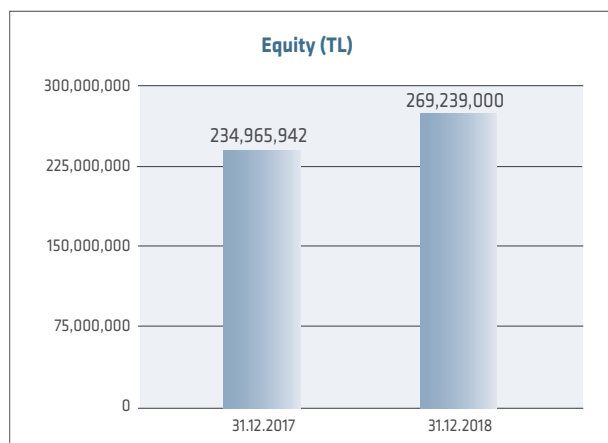
The primary financial instruments used by the Company include operating capital and bank loans.

Trade payables stood at TL466,262,966. TL456,234,553 of this amount is payables to non-affiliated domestic vendors, and TL10,028,413 is the TL amount of payables to affiliated foreign vendors.

The provision for severance pay as required under the Labor Law has been calculated at TL6,847,001 and at the highest amount at TL5,434.42 as of end of 2018 for the relevant tax year.

As regards legal reserves, first legal reserve is kept aside in proportion of 5% every year until it reaches 20% of the paid-in capital. Within this framework, the legal reserves stood at TL8,940,789 at the end of the year.

Our paid-in capital for is up from TL112,233,652 to TL141,733,652 through rights issue in 2017 and our equities became stronger at TL269,239,000.



In 2017 fiscal year, our consolidated net profit for the period has been TL38,538,543.

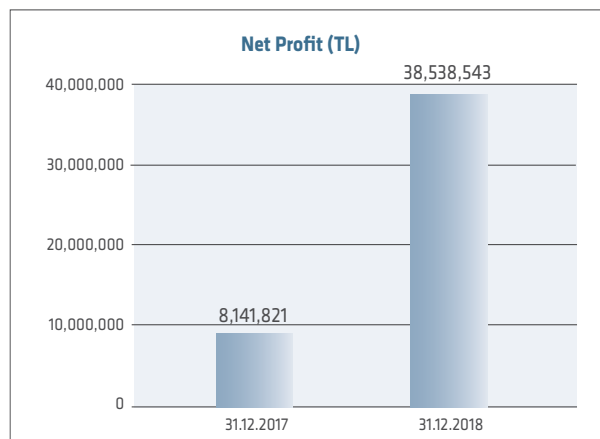
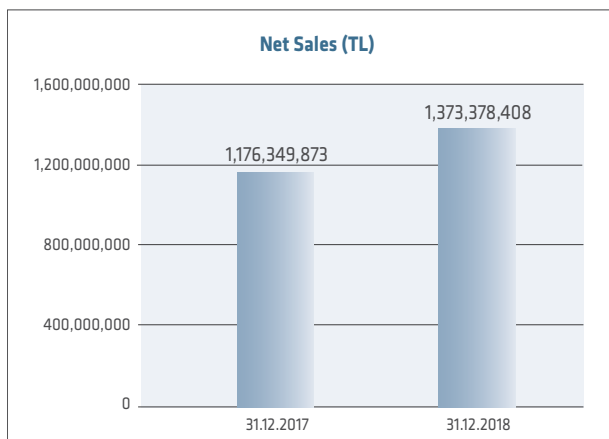
**INCOME STATEMENT**

Gross sales totaled TL1,373,378,408 due to the increase in currency rates and commodity prices. Domestic sales totaled TL1,050,461,257, and foreign sales stood at TL322,917,151.

The cost of the goods sold totaled TL1,231,873,886 which corresponded to 89% of our net sales. The cost of the goods sold included the cost of raw materials and auxiliary materials, direct labor, expenditures for general production, overheads and depreciation, and changes in the inventories of semi-finished and finished goods.

In 2018, we have seen a high increase in the period's net profit and core operating profit. The main reason for this increase is due to the non-payment of license and service fees. This waiver by license and service providers in order to minimize the operational and financial costs of our company was the main reason for the improvement of our profitability (Licensing and service expenses were included in "general administrative expenses" within the core operating expenses item).

As a result of these actions, our consolidated period's net profit for 2018 stood at TL38,538,543.





## THE STATEMENT OF RESPONSIBILITY & DIVIDEND DISTRIBUTION PROPOSAL OF BOARD OF DIRECTORS

### TÜRK PRYSMİAN KABLO VE SİSTEMLERİ A.Ş. DECLARATION OF LIABILITY PURSUANT TO ARTICLE 9 OF SECTION TWO OF THE COMMUNIQUE ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS, SERIES II-14.1

#### BOARD RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS AND THE ANNUAL REPORT

DATE OF RESOLUTION : 21.02.2019  
NUMBER OF RESOLUTION : 2019/1

We hereby declare that

- a) We have audited the Company's consolidated financial statements and their footnotes issued for the period between 01.01.2018 – 31.12.2018, in comparison with the previous period,
- b) Based on our duties and liabilities in the Company and the information available to us, the financial statements do not contain any misstatements on important issues or any incompleteness that may be misleading as of the date when such disclosure was made,
- c) Based on our duties and liabilities in the Company and the information available to us, the financial statement, which have been prepared in line with current financial reporting standards accurately reflect the assets, liabilities, financial status and profits and losses of the company together with potential risks and uncertainties which the company may be exposed to.

#### BOARD RESOLUTION ON THE ACCEPTANCE OF THE ANNUAL REPORT

DATE OF RESOLUTION : March 11, 2019  
NUMBER OF RESOLUTION : 2019/05

Please be advised that the Annual Report (Financial Statements) which has been prepared in harmony with the formats set out by the Turkish Accounting Standards/Turkish Financial Reporting Standards (TAC/TFRS) and the CMB and audited by an independent audit company and CMB's Corporate Management Communiqué no II-17.1 for the fiscal year ending December 31, 2018 as well as the "Corporate Governance Compliance Report" (CRF) prepared in harmony with the formats set out by the CMB and the Corporate Governance Information Form (CGIF) pursuant to the Communiqué on Principles of Financial Reporting in Capital Markets, Series II-14.1 issued by the Capital Market Board (CMB) regarding our Company's fiscal year ending December 31, 2018

- have been audited by us in line with the CMB regulations,
  - based on our duties and liabilities in the Company and the information available to us, the financial statements do not contain any misstatements on important issues or any incompleteness that may be misleading as of the date when such disclosure was made,
  - Based on our duties and liabilities in the Company and the information available to us, the financial statement, which have been prepared in line with current financial reporting standards accurately reflect the assets, liabilities, financial status and profits and losses of the company together with potential risks and uncertainties which the company may be exposed to,
- and we declare that we will be liable for the statements here.

### TÜRK PRYSMİAN KABLO VE SİSTEMLERİ A.Ş. BOARD RESOLUTION

#### DIVIDEND DISTRIBUTION PROPOSAL

Resolution No. : 2019 / 02  
Date: 21.02.2019

In consideration of the provisions of Turkish Commercial Code, Capital Market Legislation, Capital Market Law, Capital Market Board ("CMB"), Regulations/Decisions/Directories, Corporate Tax Law, Income Tax Law, Tax Procedural Law and other relevant legal statutes, the relevant provisions of the Articles of Incorporation of our Company and the "Profit Distribution Policy"; it has been examined and evaluated that;

- The generated net profit of the fiscal year has been 38,538,543.-TRY according to the financial statements for the fiscal year 01.01.2018 – 31.12.2018, the submission principles of which have been defined as per the relevant decisions of the CMB and which has been subject to independent auditing and drawn up in accordance with the provisions of the "Communiqué of the Principles of Financial Reporting in the Capital Market" (II-14.1) of the CMB;
- The statutory net profit of the same fiscal year as per Turkish Commercial Code and Tax Procedural Law, has been 29,827,286.-TRY (the net profit for a fiscal year calculated in accordance with the present paragraph is hereinafter referred to as the "Statutory Net Profit").
- It has been defined within Dividend Guideline published in the Weekly Bulletin dated 27.01.2014 and no. 2014/2 of the CMB that;
  - i. The total amount of the dividend to be distributed is limited with the Statutory Net Profit. Accordingly, the upper limit for the distributable dividend for the fiscal year 01.01.2018 – 31.12.2018 is 29,827,286.-TRY.
  - ii. The previous year's losses and general legal reserve should be subtracted, and then an amount equal to the donations granted during the fiscal year in question should be added to calculate net distributable profit.
- Accordingly, from the distributable dividend of 29,827,286.-TRY, 1,491,364.-TL is allocated to the general legal reserves and 268,009.-TL is added to the distributable dividend, to find the net distributable profit which is 28,603,931.-TRY

In order to manage the financial needs of the Company due to the macroeconomic conditions experienced within the fiscal year 2018 and for the sake of healthy and strong financial structure it has been unanimously resolved by the undersigned members to distribute the dividend of 5,720,786.-TRY from the net distributable profit of 28,603,931.-TRY which is also equal to 4,04 % of the issued capital of the Company, to our shareholders in cash, as of 18 April 2019; thus distributing net 0.034308494.-TRY per share with a nominal value of TRY 1.-, following of deduction of 15% tax to be calculated over gross 0.040362934.-TRY and to retain all the outstanding balance as the "Extra-Ordinary Reserve";

To submit above dividend distribution proposal to the approval of the General Assembly regarding the fiscal year 2018 and notify the shareholders.

## 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 of the Reports issued by the Board of Directors and Independent Auditing Company Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and Financial Tables of the Company for the Fiscal Period between 01.01.2018 – 31.12.2018.
4. Discussion and approval of all the financial tables, reports and accounts of the Fiscal Period between 01.01.2018 – 31.12.2018 which are prepared by the Board of Directors and Independent Auditing Company pursuant to the CMB, TCC, TPL and all other related legislation,
5. Approval of the appointments within the period to the membership of the Board of Directors as per TCC article 363
6. Release of each member of the Board of Directors,
7. Discussion and voting of the proposal made by the Board of Directors in connection with the distribution of the profit made in the Fiscal Period between 01.01.2018 - 31.12.2018,
8. Due to the end of the mandate of the Board Members, Election of the New Board Members and determination of their term of office and compensation,
9. Furnishing information to the General Assembly on the donations given during the year 2019 and obtaining approval in this respect, determining the upper limit of the donations for 2019,
10. Furnishing information to the General Assembly pursuant the CMB legislation, on the guarantees, liens and mortgages given to the third parties.
11. Approval of the Independent Auditing Company to audit the activities and accounts of 2018 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.
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 1.3.6 and 1.3.7 under the CMB communique Serial No:171 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. Approval of the activities mentioned under Article 12 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.
14. Recommendation and Adjournment,



## INDEPENDENT AUDITORS' REPORT

### INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

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

##### 1) Opinion

We have audited the annual report of Türk Prysmian Kablo ve Sistemleri A.Ş. (the "Company") and its subsidiaries ("the Group") for the period of 1/1/2018-31/12/2018.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

##### 2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### 3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 21, 2019 on the full set consolidated financial statements of the Group for the period of 01.01.2018 - 31.12.2018.

##### 4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting in Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- c) The annual report also includes the matters below:
  - Subsequent events occurred after the end of the fiscal year which have significance,
  - The research and development activities of the Group,
  - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

##### 5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Ferzan Ülgen.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited

**Ferzan Ülgen , SMMM**  
**Cap Auditor**

**March 11, 2019**  
**İstanbul, Türkiye**

## INDEPENDENT AUDITORS' REPORT

### CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT JANUARY 1 - DECEMBER 31, 2018

To the General Assembly of Türk Prysmian Cable and Systems Co. Inc.;

#### A) Independent Audit of Consolidated Financial Statements

##### 1) Opinion

We have audited the accompanying consolidated financial statements of Türk Prysmian Cable and Systems Co. Inc. (the "Company") and its Subsidiaries (the "Group"), which comprise the statement of financial position as of December 31, 2018, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Partners International as of December 31, 2018, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

##### 2) Basis for Opinion

We conducted our audit in accordance with the independent auditing standards issued by the Capital Markets Board of Turkey and Independent Auditing Standards ("IASs") which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA ("Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### 3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matter was addressed in our audit
<p><b><i>Provision for trade receivables impairment</i></b></p> <p>Since the trade receivables constitute 41% of total assets in the consolidated statement of financial position, it is considered to be an important balance sheet item. Collectability of trade receivables is one of the important elements for the management of the Group's credit risk and operating capital.</p> <p>As of December 31, 2018, there is a total of TL58.376.981 provision for impairment over trade receivables totaling TL344.812.931 carried over the consolidated statement of financial position.</p> <p>Determining whether or not a trade receivable is collectible requires an important managerial judgment. The Group's management considers all information including the aging of trade receivables, risks of pending cases based on letters obtained from corporate attorneys, guarantees received under credit risk management and the nature of such guarantees, and collection performances for the current period and in the period after the balance sheet date.</p> <p>Due to the judgment needed to determine the amount of receivables money and collectability of commercial receivables, the existence and collectability of trade receivables is considered as a key audit subject.</p> <p>Details relating to the trade receivables are given in Footnote 4.</p>	<p>During our audit, the following audit procedures related to the recoverability of trade receivables were applied:</p> <ul style="list-style-type: none"> <li>- Understanding and evaluating the customer and dealer receivables follow-up process conducted by the Finance Department,</li> <li>- An analytical review of the receivables aging study and comparison of the collection turnover rate with the previous year,</li> <li>- Investigation of whether there is any dispute or litigation regarding collection and information about pending receivable follow-up cases from legal counsel,</li> <li>- Sample testing of trade receivables by sending confirmation letters,</li> <li>- Sample testing of collections made in the subsequent period,</li> <li>- Sample testing of the guarantees received from customers and vendors and evaluation of their quality,</li> <li>- Questioning of the assumptions used in calculating the impairment of trade receivables,</li> <li>- Evaluating the adequacy of the disclosures in the consolidated financial statements related to the recoverability of trade receivables.</li> </ul>

#### 4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for the supervision of the Group's financial reporting process.

## INDEPENDENT AUDITORS' REPORT

### 5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows::

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the independent auditing standards issued by the Capital Markets Board and Standards on Auditing issued by POA. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the independent auditing standards issued by the Capital Markets Board and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of "material misstatement" of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control..
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management..
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### B) Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Group on February 21, 2019.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period January 1- December 31, 2018, the Group's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Group's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

The name of the engagement partner who supervised and concluded this audit is Ferzan Ülgen.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited

**Ferzan Ülgen, SMMM**  
**Cap Auditor**

**February 21, 2019**  
**Istanbul, Turkey**

## FINANCIAL STATEMENTS

Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Subsidiaries  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2018**

[(All amounts are expressed in Turkish Liras (TL))]

	Footnote Reference	Current Period	Previous Period
		Audited	Audited
		December 31 2018	December 31 2017
<b>Assets</b>			
<b>Current assets</b>			
		<b>795,568,332</b>	<b>730,693,221</b>
Cash and cash equivalents	30	229,542,230	165,315,709
Trade receivables		344,812,931	336,714,762
<i>from affiliated parties</i>	3,4	16,976,840	34,369,816
<i>from non-affiliated parties</i>	26	327,836,091	302,344,946
Other receivables		10,659	73,836
<i>from non-affiliated parties</i>	5	10,659	73,836
Inventory	6	148,636,363	148,976,251
Prepaid expenses	7	16,108,594	14,441,680
Assets related to current period tax	23	12,292,713	24,858,030
Other current assets	13	44,164,842	40,312,953
<b>Non-current assets</b>			
		<b>103,728,738</b>	<b>88,574,600</b>
Tangible non-current assets	8	52,428,386	48,353,773
Intangible non-current assets	9	362,716	233,619
Deferred tax asset	23	20,232,214	7,112,814
Other non-current assets	13	30,705,422	32,874,394
<b>Total assets</b>			
		<b>899,297,070</b>	<b>819,267,821</b>

The attached footnotes are integral parts of these consolidated financial statements.

## FINANCIAL STATEMENTS

Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Subsidiaries  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2018**

[[All amounts are expressed in Turkish Liras (TL)]]

	Footnote Reference	Current Period	Previous Period
		Audited	Audited
		December 31, 2018	December 31, 2017
<b>Liabilities</b>			
<b>Short-term liabilities</b>		<b>621,218,229</b>	<b>576,858,394</b>
Short-term loans	22	49,518,160	4,523,700
Trade payables		466,262,966	498,560,763
<i>to affiliated parties</i>	3, 4	10,028,413	15,782,154
<i>to non-affiliated parties</i>		456,234,553	482,778,609
Payables from construction agreements	16	8,894,372	5,653,803
Payables under employee benefits	12	3,098,402	3,756,955
Other payables		44,023	-
<i>to non-affiliated parties</i>	5	44,023	-
Derivative financial instruments	25	31,314,035	240,338
Deferred income	7	23,747,933	32,830,770
Period profit tax liability	23	16,590,475	10,214,364
Short-term provisions		20,706,328	16,186,320
<i>Short-term provisions for employee benefits</i>	12	5,641,339	4,029,610
<i>Other short-term provisions</i>	10	15,064,989	12,156,710
Other short-term liabilities	13	1,041,535	4,891,381
<b>Long-term liabilities</b>		<b>8,839,841</b>	<b>7,443,485</b>
Long-term provisions		8,839,841	7,443,485
<i>Long-term provisions for employee benefits</i>	12	6,847,001	5,850,167
<i>Other long-term provisions</i>	10	1,992,840	1,593,318
<b>Equities</b>		<b>269,239,000</b>	<b>234,965,942</b>
Paid-in Capital	14	141,733,652	141,733,652
Reacquired shares (-)		(2,496,301)	(2,496,301)
Premiums on shares		40,871,090	40,871,090
Not to be re-classified under profits or losses other comprehensive income or expenses		(1,898,000)	(1,914,000)
<i>Defined benefit plans revaluation and measurement gains/losses</i>		(1,898,000)	(1,914,000)
Reserves on retained earnings	14	8,940,789	7,718,010
Profits from previous years		43,549,227	40,911,670
Net period profit		38,538,543	8,141,821
<b>Total liabilities</b>		<b>899,297,070</b>	<b>819,267,821</b>

The attached footnotes are integral parts of these consolidated financial statements.

## Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Subsidiaries

**CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME TABLE FOR THE TERM WHICH ENDED ON DECEMBER 31, 2018**

[(All amounts are expressed in Turkish Liras (TL))]

	Footnote Reference	Current Period	Previous Period
		Audited	Audited
		January 1 - December 31, 2018	January 1 - December 31, 2017
<b>Profit or loss</b>			
Revenue	15	1,373,378,408	1,176,349,873
Cost of sales (-)	15	(1,231,873,886)	(1,057,457,251)
<b>Gross profit</b>		<b>141,504,522</b>	<b>118,892,622</b>
General management expenses (-)	17	(18,380,765)	(42,139,202)
Marketing expenses (-)	17	(50,396,849)	(53,818,020)
Research and development expenses (-)	17	(3,776,981)	(2,481,376)
Other income from main activities	19	160,992,642	43,926,459
Other expense from main activities (-)	19	(191,040,413)	(58,325,230)
<b>Profit from main activity</b>		<b>38,902,156</b>	<b>6,055,253</b>
Income from investment activities	20	603,530	287,801
<b>Profit before financing income</b>		<b>39,505,686</b>	<b>6,343,054</b>
Financing income	21	4,236,006	2,625,446
Financing (expense)	21	(1,736,074)	(1,266,678)
<b>Tax before profit</b>		<b>42,005,618</b>	<b>7,701,822</b>
<b>Tax income / (expense)</b>	23	<b>(3,467,075)</b>	<b>439,999</b>
Period's tax expense (-)	23	(16,590,475)	(10,214,364)
Deferred tax income / (expense)	23	13,123,400	10,654,363
<b>Period's profit</b>		<b>38,538,543</b>	<b>8,141,821</b>
<b>Other comprehensive income/ (expense)</b>			
<b>Not to be reclassified in profit or loss</b>		<b>16,000</b>	<b>(572,400)</b>
Re-measurement (losses) of identified benefit plans	12	20,000	(715,500)
Re-measurement losses of identified benefit plans, tax effect	23	(4,000)	143,100
<b>Comprehensive income post total tax</b>		<b>38,554,543</b>	<b>7,569,421</b>
<b>Earning per share</b>	24	<b>0.2720</b>	<b>0.0688</b>

The attached footnotes are integral parts of these consolidated financial statements.



Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Subsidiaries  
**CONSOLIDATED TABLE OF CHANGES IN EQUITY FOR THE PERIOD WHICH ENDED ON DECEMBER 31, 2018**  
 [(All amounts are expressed in Turkish Liras (TL))]

	Other comprehensive income or expenses not to be reclassified in profit or loss					Reserves on retained earnings	Profits from previous years	Net period profit	Total equities
	Paid-in Capital	Reacquired shares	Share issue premiums	Accumulated re-measurement losses of identified benefit plans	Other comprehensive income or expenses not to be reclassified in profit or loss				
<b>Balances as of January 1, 2017</b>	<b>112,233,652</b>	<b>(2,496,301)</b>	-	<b>(1,341,600)</b>	<b>7,006,270</b>	<b>28,358,531</b>	<b>20,235,950</b>	<b>163,996,502</b>	
Transfers	-	-	-	-	711,740	19,524,210	(20,235,950)	-	
Dividends (Footnote 14)	-	-	-	-	-	(6,971,071)	-	(6,971,071)	
Reacquired shares (Footnote 14)	29,500,000	-	40,871,090	-	-	-	-	70,371,090	
-Net period profit	-	-	-	-	-	-	8,141,821	8,141,821	
-Other comprehensive income	-	-	-	(572,400)	-	-	-	(572,400)	
Total comprehensive income	-	-	-	(572,400)	-	-	8,141,821	7,569,421	
<b>Balance as of December 31, 2017</b>	<b>141,733,652</b>	<b>(2,496,301)</b>	<b>40,871,090</b>	<b>(1,914,000)</b>	<b>7,718,010</b>	<b>40,911,670</b>	<b>8,141,821</b>	<b>234,965,942</b>	
Transfers	-	-	-	-	1,222,779	6,919,042	(8,141,821)	-	
Dividends (Footnote 14)	-	-	-	-	-	(4,281,485)	-	(4,281,485)	
Capital increase (Footnote 14)	-	-	-	-	-	-	38,538,543	38,538,543	
-Net period profit	-	-	-	16,000	-	-	-	16,000	
-Other comprehensive income	-	-	-	16,000	-	-	-	38,538,543	
Total comprehensive income	-	-	-	-	1,222,779	6,919,042	(8,141,821)	-	
<b>Balance as of December 31, 2018</b>	<b>141,733,652</b>	<b>(2,496,301)</b>	<b>40,871,090</b>	<b>(1,898,000)</b>	<b>8,940,789</b>	<b>43,549,227</b>	<b>38,538,543</b>	<b>269,239,000</b>	

The attached footnotes are integral parts of these consolidated financial statements.

Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Subsidiaries  
**CONSOLIDATED CASH FLOW TABLE FOR THE PERIOD WHICH ENDED ON DECEMBER 31, 2018**

[(All amounts are expressed in Turkish Liras (TL))]

	Footnote Reference	Current Period	Previous Period
		(audited)	(audited)
		Jan 1- December 31, 2018	Jan 1- December 31, 2017
<b>A. OPERATING CASH FLOW</b>		<b>(70,985,951)</b>	<b>(58,984,449)</b>
Period's profit (loss)		38,538,543	8,141,821
<b>Corrections on period net profit (loss) reconciliation</b>		<b>60,876,335</b>	<b>35,687,844</b>
Corrections on depreciation and amortization expenses	8, 9	6,312,618	5,760,389
Corrections on impairment expenses/(cancellation)	4	15,376,754	4,358,065
Corrections on inventory impairment expenses/(cancellation)	6	1,717,916	2,411,848
Corrections on employee benefit provisions/(cancellation)		2,823,729	482,670
Corrections on claims and penalty provisions/(cancellation)	10	(301,709)	213,523
Corrections on guarantee provisions/(cancellation)	10	701,231	(43,638)
Corrections on other provisions/(cancellation)		2,908,279	2,161,960
Corrections on interest (income) and expenses		(2,599,756)	1,534,878
Corrections on fair value losses (gains) of derivative financial instruments	19	31,073,728	19,535,949
Corrections on tax (income) and expenses		3,467,075	(439,999)
Corrections on losses (gains) from the disposal of non-current assets	20	(603,530)	(287,801)
<b>Change in rolling capital</b>		<b>(176,645,852)</b>	<b>(99,102,804)</b>
Corrections on decrease (increase) in trade receivables	4	(23,474,923)	(65,083,901)
Increase in the progress billing of ongoing construction agreements		3,240,569	3,736,782
Corrections on decrease (increase) in inventory	6	(1,378,028)	(56,868,266)
Corrections on decrease (increase) in other receivables related to activities		(109,188,460)	(46,769,159)
Decrease (increase) in trade payables		(32,297,797)	70,485,038
Decrease (increase) in other payables relating to the activities		(13,547,213)	(4,603,298)
<b>Cash flow earned from activities</b>		<b>(77,230,974)</b>	<b>(55,273,139)</b>
Tax returns (payments)		2,398,653	(4,998,703)
Payments under provisions relating to employee benefits	12	(195,166)	(1,373,343)
Interest received		4,041,536	2,660,736
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		<b>95,841,454</b>	<b>5,166,750</b>
Cash outflow due to purchase of tangible and intangible fixed assets	8, 9	857,765	324,628
Cash flow due to sale of tangible and intangible fixed assets	8, 9	(10,770,563)	(10,288,683)
Cash flow from derivative financial instruments	19	142,457,856	35,892,688
Cash outflow from derivative financial instruments	19	(36,703,604)	(20,761,883)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>39,271,194</b>	<b>66,657,041</b>
Cash flow from share issue		-	70,371,090
Cash flows from loans		44,994,460	4,523,700
Dividend paid		(4,281,486)	(6,971,071)
Interest paid		(1,441,780)	(1,266,678)
<b>Change in cash equivalents</b>		<b>64,126,697</b>	<b>12,839,342</b>
<b>Cash and cash equivalents at the beginning of term</b>		<b>165,121,239</b>	<b>152,281,897</b>
<b>Cash and cash equivalents at the end of term</b>		<b>229,247,936</b>	<b>165,121,239</b>

The attached footnotes are integral parts of these consolidated financial statements.

## FOOTNOTES

**Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Subsidiaries**  
**CONSOLIDATED FINANCIAL TABLES AND FOOTNOTES AS OF THE DATE OF DECEMBER 31, 2018**

[[All amounts are expressed in Turkish Liras (TL)]]

## 1. THE GROUP'S ORGANIZATION AND LINE OF BUSINESS

Established and operating under the laws of Turkey, the activities of Türk Prysmian Cable and Systems Co. Inc. ("Company") and its subsidiaries (hereinafter to be collectively referred to as the "Group") include the manufacturing, export, import and trading of all kinds of cables, conductors, machines, apparatuses, tools and equipment as well as their spare parts and accessories. The Company was established on 1964 and currently operates under the status of joint-stock company under the parent company Draka Holding B.V. (83.75%).

The Company's subsidiary was established in 2013 under the name of Türk Prysmian - Prysmian Powerlink Ordinary Partnership in line with the opinion of Revenue Administration regarding the taxation of the work within the scope of DB.KAB.7 Lapseki - Sütlüce 380kV Submarine Cable Project. The ordinary partnership serves the sole purpose of taxation of the project and Türk Prysmian Cable and Systems Co. Inc. holds and Prysmian Powerlink S.r.l. hold 99.99% and 0.01% share distribution respectively.

Türk Prysmian - Prysmian Powerlink Ordinary Partnership-2, one of the Group's subsidiaries, was established in 2017 in line with the opinion of Revenue Administration regarding the taxation of the work within the scope of DB.KAB.9 Lapseki - Sütlüce 380kV Submarine Cable Project. Türk Prysmian Cable and Systems Co. Inc. holds and Prysmian Powerlink S.r.l. hold 99.99% and 0.01% shareholding, respectively, of the ordinary partnership.

The Group is publicly traded and operates in a single business line (cable manufacturing and sales) in one geographical region. The Group's product range includes all power cables up to 220 kVolt, up to 3.600 couples of copper conductive communication cables and fiber optic cables. The Group's factory is located in Mudanya, Bursa, including a thermal, mechanical, chemical and electrical scientific research and testing laboratory with high level technology and TSE qualification.

The Group's registered address is Ömerbey Mahallesi, Bursa Asfaltı Caddesi, No:51, 16941, Mudanya, Bursa, with an Istanbul branch registered on December 20, 2012 at Ömer Avni Mah. İnebolu Sok. Haktan İş Merkezi No:39 K:2 Setüstü Kabataş Beyoğlu Istanbul. The Group employs on average 479 personnel in a year as of December 31, 2018 (December 31, 2017: 470).

The Group's shares are being traded in Borsa İstanbul A.Ş since 1986.

The Group's subsidiaries are detailed below:

Subsidiaries	Activity	Core Activity
Türk Prysmian-Prysmian Powerlink Ordinary Partnership-1 (*)	Sales	Sale of power cables
Türk Prysmian-Prysmian Powerlink Ordinary Partnership -2	Sales	Sale of power cables

(\*) The final acceptance of the project in question was made on January 2, 2018 and the closing operations of Türk Prysmian-Prysmian Powerlink were carried out on July 20, 2018.

## 2. PRINCIPLES FOR THE PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Main Principles of Presentation

#### Statement of Compliance to TFRS

The Company and the subsidiary established in Turkey maintain and prepare their legal books and legal financial statements in accordance with the accounting principles stipulated in the Turkish Commercial Code ("TCC") and tax legislation..

The attached financial statements have been prepared in compliance with the provisions in the "Communique on the Principles of Financial Reporting in the Capital Market" Series II, Numbered 14.1 published in the Official Gazette dated June 13, 2013 numbered 28676 by the Capital Market Board ("CMB"), based on the Turkish Financial Reporting Systems and relevant appendices and comments ("TFRS") enacted by the Public Oversight Accounting and Auditing Standards Authority ("POA") in reference to Article 5 of the Communique.

Furthermore, the consolidated statements and footnotes have been presented in compliance with the format described by the Capital Markets Board's announcement dated June 7, 2013.

The consolidated financial statements are prepared on the basis of historical costs, excluding the reassessment of derivative financial instruments. The historical cost is typically determined on the basis of the actual value of amounts paid for assets.

#### Applicable Currency

The financial statements of each business within the Group are presented in the currency applicable to the respective fundamental financial environment (functional currency). The financial status and operational results for each business are indicated in TL, which is the applicable currency for the Group and the consolidated financial statements.

#### Comparative Information

The Group's financial statements are prepared by comparing to the previous term to enable identifying financial status and performance trends. The Company issued the financial statement of position prepared as of December 31, 2018 comparatively with the financial statement of position prepared as of December 31, 2017, and the profit and loss statement of January 1 - December 31, 2018, other comprehensive statement of income, cash flow statement and statement of change in equities comparatively with the loss and profit statement for the period January 1- December 31, 2017, other comprehensive statement of income, cash flow statement and statement of change in equities.

### Going concern

The Group prepared its financial statements based on the going concern principle.

### Ratification of consolidated financial statements:

The consolidated financial statements was ratified by the Board of Directors on February 21, 2019 and authorization was granted for its publication. The General Assembly and some other regulatory agencies and authorities are authorized to amend the financial statements.

### Guidelines on consolidation

The consolidated financial statements comprise of the financial statements of the Group and the Group's affiliated companies. Control is achieved through the Group fulfilling the below conditions:

- Having power over the group invested in;
- For the group invested in to be open to variable yield it shall acquire or have right on such yields; and
- Ability to exercise its power with the ability to have effect on returns.

In the event that a situation or event may rise which may cause any change in at least one of the criteria listed hereabove, the Company shall reevaluate whether they have the controlling power over its investment.

In cases where the Company does not have the majority votes on the company invested in, if it has sufficient voting rights to direct/manage the activities of said investments on its own, it shall be regarded as having controlling power over company invested into. The Group shall, along with the issues listed below, take into account all relevant events and conditions when evaluating whether the vote majority on said investment is sufficient to assert controlling power:

- Comparison of the voting rights of the Company with the voting rights of other shareholders;
- Potential voting rights of the Company and the other shareholders;
- Rights arising of other agreements in connection to the Agreement; and
- Other events and conditions which may show whether the Company has current power in managing relevant activities in situation where a decision needs to be made. (including votings made in the previous term general assembly meetings).

Inclusion of an affiliate company within the consolidation shall commence by the Group asserting control over the affiliate company and end following its loss of said control. Income and expenses of affiliate companies bought or sold off within the year, shall be included within the consolidated profit and loss and other comprehensive income statement starting from date of purchase until date of disposal. Each item of profit or loss and other comprehensive income belongs to parent company shareholders and shares with no controlling power. Even if non-controlling shares were to result in deficit balance, total comprehensive income of affiliated companies shall be transferred to principal shareholders and non-controlling shares. All in-group assets and liabilities, equities, incomes and losses and cash flow regarding transactions between Group companies shall be eliminated during consolidation.

## **2.2 Amendments in accounting policies**

The accounting policies of the consolidated financial statements for the period 1 January - 31 December 2018 are applied in consistency with the consolidated financial statements prepared as of December 31, 2017, except for the TFRS 9 "Financial Instruments" and TFRS 15 "Revenues from Customer Contracts" standards which are mentioned below and which became effective as of January 1, 2018.

### **TFRS 9 Financial Instruments**

In the TFRS 9 Financial Instruments Standard application, the Group has benefited from the exemption permitting non-rearrangement of comparative information on prior periods related to classification and measurement (including impairment) amendments.

### Classification and measurement

The amendments made within the scope of TFRS 9 in relation to the classification of financial assets and obligations are summarized below. The amendments in relation to the classifications made in this regard have no impact on the measurement of financial instruments.

	<b>Previous classification under TAS 39</b>	<b>New classification under TFRS-9</b>
<b>Financial Assets</b>		
- Cash and cash equivalents	Loans and receivables	Redeemed cost
- Derivative instruments	Fair value difference, reflected on profit or loss	Fair value difference, reflected on profit or loss
- Trade receivables	Loans and receivables	Redeemed cost
- Other receivables	Loans and receivables	Redeemed cost
<b>Financial Liabilities</b>		
- Financial liabilities	Redeemed cost	Redeemed cost
- Commercial liabilities	Redeemed cost	Redeemed cost
- Derivative instruments	Fair value difference, reflected on profit or loss	Fair value difference, reflected on profit or loss
- Other liabilities	Redeemed cost	Redeemed cost

### *Impairment*

The Group uses the simplified approach in TFRS 9 to calculate the expected credit losses of the financial assets in question. This method requires the recognition of lifetime expected credit losses for all trade receivables. The Group has reviewed the impairment reserves methodology for financial assets in accordance with the proposed credit losses model of TFRS 9.

Regarding the implementation of the new standard for the first time, the Group has decided that there is no need for a retrospective adjustment and the relevant policies are revised for the measurement and accounting of financial instruments effective from 1 January 2018, and the implementation started as detailed in Footnote 2.5.

### **TFRS 15 Revenue from Contracts with Customers**

As a result of the Group's efforts for the implementation of TFRS 15 for the first time, the Group assesses that there is a single performance obligation in the delivery of the goods in question regarding the sale of the goods in question in the contracts with existing customers. In addition, the variable value arising from the turnover premiums provided to the customers within the transaction price in the contracts is determined in full at the end of the year and recognized in revenue.

Using the facilitative application of TFRS 15, the Group has not made any adjustments for the effect of the financing component in the committed value because it has projected, at the beginning of the contract, that the period between the period of transfer of the goods or services to which the customer commits and the date on which the customer pays the price of such goods or services shall be one year or less.

The Group has decided that a retrospective adjustment is not required for the implementation of the new standard for the first time and the relevant policies have been revised to recognize revenue as of 1 January 2018, and the details have been started to be applied as explained in Footnote 2.5.

### **2.3 Changes and errors in accounting estimates**

Changes in accounting predictions shall be applied proactively; if they are related to a single term, to the current term when the change was made, if they are related to future terms, both to the term when the change was made and the future term. Within the current year, there have not been any substantial changes in accounting predictions of the Group.

### **2.4 New and revised standards and interpretations**

Accounting policies implemented while preparing consolidated financial statements for the year that ended as of December 31, 2018 were applied consistently with the new and amended TFRS standards valid as of January 1, 2018 and aside from TFRS interpretations, those applied in the previous year. Effects of these standards and interpretations on the Group's financial status and performance are explained in the relevant paragraphs.

#### **i) New standards, amendments and interpretations effective as of January 1, 2018.**

##### **TFRS 15 - Revenues from Agreements Made with Customers**

In September 2016, POA published the standard TFRS 15 Revenues Arising of Agreements with Customers. Said published standard also contains the changes made by IASB in April 2016 to clarify TFRS 15. The new five stage model in the standard explains the requirements regarding the accounting and measurement of revenues. The standard shall apply to revenues arising of agreements entered into with customers, and provides a model for the recognition and measurement of certain non financial assets (e.g. tangible fixed asset outflows) unrelated to the entity's day-to-day activities. Date of application for TFRS 15 is annual accounting periods which started on 1 January 2018 and after. Early application is allowed.

The Group's assessment regarding the application of the said standard for the first time is given in Footnote 2.2.

##### **TFRS 9 Financial Instruments**

POA published the final TFRS 9 Financial instruments on January 2017. TFRS 9 brings together three aspects of the financial instruments accounting project: classification and measurement, deprecation and hedge accounting. TFRS 9 is based on a single, rational classification and measurement approach reflecting the work model where the financial assets are managed in along with cash flow attributes. Subsequently, a single model applicable to all financial instruments which are subject to impairment accounting was established with the prospective "expected credit loss" model, which shall enable timely recognition of credit losses. Additionally, TFRS 9, handles the issue of "own credit link" which, in situations where banks and other businesses choose the option to pay their financial payables in fair value, due to the decrease of financial receivables' fair value in connection to the decrease of their own creditworthiness, record it as income under profit or loss table. Also, the standard includes a hedging model developed to better affiliate risk management economy with accounting applications. TFRS 9 is applicable for the annual accounting periods started on or after 1 January 2018. The Group's assessment regarding the application of the said standard for the first time is given in Footnote 2.2.

##### **TFRS 4 Insurance Contracts (Amendments);**

In December 2017, the POA published amendments in its TFRS 4 'Insurance Agreements' standard. The amendment in TFRS 4 offers two different approaches: "overlay approach" and "deferral approach". These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

##### **TFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration**

This interpretation published by the POA on December 19, 2017 clarifies the issue of accounting of transactions regarding advance payments which are received or made in foreign currency.

This interpretation specifies date of transaction with regards to the relevant asset in order to determine the foreign currency to be used at the initial recognition of the expense or income, as the date of initial recognition of its intangible asset arising of the entity's receipt or payment of advances or non-monetary liabilities. It is not necessary for the entity to apply this Interpretation to income taxes or insurance contracts it issued (including reassurance policies) or reassurance policies it has.

The interpretation shall be applicable to the annual accounting periods starting on January 1, 2018 and after. Early application is allowed. Effects of said changes on the financial status and performance of the Group are being evaluated.

#### **TFRS 2 Classification and Measurement of Share-Based Payment Transactions (Amendments)**

In December 2017, the POA issued amendments to TFRS 2 Share-based Payments standard. The amendments are intended to clarify TFRS 2 as to how certain share-based payment transactions should be accounted for. The amendments include accounting for the following issues:

- a. The effects of the payment conditions on the measurement of cash-paid share-based payments,
- b. Share-based payment transactions with net offsets in respect of withholding tax liabilities,
- c. Changes in the terms and conditions that convert the nature of the transaction from cash-settled share-based transactions to share-based transactions based on equity.

The amendments will be effective for annual periods beginning on or after January 1, 2018. Early application is allowed. The standard will have no effect on the Group's financial position or performance.

#### **TFRS 40 Investment Property: Transfer of Investment Properties (Amendments)**

In December 2017, The POA has published an amendment to IAS 40 "Investment Property" standard. The amendments clarified that the change in use is dependent on the property's compliance with the definition of "investment property" or the end of such compliance and on the existence of evidence regarding change in use. Date of application for changes is annual accounting periods which started on January 1, 2018 and after. Early application is allowed. Said changes shall not apply to the Group and shall not have any effect on the Group's consolidated financial status or performance.

#### **TFRS Annual Improvements – The 2014-2016 cycle**

In December 2017, the Turkish Public Oversight Authority (POA) has issued Annual Improvements to the TFRS 2014-2016, amending the following standards:

- TAS 28 "Investments in Affiliates and Joint Ventures": This amendment clarifies that the election to measure an investment in an affiliate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each affiliate or joint venture, at the initial recognition of the affiliate or joint venture. The amendments will be effective for annual periods beginning on or after January 1, 2018.

The Group is in the process of assessing the impact of such amendments on its financial position or performance.

#### **ii) Standards issued but not yet effective and not early adopted**

The new standards, interpretations and amendments published in the Consolidated Financial Statements as of the date of approval but not yet effective for the current reporting period and not early adopted by the Group are as follows. Unless it is stated otherwise, following the implementation of new standards and interpretations, the Group shall make necessary changes which will affect their consolidated financial statements and footnotes.

#### **TFRS 16 Leases**

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and TAS 17-related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted. Lessees have the exception of not applying this standard to short-term leases (leases with a lease period of 12 months or less) or to leases where the underlying asset is of low value (eg personal computers, some office equipment, etc.). At the date when the lease is actually started, the lessee measures the leasing liability on the present value of the lease payments that were not paid at that date (leasing liability) and depreciates the existence of the right of use as the same date. Lease payments are discounted using this rate if the implied interest rate in the lease can be easily determined. If the ratio is not easily determined, the lessee shall use the lessee's alternative borrowing interest rate. The lessee should record the interest expense on the lease liability and the depreciation expense of the right to use separately.

In the event of certain events, the lessee can recalculate the lease liability (eg changes in the lease term, future lease payments vary due to changes in a certain index or rate, etc.). In this case, the lessee shall record the remeasurement effect of the lease liability as a correction on the right to use.

In this context, the group plans to implement a simplified retrospective approach. The Group does not expect a significant impact on the financial position and performance of the Group.

#### **Amendments to TAS 28 "Investments in Affiliates and Joint Ventures" (Amendments)**

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an affiliate or joint venture that form part of the net investment in the affiliate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted. The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

**TFRS 10 and TFRS 28: Sales or contributions of assets between an investor and its associate/joint venture - Amendment**

The POA has, in December 2017, postponed indefinitely, the date of validity of said changes in TFRS 10 and TFRS 28, subject to change according to ongoing research project output on equity method. However, earlier application is still allowed. The Group will assess the impact of such amendments after the standards become final.

**TFRIC 23 Uncertainty over Income Tax Treatments**

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Group is in the process of assessing the impact of the amendments on the financial position or performance of the Group.

**Annual Improvements - 2015-2017 Cycle**

In December 2019, POA announced Annual Improvements to TFRS Standards 2015-2017 Cycle, containing the following amendments to TFRSs:

- *TFRS 3 Business combinations and TFRS 11 Joint Arrangements* – The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- *IAS 12 Income Taxes* – The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- *IAS 23 Borrowing Costs* – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The amendment is not applicable to the Group and shall have no impact on the Group's financial position or performance.

**Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)**

On January 2019, POA published TAS 19 "Plan Amendment, Curtailment or Settlement". The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on the financial position or performance of the Group.

**Prepayment Features with Negative Compensation (TFRS 9 Amendment)**

TFRS 9 has issued minor amendments to the Financial Instruments so that some prepayable financial assets can be measured at amortized cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact of amendment on its financial status and performance.

**iii) New and revised standards and comments published by the International Accounting Standards Committee (IASB) but not published by POA**

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing TFRS standards are not yet adapted/ issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

### TFRS 17 – The New Standard for Insurance Contracts

The IASB issued TFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will be effective for the reporting dates starting from January 1, 2021 and on, and early implementation is permitted. The standard is not applicable to the Group and shall have no impact on the Group's financial position or performance.

### Definition of a Business (Amendments to TFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in TFRS 3 "Business Combinations". The purpose of this amendment is to help determine whether an entity is recognized as a business combination or as an asset acquisition.

The amendments are as follows:

- Clarifying the minimum requirements to be a business;
- Removing the assessment of a market participant's ability to replace missing elements;
- Adding guidance to assess whether an acquired process is substantive;
- Narrowing the definition of a business and outputs; and
- Introducing an optional concentration test to permit a simplified assessment.

The amendments are effective from annual periods beginning on or after 1 January 2020, with early application permitted. The amendment is not applicable to the Group and shall have no impact on the Group's financial position or performance.

### Definition of Material (Amendments to the IAS 1 and IAS 8)

In October 2018, IASB amended the "IAS 1 Presentation of Financial Statements" and "IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors" standards. The purpose of these changes is to harmonize the definition of "material" between standards and to clarify certain parts of the definition. According to the new definition, information is significant if it can be assumed that the financial statements may affect the decisions of the primary users based on these statements in the event that the information is hidden, misrepresented or not given. The amendments explain that the information will depend on the nature, magnitude, or both of the significance of the information. Companies are required to assess the significance of the impact of the information on the financial statements when used alone or in combination with other information.

The amendments are effective from annual periods beginning on or after 1 January 2020, with early application permitted. The amendment is expected to have no significant impact on the Group's balance sheet and equities.

## 2.5 Summary of significant accounting policies

### Related parties

Related parties are persons or entities in relation to the entity preparing the financial statements (reporting entity).

- a) A person or a member of a person's immediate family shall be deemed as related to the reporting entity in the following situations: In the event that said person,
- (i) has control or joint control over the reporting entity
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an affiliate or joint venture of the other entity (or an affiliate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an affiliate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
- (c) An entity is related to a reporting entity if any of the following conditions applies:
- If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.  
The entity is controlled or jointly controlled by a person identified in (a).  
A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or liabilities between a reporting entity and a related party, regardless of whether a price is charged.



## Income and expenses

The accrual basis is applied in determining the income and expense items. Accordingly, revenue, income and profits are accounted for in comparison with the cost, expenses and losses of the same period.

### *Sale of goods and services*

The Group has started to use the following five-stage model in accordance with TFRS 15, which was effective as of 1 January 2018, in recognizing revenues.

- Definition of contracts made with customers
- Definition of performance obligations in the contracts
- Evaluation of the transaction fee in the contracts
- Distribution of the transaction fee on the performance obligations
- Recognition of revenues

According to this model, the goods or services undertaken in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a separate performance obligation. Then, it is determined whether the performance obligations will be fulfilled in time or in a certain period of time. If the Group transfers the control of a good or service over time and thus fulfills the performance obligations related to the related sales over time, it measures the progress of the fulfillment of the performance obligations in full and takes the revenues into the consolidated financial statements over time. Revenue related to performance obligations, such as goods or services transfer commitments, is recognized when the control of the goods or services is fully transferred to the customers.

In the event that all of the following conditions are met, the Group recognizes a contract with its customer as revenue:

- a) The parties to the contract have ratified the contract (in writing, oral or as per other business practices) and undertakes to perform its own obligations,
- b) The group can define the rights related to the goods or services to be transferred by each party,
- c) The group can define the payment terms related to the goods or services to be transferred,
- d) The contract is essentially commercial,
- e) It is probable that the Group will charge for the goods or services to be transferred to the customer. When evaluating whether the collectability of a price is probable, the enterprise only takes into consideration the customer's ability to pay the amount in due time and its intention to pay.

Within the scope of TFRS 15, the option of making of amendments is given at the beginning of contracts with the customers on the assumption that an important financing component has no effect on the value of the committed transaction in cases where the period between the period of transfer of the goods or services promised to the customer is one year or less at the beginning of the contracts with the customers. In the event that there is an important financing element in the revenue from forward sale contracts, the transaction price is determined by discounting the future collections with the interest rate in the financing element. If the interest income arising from the forward sale transactions is recognized as accrual basis, they are recognized as "other operating income from core activities" in the relevant periods.

### *Interest Income*

Interest income is accrued based on the effective interest rate. In case of unpaid interest accrual prior to the acquisition of a security that includes interest; subsequently, interest is allocated to pre-acquisition and post-acquisition periods and only the portion of the post-acquisition period is recognized as income in the financial statements.

## Construction agreements

In case the result of construction contracts can not be predicted in a reliable way, income to be obtained from the contract shall be recognized for the claimable part of the realized contract expenses. Agreement expenses are recognized when they occur.

Contract revenue is recognized throughout the contract period if the outcomes of the construction contracts can be securely estimated and it is possible to make profit from the contract. The alteration in the contracts, requested payments and incentive payments are added to the contract revenue as agreed by the customer and if they can be securely calculated.

If total contract costs are to possibly exceed the total contract revenue, expected loss is recognized as immediate cost.

The Group uses "percent complete" method in order to determine the suitable revenue amount to be recognized in the relevant period. For each contract, the completion progress is measured according to contract expenses which may arise until the balance sheet date as a percentage of predicted total expenses. Expenditures arising within the term regarding a future activity within the scope of the agreement are submitted into contract expenses when determining the completion phase. Progress amounts not paid by customers and amounts held as security with regards to progress are added to the calculation of "commercial receivables".

The Group shall submit gross receivables from customers due to continuing works subject to contracts as liability, in the case that the progress amount exceeds the sum calculated by adding the profit (deducting losses) reflected onto cost result calculations.

## Inventory

Inventory is appreciated by the lower figure of the cost or net realizable value. The production cost system is the process costing and and aside from valuable metal inventory (copper, aluminum) first in first out (FIFO) cost method shall apply. Valuable metal inventory is appreciated by weighted average cost management. Finished and semi-finished goods' costs include costs of raw materials, direct labor, other direct costs and relevant general production costs, but none of costs of borrowing. Net realizable value is reached by deducting the sum of predicted costs to be borne in order to realize the sale with the predicted completion costs from the predicted sales price generated during ordinary trade activity. When the net realizable value of the inventory falls below its costs, the inventory shall be lowered to its realizable value and it shall be reflected into the income statement as costs for the year when the impairment has occurred. In the event that conditions which cause the stocks to be degraded to net realizable value expire or it is proven that due to changing economical conditions, there is an increase on net realizable value, the allocated impairment reserves shall be canceled. Canceled amounts are limited to pre-empted impairment amounts.

## Tangible non-current assets

Tangible non-current assets are shown in net value after deducting depreciation value from acquiring costs.

### *Cost method*

Tangible non-current assets are shown in the amount reached after deducting depreciation and accrued impairment value from costs. Lands and parcels are not to be subjected to amortization and shall be shown in the value reached after deducting accrued impairment value from costs.

Assets in the process of being built for administrative purposes or other purposes not yet determined, shall be set out by deducting impairment losses, if any, from cost values. Legal fees shall also be included in costs. Following the completion of building of such assets and after they become ready to use, they shall be classified under the relevant tangible fixed asset unit. Such assets, as it is with the amortization method used for other fixed assets, shall be subject to amortization when they are ready for use.

Except for land and investments to be made, cost amounts of tangible non-current assets shall be subject to amortization by the use of vertical amortization method in accordance with their expected beneficial life. Expected beneficial life, residual value and amortization methods are reviewed each year in order for the possible effects of changes in predictions and changes to predictions, if any, are proactively recognized.

When a tangible fixed asset is disposed of or it is no longer expected to obtain economical benefit from its use or sale, it is left out of the financial status table. It shall be determined as the difference between the earning or lost sales revenue generated by selling off tangible non-current assets or decommissioning of a tangible non-current asset and the asset's book value and added to the income statement as such.

Depreciation periods for tangible non-current assets are as below:

	<b>Economic life</b>
Buildings	20-50 years
Facilities, machinery and equipment	5-15 years
Vehicles	5 years
Fixtures	2-5 years
Special costs	5-10 years

## Intangible non-current assets

### *Purchased intangible non-current assets*

Out of the purchased intangible non-current assets, those with limited life shall be shown in the amount reached after deducting accumulated redemption values and accumulated impairment values from cost values. Such assets are amortised by using the vertical amortization method based on their expected beneficial life. Expected beneficial life and amortization methods are reviewed each year in order to ascertain the possible effects of changes in predictions and changes to predictions are proactively recognized. Out of the purchased intangible non-current assets, those with limitless life shall be shown in the amount reached after deducting accumulated impairment values from cost values.

### *Computer software*

Purchased computer software shall be activated based on costs arisen during purchase and during the period between the purchase and its readiness for use. Said costs shall be amortised based on beneficial lives.

Period of redemption applied to intangible assets are as below:

	<b>Economic life</b>
Rights	8-20 years

### Impairment on intangible non-current assets except for tangible non-current assets and betterment

At every reporting date, the Group examines book value of tangible and intangible non-current assets in order to ascertain if there is any impairment of its assets. In the case that there is an impairment in assets, in order to determine the impairment amount, the assets' recoverable amount shall be measured, if any. Should it not be possible to measure recoverable amount of an asset, the Group shall measure the recoverable amount of cash generating unit related to the asset. If a reasonable and consistent allocation principal is determined, company assets shall be distributed among cash generating units. Where this is not possible, Group assets shall be distributed among smallest cash generating units in order to determine a reasonable and consistent allocation principal.

Recoverable amount is the higher value between fair value with sale costs deductions and value of use of an asset or a cash generating unit. Value of use is the current value of future cash flow expected to be obtained from an asset or a cash generating unit. While calculating value of use, the pre-tax discount rate which reflects usage value of the money in accordance with current term market valuation and asset specific risks which are not taken account for future cash flow predictions shall be used.

In cases that an asset's (or cash generating unit's) recoverable amount is lower than its book value, the asset's (or cash generating unit's) book value shall be lowered to its recoverable value. If said asset is not measured with the re-valuated amount, impairment losses shall be recognized directly under profit/loss. In such cases impairment losses are taken into account as re-valuation depreciation.

When impairment losses are to be canceled at a later period, the asset's (or the relevant cash generating unit's) book value shall be increased in a way to meet the approximate value re-updated for the recoverable amount. The increased book value shall not exceed the book value which the relevant asset (or cash generating unit) would have reached if impairment losses were not separated during previous periods. Unless the asset is shown in a re-valuated amount, cancellation of impairment losses shall be recognized directly under profit/loss. Cancellation of a re-valuated asset's impairment loss is taken into account as a re-valuation increase.

### Financial instruments

#### Financial assets

##### Classification

The Group recognizes its financial assets in three classes including "financial assets recognized using the depreciated cost amount", "fair value difference reflected in other comprehensive income statement" and "financial assets whose difference of fair value is reflected upon profit or loss". The classification is based on the business model used by the enterprise for the management of financial assets and the characteristics of the contractual cash flows of the financial asset. The Group classifies its financial assets at the date of the purchase. Financial assets are not reclassified after initial recognition, except where the business model that the Group uses in the management of financial assets has changed; in case of a change in business model, the financial assets are reclassified on the first day of the following reporting period.

##### Recognition and Measurement

"Financial assets recognized using the depreciated cost amount" are financial assets, which are non-derivative instruments, that are held within the scope of a business model intending to collect contractual cash flows and where the contractual terms include only the cash flows resulting from the principal and principal balance on certain dates. The Group's financial assets recognized over its depreciated cost include "cash and cash equivalent", "trade receivables" and "other receivables" items. The related assets are measured at their fair values in the initial recognition of financial assets and discounted values by using the effective interest rate method in subsequent accounting. Gains and losses resulting from the valuation of non-derivative financial assets measured at depreciated cost are recognized in the consolidated statement of profit or loss.

"Financial assets whose difference of fair value is reflected upon profit or loss", are financial assets, which are non-derivative instruments, that are held within the scope of a business model intending to collect contractual cash flows and where the contractual terms include only the interest payments resulting from the principal and principal balance on certain dates. Gains or losses arising from the related financial assets are recognized in other comprehensive income, except for impairment losses or gains and losses. For investments in equity-based financial assets, the Group may irrevocably choose the method of reflecting the subsequent changes in the fair value of the other comprehensive income in the financial statements for the first time. In the event that such preference is made, dividends received from related investments are recognized in the consolidated statement of profit or loss. "Financial assets whose difference of fair value is reflected upon profit or loss" include financial assets that other than financial assets measured over their depreciated cost whose difference of fair value is reflected upon other comprehensive income. Gains and losses arising from the valuation of such assets are recognized in the consolidated statement of profit or loss.

##### Excluding from the Financial Statement

The Group derecognizes a financial asset when the Group discontinues its rights to cash flows in accordance with the contract for financial assets or when the related rights are transferred by a sale and purchase transaction to the ownership of all risks and rewards of the financial asset. Any rights, created or held by the Group in respect of the financial assets transferred by the Group are recognized as a separate asset or liability.

##### Impairment

Impairment on financial assets varlıklar and contractual assets is calculated using the "Expected Credit Loss" (ECL) model. The impairment model is based on depreciated cost financial assets and contractual assets.

Provisions for losses are measures based on the following;

- 12-month ECLs: are ECLs resulting from potential default events within the 12 months after the reporting date.
- Lifetime ECLs: are ECLs resulting from all default events throughout the expected lifetime of a financial instrument.

Measurement of lifetime ECL is applicable in the event that the at the reporting date the credit risk relating to a financial asset significantly increase after its initial recognition. In all other cases where the relevant increase is not the case, 12-month ECL calculation is used.

The Group may determine that the credit risk of the financial asset does not increase significantly if the credit risk of the financial asset has a low credit risk at the reporting date. However, lifetime ECL measurement (simplified approach) is always applicable to trade receivables and contractual assets without a significant financing element.

### Cash and cash equivalents

Cash and cash equivalent units, cash, basic account and other short term investments with a term of 3 months or shorter than 3 months, immediately cashable and which do not bear a significant impairment risk and with high liquidity.

### Trade receivables

Trade receivables consist of current accounts receivables, forward notes and checks. Trade receivables are carried at amortized cost using the effective interest method, measured at amortized cost using the effective interest method.

The "simplified approach" is applied within the scope of the impairment calculations of the trade receivables, which is recognized at amortized cost in the financial statements. In cases where trade receivables is not impaired due to certain reasons (except for the realized impairment losses), loss provisions for trade receivables are measured at an amount equal the "lifetime expected credit losses". Under the simplified approach, the Company recognizes the provision for impairment in accordance with the ECL model taking into account the guarantees received from its customers.

In case of collecting all or part of the receivable amount, which is impaired following the provision for impairment, the amount collected is deducted from "the other income (expenses) from core activities" items (Footnote 22)....

Foreign exchange gains and losses arising from business transactions are recognized under "the other income (expenses) from core activities" items in the consolidated statement of profit or loss (Footnote 22).

The amortized cost values of the trade receivables after the provision for impairment are assumed to be close to the fair value of the assets.

### **Financial liabilities**

A financial liability shall be measured during initial accounting, based on fair value. During the initial recognition of financial liabilities whose fair value difference is not reflected onto profit or loss, transaction costs which can be directly associated with the undertaking of the relevant financial liability shall also be added to said fair value. At future terms, financial liabilities shall be recognized, along with interest expense to be calculated based on effective interest rate, based on the cost amount depreciated by using the effective interest method.

### Trade payables

Trade payables are payments to be made in relation to the goods and services provided from the suppliers within the ordinary activities. Trade payables are initially measured at fair value and subsequently measured at amortized cost using the effective interest method. (Footnote 7, 29).

### Derivative financial instruments

The Group's activity basically exposes the entity to financial risks connected to changes to exchange and interest rates. In order to be protected from financial risks associated with foreign currency exchange rate fluctuations in connection to certain binding undertakings and future predicted transactions, the Group uses derivative financial instruments (mainly foreign currency exchange rate forward contracts).

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

Derivative financial instruments shall be calculated based on fair value on the date of agreement and recalculated based on fair value at later reporting periods.

### Effective interest method

This is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash collections through the expected life of the financial instrument, or, where appropriate, a shorter period.

### **Effects of changes in foreign currency rates**

#### Foreign currency transactions and balance

Each of the Group's businesses' own financial statements were presented in the money currency valid in the basic environment they are operating in (functional currency) Financial status and activity results of each business was stated in TL, which is the Group's valid currency and presentation unit for consolidated financial statements.

During preparation of each business' financial tables, transactions made in foreign currency (any currency except TL) are recorded based on the exchange rates on the date of transaction. Foreign exchange indexed monetary assets and liabilities in the financial status table shall be exchanged into Turkish Lira by using the rates valid on date of balance. Out of non-monetary units followed in fair value, those recorded in foreign currency shall be converted into TL based on the exchange rates on the date when the fair value was ascertained. Non-monetary units in foreign currency, measured in terms of historical cost shall not be subject to re-conversion.

### **Earnings per share**

Earnings per share specified under consolidated income statement, is reached by dividing the net profit through weighted average number of shares in the market throughout the year.

In Turkey, companies are able to increase their capitals through "bonus shares" distributed to their shareholders from previous year profits. Such distributions of "bonus shares" are valued like issued shares for earnings per share calculations. Accordingly, the weighted average number of shares used in said calculations were found by taking into account retroactive effects of said share distributions.

### Events subsequent to the reporting period

Despite emerging after any announcement on profit or other selected financial information disclosure, events after the reporting period include all events between the balance sheet date and the authorization date for the issue of the statement of financial position.

In the case of events which require adjustment after the balance sheet date, the group corrects the amount in consolidated financial statements in accordance with this new status.

### Reserves, contingent assets and debts

In the events that there is a present liability arisen from previous events, it is possible to fulfill the liability and the amount of the liability can be securely estimated, a reserve is allocated within the financial statements.

The amount allocated as reserve is calculated by securely estimating the expenses to fulfill the liability as of the balance sheet date by taking the risks and uncertainties into consideration. In the case that the reserve is calculated by using required estimated cash flows to meet the present liability, the book value of the aforementioned liability is equal to the present value of relevant cash flows.

If a part or the entire amount of the economic benefit is expected to be achieved from third parties to pay the reserve, the receivable amount is recognized as an asset if the related amount is virtually certain to be collected and is securely calculated.

#### Agreements which may cause losses

Liabilities arising of agreements which may cause losses, shall be calculated and recognized as repayment. If there is a group contract with unavoidable costs to bear exceeding the expected economic benefits concerning the said contract to fulfill the contractual liabilities, it is assumed that there is a contract that will cause damage.

#### Guarantees

In order to meet the liabilities of the Group, reserves regarding security expenses shall be recognized on the date of said products in accordance with the most appropriate expenses predicted by management..

### Government incentives and subsidies

Government incentives shall not be reflected onto financial tables unless there is reasonable assurance that the entity shall fulfill the conditions required to obtain such incentive and the incentive shall be obtained.

Government incentives shall be reflected onto profits or losses, systematically throughout periods where the costs which shall be met by such incentives are recognized as expenses. Government incentives, as a financing instrument, instead of being recognized under profit or losses to clarify the expense unit they finance, shall be associated with the financial status table as unearned income and shall be reflected onto profit or losses during the economical life of said assets.

Government promotions given to compensate for previously accrued expense or losses or to provide urgent financing to the entity without necessitating any costs in the future, shall be recognized under profit or loss in the term when they become collectible.

### Taxes calculated over the company's earnings

Since the Turkish Tax Legislation does not allow for the parent company and its affiliates to prepare consolidated tax declarations, tax reserves were calculated separately for each entity, as shown in the attached consolidated financial tables.

Income tax expense comprises of the total of current tax and deferred tax expenses. The tax is included into the income statement provided that it is not related with a transaction that is recognized directly under the equities. Otherwise, tax is also recognized under the equities together with the other relevant transaction

#### Current corporate tax liability

The tax liability for the current year is calculated on the basis of the taxable amount of the term profit. The taxable profit does not include the taxable and the tax deductible items or the non-tax deductible items for other years and is therefore different from the profits indicated on the income statement. The Group's current corporate tax liability is calculated using the legalized or mostly legalized tax rate..

In Turkey, corporate tax rate was 20%, however under the provisional article 10 which has been incorporated into the Corporate Tax Law, the corporate tax rate is increased from 20% to 22% for the 2018, 2019 and 2020 fiscal years (for corporate defined accounting years, in accounting years that started in the relevant year). The corporate tax rate is applied to the corporate income of the corporations as a result of the addition of unacceptable expenses in accordance with the tax laws and the deduction of the exemptions and discounts in the tax laws. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month.

Corporations declare their advance tax returns at the rate of 20% (22% for the 2018, 2019 and 2020 taxation periods) over their quarterly financial profits until the fourteenth day of the second month following that period and pay till the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated on the tax declaration of the following year. If there is an outstanding advance tax amount paid despite the deduction, such amount can be received in cash or deducted.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Tax returns and related accounting records can be examined within five years of tax by the tax office.

15% withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations and non-resident corporations exempted from income and corporation tax..

Dividend payments made to resident corporations in Turkey again from resident companies in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, the income tax is not calculated.

Turkish tax legislations do not permit a parent company with its subsidiaries to file a tax declaration on its consolidated financial statements. Thus, tax liabilities recognized in the Consolidated Financial Statements of the Group are separately calculated for all subsidiaries included in the scope of consolidation. On the statement of financial position as of December 31, 2018 and December 31, 2017, taxes payable are netted off for each subsidiary and are separately classified in the Consolidated Financial Statements.

#### Deferred tax

Deferred tax liability or asset is determined by calculation of temporary differences between sums of assets and liabilities shown in financial tables and sums taken into account during legal tax base calculation according to balance sheet method by taking into account legalized tax rates of tax effects. While calculating deferred tax liabilities for all taxable temporary differences, deferred taxes comprising of deductible temporary differences are calculated on the condition that it is highly likely to benefit from said differences in the future by earning taxable profits. Said asset and liabilities shall not be recognized if the temporary difference regarding the transaction which does not affect trade or financial profit/loss originates from betterment or other asset and liabilities being initially taken into financial tables (except for entity combination).

Since the applicable tax rate has been changed to 22% for 3 years starting from January 1, 2018, as of December 31, 2018, a tax rate of 22% has been used to calculate deferred taxes for the temporary differences expected to realize / close within 3 years (in the years 2018, 2019 and 2020). However, since the applicable corporate tax rate for the period after 2020 is 20%, the tax rate has been calculated as 20% for applicable differences expected to realize / close for the period after the year 2020.

Deferred tax liabilities shall be calculated for all investments in affiliates and subsidiaries and shares in business partnerships and all associated taxable temporary differences, save for the situations where the Group can control the disappearance of temporary differences and the possibility of said difference disappearing is low. Deferred tax assets, arising of taxable temporary differences associated with such investment and shares are calculated under the conditions that it is highly possible to benefit from said differences by earning enough taxable profit in the near future and that it is highly likely for future related differences will disappear.

Recorded value of deferred tax assets shall be reviewed at each balance sheet date. Recorded value of deferred tax assets shall be decreased to the extent that it is not probable to obtain financial profit which will enable obtaining the same benefit from it in its entirety or in part.

Deferred tax assets and liabilities shall be calculated based on tax rates (tax regulations) expected to be valid during the period when the assets will be realized or when the liabilities will be fulfilled and fully legalized as of balance sheet date or legalized considerably. While calculating deferred tax assets and liabilities, tax results of the methods predicted by the Group in order to recover book value of its assets or undertake its liabilities as of the balance sheet date are taken into account.

Deferred tax assets and liabilities are appropriated in the cases that there is a legal right regarding appropriating current tax assets and current tax liabilities or that said asset and liabilities are associated with the income tax collected by the same taxing authority or the Group has the intention to pay by clarifying current tax asset and liabilities.

#### Current tax expense and deferred tax

Tax expenses include current period tax expense and deferred tax expense. As long as it is not related to a transaction recognized directly under equities, tax is included within profit or loss table. Otherwise, tax is also recognized under equities with the relevant transaction.

The period's tax expense is calculated as of the date of the statement of financial position in consideration of the effective tax legislation in countries where the Group's subsidiaries and its investments valued using the equity method are operating. Under the Turkish tax legislation, enterprises with legal or business headquarters are in Turkey shall be subject to corporate tax.

Under the Turkish tax legislation, financial losses on the returns can be offset against period income for up to five years, however, financial losses can not be offset against previous years' (retrospective) profits.

Also, an advance tax of 20% (22% for the 2018, 2019 and 2020 taxation periods) is paid over the declared quarterly financial profits, deductible from the corporate tax.

As of December 31, 2018 and 2017, provisions are made for tax within the frame of the applicable tax legislation.

75% of the proceeds arising from the sales of the participation shares, founder's shares, dividend shares, and preemptive rights held in the company's assets for more than two years and 50% of the proceeds arising from the sales of the immovable properties held in the company's assets for the same period are subject to this exception in corporate tax as projected under the Corporate Tax Law provided that they are added into the capital or held in liabilities in a private fund account for a period of 5 years.

#### **Employee benefits**

##### Severance payments:

As per the provisions of the current laws and collective labor agreements in Turkey, the severance payment is provided in the case of retirement or dismissal of the employee. As per the updated TAS 19 Employee Benefits Standard ("TAS 19"), such payments are designated as defined pension benefit plans.

The severance payment obligations accounted in the balance sheet is calculated as per the current net value of the amounts of liabilities expected to accrue in the future due to the retirement of all employees and reflected on financial statements. All actuarial profits and losses calculated are accounted under the other comprehensive incomes.

*Provision for accumulated leave credits:*

The liabilities arising from unused leave rights and described as the long-term provisions provided to the employees were deducted in relevant periods when they were earned and recognized.

**Cash flow statement**

The cash flows for the term are classified and reported on the basis of main, investment and financing operations in the consolidated cash flow statement..

Cash flows resulting from operational (core) activities Show the Group's cash flows relatın to its core line of business transactions.

The cash flows relating to investment activities indicate the cash flows attained and used by the Group in investment activities (fixed investments and financial investments).

The cash flows relating to financing activities indicate the resources used by the Group for financing activities and repayment of such resources.

**Share capital and dividends**

Ordinary shares are classified as equities. The dividends distributed through ordinary shares are recorded by deducting from the accumulated profits in the term the decision is made to distribute dividends.

**Reacquired shares**

Where the Company acquires its own shares, cost of such shares, including the portion exceeding the nominal prices of such shares, are deducted from the equity and introduced as "Reacquired shares." Any such profits or losses that the Group made in relation to the shares acquired in this manner are again recognized under equities.

**Premium on capital stock**

The premium on capital stock represents the difference between the nominal values and actual values of stock issued by the company.

Critical decisions made by the Group while implementing accounting policies

Preparation of consolidated financial statements requires disclosure of assets and liabilities, contingent assets and liabilities as at statement of financial position date and utilization of estimates and assumptions that can affect income and expense amounts. The results of these estimations and assumptions can differ from the actual results even these estimations and assumptions are based on the management's best estimate.

- a) The Group uses the percentage completion rate method while accounting construction agreements. According to this method, the ratio between agreement expenses up to a certain date and possible total cost of the agreement shall be calculated. For the recognition of fixed price contracts entered into in order to provide project service, the Group shall use the "Percentage of completion" method. Percent complete method requires the prediction of the service rendered by comparing it to the total services to be provided. (Footnote 16)
- b) The Group recognizes deferred tax asset and liability for temporary timing differences arising of differences between taxable legal consolidated financial tables and consolidated financial tables prepared in accordance with TFRS. The Group has unused financial losses which may be deducted from future profits and deferred tax assets consisting of other deductible temporary differences. Partial or complete deductible amount of deferred tax assets were predicted under current conditions. During the evaluation, future profit projections, losses occurred within current terms, expiration dates of unused losses and other tax assets and tax planning strategies which may be applied if necessary were taken into account. In light of the data obtained, if the future taxable profit of the Group is not enough to meet the entire deferred tax assets, reserves shall be allocated for the entire and part of deferred tax assets. (Footnote 23).
- c) The Group's severance pay liabilities are determined through actuarial calculations based on certain predictions that involve discount rates, future salary increases and employee leave rate. Due to said plans having a long term, said hypotheses bear significant uncertainties. Details on reserves regarding employee benefits are under Footnote 12.
- d) The provision for doubtful receivables reflect the amounts which the Group administration believes shall cover future losses regarding receivables existing as of the balance sheet date however with the risk of not being able to be collected in terms of current economical conditions. While evaluating whether the receivables have been impaired, for not only related entities and key customers, but also for other debtors, past performances, credibility on the market and performance from date of balance sheet until approval of financial tables and re negotiated conditions shall be taken into account. Doubtful receivable reserves as of the relevant balance sheet date were reflected on Footnote 4.
- e) The Group administration has made significant hypotheses on beneficial economical life of tangible and non tangible assets, in accordance with experience of the technical team (Footnote 8 and 9).
- f) While allocating Group claim reserves, possibility of losing relevant cases and consequences to be borne in case of their loss are evaluated in line with the opinions of the Group's legal counsel and disclosures regarding the reserves deemed necessary by the Group Administration through their best predictions by using the data at hand can be found in Footnote 10.

### 3. RELATED PARTY DISCLOSURES

83.75% of shares of Türk Prysmian Cable and Systems Inc. belong to Draka Holding B.V. 100% of Draka Holding B.V.'s shares belong to Prysmian Cavi S.R.L. and said company completely belongs to main holding center, Prysmian S.P.A. (principal holding).

Since the transactions between the Group and the Group's related party, affiliated company are eliminated during consolidation, these were not disclosed under this note.

Summary of receivables from affiliated parties, balances payable to affiliated parties and transactions made with the affiliated parties, as of the end of term, are shown below:

	December 31, 2018		December 31, 2017	
	Receivables	Payables	Receivables	Payables
	Short-term Commercial	Short-term Commercial	Short-term Commercial	Short-term Commercial
<b>Balances with affiliated parties(*)</b>				
Prysmian Cables & Systems Ltd.	509,086	185,833	105,301	-
Prysmian Cavi e Sistemi S.r.l.	4,254,830	-	718,901	5,156,019
Prysmian Cables et Systemes France SAS	330,322	-	1,720,122	-
Singapore Cables Manufacturers Pte	50,245	-	33,882	-
Prysmian Kabel und Systeme GmbH	-	-	-	161,355
Prysmian Cavi e Sistemi Italia S.r.l.	117,375	6,548,394	1,273,025	5,729,842
Prysmian Cabluri si Sisteme s.a.	1,833,924	-	1,403,138	45,170
Fibre Ottiche Sud - F.O.S. S.r.l.	-	-	-	106,027
Prysmian Cables & Systems Limited	-	-	-	2
Prysmian S.P.A.	7,676,197	172,530	942,648	847,855
Prysmian Tianjin Cables Co. Ltd.	-	-	-	617,099
Prysmian Cables y Sistemas S.A.	156,614	2,674,579	26,936	2,350,150
Prysmian MKM Magyar Kabel	175,952	-	120,490	-
Prysmian Australia Pty Ltd	98,242	-	2,399,218	-
Draka Comteq Germany GmbH & Co KG	92,654	55,908	33,424	208,126
Draka Comteq Berlin GmbH & Co	-	-	142,879	-
Prysmian Cables and Systems OY/FINLAND	-	-	33,424	24,624
Prysmian Cables and Systems Canada	-	-	33,392	-
Prysmian Cables and Systems USA, LL	-	-	141,343	-
Pt. Prysmian Cables Indonesia	5,078	-	24,109,478	164,179
Prysmian Cables and Systems B.V.	570,096	25,267	693,535	97,023
Prysmian Kablo s.r.o.	64,301	-	-	-
Draka Fileca SAS	-	-	27,279	-
Prysmian Electronics S.r.l.	-	-	-	57,220
Draka Comteq UK Limited	678,125	4,734	376,441	185,796
Prysmian Communication Cables	64,746	-	-	-
Prysmian Finland OY	54,758	154,306	-	-
Prysmian Power Link Srl	44,791	-	-	-
Prysmian Group Baltics AS	121,848	-	-	-
Draka Denmark Optical cable AS	28,198	-	-	-
Branch Singapore	27,479	-	-	-
Prysmian Wuxi Cable	-	61,189	-	-
Other affiliated companies	21,979	145,673	34,960	31,667
	<b>16,976,840</b>	<b>10,028,413</b>	<b>34,369,816</b>	<b>15,782,154</b>

(\*) Enterprises controlled by the principal holding.



Transactions with affiliated parties (*)	January 1 - December 31, 2018	January 1 - December 31, 2017
	Sales of goods	Sales of goods
Prismian Cabluri si Sisteme S.A.	11,354,953	6,588,975
Prismian Cables et Systemes France SAS	8,118,217	10,382,972
Prismian Netherlands B.V.	5,702,806	756,392
Prismian Cables & Systems Ltd.	4,380,912	3,310,432
Prismian Cables y Sistemas S.A.	2,854,708	1,006,615
Draka Comteq UK Limited	2,422,486	1,047,417
Prismian Cavi e Sistemi Italia S.r.l.	932,512	12,056,071
Singapore Cables Manufacturers Pte Ltd	667,190	200,471
PRYSMIAN CABLES CHILE SPA	310,573	-
Prismian Kablo S.R.O.	287,921	-
Prismian Group Baltics AS	143,594	-
Draka Comteq Germany GmbH & Co	140,890	10,966
MCI-Draka Cable Co. Ltd	124,507	-
Oman Cables Industry S.A.O.G.	110,393	-
Prismian Australia Pty Ltd	73,916	19,534,313
Prismian MKM Magyar Kabel Muve	59,674	-
Draka Denmark Optical Cable AS	31,476	-
Prismian Energia Cables y Sist	22,726	-
Draka Belgium N.V.	19,943	-
P.T. Prismian Cables Indonesia	18,699	27,807,059
Prismian Kabel und Systeme GmbH	-	165,320
Draka Comteq Berlin GmbH & Co. KG	-	145,194
Prismian Cables and Systems US	-	125,070
Prismian Cables and Systems OY/FINLAND	-	116,688
Prismian Cables Y Sist. Mexico	-	95,785
Prismian Denmark A/S	-	38,759
Draka Kabely S.R.O.	-	35,740
Draka Comteq Slovakia s.r.o	-	21,270
Other affiliated companies	-	152
	<b>37,778,096</b>	<b>83,445,661</b>

(\*) Enterprises controlled by the principal holding.

Transactions with affiliated parties (*)	January 1 - December 31, 2018		January 1 - December 31, 2017	
	Purchase of goods	Purchase of services	Purchase of goods	Purchase of services
Prismian Cavi e Sistemi Italia S.r.l.	41,111,485	-	26,986,906	-
Prismian Kabel und System GmbH	12,476,093	-	24,652,319	-
Prismian Cables y Sistemas S.A.	12,118,559	-	21,225,662	-
Fibre Ottiche Sud - F.O.S. S.r.l.	11,468,266	-	9,714,445	-
Draka Comteq UK Limited	4,763,120	-	5,364,544	-
Draka Comteq Berlin GmbH & Co. KG	4,186,221	-	2,934,836	-
Prismian MKM Magyar Kabel	2,442,697	-	1,004,720	-
Draka Comteq Germany GmbH	2,280,627	-	7,837,077	-
Draka Cable Wuppertal GmbH	1,970,645	-	1,585,303	-
SG Singapore Cables Manufacturers Pte Ltd	1,636,599	-	3,220	-
Draka Comteq Fibre BV	1,010,016	-	399,762	-
Prismian Tianjin Cables Co. Lt	838,484	-	-	-
Prismian Cables & Systems B.V.	614,537	-	2,581,235	-
Prismian Cavi e Sistemi S.r.l.	499,089	-	-	29,091,087
Sindutch Cable Manufacturer Sd	459,923	-	-	-
Prismian Romania Cabluri si Sisteme	456,501	-	1,650,012	-
Prismian S.p.A.	453,205	-	6,594,616	605,592
Prismian Cables & Systems Ltd.	263,238	-	713,977	-
Prismian Cables and Systems OY/FINLAND	261,184	-	3,668,037	-
Prismian Cables et Systemes France	168,476	-	2,852,319	-
Prismian Wuxi Cable Company Lt	117,892	-	-	-
Draka Kabely SRO	110,090	-	70,572	-
Prismian Electronics S.r.l.	53,900	-	153,396	-
Draka Comteq France SAS	2,300	-	-	-
Türk Prismian - Prismian Power	1,133	-	-	-
Türk Prismian-Prismian Powerli	356	-	-	-
Prismian Group Norge AS	145	-	-	-
P.T. Prismian Cables Indonesia	(164,179)	-	164,179	-
Prismian Power Link Srl Milan	-	-	5,781,192	-
Prismian Tianjin Cables Co. Ltd.	-	-	1,600,970	-
Draka Cableteq	-	-	4,956	-
	<b>99,600,602</b>	<b>-</b>	<b>127,544,255</b>	<b>29,696,679</b>

(\*) Enterprises controlled by the principal holding.

Total of license and contract expenses related to group companies:

	Jan 1- December 31, 2018	Jan 1- December 31, 2017
Prysmian Cavi e Sistemi S.r.l.	-	29,091,087
Prysmian S.p.a.	-	605,592
	-	<b>29,696,679</b>

Service fees for group companies are recognized under the general management item and contain three types of service fees. These are:

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

License fees are calculated in total 2%, with 1% being for trademark and 1% for knowhow and invoiced by relevant companies. Most recent change in this regard was in 2006 for a title change.

**SAG (Service Agreement) service agreement:**

Expense sharing at Prysmian Group Holding headquarters for all group companies on a company bases for various distribution keys such as legal, sales support, R&D, consultancy are invoiced.

**IT (IT Service Agreement) information technologies service agreement:**

At the Prysmian Group Holding headquarters, all information technologies expenses made on behalf of group companies are calculated. Expense sharing is determined according to certain distribution keys and group companies are billed for the amount of their shares.

IT service fee for the service obtained from Prysmian S.P.A. is related to the SAP system revised in the year 2011. It involves technical assistance, consultancy and all expenses made in accordance with system revision.

The Group has announced to the stakeholders on 26 July 2018 that the central management of Prysmian Group decided that on condition that the promised three-year target will be achieved within the framework of the activities of Prysmian Turkey R&D, the license rate of 2% (to be effective as from 1 January 2018) would be revised as 1.25%. Then, in another announcement on December 24, 2018, the Group announced that it took some other decisions due to the macroeconomic developments in August in Turkey in order to keep to a minimum the costs relating to the above mentioned contracts of licensor Prysmian SpA, a Prysmian Group subsidiary, and service provider Prysmian Cavi e Sistemi Srl.

- For the year 2018; All rights to receivables under the contracts will be waived provided that the annual average of Turkish Central Bank "1 week repurchase" interest rate will be 15% or over 15%,
- For the year 2019; at the end of each quarter, the quarterly average of the Turkish Central Bank "1 week repurchase" interest rate for the ending period will be taken and in the event that the average will be over 15% or 15%, all rights to receivables resulting from the relevant contracts will be waived.

**Benefits to senior management:**

Benefits for senior management during term are as follows;

	Jan 1- December 31, 2018	Jan 1- December 31, 2017
Wages and other short term benefits	2,233,924	2,179,272
Other long term benefits	60,771	40,463
	<b>2,294,695</b>	<b>2,219,735</b>

**Chargeout incomes**

	December 31, 2018	December 31, 2017
Prysmian Cavi e Sistemi S.r.l.	4,206,948	684,714
Prysmian S.p.A	809,359	1,036,021
Prysmian Mkm Magyar Kábel Művek	262,322	230,476
Prysmian Romania Cabluri Si Sisteme	206,835	94,936
Prysmian Cables Spain, S.A	183,441	57,408
Prysmian Communications Cables	182,837	-
Prysmian Finland OY	107,630	84,785
Prysmian Kabel und System GmbH	107,610	58,180
Singapore Cables Manufacturers Pte Ltd.	75,402	68,908
Prysmian Australia Pty. Ltd.	48,918	31,720
Draka Comteq Germany GmbH	27,334	99,017
Prysmian Cables and Systems Cable	-	68,978
Prysmian Cables and Systems US	-	79,741
Other affiliated companies	122,316	111,913
	<b>6,340,952</b>	<b>2,706,797</b>

The Group continues to pay Social Security premiums and other expenses of those who are designated as senior executives from within its structure to foreign related companies in order for them not to lose any legal rights. Such payments that are made are then charged to relevant group companies. This has no net effect on the Group's profit or loss or other comprehensive income statement.

#### 4. TRADE RECEIVABLES AND PAYABLES

##### a) Trade receivables:

Short-term trade receivables	December 31, 2018	December 31, 2017
Trade receivables	271,171,234	232,323,464
Trade receivables from affiliated parties	16,976,840	34,369,816
Notes receivable	115,041,838	116,858,112
Provision for doubtful trade receivables (-)	(58,376,981)	(43,000,227)
Trade receivables rediscount (-)	-	(3,836,403)
	<b>344,812,931</b>	<b>336,714,762</b>

Standard deferral period applied by the Group to trade receivables is between 30 to 60 days (December 31, 2017: 30 to 60 days) The effective annual interest rate applied to the Group's trade receivables in TL, Euro and US Dollars are 18%, 12% and 12%, respectively.

The Group's statement regarding doubtful trade receivable provisions are as follows:

	2018	2017
Opening statement, January 1	(43,000,227)	(38,642,162)
Term income / (expense), net	(15,376,754)	(4,358,065)
Closing statement, December 31	<b>(58,376,981)</b>	<b>(43,000,227)</b>

##### b) Trade payables:

Details of the Group's trade payables as of date of balance sheet are as follows::

Short-term trade payables	December 31, 2018	December 31, 2017
Trade payables	448,435,820	481,052,115
Trade payables to affiliated parties	10,028,413	15,782,154
Trade payables rediscount	-	(1,349,017)
Expense accruals	7,798,733	3,075,511
	<b>466,262,966</b>	<b>498,560,763</b>

Average payment term for the Group's trade payables are 139 days (December 31, 2017: 158 days). The effective annual interest rate applied to the Group's trade payables is 4.8% as of December 31, 2017).

The Group has financial risk management policies put into effect in order to ensure that all its payables are to be paid within the loaning period.

#### 5. OTHER RECEIVABLES AND PAYABLES

##### a) Other receivables

Other short-term receivables	December 31, 2018	December 31, 2017
Deposits and guarantees given	10,659	73,836
Other doubtful receivables	28,195	28,195
Provision for other doubtful receivables (-)	(28,195)	(28,195)
	<b>10,659</b>	<b>73,836</b>

##### b) Other payables

Other short-term payables	December 31, 2018	December 31, 2017
Other payables to non-affiliated parties	44,023	-
	<b>44,023</b>	<b>-</b>

**6. INVENTORY**

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Raw materials and supplies	42,507,426	38,735,845
Semi-finished goods	25,191,369	41,800,408
Finished goods	83,573,817	68,757,083
Commercial Goods	9,923,788	10,525,036
Provisions for inventory impairment (-)	(12,560,037)	(10,842,121)
	<b>148,636,363</b>	<b>148,976,251</b>

The Group's statement for provisions for inventory impairment are as follows::

	<b>2018</b>	<b>2017</b>
Opening statement, January 1	(10,842,121)	(8,430,273)
Provisions reserved within the term	(1,717,916)	(2,411,848)
<b>Closing statement, December 31</b>	<b>(12,560,037)</b>	<b>(10,842,121)</b>

Provisions for impairment expenses in the term were recognized as expense within the cost of sales.

**7. PRE-PAID EXPENSES AND DEFERRED INCOME**

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Order advances given for projects	14,698,048	13,508,903
Expenses for future months (*)	1,410,546	932,777
	<b>16,108,594</b>	<b>14,441,680</b>

(\*) Consists of insurance amounts that do not exceed a year which were not recognized as an expense..

Short-term deferred income	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Order advances received (*)	23,747,933	32,830,770
	<b>23,747,933</b>	<b>32,830,770</b>

**8. TANGIBLE NON-CURRENT ASSETS**

	January 1, 2018		December 31, 2018	
	Opening	Additions	Outgoing	Closing
<b>Cost</b>				
Land and plots	3,164,360	-	-	3,164,360
Buildings	47,450,522	5,769,462	-	53,219,984
Facilities, machinery and equipment	224,729,430	2,885,436	(264,254)	227,350,612
Vehicles, furnishings and fixtures	26,949,925	1,869,819	(490,232)	28,329,512
Special costs	77,543	-	-	77,543
On-going investments	53,604	-	-	53,604
	<b>302,425,384</b>	<b>10,524,717</b>	<b>(754,486)</b>	<b>312,195,615</b>
<b>Accumulated depreciation</b>				
Buildings	(28,808,550)	(914,526)	-	(29,723,076)
Facilities, machinery and equipment	(200,813,642)	(4,228,269)	11,239	(205,030,672)
Vehicles, furnishings and fixtures	(24,371,904)	(1,053,074)	489,012	(24,935,966)
Special costs	(77,515)	-	-	(77,515)
	<b>(254,071,611)</b>	<b>(6,195,869)</b>	<b>500,251</b>	<b>(259,767,229)</b>
	<b>48,353,773</b>			<b>52,428,386</b>

As of December 31, 2018, the Group has amortization expenses in the amount of total TL6,312,618, consisting of TL6,195,869 for tangible non-current assets and TL116,749 for intangible non-current assets. Out of said current term amortization expenses, a portion of TL5,464,157 was reflected on production costs, TL442,792 on general administrative expenses, TL317,432 on marketing expenses and TL88,237 on research and development.

	January 1, 2017		December 31, 2017		
	Opening	Additions	Outgoing	Transfers	Closing
<b>Cost</b>					
Land and plots	3,164,360	-	-	-	3,164,360
Buildings	46,013,216	1,437,306	-	-	47,450,522
Facilities, machinery and equipment	216,252,259	7,538,004	(5,626)	944,793	224,729,430
Vehicles, furnishings and fixtures	25,998,080	1,202,245	(250,400)	-	26,949,925
Special costs	77,543	-	-	-	77,543
On-going investments	998,397	-	-	(944,793)	53,604
	<b>292,503,855</b>	<b>10,177,555</b>	<b>(256,026)</b>	<b>-</b>	<b>302,425,384</b>
<b>Accumulated depreciation</b>					
Buildings	(28,007,770)	(800,780)	-	-	(28,808,550)
Facilities, machinery and equipment	(196,814,750)	(4,004,518)	5,626	-	(200,813,642)
Vehicles, furnishings and fixtures	(23,727,355)	(858,122)	213,573	-	(24,371,904)
Special costs	(77,515)	-	-	-	(77,515)
	<b>(248,627,390)</b>	<b>(5,663,420)</b>	<b>219,199</b>	<b>-</b>	<b>(254,071,611)</b>
	<b>43,876,465</b>				<b>48,353,773</b>

As of December 31, 2017, the Group has amortization expenses in the amount of total TL5,760,389, consisting of TL5,663,420 for tangible non-current assets and TL96,969 for intangible non-current assets. Out of said current term amortization expenses, a portion of TL4,888,295 was reflected on production costs, TL410,662 on general administrative expenses, TL405,505 on marketing expenses and TL55,927 on research and development.

**9. INTANGIBLE NON-CURRENT ASSETS**

	January 1, 2018		December 31, 2018	
	Opening	Additions	Outgoing	Closing
<b>Cost</b>				
Rights	1,463,968	245,846	-	1,709,814
	1,463,968	245,846	-	<b>1,709,814</b>
<b>Accumulated depreciation</b>				
Rights	(1,230,349)	(116,749)	-	(1,347,098)
	<b>(1,230,349)</b>	<b>(116,749)</b>	<b>-</b>	<b>(1,347,098)</b>
	<b>233,619</b>			<b>362,716</b>

	January 1, 2017		December 31, 2017	
	Opening	Additions	Outgoing	Closing
<b>Cost</b>				
Rights	1,352,839	111,129	-	1,463,968
	<b>1,352,839</b>	<b>111,129</b>	<b>-</b>	<b>1,463,968</b>
<b>Accumulated depreciation</b>				
Rights	(1,133,380)	(96,969)	-	(1,230,349)
	<b>(1,133,380)</b>	<b>(96,969)</b>	<b>-</b>	<b>(1,230,349)</b>
	<b>219,459</b>			<b>233,619</b>

Intangible non-current assets, include software used within the Group.

## 10. RESERVES, CONTINGENT ASSETS AND PAYABLES

### Other short-term provisions

	December 31, 2018	December 31, 2017
Provisions for personnel	3,654,954	2,971,598
Expense provisions regarding overseas service agreements	3,574,410	3,837,031
Provisions arising from purchase contracts (**)	3,004,712	1,222,085
Provisions for subcontractor expenses	1,800,373	2,066,024
Provisions for repair and maintenance expenses	1,721,170	582,518
Other	1,309,370	1,477,454
	<b>15,064,989</b>	<b>12,156,710</b>

(\*) Provisions which include shipping, product range problems and additional costs related to the projects.

(\*\*) Reserves arising of purchase contracts entered into by the Group for pending Project orders.

Statements of short-term provisions as of December 31, 2018 and 2017 are as follows:

	Misc. provisions related to projects	Expense accruals regarding overseas service agreements	Provisions related to personnel	Provisions arising from purchase contracts	Other	Total
January 1, 2018	2,971,598	3,837,031	1,222,085	2,066,024	582,518	1,477,454
Change, net	683,356	(262,621)	1,782,627	(265,651)	1,138,652	(168,084)
<b>December 31, 2018</b>	<b>3,654,954</b>	<b>3,574,410</b>	<b>3,004,712</b>	<b>1,800,373</b>	<b>1,721,170</b>	<b>1,309,370</b>

	Misc. provisions related to projects	Expense accruals regarding overseas service agreements	Provisions related to personnel	Provisions arising from purchase contracts	Other	Total
January 1, 2017	2,574,914	2,412,550	2,303,323	1,766,736	1,411,187	10,468,710
Change, net	396,684	1,424,481	(1,081,238)	299,288	648,785	1,688,000
<b>December 31, 2017</b>	<b>2,971,598</b>	<b>3,837,031</b>	<b>1,222,085</b>	<b>2,066,024</b>	<b>2,059,972</b>	<b>12,156,710</b>

### Long-term provisions

	December 31, 2018	December 31, 2017
Provisions for claims (*)	906,302	1,208,011
Provisions for guarantees	1,086,538	385,307
	<b>1,992,840</b>	<b>1,593,318</b>

(\*) The aforementioned amount means reserves allocated for claims lodged against the Group by various parties. Reserve amount is recognized as a general management expense within profit or loss table. It is not expected for the balance dated December 31, 2018 to be used within one year. According to the opinion of the administration, after having obtained proper legal opinion, said claims will not result in a major loss aside from the reserves allocated as of December 31, 2018.

Statements regarding security and claims' reserves as of December 31, 2018 and 2017 are as follows::

<b>Provisions for guarantee</b>	<b>2018</b>	<b>2017</b>
Opening statement, January 1	385,307	428,945
Additions	701,231	(43,638)
<b>Closing statement, December 31</b>	<b>1,086,538</b>	<b>385,307</b>

<b>Provisions for claims</b>	<b>2018</b>	<b>2017</b>
Opening statement, January 1	1,208,011	994,488
Additions	(301,709)	213,523
<b>Closing statement, December 31</b>	<b>906,302</b>	<b>1,208,011</b>

## 11. UNDERTAKINGS

### Guarantees-Mortgages-Liens ("GML")

As of December 31, 2018 and December 31, 2017, the Group's tables on guarantee/mortgage/lien position is as follows.

All letters of guarantee listed in paragraph A consist of performance letters of the Group given to customs, various bidding authorities and customers due to sales contracts. Letters of Guarantee listed in paragraph B are in the amount of TL20,294,421 (Eur 3,360,671), which were given in accordance with the consortium partnership of the Group with Prysmian Power link Srl.

As of the date of December 31, 2018, the Group has no outstanding export loan commitment debts. (December 31, 2017: None).

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>A. Total amount of security put up in the name of its own legal entity:</b>	115,501,484	116,822,127
<b>B. Total amount of security, mortgage and liens provided in favour of partnerships included within full consolidation:</b>	20,294,421	15,202,668
<b>-Euros</b>	3,360,671	3,360,671
<b>C. Total amount of security, mortgage and liens provided for the purpose of procuring 3rd parties debts in order to undertake day-to-day commercial activities:</b>	-	-
<b>D. Total amount of other securities, mortgages and liens provided</b>	-	-
<b>i. Total amount of securities, mortgages and liens provided in favour of the main partner</b>	-	-
<b>ii. Total amount of securities, mortgages and liens provided in favour of other group companies out of the scope of Articles B and C</b>	-	-
	<b>135,795,905</b>	<b>132,024,795</b>

Ratio of other GMLs given by the Company to the Company's equities is 0% as of the date of December 31, 2018.

## 12. EMPLOYEE BENEFITS

### Payables within the scope of employee benefits

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Payables to the personnel	1,138,657	863,084
Social security premiums payable	1,002,308	668,150
Taxes and funds payable	957,437	2,225,721
	<b>3,098,402</b>	<b>3,756,955</b>

### Short-term provisions regarding employee benefits

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Provision for personnel premiums	3,095,752	2,655,469
Provision for unused leaves	2,545,587	1,374,141
	<b>5,641,339</b>	<b>4,029,610</b>

Statements regarding personnel premium and leave reserves as of December 31, 2018 and 2017 are as follows::

Provision for personnel bonuses;

	<b>2018</b>	<b>2017</b>
Opening statement, January 1	2,655,469	3,453,752
Paid / cancelled provision, net	440,283	(798,283)
<b>Closing statement, December 31</b>	<b>3,095,752</b>	<b>2,655,469</b>

Provision for unused leaves;

	2018	2017
Opening statement, January 1	1,374,141	964,688
Paid / cancelled provision , net	1,171,446	409,453
<b>Closing statement, December 31</b>	<b>2,545,587</b>	<b>1,374,141</b>

#### Long term provisions regarding employee benefits

	December 31, 2018	December 31, 2017
Provision for severance pay	6,847,001	5,850,167
	<b>6,847,001</b>	<b>5,850,167</b>

According to the Turkish Labour Code, the Group is obligated to pay severance pay to every employee who after having completed at least one year of service, retired from 25 years of working (ages 58 for women, 60 for men), whose work contract was terminated, who was called for soldier duty or has passed away.

Severance pay liability is not legally subject to any funding. Severance pay reserves are calculated by predicting the current value of future liability amount of the Group arising of its employees' retirement. TFRS 19 Employee Benefits foresees the development of the Group's liabilities within the scope of described benefit plans through actuarial valuation methods. Subsequently, actuarial hypothesis used in calculation of total liabilities are specified below:

The main assumption is that for each service year, the maximum liability amount shall increase parallel to inflation Accordingly, applied discount rate means the expected real rate after future effects of inflation are remedied. Therefore, as of the date of December 31, 2018, provisions in the attached consolidated financial tables are calculated by predicting current value of possible liabilities arising of employee's retirement for the future. Reserves on the relevant balance sheet dates were calculated according to predictions of 11.50% inflation and 18% interest rates, reaching the real discount rate approximately as 5.83% (December 31, 2017: 5,71%) Predicted rates of severance pays which shall not be paid and left to the Group due to voluntary leave of employment was taken into account as 98% (December 31, 2017: 98%) Severance pay upper limit is revised every six months and while calculating the Group's severance pay reserves, the upper limit of TL5,001.76, valid after date of January 1, 2018 was taken into account. (January 1, 2017: TL4,732.48)

Significant predictions used in severance pay liabilities are discount rates and possibility of voluntary leave of employment.

Provision for severance pay	2018	2017
Provision as of January 1	5,850,167	5,636,510
Service cost	575,000	364,500
Interest cost	637,000	507,000
Severance pays paid up	(195,166)	(1,373,343)
Actuarial (earnings)/losses	(20,000)	715,500
<b>Closing statement, December 31</b>	<b>6,847,001</b>	<b>5,850,167</b>

### 13. OTHER ASSETS AND LIABILITIES

Other current assets	December 31, 2018	December 31, 2017
VAT carried over (*)	39,335,492	33,711,777
Receivables from the Tax Office (**)	4,322,737	5,815,877
Other miscellaneous current assets	506,613	785,299
	<b>44,164,842</b>	<b>40,312,953</b>
Other non-current assets	December 31, 2018	December 31, 2017
VAT carried over(*)	30,705,422	32,874,394
	<b>30,705,422</b>	<b>32,874,394</b>

(\*) Consists of value added taxes which were not deductible due to amendment on communique regarding export-listed sales, return process has commenced.

(\*\*) SCT and other VAT receivables from the Tax Office..

Other short-term liabilities	December 31, 2018	December 31, 2017
Tax, fees and other deductions to be paid	773,700	4,575,846
Other various payables and liabilities	267,835	315,535
	<b>1,041,535</b>	<b>4,891,381</b>



## 14. CAPITAL, AUXILIARIES AND OTHER EQUITY ITEMS

### a) Capital

Paid capital structure of the Group as of December 31, 2018 and 2017 is as follows:

Shareholders	%	December 31, 2018	%	December 31, 2017
Draka Holding B.V.	83.75	118,696,851	83.75	118,696,851
Public	16.25	23,036,801	16.25	23,036,801
<b>Capital</b>	<b>100</b>	<b>141,733,652</b>	<b>100</b>	<b>141,733,652</b>

As of December 31, 2018, the Group's capital comprises of 141,733,652 shares (December 31, 2017: 141,233,652 shares) Nominal value of shares are TL 1 per share (December 31, 2017: TL 1 per share): All shares issued were paid in cash.

### b) Reserves on retained earnings

	December 31, 2018	December 31, 2017
Legal reserves	8,940,789	7,718,010
	<b>8,940,789</b>	<b>7,718,010</b>

According to Turkish Code of Commerce, general legal reserves are to be set aside as 5% of the annual profit until such amount reaches 20% of the Group's (Company's) paid capital. After five percent dividends are paid to the shareholders, 10% of the total dividend payments is set aside as other legal reserves. According to Turkish Commercial Code, unless the general legal dividends do not exceed the capital or half of issued capital, it may be used to only cover losses, keep the business ongoing in times business is not going well or take measures to prevent unemployment and diminish its consequences.

#### Profit Distribution:

Publicly traded companies distribute their dividends in accordance with Capital Markets Board's Dividends Communiqué numbered II-19.1, entered into effect on February 1, 2017.

Partnerships distribute their dividends in accordance with dividend distribution policies to be determined by their general assembly and in accordance with provisions of relevant legislation, by a general assembly decision. Within the scope of said communiqué, no minimum issue rate was determined. Companies pay dividends in the manner specified under their Articles of Association or dividend distribution policies.

The management has resolved to pay out dividends to the shareholders on April 18, 2018 for the current year. The amount of the dividend of TL4,281,485 (2017: TL6,971,071 TL) paid out in 2018 per share is TL 0.0304 (2017: TL 0.0492) gross and TL 0.0258 (2017: TL 0.0418) net.

#### Reacquired shares

When shares recorded as paid capital are recollected, the amount paid shall be deducted from equities in a way to include the amount left after deducting tax effect of costs attributable to repurchase. Shares withdrawn are shown as a decrease in equities.

The Board of Directors of Türk Prysmian Cable and Systems Co. Inc., pursuant to the "Repurchase Programme", decided on 03 August 2016 to buy 1,000,000 Türk Prysmian Cable and Systems Co. Inc. shares at a value of TL2,496,301

#### Capital increase

It has been resolved in 2017 that, being within the registered capital base of TL170,000,000 of the Company, the issued capital of TL112,233,652 be increased by 26,28% corresponding to TL29,500,000 to TL141,733,652, all paid up in cash.

All of the 29,500,000 shares representing all of the TL29,500,000 capital increased in cash each to be issued without concessions and as shares to the bearer with a nominal value of TL1; since the Company's asset value is above the nominal value of the issued capital and because the company's shares are being traded in the exchange, it has been resolved that the shares be issued with premiums over their nominal values and that the shareholders use their rights to reacquire shares over the premium price and that the rights of existing shareholders to acquire new shares be utilized with premiums against payment of TL2.39 (1 TL nominal value + TL 1.39 premium) for each share with a nominal value of TL1, which is the arithmetic means of the weighted prices that have formed in the exchange within the thirty days before the date of this resolution.

## 15. SALES AND COST OF SALES

	Jan 1- December 31, 2018	Jan 1- December 31, 2017
Domestic sales	1,661,012,740	1,392,710,826
Overseas sales	322,917,151	318,930,763
Returns on sales (-)	(6,942,286)	(3,260,561)
Sales discounts (-)	(603,609,197)	(532,031,155)
	<b>1,373,378,408</b>	<b>1,176,349,873</b>

	Jan 1- December 31, 2018	Jan 1- December 31, 2017
Raw material and supply expenses	(1,064,452,149)	(862,484,251)
Direct labor expenses	(28,606,325)	(23,941,310)
General production expenses	(53,153,742)	(42,056,038)
Amortization expenses (Footnote 8)	(5,464,157)	(4,888,293)
Cost of commercial goods sold	(52,972,852)	(79,199,663)
Cost of services sold	(27,224,661)	(44,887,696)
	<b>(1,231,873,886)</b>	<b>(1,057,457,251)</b>

## 16. CONSTRUCTION AGREEMENTS

The Group bases the succession of income and expenses from said construction works into financial tables on completion rate of contract activity. Contracts signed by the Group / related to works completed or ongoing are as follows;

	December 31, 2018	December 31, 2017
Cost on ongoing Works	571,296,885	486,278,393
Profits minus losses on record (net)	116,702,378	101,054,113
	<b>687,999,263</b>	<b>587,332,506</b>
Minus: Realized progresses (-)	(696,893,635)	(592,986,309)
Payables on construction agreements	<b>(8,894,372)</b>	<b>(5,653,803)</b>

### a) Lapseki – Sütlüce 380 kV Underseas Cable Project :

The Company signed said construction related contract on September 19, 2012. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 100% completion rate as of the current term.

### b) Çalık Türkmenistan 110 kV Cable and Accessories:

The Company signed said construction related contract on the date of April 29, 2013. Regarding changes to the project for said construction works, a budget revision was made and income and expenses calculated based on completion rate were reflected onto financial tables with a 100% completion rate as of the current term.

### c) Çiğdem GIS-Alstom 154 Kv Cable and Accessories Project:

The Company signed said construction related contract on the date of August 20, 2014. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 100% completion rate as of the current term.

### d) Lapseki\_2 - Sütlüce\_2 380 kV Submarine Project:

The Company signed said construction related contract on the date of December 4, 2014. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 100% completion rate as of the current term.

### e) MDC Esenyurt 154 kV Cable and Accessories Supply and Assembly Project:

The Company signed said construction related contract on the date of February 11, 2015. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 100% completion rate as of the current term.

### f) Çalık - Türkmenistan AST-2 Project V Project:

The Company signed said construction related contract on the date of August 11, 2015. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 99% completion rate as of the current term.

### g) Alstom - ITM.124 154 kV Erenköy Project:

The Company signed said construction related contract on the date of March 26, 2015. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 100% completion rate as of the current term..

### h) ŞA-RA Esenyurt- ITM.125 - MTF 8337 - 154 kV , 1X630 mm2 XLPE power cable and Cable Head Project:

The Company signed said construction related contract on the date of September 15, 2015. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 100% completion rate as of the current term.

### i) Star Refinery- 154 kV ENH related Project:

The Company signed said construction related contract on the date of October 21, 2015. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 100% completion rate as of the current term.

**j) TKABY.35 Akköprü TM- Balgat TM 154 kV Cable and Axis Project:**

The Company signed said construction related contract on the date of 18 May 2016. The subject project continues under its new project code **TKABY.30 Akköprü TM- Balgat TM 154 kV Cable and Axis Project** (Completion percentage given in subparagraph m).

**k) Oskar - ITM.171 Kozan Havza TM Construction Job**

The Company signed said construction related contract on the date of July 27, 2016. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 100% completion rate as of the current term.

**l) Oskar - ITM.180 Dudullu Metro GIS TM Construction Work**

The Company signed said construction related contract on the date of July 27, 2016. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 73% completion rate as of the current term.

**m) Yakuplu - Ambarlı 154 kV Undersea Power Cable Project**

The Company signed said construction related contract on the date of August 28, 2015. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 100% completion rate as of the current term.

**n) TKAB.37 Yeditepe Sağa Project**

The Company signed said construction related contract on the date of October 26, 2016. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 100% completion rate as of the current term.

**o) TKABÇ4 Ataşehir Project**

The Company signed said construction related contract on the date of August 2, 2016. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 80% completion rate as of the current term.

**p) TKABY.30 Akköprü TM- Balgat TM 154 kV Cable and Axis Project**

The Company signed said construction related contract on the date of February 26, 2015. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 100% completion rate as of the current term.

**r) Halkalı OHL Project**

The Company signed said construction related contract on the date of September 17, 2015. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 100% completion rate as of the current term.

**s) TKABY 38 (Alibeyköy-Şişli) Brş N - Çağlayan GIS TM 154 kV Project**

The Company signed said construction related contract on the date of March 8, 2017. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 49% completion rate as of the current term.

**t) TKABY 39 BAĞCILAR GIS TM – SULTANMURAT GIS TM 154 KV Power Cable Project**

The Company signed said construction related contract on the date of March 30, 2017. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 88% completion rate as of the current term.

**u) TEİAŞ - Reference No TKABY.47, Ambarlı TM – Sultanmurat GIS TM 154 kV Project**

The Company signed said construction related contract on the date of August 16, 2017. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 54% completion rate as of the current term.

**v) Siemens - DB.ATT.19 - Hadımköy GIS Project**

The Company signed said construction related contract on the date of September 29, 2017. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 100% completion rate as of the current term.

**y) Alf Elektrik - Adana Region Erzin Project**

The Company signed said construction related contract on the date of October 25, 2017. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 100% completion rate as of the current term.

**z) DB.KAB.13 Karabağlar - Buca Project**

The Group signed said construction related contract on the date of November 1, 2017. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 98% completion rate as of the current term.

**aa) DB.KAB.14 Atışalanı - Aksaray Project**

The Group signed said construction related contract on July 10, 2018. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 49% completion rate as of the current term.

**ab) Star Refinery - 154 kV Displacement Project**

The Group signed said construction related contract on July 13, 2018. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 2% completion rate as of the current term.

**ac) İTM 214 Akköprü GIS Project**

The Group signed said construction related contract on February 13, 2018. No completion rate is available for the said construction project.

**ad) İTM 199 Bursa DGKÇS Project**

The Group signed said construction related contract on February 13, 2018. No completion rate is available for the said construction project.

**17. MARKETING EXPENSES, GENERAL MANAGEMENT EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES**

General management expenses, marketing expenses and development expenses for the years ended on December 31, 2018 and 2017 are as follows:

**a) General management expenses**

	Jan 1- December 31, 2018	Jan 1- December 31, 2017
Licensing and service expenses (Footnote 3)	-	(29,696,679)
Personnel expenses	(7,919,251)	(6,393,911)
External service expenses	(2,368,282)	(1,521,615)
Amortization expenses (Footnote 8,9)	(442,792)	(410,662)
Other general management expenses	(7,650,440)	(4,116,335)
	<b>(18,380,765)</b>	<b>(42,139,202)</b>

**b) Marketing expenses**

	Jan 1- December 31, 2018	Jan 1- December 31, 2017
Logistics expenses commissions of letters of sale and undertaking	(34,746,758)	(39,703,682)
Personnel expenses	(8,469,101)	(7,314,900)
External service expenses	(2,179,443)	(1,824,528)
Amortization expenses (Footnote:8,9)	(317,432)	(405,505)
Other sales and distribution expenses	(4,684,115)	(4,569,405)
	<b>(50,396,849)</b>	<b>(53,818,020)</b>

**c) Research and development expenses**

	Jan 1- December 31, 2018	Jan 1- December 31, 2017
Personnel expenses	(1,399,884)	(1,132,483)
External service expenses	(676,229)	(341,306)
Amortization expenses (Footnote 8,9)	(88,237)	(55,927)
Other expenses	(1,612,631)	(951,660)
	<b>(3,776,981)</b>	<b>(2,481,376)</b>

**18. EXPENSES BY NATURE**

	Jan 1- December 31, 2018	Jan 1- December 31, 2017
Raw material and supply expenses	(1,064,452,149)	(862,484,251)
Cost of commercial goods sold	(52,972,852)	(79,199,663)
Logistics expenses commissions of letters of sale and undertaking	(34,746,758)	(39,703,682)
Production costs	(53,153,742)	(42,056,038)
Licensing and service expenses (Footnote 3)	-	(29,696,679)
Direct labor expenses	(28,606,325)	(23,941,310)
Personnel expenses	(17,788,236)	(14,841,294)
Amortization expenses (Footnote 8,9)	(6,312,618)	(5,760,389)
External service expenses	(5,223,954)	(3,687,449)
Other expenses	(41,171,847)	(54,525,094)
	<b>(1,304,428,481)</b>	<b>(1,155,895,849)</b>

**19. INCOME AND EXPENSES FROM MAIN ACTIVITIES**

Details of other income from investment activities for the years that have ended on the dates of December 31, 2018 and 2017 are as follows:

	Jan 1- December 31, 2018	Jan 1- December 31, 2017
Income from core activities		
Income realized from marketable derivative instruments	142,457,856	35,892,688
Chargeout income (Footnote 3)	6,340,952	2,706,797
Delay interest income of trade receivables	5,404,205	1,775,633
Other income	6,789,629	3,551,341
	<b>160,992,642</b>	<b>35,892,688</b>

	Jan 1- December 31, 2018	Jan 1- December 31, 2017
Expense from main activities		
Expense realized from marketable derivative instruments	(105,940,858)	(12,145,954)
Marketable derivative instruments valuation expenses	(36,703,604)	(20,761,883)
Exchange rate expenses from trade activities, net	(31,073,728)	(19,535,949)
Rediscount expense of trade receivables	(15,376,754)	(4,358,065)
Doubtful receivables provision expenses	-	(532,302)
Other expenses	(1,945,469)	(991,077)
	<b>(191,040,413)</b>	<b>(58,325,230)</b>

**20. OTHER REVENUE FROM INVESTING ACTIVITIES**

Details of other income from investment activities for the years that have ended on the dates of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Fixed asset sales profit	603,530	287,801
	<b>603,530</b>	<b>287,801</b>

**21. FINANCING INCOME / (EXPENSE)**

Details of financing income / (expense) for the years that have ended on the dates of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Interest income	4,236,006	2,625,446
	<b>4,236,006</b>	<b>2,625,446</b>
Financing expense	(1,736,074)	(1,266,678)
	<b>(1,736,074)</b>	<b>(1,266,678)</b>

**22. SHORT-TERM LOANS**

	December 31, 2018	December 31, 2017
<b>Short-term</b>		
Short-term bank loans	49,518,160	4,523,700
<b>Total short-term loans</b>	<b>49,518,160</b>	<b>4,523,700</b>

Foreign exchange and interest details of bank loans are given below:

	December 31, 2018		
	Interest rate	Original currency	TL equivalent
<b>Short-term</b>			
Euro loans	-	8,200,000	49,518,160
<b>Total short-term bank loans</b>			49,518,160
	December 31, 2017		
	Interest rate	Original currency	TL equivalent
<b>Short-term</b>			
Euro loans	-	1,000,000	4,523,700
<b>Total short-term bank loans</b>			4,523,700

### 23. TAX ASSET AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

#### Current assets regarding current period tax

	December 31, 2018	December 31, 2017
Withholding paid for construction repair works extending to years	11,665,504	20,408,508
Temporary tax receivables	-	4,047,530
Bank withholding	627,209	401,992
	<b>12,292,713</b>	<b>24,858,030</b>

#### Current tax liabilities

	December 31, 2018	December 31, 2017
Provision for current corporate tax	16,590,475	10,214,364
	<b>16,590,475</b>	<b>10,214,364</b>

Tax expense	Jan 1- December 31, 2018	Jan 1- December 31, 2017
Current tax expense	(16,590,475)	(10,214,364)
Deferred tax expense	13,123,400	10,654,363
<b>Total tax (expense)/income</b>	<b>(3,467,075)</b>	<b>439,999</b>

	Total provisional differences	Deferred tax (asset) / liability	Total provisional differences	Deferred tax (asset) / liability
	December 31, 2018	December 31, 2018	December 31, 2017	December 31, 2017
Tangible and intangible non-current assets	12,384,565	(2,514,766)	5,890,343	(1,178,069)
Severance pay provisions	6,847,000	(1,369,400)	5,850,165	(1,170,033)
Construction projects over the years	(7,440,177)	1,636,839	(12,965,586)	2,852,429
Inventory	9,924,350	(2,183,357)	5,791,083	(1,104,631)
Trade receivables	9,264,925	(3,056,406)	9,529,158	(1,982,560)
Trade payables	8,387,085	(1,845,159)	8,065,164	(1,584,557)
Claim provisions	906,302	(199,386)	1,208,011	(265,762)
Leave provisions	2,545,587	(560,029)	1,374,141	(302,311)
Derivative financial instruments	31,314,035	(6,889,088)	240,338	(52,874)
Provisions	14,836,397	(3,264,007)	5,806,266	(1,457,496)
Other	(57,018)	12,544	4,334,750	(866,950)
	<b>88,913,051</b>	<b>(20,232,215)</b>	<b>35,123,833</b>	<b>(7,112,814)</b>

There are no losses that the Group can use in future periods as of the date of the balance sheet (2017: None).

Activity of deferred tax (assets)/liabilities as of the year ended on December 31, 2018 is show below::

<b>Deferred Tax (asset) / liability movements</b>	<b>Jan 1- December 31, 2018</b>	<b>Jan 1- December 31, 2017</b>
<b>Opening balance as of January 1</b>	(7,112,814)	3,398,449
Recognized under profit and expense statement	(13,123,400)	(10,654,363)
Recognized under shareholders' equity	4,000	143,100
<b>Closing balance as of December 31</b>	<b>(20,232,214)</b>	<b>(7,112,814)</b>

Reconciliation of term tax expense with term profit is as follows.

<b>Tax provision reconciliation</b>	<b>Jan 1- December 31, 2018</b>	<b>Jan 1- December 31, 2017</b>
Pre-tax operational profits	42,005,618	7,701,822
Income tax rate 22% (2017: 20%)	(9,241,236)	(1,540,364)
<b>Tax effect:</b>		
Non-deductible expenses	(1,498,540)	(328,453)
R&D rebate	1,214,774	1,918,548
Capital increase rebate	1,316,172	-
Tax benefits utilized under investment incentive	4,616,114	-
Rebates and other	125,641	390,268
<b>Tax provision income / (expense) on profit or loss statement</b>	<b>(3,467,075)</b>	<b>439,999</b>

On 26 June 2018, the Company received an investment incentive for "the production of insulated wire and cable" within the scope of the Discounted Corporate Tax Advantage. These investments are in the 1st Region according to the incentive legislation and they have a contribution rate of 15%. As of the balance sheet date, the Company has used all of its investment contribution amount amounting to TL4,616,114 in the current period as a discounted corporate tax advantage in the current period.

#### 24. EARNINGS PER SHARE

Profit/loss per share is calculated by division of net term profit as of the end of year through weighted average of amount of shares.

As of the date of preparation of financial tables and prior to completion of these consolidated financial tables, there are no existing and future common shares.

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Average number of current shares throughout the term (full value)	<b>141,733,652</b>	118,376,118
Net period profit of parent company shareholders	<b>38,538,543</b>	8,141,821
<b>Earnings per share</b>	<b>0.2720</b>	<b>0.0688</b>

#### 25. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>December 31, 2018</b>		<b>December 31, 2017</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Short-term foreign currency transactions	-	(31,314,035)	-	(240,338)
	-	<b>(31,314,035)</b>	-	<b>(240,338)</b>

The group uses foreign currency derivative tools in order to protect future significant transactions and cash flows from financial risks. The Group is a party to certain foreign currency forward contracts based on management of fluctuations in foreign currency exchange rates. Purchased derivative financial instruments are mainly of kinds of foreign currency within the market where the Group operates.

As of the date of balance, total nominal value of undue forward foreign currency contracts which the Group is obligated to realize is shown below:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Forward foreign currency agreements	189,416,340	221,754,855
	<b>189,416,340</b>	<b>221,754,855</b>

Said agreements are related to foreign currency risks in 2018 and are renewed when necessary.

Changes to fair value of foreign currency derivative transactions with no hedging purposes in the amount of TL221,754,855 was indicated into the income table within term (2017: 182.952.152 TL).

All the Forward Foreign Currency transactions stated hereabove in full detail consist of forward contracts. As of the date of December 31, 2018, the Group has a forward purchase contract in the amounts of USD 33,550,000 and EUR 2,850,000 and forward sale contract in the amount of EUR 6,000,000 (2017: USD: 61,762,780 and EUR: 2,750,000).

## 26. TYPE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

### a) Capital risk management

For capital management, while the Group aims to achieve continuity of its activities on one hand, on the other hand it aims to increase profits by using debt and equity balance in the most efficient manner possible.

In order to preserve and re-organise its capital structure, the Group may change the amount of dividends paid to partners, return capital to shareholders, issue new shares and sell off assets to decrease borrowing.

In order to be consistent with other companies in the industry, it analyzes the capital in accordance with the leverage ratio. Said ratio is calculated by dividing the net debt into total capital. Net debt is reached by subtracting cash and cash equivalents from total loans (by including current and noncurrent credits as shown in the financial status table). Total capital is calculated by addition of the "equity" item in the consolidated status table with net debt.

As of the dates of December 31, 2018 and 2017, the ratio of equity to debts is as follows:

	December 31, 2018	December 31, 2017
Total payables (*)	475,201,361	504,214,566
Minus: cash and cash equivalents	229,542,230	165,315,709
Net payable	245,659,131	338,898,857
Total shareholders' equity	269,239,000	234,965,942
<b>Shareholders' equity / payables ratio</b>	<b>110%</b>	<b>69%</b>

(\*) Consists of the total of trade payables, payables arising of construction agreements and other payables.

### b) Financial risk factors

Due to its activities, the group faces market risk (exchange rate risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management program focuses mainly on minimizing the potential adverse effects of uncertainty in financial markets in general on the Group's financial performance. The Group uses derivative instruments in order to be protected from various financial risks.

Risk management is being handled by a central treasury department in accordance with policies approved by the Board of Directors. With regards to risk policies, the Group's treasury department defines and evaluates the financial risk and uses instruments to decrease the risk by working together with the Group's operation units. Regarding risk management, the Board of Directors creates both a written general legislation, as well as written procedures which involve various risk types such as foreign currency exchange rate risk, interest risk, credit risk and usage of derivative instruments and other non derivative financial instruments and how to evaluate excess liquidity.

#### Credit risk management

Credit risks exposed to based on types of financial instruments

December 31, 2018	Trade receivables		Other receivables		Bank deposits
	Affiliated party	Other party	Affiliated party	Other party	
<b>Maximum credit risk exposed to as of reporting date (*)</b>	<b>16,976,840</b>	<b>327,836,091</b>	-	<b>10,659</b>	<b>229,520,360</b>
- Part of maximum risk secured by guarantee, etc. (**)	-	128,096,284	-	-	-
A. Net book value of financial assets undue or not impaired	15,243,588	292,394,428	-	-	-
B. Net book value of assets, conditions of which have been renegotiated, which would have otherwise overdue or impaired	-	-	-	-	-
C. Net book value of assets overdue however not impaired	1,733,252	19,057,907	-	-	-
- Part secured by guarantee, etc.	-	18,529,173	-	-	-
D. Net book value of assets impaired	-	16,383,756	-	-	-
- Overdue (gross book value)	-	74,760,737	-	-	-
- Impairment (-)	-	(58,376,981)	-	-	-
- Part of net value secured by guarantee, etc.	-	11,376,430	-	-	-
- Undue (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Part of net value secured by guarantee, etc.	-	-	-	-	-
E. Elements which bear credit risk off-balance sheet	-	-	-	-	-

(\*) While determining the amount, elements which increase credit reliability, such as guarantees taken, were not taken into account.

(\*\*) Guarantees consist of guarantee bonds obtained from customers, guarantee cheques and liens.



Credit risks exposed to based on types of financial instruments

December 31, 2017	Trade receivables		Other receivables		Bank deposits
	Affiliated party	Other party	Affiliated party	Other party	
<b>Maximum credit risk exposed to as of reporting date (*)</b>	<b>34,369,816</b>	<b>302,344,946</b>	-	<b>73,836</b>	<b>163,475,669</b>
- Part of maximum risk secured by guarantee, etc. (**)		119,223,645	-	-	-
A. Net book value of financial assets undue or not impaired	14,778,103	275,272,081	-	-	-
B. Net book value of assets, conditions of which have been renegotiated, which would have otherwise overdue or impaired	-	-	-	-	-
C. Net book value of assets overdue however not impaired	19,591,713	8,566,344	-	-	-
- Part secured by guarantee, etc.	13,841,531	6,052,115	-	-	-
D. Net book value of assets impaired	-	18,506,521	-	-	-
- Overdue (gross book value)	-	61,506,748	-	-	-
- Impairment (-)	-	(43,000,227)	-	-	-
- Part of net value secured by guarantee, etc.	-	25,274,012	-	-	-
- Undue (gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Part of net value secured by guarantee, etc.	-	-	-	-	-
E. Elements which bear credit risk off-balance sheet	-	-	-	-	-

(\*) While determining the amount, elements which increase credit reliability, such as guarantees taken, were not taken into account.

(\*\*) Guarantees consist of guarantee bonds obtained from customers, guarantee cheques and liens.

The risk of a financial asset causing a financial loss for the Group due to one of the parties failing to adhere to the contract is defined as a credit risk. The Group aims to decrease credit risks by handling transactions with only credible parties and if possible, through obtaining sufficient security. Credit risks the Group is subject to and the customers' credit levels are continuously monitored. Credit risks are controlled through limits determined for customers and annually examined and approved by risk management board.

Trade receivables comprise multiple customers, scattered through different sectors and geographical areas. Credit evaluations are continuously being made on customers' trade receivable balances and receivables are insured when deemed necessary.

Dating of overdue receivables are as follows:

	December 31, 2018	December 31, 2017
1-30 days overdue	26,386,614	28,242,863
1-3 months overdue	16,005,898	17,455,688
3-12 months overdue	4,841,699	2,506,565
1-5 years overdue	8,458,994	12,597,574
Over 5 years overdue	39,858,691	28,862,115
<b>Total receivables overdue</b>	<b>95,551,896</b>	<b>89,664,805</b>
<b>Part secured by securities, etc.</b>	<b>29,905,603</b>	<b>45,167,658</b>

As of balance sheet date, securities obtained regarding those with provisions made out of trade receivables with reserves are as follows:

	December 31, 2018	December 31, 2017
Securities received	11,376,430	15,467,669
Mortgages	-	9,806,343
	<b>11,376,430</b>	<b>25,274,012</b>

#### Liquidity risk management

Liquidity risk is the possibility of the Group being unable to fulfill its net funding liabilities. Group administration manages the liquidity risk by distributing fund resources and by stocking cash and equivalent resources enough to fulfill current and possible liabilities.

Liquidity risk statement:**December 31, 2018**

<b>Terms in accordance with the agreement</b>	<b>Book value</b>	<b>Total cash outflow as per the agreement (I+II+III+IV)</b>	<b>Less than 3 months (I)</b>	<b>between 3 -12 months (II)</b>	<b>between 1 -5 years (III)</b>	<b>Longer than 5 years (IV)</b>
<b>Non-derivative financial liabilities</b>						
Trade payables	466,262,966	466,262,966	322,265,195	143,997,771	-	-
Other payables (Footnote 5)	44,023	44,023	44,023	-	-	-
<b>Total liabilities</b>	<b>466,306,989</b>	<b>466,306,989</b>	<b>322,309,218</b>	<b>143,997,771</b>	<b>-</b>	<b>-</b>

Since expected terms are similar to terms according to contract, a separate statement was not given for expected terms.

<b>Terms in accordance with the agreement</b>	<b>Book value</b>	<b>Total cash outflow as per the agreement (I+II+III+IV)</b>	<b>Less than 3 months (I)</b>	<b>between 3 -12 months (II)</b>	<b>between 1 -5 years (III)</b>	<b>Longer than 5 years (IV)</b>
<b>Non-derivative financial liabilities</b>						
Derivative cash flows, net	31,314,035	157,514,995	18,413,150	157,514,995	-	-

**December 31, 2017**

<b>Terms in accordance with the agreement</b>	<b>Book value</b>	<b>Total cash outflow as per the agreement (I+II+III+IV)</b>	<b>Less than 3 months (I)</b>	<b>between 3 -12 months (II)</b>	<b>between 1 -5 years (III)</b>	<b>Longer than 5 years (IV)</b>
<b>Non-derivative financial liabilities</b>						
Trade payables	498,560,763	502,397,166	348,040,316	150,520,447	-	-
Other payables (Footnote 5)	-	-	-	-	-	-
<b>Total liabilities</b>	<b>498,560,763</b>	<b>502,397,166</b>	<b>348,040,316</b>	<b>150,520,447</b>	<b>-</b>	<b>-</b>

Since expected terms are similar to terms according to contract, a separate statement was not given for expected terms.

<b>Terms in accordance with the agreement</b>	<b>Book value</b>	<b>Total cash outflow as per the agreement (I+II+III+IV)</b>	<b>Less than 3 months (I)</b>	<b>between 3 -12 months (II)</b>	<b>between 1 -5 years (III)</b>	<b>Longer than 5 years (IV)</b>
<b>Derivative financial liabilities</b>						
Derivative cash flows, net	240,338	221,754,855	155,803,483	65,951,372	-	-

Market risk management

The Group's activities are mainly subject to changes in foreign currency exchange rate and interest rate, details of which are provided below. In order to keep risks associated to foreign currency exchange rate and interest rate and to be protected from foreign currency exchange rate risks arising of exports, the Group enters into forward foreign currency purchase/sale contracts.

In the current year, no significant changes have occurred regarding the market risk the Group was exposed to or the methods on management and measurement of risks exposed to.

Currency risk management

Transactions in foreign currency give way to exchange rate risks. Exchange rate risk is managed through forward foreign currency purchase/sale contracts entered into based on approved policies.

Distribution of the Group's tangible and non-tangible assets in foreign currency and tangible and non-tangible liabilities as of the date of balance is as follows:

December 31, 2018	TL Equiv.	US Dollars	Euro	GBP	CHF
1. Trade receivables	222,979,701	15,679,979	23,306,055	-	-
2a. Monetary financial assets (including safe deposit, bank accounts)	167,771,548	20,128,900	10,264,090	524	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	2,379,479	22,833	374,811	-	-
<b>4. Current assets (1+2+3)</b>	<b>393,130,728</b>	<b>35,831,712</b>	<b>33,944,956</b>	<b>524</b>	-
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	-	-	-	-	-
<b>9. Total assets (4+8)</b>	<b>393,130,728</b>	<b>35,831,712</b>	<b>33,944,956</b>	<b>524</b>	-
10. Trade payables	420,458,062	62,146,017	15,473,826	35,753	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-
<b>13. Short-term liabilities (10+11+12)</b>	<b>420,458,062</b>	<b>62,146,017</b>	<b>15,473,826</b>	<b>35,753</b>	-
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16 a. Other monetary liabilities	73,647,864	3,805,862	8,895,982	94	-
16 b. Other non-monetary liabilities	-	-	-	-	-
<b>17. Long-term liabilities (14+15+16)</b>	<b>73,647,864</b>	<b>3,805,862</b>	<b>8,895,982</b>	<b>94</b>	-
<b>18. Total liabilities (13+17)</b>	<b>494,105,926</b>	<b>65,951,879</b>	<b>24,369,808</b>	<b>35,847</b>	-
<b>19. Net asset / (liability) position of out-of-balance derivative instruments in foreign currency (19a-19b)</b>	<b>157,514,995</b>	<b>33,550,000</b>	<b>(3,150,000)</b>	-	-
19a. Amount of out-of balance derivative instruments with assets characteristics	176,503,195	33,550,000	-	-	-
19b. Amount of out-of balance derivative instruments with liabilities characteristics	18,988,200	-	3,150,000	-	-
<b>20. Net foreign currency asset / (liability) position (9-18+19)</b>	<b>56,539,797</b>	<b>3,429,833</b>	<b>6,425,148</b>	<b>(35,323)</b>	-
<b>21. Monetary items net foreign currency asset / (liability) position (TFRS 7.B23) (=1+2a+5+6a+10+11+12a+14+15+16a)*</b>	<b>(103,354,677)</b>	<b>(30,143,000)</b>	<b>9,200,337</b>	<b>(35,323)</b>	-
<b>22. Total fair value of financial tools used for the foreign currency hedge</b>	<b>157,514,995</b>	<b>33,550,000</b>	<b>(3,150,000)</b>	-	-
<b>23. Amount of hedged portion of foreign currency assets**</b>	<b>176,503,195</b>	<b>33,550,000</b>	-	-	-
<b>24. Amount of hedged portion of foreign currency obligations***</b>	<b>18,988,200</b>	-	<b>3,150,000</b>	-	-
<b>25. Total amount of exports</b>	<b>322,917,151</b>	-	-	-	-
<b>26. Total amount of imports</b>	<b>571,630,082</b>	-	-	-	-

## December 31, 2017

	TL Equiv.	US Dollars	Euro	GBP	CHF
1. Trade receivables	175,565,392	21,188,049	21,181,750	-	-
2a. Monetary financial assets (including safe deposit, bank accounts)	131,520,406	18,035,676	14,060,297	466	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	8,958,232	251,095	1,774,139	-	-
<b>4. Current assets (1+2+3)</b>	<b>316,044,030</b>	<b>39,474,820</b>	<b>37,016,186</b>	<b>466</b>	<b>-</b>
5. Trade receivables	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>316,044,030</b>	<b>39,474,820</b>	<b>37,016,186</b>	<b>466</b>	<b>-</b>
10. Trade payables	462,104,598	96,230,492	21,765,126	4,173	(457)
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-
<b>13. Short-term liabilities (10+11+12)</b>	<b>462,104,598</b>	<b>96,230,492</b>	<b>21,765,126</b>	<b>4,173</b>	<b>(457)</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16 a. Other monetary liabilities	66,578,766	6,570,725	9,229,164	-	-
16 b. Other non-monetary liabilities	-	-	-	-	-
<b>17. Long-term liabilities (14+15+16)</b>	<b>66,578,766</b>	<b>6,570,725</b>	<b>9,229,164</b>	<b>-</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>528,683,364</b>	<b>102,801,217</b>	<b>30,994,290</b>	<b>4,173</b>	<b>(457)</b>
<b>19. Net asset / (liability) position of out-of-balance derivative instruments in foreign currency (19a-19b)</b>	<b>220,093,855</b>	<b>61,762,780</b>	<b>(2,850,000)</b>	<b>-</b>	<b>-</b>
19a. Amount of out-of balance derivative instruments with assets characteristics	232,963,030	61,762,780	-	-	-
19b. Amount of out-of balance derivative instruments with liabilities characteristics	12,869,175	-	2,850,000	-	-
<b>20. Net foreign currency asset / (liability) position (9-18+19)</b>	<b>7,454,521</b>	<b>(1,563,617)</b>	<b>3,171,896</b>	<b>(3,707)</b>	<b>457</b>
<b>21. Monetary items net foreign currency asset / (liability) position (TFRS 7.B23) (=1+2a+5+6a+10+11+12a+14+15+16a)*</b>	<b>(221,597,566)</b>	<b>(63,577,492)</b>	<b>4,247,757</b>	<b>(3,707)</b>	<b>457</b>
<b>22. Total fair value of financial tools used for the foreign currency hedge</b>	<b>220,093,855</b>	<b>61,762,780</b>	<b>(2,850,000)</b>	<b>-</b>	<b>-</b>
<b>23. Amount of hedged portion of foreign currency assets**</b>	<b>232,963,030</b>	<b>61,762,780</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24. Amount of hedged portion of foreign currency obligations***</b>	<b>12,869,175</b>	<b>-</b>	<b>2,850,000</b>	<b>-</b>	<b>-</b>
<b>25. Total amount of exports</b>	<b>318,930,763</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>26. Total amount of imports</b>	<b>536,903,867</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Sensitivity to exchange rate

The Group faces exchange rate risk mainly in the type of US Dollars and Euros.

As of the dates of December 31, 2018 and December 31, 2017, under the condition that all other variables remain stable against 10% value increase or decrease of foreign currency, profit and equities pre-tax shall be as low/high as the figures below

	December 31, 2018			
	Appreciation of foreign currency	Profit/Loss Depreciation of foreign currency	Equities Appreciation of foreign currency	Depreciation of foreign currency
<b>Should the US Dollar exchange rates change by 10%</b>				
1- Net asset /liabilities in US Dollars	(15,845,919)	15,845,919	-	-
2- The portion hedged from US dollars' risk (-)	17,650,320	(17,650,320)	-	-
<b>3- US Dollars net effect (1+2)</b>	<b>1,804,401</b>	<b>(1,804,401)</b>	-	-
<b>Should the Euro exchange rate changes by 10%:</b>				
4- Net asset /liabilities in Euros	5,771,899	(5,771,899)	-	-
5- The portion hedged from Euro's risk (-)	(1,898,820)	1,898,820	-	-
<b>6- Euro net effect (4+5)</b>	<b>3,873,079</b>	<b>(3,873,079)</b>	-	-
<b>Should the other foreign currency exchange rates change by 10%:</b>				
7- Other net foreign currency in possession/liabilities	(23,500)	23,500	-	-
8- The portion protected from other foreign currency exchange rate (-)	-	-	-	-
<b>9- Other foreign currency assets net effect (7+8)</b>	<b>(23,500)</b>	<b>23,500</b>	-	-
<b>TOTAL (3+6+9)</b>	<b>5,653,980</b>	<b>(5,653,980)</b>	-	-

While evaluating foreign currency assets, the Group uses "buying" rate and while evaluating foreign currency liabilities, uses "selling" rate.

	December 31, 2017			
	Appreciation of foreign currency	Profit/Loss Depreciation of foreign currency	Equities Appreciation of foreign currency	Depreciation of foreign currency
<b>Should the US Dollar exchange rates change by 10%</b>				
1- Net asset /liabilities in US Dollars	(23,955,989)	23,955,989	-	-
2- The portion hedged from US dollars' risk (-)	23,296,303	(23,296,303)	-	-
<b>3- US Dollars net effect (1+2)</b>	<b>(659,686)</b>	<b>659,686</b>	-	-
<b>Should the Euro exchange rate changes by 10%:</b>				
4- Net asset /liabilities in Euros	2,693,772	(2,693,772)	-	-
5- The portion hedged from Euro's risk (-)	(1,289,255)	1,289,255	-	-
<b>6- Euro net effect (4+5)</b>	<b>1,404,517</b>	<b>(1,404,517)</b>	-	-
<b>Should the other foreign currency exchange rates change by 10%:</b>				
7- Other net foreign currency in possession/liabilities	621	(621)	-	-
8- The portion protected from other foreign currency exchange rate (-)	-	-	-	-
<b>9- Other foreign currency assets net effect (7+8)</b>	<b>621</b>	<b>(621)</b>	-	-
<b>TOTAL (3+6+9)</b>	<b>745,452</b>	<b>(745,452)</b>	-	-

*Fixed term foreign currency purchase/sale agreements*

The following table shall provide details on fixed term foreign currency purchase/sale agreements which have not yet entered into force as of the date of report:

	Average exchange rate		Foreign money		Agreement value		Fair value	
	2018	2017	2018	2017	2018	2017	2018	2017
Non-executed	TL	TL	TL	TL	TL	TL	TL	TL
<b>Sale/purchase agreements:</b>								
<b>Purchase of US Dollars</b>								
Less than 3 months	6,5454	3,4322	163,350,945	179,429,283	190,143,505	163,271,564	26,624,388	695,665
Between 3-6 months	5,8938	3,8515	18,413,150	53,533,747	20,628,125	54,663,697	1,097,701	(58,828)
<b>Sale of US Dollars</b>								
Less than 3 months	5,2750	4,5155	(5,260,900)	-	(5,275,000)	-	23,394	-
<b>Sale of EURO</b>								
Less than 3 months	6,1551	4,5155	(36,168,000)	(23,625,800)	(36,930,500)	(25,286,800)	121,812	(77,997)
<b>Purchase of EURO</b>								
Between 3-6 months	7,3159	4,6702	17,179,800	12,417,625	20,850,210	12,843,100	3,446,740	(318,502)
			<b>157,514,995</b>	<b>221,754,855</b>	<b>189,416,340</b>	<b>205,491,561</b>	<b>31,314,035</b>	<b>240,338</b>

In order to be protected against financial risks associated to foreign currency exchange rate fluctuations connected to future transactions, the Group issues forward purchase/sales contracts.

*Interest rate risk management*

The Group being indebted on fixed and variable interest rates, exposes the Group to interest rate risks. Said risk is managed by the Group through interest rate swap agreements and forward interest rate agreements by making an appropriate distribution amongst fixed and variable rated debts. Hedging strategies are constantly being evaluated for being compatible with the interest rate expectation and the defined risk. Therefore, it is aimed to create an optimal hedging strategy, and to both review the financial status position and to keep interest expenditures under control with different interest rates.

**27. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND DISCLOSURES WITHIN THE SCOPE OF HEDGE ACCOUNTING)****Classification of financial instruments and their fair value (\*)**

December 31, 2018	Loans and receivables (including cash and cash equivalents)	Financial instruments indicated by their financial value	Financial liabilities shown in their amortised values	Book value	Footnote
<b>Financial assets</b>					
Cash and cash equivalents	229,542,230	-	-	229,542,230	29
Trade receivables	344,812,931	-	-	344,812,931	4
<b>Financial liabilities</b>					
Trade payables	-	-	466,262,966	466,262,966	4
Derivative financial instruments	-	31,314,035	-	31,314,035	24
Financial Payables	49,518,160	-	-	49,518,160	22

December 31, 2017	Loans and receivables (including cash and cash equivalents)	Financial instruments indicated by their financial value	Financial liabilities shown in their amortised values	Book value	Footnote
<b>Financial assets</b>					
Cash and cash equivalents	165,315,709	-	-	165,315,709	30
Trade receivables	336,714,762	-	-	336,714,762	4
<b>Financial liabilities</b>					
Trade payables	-	-	498,560,763	498,560,763	4
Derivative financial instruments	-	240,338	-	240,338	25
Financial liabilities	4,523,700	-	-	4,523,700	22

(\*) The group management is of the opinion that the recorded values of financial instruments reflect their reasonable values.

Fair value of financial instruments:

Fair value of financial assets and liabilities are determined as follows:

- Second level: Financial assets and liabilities were appreciated from, aside from the stock price of said asset or liability specified on first level, input used on finding direct or indirect observable value on the market.

Level classifications of financial assets and liabilities represented in fair value::

Certain financial assets and financial liabilities of the Group are reflected onto financial tables at each balance sheet date based on their fair values. The following table provides the information on how the truthful values of said financial assets and liabilities can be determined:

Financial assets /Financial liabilities	Fair value		Level of authenticity	Valuation technique	Significant input not based on observable data	Correlation between input not based on observable value and fair value
	December 31, 2018	December 31, 2017				
Foreign money forward agreements	(31,314,035)	(240,338)	Second level	Future cash flows predicted by using forward exchange rates (forward exchange rates observable at the end of reporting period) and agreement rates are discounted by using a rate which reflects credit risk of various parties.	-	-

**28. EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

None.

**29. OTHER POINTS**

None. (December 31, 2017: None).

**30. CASH AND CASH EQUIVALENTS**

	December 31, 2018	December 31, 2017
Cash - TL	2,902	10,297
Cash - Foreign currency	18,968	1,829,743
Bank - Checking account	378,036	3,524,701
Bank - TL - Savings account	34,048,000	5,297,000
Bank - Foreign currency exchange accounts	931,085	4,680,090
Bank - US Dollar - Checking account	105,218,000	68,110,040
Bank - Avro - Savings account	61,997,146	63,410,313
Checks received	10,166,461	6,770,897
Credit card receivables	16,781,632	11,682,628
	<b>229,542,230</b>	<b>165,315,709</b>

Credi card receivables have less than 3 month terms.

Term dates and interest rates of savings accounts are as follows:

	December 31, 2018		December 31, 2017	
	Term	Interest Rate (%)	Term	Interest Rate (%)
Savings accounts in TL	Overnight	23,50	Overnight	13.50
FC savings account US Dollars	Overnight	4,10	Overnight	3.60
FC savings account US Dollars	Monthly	4,75	Monthly	3.65
FC savings account Euro	Overnight	1,75	Overnight	1.70
FC savings account Euro	Monthly	3,25	Monthly	2.4

Clarifications on the nature and level of risks on cash and cash equivalents were explained under Footnote 25.

Cash and cash equivalent values shown in the consolidated cash flow tables as of the dates of December 31, 2018 and 2017 are shown below:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	229,542,230	165,315,709
Interest accrued (-)	(294,294)	(194,470)
	<b>229,247,936</b>	<b>165,121,239</b>



## COMPLIANCE REPORT

**Türk Prysmian Kablo ve Sistemleri A.Ş.**  
**COMPLIANCE REPORT REGARDING INSTITUTIONAL MANAGEMENT PRINCIPLES**

Corporate Governance Compliance Report (“CRF”) and Corporate Governance Information Note (CGIF) is disclosed to the public through Public Disclosure Platform (“KAP”) at least three weeks prior to the date of the General Assembly meeting. CRF template is used for the purpose of reporting the status of “compliance with voluntary principles” and CGIF template is used for the purposes of providing information on existing corporate governance practices.

Corporate Governance Compliance Report below is prepared as indicated in Capital Markets Board (the “CMB”) Decision dated January 10, 2019 and in the format specified in Communiqué on Corporate Governance Principles II-171

Sections marked with (x) represent company’s compliance status and required explanation is given practices not marked under column “Yes”.

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS</b>						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
<b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>						
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.	X					
<b>1.3. GENERAL ASSEMBLY</b>						
1.3.2 - The Company ensures the clarity of the General Assembly agenda, and that an individual item on the agenda does not cover multiple topics.	X					
1.3.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company’s activities in order for these transactions to be presented at the General Shareholders’ Meeting.			X			No transaction has been conducted within the year.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders’ Meeting.	X					
1.3.10 - The agenda of the General Shareholders’ Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders’ Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					
<b>1.4. VOTING RIGHTS</b>						
1.4.1 - There is no restriction and practice preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have any shares with privileged voting rights.	X					
1.4.3 - -The company withholds from exercising its voting rights at the General Shareholders’ Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.	X					
<b>1.5. MINORITY RIGHTS</b>						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Incorporation extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			Articles of Incorporation does not include any rights regarding expanding the scope of the minority rights.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>1.6. DIVIDEND RIGHT</b>						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is disclosed to the public on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that shareholders can foresee the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and how retained earnings shall be allocated, are stated in the relevant agenda item.					X	No dividend is distributed.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders with those of the company.	X					
<b>1.7. TRANSFER OF SHARES</b>						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
<b>2.1. CORPORATE WEBSITE</b>						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.			X			There is no beneficial owner who holds more than 5% of the issued share capital.
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				The company website is prepared in English and relevant information are updated as needed.
<b>2.2. 2017 ANNUAL REPORT</b>						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.		X				Clause 2.2.2./e The company has no conflict of interest with the corporation institutions that it purchases services from on matters such as investment consulting and rating and there is no information available about the measures taken to avoid these conflicts of interest.
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>						
3.2.1 - The Articles of Incorporation, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.		X				Internal regulations have been issued and relevant requirements are not regulated under the Articles of Incorporation.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>3.3. HUMAN RESOURCES POLICY OF THE COMPANY</b>						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4 - Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared in detail for all employees, and announced to them and taken into account in determination of the employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment in the corporation.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling of their requests concerning products and services they purchased.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
<b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>						
3.5.1 - The BoD of the corporation has adopted a code of ethics, and disclosed it on the corporate website.	X					
3.5.2- The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>						
4.1.1 - The board of directors ensures strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved the strategy of the company, ensured resources were adequately allocated, and monitored the performance of the management.	X					

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>4.2. ACTIVITIES OF THE BOARD OF DIRECTORS</b>						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer (general manager) are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively and the board works closely therewith when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X					
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.		X				Although there are no written internal regulations issued by the Board of Directors, 2 out of 8 members of the Board are women and accordingly the 25% minimal target is fulfilled.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
<b>4.4. OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS</b>						
4.4.1 - Each board member attended the majority of the board meetings in person.		X				Board Members residing abroad participate the meetings on electronic environment ("teleconference").
4.4.2 - The board has formally approved a minimum time by which information and documents pertaining to the items on the agenda should be supplied to all board members.		X				No minimum time is determined. However required information and documents are provided to all members in sufficient time prior to the meeting.
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the Board has one vote.	X					
4.4.5 - The board has written internal rules setting forth the operating principles of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions, if any.		X				No board resolution is issued as no member of the Board cast a dissenting vote.
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				No limit was set in respect to external commitments of independent board members. Other members of the Board apart from independent members can take other duties in affiliated companies outside the group. Information on shareholders is presented in the Annual Report.

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>4.5. COMMITTEES FORMED UNDER THE BOARD OF DIRECTORS</b>						
4.5.5 - Board members serve in only one of the Board's committees.			X			Independent members serve in more than one committee.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - The independence of any person/firm the company seeks consultancy services from, is stated in the annual report.	X					
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
<b>4.6. FINANCIAL RIGHTS PROVIDED TO MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES</b>						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.		X				The evaluation in question is conducted by the Chairman and Vice Chairman of the Board of Directors and stated under the annual report, no performance evaluation is included in the board of directors' minutes.
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or improved conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report, on individual basis.			X			Remuneration is disclosed collectively, not on individual basis.

## CORPORATE GOVERNANCE FACT SHEET

1. SHAREHOLDERS	
<b>1.1. Facilitating the Exercise of Shareholder Rights</b>	
Number of investor meetings and conferences organized by the company during the year	Two webcast is organized during year 2018, whereby financial results of 2017 year-end and first held of 2018 are disclosed.
<b>1.2. Right To Obtain And Review Information</b>	
Number of request(s) for appointment of special auditors	No request was received during the period for the appointment of special auditors.
Number of special auditor requests that were accepted in the General Shareholders Meeting	No special auditor is requested in the General Shareholders Assembly meeting.
<b>1.3. General Assembly</b>	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	<a href="https://www.kap.org.tr/tr/Bildirim/666822">https://www.kap.org.tr/tr/Bildirim/666822</a>
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Materials for General Shareholders' Meeting are not also provided in English.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There is no transaction made within the context of Principle 1.3.9
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	All related party transactions carried out during the year 2018, and principles in respect thereof are presented to the Board of Directors. There was no related party transaction or any significant transaction in the year 2018 that needed to be submitted to the approval of the General Assembly as disapproved by independent members earlier.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	<a href="https://www.kap.org.tr/tr/Bildirim/671620">https://www.kap.org.tr/tr/Bildirim/671620</a>
The name of the section on the corporate website that demonstrates the donation policy of the company	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "Our Policies".
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	<a href="https://www.kap.org.tr/tr/Bildirim/671845">https://www.kap.org.tr/tr/Bildirim/671845</a>
The number of the provisions of the articles of incorporation that discuss the participation of stakeholders to the General Shareholders' Meeting	Article 11
Information on stakeholders that participated in the General Shareholders' Meeting, if any	Company employees, representatives, shareholders and independent auditors are invited to General Assembly meetings. The link to the list of attendants of the General Assembly: <a href="https://www.kap.org.tr/tr/Bildirim/671845">https://www.kap.org.tr/tr/Bildirim/671845</a>
<b>1.4. Voting Rights</b>	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares	None.
The percentage of ownership of the largest shareholder	83.75%
<b>1.5. Minority Rights</b>	
Whether the scope of minority rights are broadened (in terms of content or the ratio) in the articles of incorporation	No
If yes, specify the relevant provision of the articles of incorporation.	None.
<b>1.6. Dividend Right</b>	
The name of the section on the corporate website that describes the dividend distribution policy	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "Our Policies".
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to the use of the dividend	Board of Directors did not propose not to distribute dividends.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	Board of Directors did not propose not to distribute dividends.

General Assembly Meetings									
General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Name of the page of the corporate website that contains all questions asked in the general assembly meeting and all Responses given to them	The number of the relevant item or paragraph of GSM minutes in relation to related party	The number of declarations by insiders received by the board of directors (list of insiders)	The link to the related PDP general shareholder meeting notification
30/03/2018	0	85.2%	85.2%	85.2%	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "General Assembly".	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "General Assembly".	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "General Assembly".	28	<a href="https://www.kap.org.tr/tr/Bildirim/671845">https://www.kap.org.tr/tr/Bildirim/671845</a>

## 2. PUBLIC DISCLOSURE AND TRANSPARENCY

### 2.1. Corporate Website

Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.

Consistently updated under section "Investor Relations" on our corporate website at URL [www.prysmiangroup.com.tr](http://www.prysmiangroup.com.tr) as stipulated by CMB Corporate Governance Principles, for the purpose of maintaining the relationship of our Company with its stakeholders in a much more efficient manner and to be in contact with our shareholders at all times.

If applicable, specify the name of the sections of the website providing the list of shareholders who directly or indirectly own more than 5% of the shares.

Based on the most recent list of shareholders submitted by Central Securities Depository, it is seen that there is no natural person shareholder holding more than 5% of the shares.

List of languages for which the website is available

Turkish, English

### 2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.

a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members

Explained under section "Compliance with Corporate Governance Compliance with Corporate Governance Principles Report" of the Annual Report.

b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure

Explained under section "Compliance with Corporate Governance Compliance with Corporate Governance Principles Report" of the Annual Report.

c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings

Explained under section "Compliance with Corporate Governance Compliance with Corporate Governance Principles Report" of the Annual Report.

ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation

Footnote no. 2 under the Independent Auditors Report

d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof

Footnote no. 10 under the Independent Auditors Report

e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid these conflicts of interest

None.

f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	None.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Explained under “Corporate Social Responsibility” section of the Annual Report.

### 3. STAKEHOLDERS

#### 3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee severance policy	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section “Investor Relations”, sub-section “Our Policies”.
The number of definitive convictions the company was subject to in relation to breach of employee rights	None.
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Whistleblowing mechanism initiated by our internal audit department is in force.
The contact detail of the company alert mechanism	<a href="https://www.prysmiangroup.com/en/about-us/ethics-integrity/whistleblowing">https://www.prysmiangroup.com/en/about-us/ethics-integrity/whistleblowing</a>

#### 3.2. Supporting the Participation of the Stakeholders in the Corporation's Management

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	Not available
Corporate bodies where employees are actually represented	The fundamental approach adopted here was to keep open all communication channels, and to eliminate all obstacles that may arise, in order for the employees to participate in the management of the Company. Our workers are a member of United Metal Workers Union. We have a suggestion box where we collect from workers their suggestion about company activities and convey these to the top management, without making any distinction between blue collar and white collar workers.

#### 3.3. Human Resources Policy Of The Company

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Board of Directors develops required succession plans.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles or summary of relevant parts of the human resource policy	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section “Investor Relations”, sub-section “Our Policies”.
Whether the company provides an employee stock ownership program	There is an employee stock ownership program
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them or summary of relevant provisions of the human resource policy	Not available.
The number of definitive convictions the company is subject to in relation to health and safety measures	There are 2 definitive convictions awarded during the year 2018. Number of definitive convictions awarded in the last 5 years is 7.

#### 3.5. Ethical Rules And Social Responsibility

The name of the section on the corporate website that demonstrates the code of ethics	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section “Investor Relations”, sub-section “Our Policies”.
The name of the section on the corporate website where the corporate social responsibility report of the company is presented. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section “Investor Relations”, sub-section “Corporate Governance” and the heading “Corporate Social Responsibility Report”.
Any measures combating any kind of corruption including embezzlement and bribery	The link to the measures: <a href="https://tr.prysmiangroup.com/tr/etik-degerler">https://tr.prysmiangroup.com/tr/etik-degerler</a>



## 4. BOARD OF DIRECTORS-I

4.2. Activities Of The Board Of Directors	
Date of the last board evaluation conducted	Not available.
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Halil İbrahim Kongur, Erkan Aydođdu, Ercan Gökdađ. The following link can be clicked to see the scope of the referred authority, available on our website under "Investor Relations" section: <a href="http://tr.prysmiangroup.com/tr/yonetim-kurulu-kararlari">tr.prysmiangroup.com/tr/yonetim-kurulu-kararlari</a>
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	4
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Explained under section "Compliance with Corporate Governance Principles Report" of the Annual Report.
Name of the Chairman	Halil İbrahim Kongur
Name of the CEO	Erkan Aydođdu
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	No, they are separate individuals
Link to the PDP notification stating that the company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital	Our Company has taken out a "Directors and Officers Liability Insurance" for any damages that may be caused by the members of the Board of Directors and senior executives during the discharge of their duties. However no PDF notification has been made in this respect.
The name of the section on the corporate website that demonstrates current diversity policy aiming to increase participation of women directors	Not available.
Number of women board members is two and its ratio is 25%.	2 - 25%

## Composition of Board of Directors

Name-Surname	Whether Executive Director or Not	Whether Independent Director Or Not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/ He is the Director Who Ceased to Satisfy The Independence or Not	Whether the Director has at Least 5 Years' Experience on Audit, Accounting and/or Finance or not
Halil İbrahim Kongur	Executive	Not independent director	30/03/2012	-	-	-	Yes
Erkan Aydođdu	Executive	Not independent director	22/10/2014	-	-	-	Yes
Ercan Gökdađ	Executive	Not independent director	31/03/2017	-	-	-	Yes
Pier Francesco Facchini	Non-executive	Not independent director	15/10/2018	-	-	-	Yes
Ayşe Canan Edibođlu	Non-executive	Independent director	28/03/2014	<a href="https://www.kap.org.tr/tr/Bildirim/669978">https://www.kap.org.tr/tr/Bildirim/669978</a>	Considered	No	Yes
Banu Uzgur	Non-executive	Independent director	30/03/2018	-	Considered	No	Yes
İsmet Su	Non-executive	Independent director	30/03/2018	-	Considered	No	No
Andrea Pirondini	Non-executive	Not independent director	03/03/2016	-	-	-	Yes

## 4. BOARD OF DIRECTORS-II

<b>4.4. Board Meeting Procedures</b>	
Number of board meetings convened in person during the reporting period	4
Directors' average attendance rate at board meetings	75%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days in advance of the board meeting the information and documents are provided to the directors, as per the board charter	Information and documents about the items on the agenda of the Board meeting are provided to the Boards members for their review, in sufficient time prior to the meeting, ensuring balanced flow of information. No definite time is indicated.
The name of the section on the corporate website that demonstrates information about the board charter that regulates the meeting procedures of the board	Specified under article 8 and 9 of "Articles of Incorporation" posted on <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "Corporate Governance".
Number of maximum external commitments for board members determined as per the policy covering the number of external duties held by directors	Not available
<b>4.5. Committees Formed Under The Board Of Directors</b>	
Page numbers or section names of the annual report where information about the board committees are presented	Explained under section "Compliance with Corporate Governance Principles Report" of the Annual Report.
Link(s) to the PDP announcement(s) with the board committee charters	<a href="https://www.kap.org.tr/tr/Bildirim/258320">https://www.kap.org.tr/tr/Bildirim/258320</a>

### Board Committees-I

Names of the Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether there is a Committee Chairman Or Not	Whether there are any Board Members Or Not
Audit Committee		Ayşe Canan Ediboğlu	Yes	Board member
Audit Committee		Banu Uzgur	No	Board member
Corporate Governance Committee		Banu Uzgur	Yes	Board member
Corporate Governance Committee		İsmet Su	No	Board member
Corporate Governance Committee		Nevin Kocabaş	No	Not Board member
Committee of Early Detection of Risk		Ayşe Canan Ediboğlu	Yes	Board member
Committee of Early Detection of Risk		Banu Uzgur	No	Board member
Committee of Early Detection of Risk		Ercan Gökdağ	No	Board member

## 4. BOARD OF DIRECTORS-III

### 4.5. Committees Formed Under The Board Of Directors-II

Specify where the activities of the audit committee are presented in your annual report or corporate website (Page number or section name)	Explained under section "Compliance with Corporate Governance Compliance with Corporate Governance Principles Report" of the Annual Report.
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name)	Explained under section "Compliance with Corporate Governance Compliance with Corporate Governance Principles Report" of the Annual Report.
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name)	Explained under section "Compliance with Corporate Governance Compliance with Corporate Governance Principles Report" of the Annual Report.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name)	Explained under section "Compliance with Corporate Governance Compliance with Corporate Governance Principles Report" of the Annual Report.
Specify where the activities of the remuneration committee are presented in your annual report or corporate website (Page number or section name)	Explained under section "Compliance with Corporate Governance Compliance with Corporate Governance Principles Report" of the Annual Report.
<b>4.6. Financial Rights Provided To Members Of The Board Of Directors And Senior Executives Financial Rights</b>	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name)	Stated under the "CEO Message" section of the Annual Report.
Specify the section of website where remuneration policy for executive and non-executive directors are presented	Published on our corporate web site at URL <a href="http://www.prysmiangroup.com.tr">www.prysmiangroup.com.tr</a> , under section "Investor Relations", sub-section "Our Policies".
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name)	Presented in the "benefits and services provided to senior executives" section of the Annual Report and Footnote 3 under the Independent Auditor's Report with the remark "Related Party".

### Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Of Independent Directors Members In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee		100%	100%	4	4
Corporate Governance Committee		66,66%	66,66%	4	4
Committee of Early Detection of Risk		66,66%	66,66%	6	6

## DUTIES AND WORK PRINCIPLES OF THE EARLY RISK ASSESSMENT COMMITTEE

### 1. PURPOSE

To ensure early detection and assessment of risks that may endanger the assets, development and continuity of the Company, to take and implement preventive measures regarding such risks and to carry out works regarding risk management and to review the risk management systems at least annually.

### 2. AUTHORITIES AND SCOPE

Early Risk Assessment Committee shall;

- a) Implement and arrange effective internal control systems and mechanisms to ensure risks that may prevent the Company from achieving its goals and targets and may put the Company at risk are defined according to the effects and possibilities of such risks are monitored and managed.
- b) Ensure that risk management and internal audit and control systems are integrated into the corporate structure of the Company and monitor the effectiveness of such systems,
- c) Ensure that the risk management and internal audit and control systems of the Company monitor and assess the risk elements, report and use the right decision mechanisms,
- d) Review the work principles of the committee on a periodical basis and if necessary, shall submit its opinions for the approval of the Board of Directors. The Board of Directors shall be responsible for the final decisions in this regards.

### 3. STRUCTURE OF THE COMMITTEE

- a) The Early Risk Assessment Committee shall be set up in accordance with the provisions of the Articles of Association.
- b) The Committee shall consist of at least two members. The chairman for the Committee shall be elected amongst the independent members. The Chief Executive Officer / General Manager cannot serve on this committee.
- c) The Committee shall seek professional opinion if and when necessary.
- d) The Committee shall hold meetings with the presence of one more than half the number of members and shall pass decisions with the majority of the votes.
- e) The secretariat of the Board of Directors shall also act as the secretariat for the Committee.

### 4. COMMITTEE MEETINGS AND REPORTING

- a) The Committee shall hold meetings at least quarterly and shall report the results of the meeting to the Board of Directors.
- b) The Committee shall ensure that the Board of Directors are informed of the authorities, duties and responsibilities of the Committee.
- c) The decisions passed during Committee meetings shall be reported in writing by the Secretariat of the Board of Directors and shall be archived.

### 5. DUTIES AND RESPONSIBILITIES

- a) To define, measure, assess, analyse, monitor and report the risks the Company may encounter, to issue warnings and take measures to minimise controllable and uncontrollable risks.
- b) To determine the risk management policies and application principles in line with the suggestions and views of the Board of Directors based on the risk management strategies of the Company and to implement and ensure compliance to such policies,
- c) To design, select, implement and to participate in the preapproval of risk assessment models, which are a fundamental tool of risk management and to constantly review such models, to carry out analysis of scenarios and to make the necessary revisions,
- d) To request information, feedback, suggestions and reports from related departments in order to implement risk monitoring.

## DUTIES AND WORK PRINCIPLES OF CORPORATE GOVERNANCE COMMITTEE

### 1. PURPOSE

To determine whether corporate management policies are applied within the Company, if not, to detect the reasons thereof and evaluate the conflicts that may arise and to carry out improvement works in this regard, to submit suggestions related to corporate management to the Board of Directors and to protect the benefits of Shareholders and supervise the works of the Shareholders Relations Department.

### 2. AUTHORITIES AND SCOPE

The Corporate Management Committee shall,

- a) Develop a Corporate Management Policy and make sure such policies are adopted and implemented within the Company.
- b) Carry out the annual corporate management review of the Board of Directors and to submit such review to the approval of the Board of Directors,
- c) Supervise the operations of departments related with shareholders,
- d) Provide suggestions on the operation, structure and efficiency of the Board of Directors and committees operating under the supervision of the Board of Directors,
- e) Review the work principles of the committee periodically and if any, submit any revisions deemed as necessary to the approval of the Board (the Board of Directors shall be responsible for the final decisions passed).

### 3. STRUCTURE OF THE COMMITTEE

- a) The Remuneration Committee shall be set up in accordance with the provisions of the Articles of Association.
- b) The Committee shall consist of at least two members.
- c) The chairman for the Committee shall be elected amongst the independent members.
- d) If the Committee consists of only two members, both members; if the committee consists of more than two members, then the majority of the members shall be elected from amongst candidates that do not hold an executive position. The Chief Executive Officer / General Manager and Assistant Chairman in charge of Financial Affairs cannot serve on this committee.
- e) The Committee shall seek professional opinion if and when necessary.
- f) The Committee shall hold meetings with the presence of one more than half the number of members and shall pass decisions with the majority of the votes.
- a) The secretariat of the Board of Directors shall also act as the secretariat for the Committee.

### 4. COMMITTEE MEETINGS AND REPORTING

- a) The Committee shall hold meetings at least quarterly and shall report the results of the meeting to the Board of Directors.
- b) The Committee shall ensure that the Board of Directors are informed of the authorities, duties and responsibilities of the Committee.
- c) The decisions passed during Committee meetings shall be reported in writing by the Secretariat of the Board of Directors and shall be archived.

### 5. DUTIES AND RESPONSIBILITIES

#### a. Compliance with the Corporate Management Principles

- To develop the Corporate Management Policies and ensures that such policies are implemented at all levels of the Company.
- To determine whether corporate management policies are applied within the Company, if not, to detect the reasons thereof and evaluate the conflicts of interest that may arise and to submit improvement suggestions in this regards to the Board of Directors,
- To examine and evaluate complaints submitted regarding shareholders, to resolve such complaints and to ensure that feedback of employees is reported to the management in line with the confidentiality principles.
- To perform other duties required in terms of corporate management requested by the Board of Directors.

## **b. Performing the Responsibilities of Nomination and Remuneration Committees**

- Committee has the purpose, authorization and responsibilities of the Nomination and Remuneration Committee.
- Implements a transparent system for determining, assessing and training nominees for the Board of Directors and to set up policies and strategies in this regards. Regularly assesses the structure and efficiency of the Board of Directors and submits its opinions and suggestions regarding any revisions it deems as necessary in this regard to the approval of the Board of Directors, develops suggestions regarding the number of the members of the Board of Directors and executives, set up a nominee pool for the members of the Board of Directors and considers the suggestions and opinions of the shareholders in this regards,
- Periodically reviews and approve the appointment and promotion philosophy, principles and procedures of the Company, determines and periodically reviews nomination criteria and to submit the nominees to the approval of the Board of Directors. Performs the processes related to the evaluation of the independency of the independent board members according to the CMB regulations.
- Determines the principles and procedures regarding performance evaluation, career planning and remuneration of the members of the Board of Directors and top level executives, monitors and tracks such matters and to ensure that such principles and procedures are reported in writing.
- Determines the criteria for setting salaries based on the performance of the Company and the employee, submits its suggestions regarding salaries of the members of the Board of Directors and executives based on meeting such performance criteria to the approval of the Board of Directors, takes the necessary measures to prevent the Board of Directors' members and top level executives from determining and setting their own fees and salaries.
- Periodically reviews and approves the remuneration principles, procedures and applications of the Company,
- Ensures that remuneration principles applied for the members of the Board of Directors and the top management executives are in line with risk management approach and principles of the Company,
- Ensures that the remuneration policy of the Company is also in line with the benefits and interests of the shareholders,
- Takes the necessary measures to prevent the Board of Directors' members and top level executives from determining and setting their own fees and salaries.

## **c. Public Announcements**

The Committee shall review the public announcements report.

The Committee shall review the public announcements and analyst reports, mainly check whether they are in conformity with the codes and other applicable regulations and shall develop suggestions regarding the "disclosure policy" of the company.

## **d. Investor Relations**

The "Shareholders Relation Department" has been set up to monitor the relations between the shareholders and investor and to ensure that the right of the investor to receive accurate information is reserved.

The Shareholders Relations Department,

- Consists of an adequate number of competent, expert staff.
- Carries out the notification and information requests of the shareholders and the investors in accordance with the codes, the Articles of Association, the corporate management principles and the disclosure policy of the Company.
- Organizes periodic investor information meetings within the country and in foreign countries or participates in such meetings organised in conformity with the related codes, the Articles of Association, the corporate management principles and the information policy of the Company.
- Ensures that active communication and contact is set up with local and foreign investor through the website,
- Supervises the public disclosure and transparency policy and ensures that related works are carried out in line with the requirements of the related codes,
- Ensures that records related with the shareholders are safely, securely kept up to date,
- Ensures that activity reports are maintained in line with the requirements of the codes and the Corporate Management Principles of the Capital Markets Board,
- Monitors that the General Assembly meetings are carried out accordingly,
- Issues documents to be presented to shareholders at General Assembly meetings,
- Ensures that the minutes of the meetings are kept and maintained accordingly.

## **e. Reporting Responsibility**

- The Committee ensures that the Board of Directors is informed of the authorities and responsibilities of the committee.
- The Committee shall record all its operations and works in writing.
- The Committee shall issue a report consisting of its works, operations and suggestions and submit it to the approval of the Board of Directors.

## DUTIES AND WORK PRINCIPLES OF AUDIT COMMITTEE

### 1. PURPOSE

The Audit Committee shall supervise the execution and the efficiency of the accounting system of the company, the disclosure of the financial information to the public and the internal control system and controls the financial information.

### 2. AUTHORITIES AND SCOPE

Audit committee;

- a) Controls the accuracy, transparency of the financial statements and its footnotes and other financial information and whether they are in line with the current legislation and applicable international accounting standards and declare its opinion to the board in a documented manner upon receiving the opinion of the external audit firm.
- b) Examines whether or not there exist any issues that may jeopardize independence of the audit company on behalf of the board.
- c) Supervise the execution and the efficiency of the accounting system of the company, the disclosure of the financial information to the public, the independent audit procedure and the internal control system.
- d) Monitors the appointment of the external audit firm, preparation of audit agreements and initiation of audit process and all activities of the external audit firm.
- e) Evaluate and resolve any issues pertaining to the internal and external complaints regarding the accounting practices, internal control system and external auditing as in accordance with confidentiality principle.
- f) Scrutinize full compliance with the current legislation and company's internal regulations and policies
- g) The Audit Committee reviews the duties and work principles periodically and recommends the Board of Directors any necessary amendments to be approved, final decision is always at Board's discretion.

### 3. STRUCTURE OF THE COMMITTEE

- a) Committee shall be set up in accordance with the provisions of the Articles of Association.
- b) The Audit Committee is composed of at least two independent members.
- c) Executive Chairman /General Manager and The Vice Chairman of Finance shall not hold any responsibility in the committee.
- d) The people who have been in a consultancy duty for the company shall not be chosen as a member to the Committee.
- e) The Audit Committee is entitled to obtain opinions of the independent experts, as it deems necessary regarding its operations.
- f) The Committee shall hold meetings with the presence of one more than half the number of members and shall pass decisions with the majority of the votes.
- g) The secretariat of the Board of Directors shall also act as the secretariat for the Committee.

### 4. COMMITTEE MEETINGS AND REPORTING

- a) The Committee shall hold meetings at least quarterly and shall report the results of the meeting to the Board of Directors.
- b) The Committee shall ensure that the Board of Directors is informed of the authorities, duties and responsibilities of the Committee.
- c) The decisions passed during Committee meetings shall be reported in writing by the Secretariat of the Board of Directors and shall be archived.

## 5. RESPONSIBILITIES

### a) Financial Tables and Announcements

- The Audit Committee should supervise whether or not periodic financial statements and its footnotes which will be disclosed to the public are accurate and prepared in accordance with the Company's accounting principles and the reality. The Committee should also declare its opinion to the board in a documented manner upon receiving the opinion of the external audit
- The Audit Committee shall review the annual report which will be disclosed to the public and checks whether the information in the reports is reflecting the information the committee has.
- The Audit Committee reports the amendments in the current legislation, accounting policies and internal control systems which could affect the preparation of the financial tables of the company considerably.
- The Audit Committee monitors the legal issues and important accounting and reporting issues and provides their effects onto the financial tables are researched.
- The Audit Committee evaluates and resolves the complaints of the shareholders and stakeholders which may affect the financial tables.
- The Audit Committee monitors the transactions regarding the valuation of the assets and resources, guarantees and warranties, performing social responsibilities, lawsuit provisions, other liabilities and conditional cases which are evaluated and decided by the company's management.

### b) Independent Audit Corporation

- Appointment of the external audit firm, preparation of audit agreements and initiation of audit process and all activities of the external audit firm should be made under the surveillance of the Audit Committee.
- The Audit Committee periodically reviews with the suggestions of independent auditors regarding the content of the audit and audit process, informs the board about the important difficulties which prevents the work of independent auditors.
- The Audit Committee conducts a performance and independence assessment relative to the independent auditors.
- The Audit Committee ensures that the important problems determined by the independent auditors and the solution suggestions are reached to the committee, discussed and solved in time.
- The Audit Committee examines and approves the payment and compensations of independent audit corporation.

### c) Internal Audit and Internal Control

- The Audit Committee evaluates the execution and the efficiency of the internal control system and reports to the board.
- The Audit committee takes the necessary precautions to provide transparency in the internal control.
- The Audit Committee periodically reviews with the Works and organizational structure, the duties and principles of the Management of Internal Audit, informs the board about the difficulties preventing the work and operating effectiveness of the Management of Internal Audit and presents suggestions.
- The Audit Committee ensures that the important problems stated in the report of Management of Internal Audit problems and the solution suggestions are reached to the committee, discussed and solved in time.

### d) Conformity with The Current Legislation

- The Audit Committee monitors whether the Company's activities are conducted in accordance with the legislation and internal regulations and also determines the rules which shall be applied in case of act in contrary to the regulations.
- Evaluate and resolve any issues pertaining to the complaints regarding the accounting, internal control system and independent auditing as in accordance with confidentiality principle.



## CORPORATE GOVERNANCE (ADDITIONAL INFORMATION)

### 1. Statement of Compliance to Institutional Management Principles

With half a century of experience in Turkey, Türk Prysmian Kablo ve Sistemleri A.Ş., is one of the leading and most experienced companies within its sector. Since its foundation, the Board of Directors and Executive Management have adopted basic institutional structure and management principles for the relations with the Company shareholders and all the relevant stakeholders.

The established structure and management style is tried to be fashioned after the outline of the Institutional Management Principles of the Capital Market Board.

Furthermore, since Türk Prysmian Kablo ve Sistemleri A.Ş. is a part of the Prysmian Group with a worldwide network system and company activities, Türk Prysmian is subject to the company governance principles of Prysmian Group.

The company always conducts its activities in a manner aware of its social responsibilities in the relationships with the public, customers and suppliers. It levels up its improvement activities and studies in this regard while never losing sight of the ethical values of the business world.

As a result of the rating studies conducted by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. ([www.saharating.com](http://www.saharating.com)) based on the Institutional Management Principles of the Capital Market Board, Türk Prysmian Kablo, the leader of the Turkish cable sector, was listed as the **23<sup>rd</sup> company** with an Institutional Management score of **7.76 on a 10 score basis (77.58%)** in 2009 at the **Institutional Management Index of Borsa İstanbul A.Ş. (“Istanbul Stock Exchange”)** that contributes to the development of the Turkish capital markets and Turkish economy since its foundation and that reflects the institutional values held by companies.

Istanbul Stock Exchange Institutional Management Score		
Main Sections	Weight	Score (%)
Shareholders:	25%	91,94%
Public Disclosure and Transparency:	25%	92,88%
Stakeholders:	15%	92,36%
Board of Directors:	35%	90,57%
<b>Total:</b>	<b>100%</b>	<b>91,76%</b>

In 2018 Türk Prysmian Kablo has documented that the company corresponds to and is adequate with related values, by getting 9,18 points out of 10 (91.76%) by achieving 0,63 point increase according to the results of the evaluation done by SAHA Corporate Management and Credit Rating Services INC. who operates in the field of corporate management rating with the Capital Market Board license, in accordance with notice about the changes which may be done in Serial NO: IV No: 63 numbered Notification About Determination and Execution of Corporate Management Principles that is published on 22.02.2013 dated 28567 numbered Official Gazette of Capital Market Board, under the main titles of “Allotters, Disclosure and Transparency, Stakeholders and Board of Management” whose summary is presented above. While this evaluation is taking place, related evaluation company has operated within the context of the methodology that is determined by Capital Market Board and is changed in accordance with the new regulations. While the ceiling point of fulfilling the elements, which are necessary to comply with in management principles was 100 before, within the new methodology this ceiling point is limited to 85 points. In accordance with this change, the companies who fulfill the necessary elements and also achieve some developments could get scores higher than 85. Türk Prysmian Kablo Sistemleri A.Ş. (Turkish Prysmian Cable Systems INC.) maintained its ongoing increase trend since 2009 with the 91,76 points it gets from the evaluation while living the justified proud of being one of these companies.

You can find the full text of the Institutional Management Rating Report under the title of “Institutional Management” at the “Investment Relations” web page of our company ([www.prysmiangroup.com.tr](http://www.prysmiangroup.com.tr)).

In the activity period ending on 31<sup>st</sup> of December 2018, the company is complying to and implementing the Institutional Management Principles issued by SPK in addition to the items indicated herewith below:

- Representation of Minority Shares at the Board of Directors
- Method of Using Accumulative Voting

The features and justifications of the noncompliant issues are explained in the relevant chapters of the report.

**Governance Structure:** Considering the main chapters of the Company Governance Principles determined by SPK, the studies conducted by the Company within the period related to compliance to the Institutional Management Principles, current applications and efforts are described below;

## CHAPTER I – SHAREHOLDERS

### 2. Department of Shareholders Relations

To ensure the facilitation of monitoring the shareholder rights, “General Accounting and Investor Relations Department” was established under the structure of “Company Financial and Administrative Affairs Directorate”. The contact information of the managers responsible from the Investors Relations are given below:

Name	Title	Tel:	E-mail
Ercan Gökdağ	Board Member & CFO & Early Risk Assessment and Risk Management Committee Member	(224) 270 3000	<a href="mailto:tpks@prysmiangroup.com">tpks@prysmiangroup.com</a>
Nevin Kocabaş	Accounting and Investor Relations Manager & Corporate Governance Committee Member	(224) 270 3000	<a href="mailto:tpks@prysmiangroup.com">tpks@prysmiangroup.com</a>

The basic purpose of this department is to ensure the compliance to the effective legislation, Articles of Association and other inter-corporate regulations in the utilization of shareholder rights and to ensure that any kind of measure is taken to enable the use of such rights. The primary duties of the department in this framework are as follows:

- Ensuring that the records on the shareholders are kept in a sound, safe and current manner.
- Save for publicly undisclosed, confidential and commercial secret type of company information, responding to the written information requests of the shareholders related to the company.
- Ensuring that the General Assembly meeting is held as per the effective legislation, Articles of Association and other inter-corporate regulations.
- Preparing documentation that the shareholders can benefit at the General Assembly meeting.
- Ensuring that the voting results are recorded and reports related to the results are forwarded to the shareholders.
- Observing and monitoring any kind of matter related to public disclosure including legislation and the information policy of the company.
- Ensuring the execution of capital market compliance activities.
- Ensuring the execution of investor relations activities.

The verbal and written questions sent to this department are being responded as soon as possible, save for confidential and commercial secret type of company information, observing equality principle, within the limitations specified at the information policy and according to SPK Regulations and Rules.

During 2017, there is no written/verbal complaint transmitted to our Company related to the utilization of shareholder rights or any administrative/legal proceeding filed against our Company in this regard.

### 3. Utilization of the Information Obtaining Rights of the Shareholders

During the period, information requests were received from the shareholders related to attendance to the general assembly, dividend payment and other miscellaneous matters. Since most of these requests were received by phone, the information request and response numbers could not be followed statistically. Utmost effort was shown in meeting the information requests received by our company in 2018 from the shareholders in accordance with SPK Regulations and Rules.

In all its relationships with the shareholders and the finance community in general, the Company is continually exerting effort to be in an active and transparent dialogue with its shareholders and corporate investors with the awareness of mutual roles.

The investors are able to obtain information on our Company from our web page at [www.prysmiangroup.com.tr](http://www.prysmiangroup.com.tr) and can forward their other questions to the following e-mail address, telephone and fax numbers.

E-mail: [tpks@prysmiangroup.com](mailto:tpks@prysmiangroup.com) Tel: (0224) 270 30 00 Fax: (0224) 270 30 24

The Company articles of association do not contain a reference permit related to the assignment of an individual auditor and there was a request for the assignment of a private auditor within the activity period, and the court rejected the request.

### 4. General Assembly Information

The General Assembly convenes ordinarily and extraordinarily. The Ordinary General Assembly can convene at the company headquarters (Mudanya) or Istanbul within 3 months after the company accounting period. The meetings can be viewed by the stakeholders or media.

Within 2018, one ordinary general assembly meeting (March 30, 2018) and one extraordinary general assembly meeting were held at the company headquarters. Shareholders representing over 83.75% of the shares attended this meeting.

The shareholders are invited to General Assemblies by notifying and announcing the time, venue and agenda of the meeting. The invitation is sent at least 3 weeks in advance considering the regulations of the Capital Market Board. The date of the invitation and the date of the meeting are not taken into account in this calculation. Furthermore, the agenda related to the invitation, sample power of attorney and any amendments to the articles of association shall be announced at the Turkish Trade Registry Gazette, a newspaper with a Turkey-wide circulation and a local newspaper.

The shareholders can attend to the General Assembly meeting physically or electronically in person or they can attend via their representatives. Attendance to the General Assembly in an electronic environment is only possible with the secure electronic signatures of the shareholders and the representatives thereof. Thus, the shareholders to work on EGKS (Electronic General Board System) first need to register at the e-MKK Information Portal of Merkezi Kayıt Kuruluşu A.Ş. (MKK), enter their communication information and they also need to have a secure electronic signature.

The shareholders are granted the right to express their opinions and ask questions under equal terms. The shareholders or other related parties wishing to take the floor regarding currently discussed agenda item notify this situation to the chairman of the meeting. The chairmanship discloses the persons to take the stand to the general assembly and these persons are recognized in accordance with the order of application. If the person whose turn it is to speak is not present at the meeting venue, he/she loses that right to speak. The speeches are given from the allocated place as addressed to the general assembly. The persons can interchange their order of speaking. If the duration of speech is limited, a person coming and giving a speech can continue doing so within the speech duration of another person if the latter, being the next to speak to the general assembly, grants his/her right to speak to the former. Otherwise, the duration of speech cannot be extended.

The chairman of the meeting can recognize any member of the Board of Directors or the auditor wishing to provide an explanation on the discussed topics without paying regard to the order of speaking.

The speech duration shall be determined by the general assembly based on the suggestion of the chairman or the shareholders, depending on the intensity of the agenda, abundance and importance of the topics that need to be discussed and the number of persons wishing to take the floor. In such situations, the general assembly shall decide, with separate voting, first as to whether the speech duration should be limited or not and then, what this duration should be.

The chairman of the meeting ensures that every question asked by the shareholders at the general assembly meeting and that do not comprise a commercial secret are responded directly at the general assembly meeting. Should the asked question be irrelevant to the agenda or sufficiently comprehensive that it cannot be responded right away, the asked question shall be responded in writing by the Investor Relations Department within at most 30 work days. In such a case, the Chairman of the Meeting explains that shareholder this possibility and that the response would be given later.

**The General Assembly is authorized to take decisions in the following matters as also indicated at the Articles of Association;**

- Adopting the reports of the Board of Directors and Auditing Board,
- Review and certification of balance sheets, profit and loss accounts, using the net profit, determining the company profit policy and the determination of the profit distribution as per the quoted policy,
- Determination of the number, election, export, release and re-assignment of members of Board of Directors and determination of their remuneration,
- Determination of the number of auditors, election and remuneration determination thereof.

**The performance of the following activities depends on the certification and acceptance of the General Assembly in advance or, afterwards as required:**

- Annual investment and financing schedule prepared by the Board of Directors,
- Purchase and sales of real estate; establishment of mortgage on company real estate,
- Foundation of branches and partnerships (secondary branches), adopting or selling affiliates,
- Passing on to new production sites,
- Other works and activities determined by the Turkish Code of Commerce

The shareholders can access the General Assembly minutes of meetings and Attendance Sheets of each year from the company headquarters, the relevant section under the title of “Investor Relations” at the company web site ([www.prysmiangroup.com.tr](http://www.prysmiangroup.com.tr)), the web page ([www.kap.gov.tr](http://www.kap.gov.tr)) in the scope of KAP (Public Disclosure Platform) and also from the Trade Registry Gazette archive of Bursa Trade Registry Office.

## 5. Voting Rights and Minority Rights

None of the shareholders of Türk Prysmian Kablo ve Sistemleri A.Ş. hold a preferred or privileged voting right and all votes are of equal value. The Minority Rights are regulated as per the related articles of the Turkish Code of Commerce.

The shareholders can represent themselves at the General Assembly via other shareholders or third parties; furthermore, the regulations of SPK concerning voting by proxy are reserved.

To ensure that the minority shareholders can send representative to the Board of Directors, accumulative voting method is not used. Since currently there is no general trend for accumulative voting in the company implementations, it has not been possible to observe the drawbacks or benefits of this method.

## 6. Dividend Distribution Policy and Period of Distribution

There are no privileges regarding participation in the Company’s profit and the **Dividend Policy** of the Company approved in the Ordinary General Assembly dated 30.03.2018 is given below.

*“The decision for Dividend Distribution is reached within the framework of Turkish Commercial Code, Capital Markets Law, Tax Legislation and other related regulations, and according to the related provisions under Articles of Incorporation; in line with long term strategies, investment and financing needs of the Company and by taking into consideration market insights. Shareholders expectations and needs of the Company are balanced in a consistent manner.*

*The period and method of distribution of the dividend agreed to be distributed is determined by the General Assembly pursuant to the Board of Director’s proposal in this respect submitted in line with Capital Market Legislation.*

*There is no real person receiving privileged shares from Company profit available for distribution.”*

## 7. Transfer of Shares

There is no provision in the articles of association that restricts transfer of shares and thus, if any shareholder wishes to transfer his/her own shares partially or wholly to another party, the share transfer and registration process shall be conducted as per the provisions of articles 490-491 of the Turkish Code of Commerce.

## CHAPTER II – PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Company Information Policy

The communication made with external sources related to the documents and information on the Company shall be made – always obtaining the consent of the General Manager – by the Public Relations function in terms of press relations and by the Investor Relations Management in terms of corporate investors, authorized bodies and shareholders.

The Company commits to provide equal treatment to shareholders from all categories by avoiding any preferential treatment. Save for the ones classified as commercial secret, the Company responds to all the questions as per justice and impartiality principles and establishes a continual communication between the management and shareholders in accordance with the legislation.

The Company **Information Policy** was first disclosed to the public in 2004 together with the Institutional Management Compliance Report. In 2010, “*Commercial Secret*” term has been added and the updated **Information Policy**, approved by the General Assembly and revised in 2014, is being disclosed to the public under the title of “Investor Relations” at the Company web site.

### 9.Special Situation Disclosures

The number of Special Situation Disclosures in 2018: **37**

The Number of Additional Disclosure Request received from SPK or Istanbul Stock Exchange within the same period: **None**

There is no sanction applied due to the failure of timely disclosure of special situations as requested by SPK or Istanbul Stock Exchange.

As the share certificates of the Company is not quoted internationally, no special situation disclosures have been made at a stock exchange other than Istanbul Stock Exchange.

### 10.Company Web Site and Content

The Investors can access the published documents of the Company such as Annual Report and Code of Ethics at our web page ([www.prysmiangroup.com.tr](http://www.prysmiangroup.com.tr)) both in Turkish and in English. With the aim of continuing the shareholder relations in a more effective and fast manner and to be in continual communication with the shareholders, the Company actively uses its Corporate Web Page as stipulated by the Institutional Management Principles of SPK. The information on this web site is updated continuously under the responsibility of the Investor Relations Department. The information at the Corporate Web Site of the Company have the same content as the disclosures made in the framework of the related legislative provisions and does not contain and conflicting or deficient information.

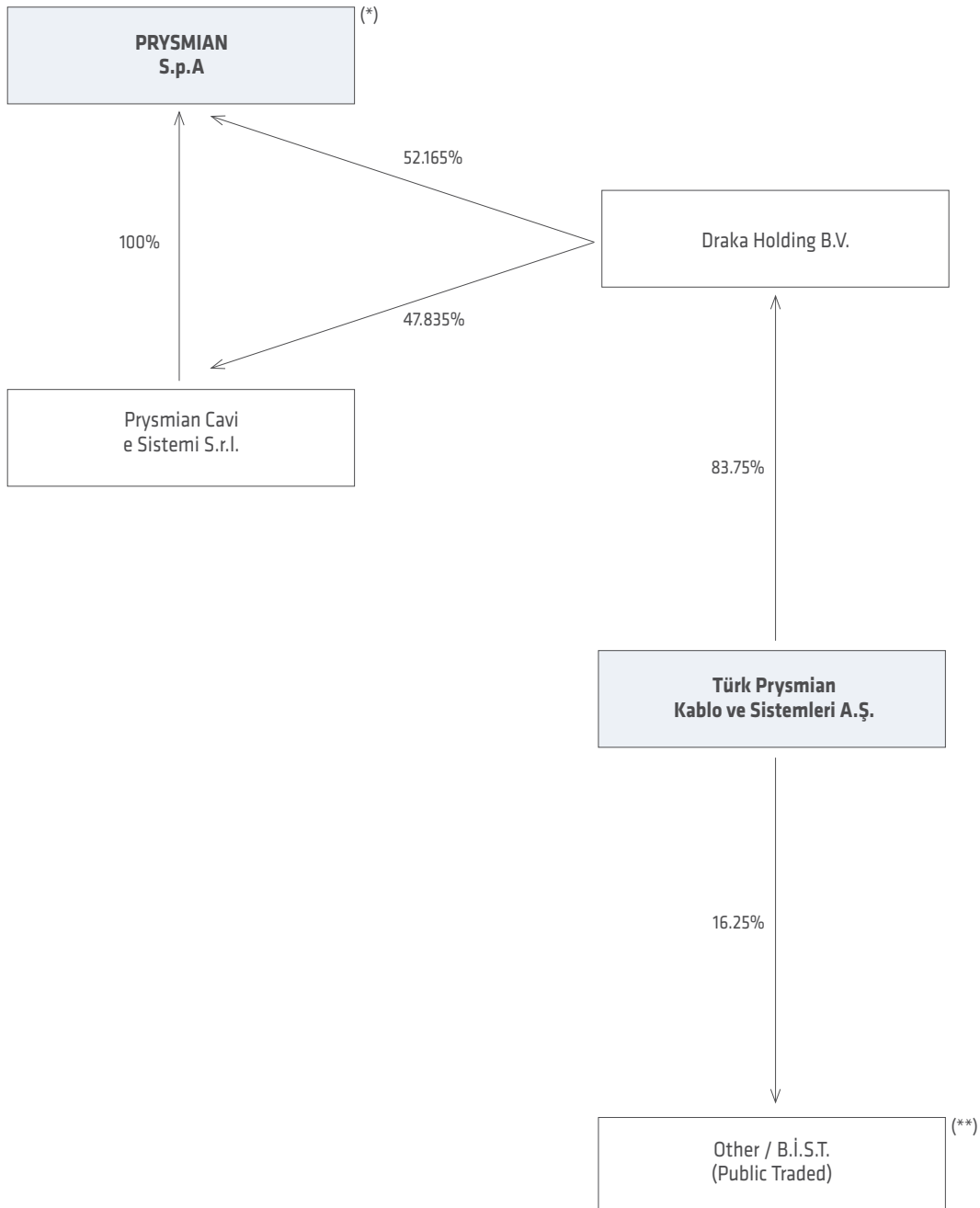
At the Corporate Web Page of the Company, in addition to the obligatory information that needs to be disclosed as per the legislation, the following information minimally for the last five years are also submitted to the attention of the investors:

- Trade registry information, current final partnership structure,
- The most recent members of the Board of Directors and top level managers,
- The date and numbers of the trade registry gazettes where the amendments have been published and the final form of the Company Articles of Association,
- Decisions of the Board of Directors,
- Committees of the Board of Directors,
- Activity reports,
- Special situation disclosures,
- Institutional Management Compliance Report,
- Code of ethics,
- Attendance sheets, minutes of meetings, agendas, forms of voting with proxy related to the conducted general assembly meetings,
- Periodical financial statements and independent auditor reports,
- Company Policies,
- Explanation notes and public offering circulars,
- News and frequently asked questions.

**11. Disclosure of Real Person and Final Dominant Shareholder(s)**

There is no special situation that might affect the investors in disclosing the real person and other shareholders of the Company and thus the table containing detailed information in this regard has been provided herewith below.

**Final Partnership Structure of Türk Prysmian Kablo ve Sistemleri A.Ş.  
as of 31<sup>st</sup> of December 2018**



(\*) Prysmian S.P.A. is a listed company and 100% traded on the Milano Stock Exchange in Italy.

(\*\*) There is no shareholders that held the 5% of the shares of public traded part.

## 12. Public Disclosure of the Persons that can Obtain Insider Information

No employee of Türk Prysmian Kablo ve Sistemleri A.Ş. can conduct activities to obtain gains with the purchase and sales of share certificates of Türk Prysmian Kablo ve Sistemleri A.Ş. based on insider information obtained owing to his/her position in the Company.

## CHAPTER III - STAKEHOLDERS

### 13. Informing the Stakeholders

The basic management principles regulating the relations among the Executive Management of the Company, shareholders, officers and third parties (customers, suppliers and any other person or institution that the Company associates with) are provided herewith below.

**Honesty:** We are strictly bound to honesty principles with utmost effort in all our commercial activities, in our relations with our customers, employees, shareholders, and other companies, institutions and agencies.

**Reliability:** We are supplying open, rational and accurate information to our customers, shareholders and employees and we provide all our services as necessitated by our commitments.

**Impartiality:** We do not act with prejudice based on gender, religion, language, race and ethnic origin towards our customers, suppliers, employees and shareholders, and we never make discrimination under whatsoever circumstance.

**Compliance:** We are respecting all the laws, legislation and standards.

**Confidentiality:** We do not share the information related to the details of our transactions with our shareholders, customers, suppliers, employees and business partners with any person or institution save for the legally permitted authorities.

**Transparency:** Save for the information deemed as commercial secret and that have not yet been disclosed to the public, we disclose the financial and non-financial information on the Company to the public as necessary, in an accurate, honest, full, rational, interpretable and accessible manner and as per the related legislative provisions.

**Social Responsibility:** We take into consideration matters such as the social benefits in the activity sector of the Company, sector improvement and preservation of reliability in the sector, the image and possible benefit of the Company, and in all our efforts, applications and investments, we respect the regulations related to the environment, consumers and public health. The stakeholders are made informed via the company web site and via Istanbul Stock Exchange with special situation disclosure notification. Moreover, the agenda of the shareholders meeting is notified to the attendants and the decisions taken are disclosed clearly at the Trade Registry Gazette. SPK, Ministry of Industry and Treasury Undersecretariat are also informed and the relevant permits are obtained by the company from the mentioned authorities. The public notifications related to the General Assembly meeting are again announced via one of the local newspapers and one of the nationwide newspapers. Furthermore, the company employees are kept informed with the intranet system, general notification sent by e-mail and annual informative meetings.

**Please see.** Article 8 – Company Information Policy

**Please see.** Prysmian Group Values and Code of Ethics / Article 9 – Information

### 14. Participation of the Stakeholders to the Management

The participation of the stakeholders to the management is realized at the following meetings and by receiving their feedbacks; at the general assembly meeting for the shareholders provided that SPK legislation scope is not exceeded, at the supplier meetings for the suppliers, at the customer visits or dealer meetings for the customers, and at the meetings organized at least twice a year to assess the company activities and where company goals and strategies are shared for the employees. Furthermore, team work is encouraged and project groups are formed with the aim of developing the present work performance methods and work processes for the company employees.

### 15. Human Resources Policy

The Human Resources Policy has been disclosed to the public under the “Investor Relations” title in the web site. In scope of social facilities, all of employees take advantage of our canteen, personnel transportation service. Also, all white-collar employees have health insurance policy covering themselves and family members.

**Please see.** Prysmian Group Values and Code of Ethics / Article 6 – Human Resources

### 16. Information on Customer and Supplier Relations

**Please see.** Prysmian Group Values and Code of Ethics / Article 4 - Customers

## 17. Social Responsibility

Türk Prysmian Kablo ve Sistemleri A.Ş. holds an ISO 14001 Environmental Management System certificate since 1997. In the framework of ISO 14001 Environmental Management System, the environmental impacts of all the services received and activities conducted by our Company are identified and continuous studies are undertaken to eliminate or minimize these impacts. All these studies are undertaken in line with the Environmental and Work Safety Policy of Türk Prysmian Kablo ve Sistemleri A.Ş. determined by the top management and with a continuous improvement philosophy.

Legal obligations related to the environment are closely monitored and fulfilled. Türk Prysmian Kablo ve Sistemleri A.Ş. holds all the legal permits related to the environment. These permits are Emission Permit, Wastewater Quality Control License, Opening License for 1<sup>st</sup> Class Non-Sanitary Enterprises and Temporary Storage Permit for hazardous wastes. The activities being performed by Türk Prysmian Kablo ve Sistemleri A.Ş. are not within the scope of the Environmental Impact Assessment (EIA) Regulation. There is an official letter, affirming the fact that our Company is not subject to EIA preliminary investigation, received from the Provincial Environment and Forestry Directorate of Bursa Governorship being the authorized body on this matter. Our company has "O" adjustments after the audit process of ISO 27001: 2013 Information Security Management System Certification in 2015.

There is no lawsuit filed against our Company due to environmental pollution. Our Company ensures that all its wastes are recycled when possible or disposed of properly when recycling is not applicable as per the related regulations of the Environmental Legislation.

Our Company fulfills its duties in the framework of social responsibility by supporting social, cultural and certain sports activities in the scope of Prysmian Group principles and also by providing occasional in kind and in cash donations and contributions to public institutions and establishments.

**Please see.** Article 13 – Informing the Stakeholders / Social Responsibility

**Please see.** Prysmian Group Values and Code of Ethics / Article 5 – Society and Article 7 - Environment

## CHAPTER IV - BOARD OF DIRECTORS

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

At the Company Articles of Association, it has been stated that the duties and responsibilities of the Board of Directors are subject to the basic provisions determined as per the Turkish Code of Commerce and the arrangements at the Articles of Association. The assignment, re-election, evaluation and dismissal of the members of the Board of Directors are performed as per the Company Articles of Association and the provisions of the Turkish Code of Commerce.

#### Structure of the Board of Directors

POSITION	MEMBERS	EXECUTIVE	NON-EXECUTIVE	INDEPENDENT
Chairman	Halil İbrahim Kongur	X		
Vice Chairman	Erkan Aydoğdu	X		
Member	Ercan Gökdağ	X		
Member	Pier Francesco Facchini		X	
Member	Andrea Pirondini		X	
Member	Ayşe Canan Ediboğlu			X
Member	İsmet Su			X
Member	Banu Uzgur			X

### 19. External Commitments of Board of Directors

Name-Surname	Position	Current Positions held outside the company
Halil İbrahim Kongur	Chairman of the Board	Türk Prysmian Kablo ("TPK") Factory Director and TPK Chairman of the Board
Erkan Aydoğdu	Vice Chairman of the Board	TPK CEO & Vice Chairman of the Board & Logistics, R&D and Quality Assurance Director
Ercan Gökdağ	Member of the Board	MEAT Region CFO & TPK Chief Operating and Administrative Officer (CFO) and Member of the Board, Planning and Controlling Chief, and Prysmian Denmark Chief Financial Officer & TPK Planning and Controlling Chief
Pier Francesco Facchini	Member of the Board	Prysmian S.p.A Member of the Board Prysmian S.p.A Group Chief Operating Officer (CFO)
Andrea Pirondini	Member of the Board	Prysmian Group Chief Operating Officer (COO) & Pirelli Tyre S.p.A Chief Commercial Officer
Ayşe Canan Ediboğlu	Independent Member of the Board	ING Bank Member of the Board. AYGAZ Independent Member of the Board
Banu Uzgur	Independent Member of the Board	Strategic Consultant
İsmet Su	Independent Member of the Board	Spokesperson of the Constitutional Commission and Deputy President of the Disciplinary Committee of the AK Party Group

The Board of Directors is comprised of members possessing the knowledge and abilities to interpret and analyze financial statements, legal knowledge required to execute the day-to-day businesses and long-term activities of the company, and the knowledge and abilities to give opinion on different areas of expertise related to company management. The members of the Board of Directors are well-informed regarding the field of activity and management of the Company, experienced in working at private sector and have graduated from higher education.

The number and properties of the independent members to take charge in the Board of Directors have been determined as per the regulations of the Capital Market Board related to institutional management. The members of the Board of Directors are elected by the company General Assembly as per the provisions of the Capital Market Legislation, Turkish Code of Commerce and Company Articles of Association. All of the independent members of the Board of Directors are comprised of persons residing in Turkey in accordance with the Income Tax Law.

Moreover, the declaration of the independent members of the Board of Directors related to their independency is as follows:

### Declaration of Independence

Due to my election as an **"Independent Member"** to the Board of Directors of Türk Prysmian Kablo ve Sistemleri A.Ş., as per the Institutional Management Principles of the Capital Market Board, I hereby certify the following for the information of the relevant parties:

- There has not been any direct or indirect, employment-related, capital-related or material commercial relationship established within the last five years between me, my wife and my blood and marriage relatives up to third degree AND Türk Prysmian Kablo ve Sistemleri A.Ş., any affiliate of Türk Prysmian Kablo ve Sistemleri A.Ş. or judicial entities with whom the shareholders (with a direct or indirect share in Türk Prysmian Kablo ve Sistemleri A.Ş. at 5% and above) are associated in terms of management or capital,
- Within the last five years, I have not been employed in companies that conduct all or a part of the activities and organization of Türk Prysmian Kablo ve Sistemleri A.Ş. in the framework of the concluded agreements, especially the companies that perform the auditing, rating and consultancy of Türk Prysmian Kablo ve Sistemleri A.Ş.; and I have not taken charge as a member of the Board of Directors,
- Within the last five years, I have not acted as a partner, employee or a member of the Board of Directors in any of the firms that significantly provide service and products to Türk Prysmian Kablo ve Sistemleri A.Ş.,
- I do not hold a share at the capital of Türk Prysmian Kablo ve Sistemleri A.Ş. above 1% and these shares are not privileged,
- I possess the occupational education / training, knowledge and experience to duly fulfill the duties I will undertake owing to my position as an independent member of the Board of Directors,
- I am not employed full-time at public institutions and agencies,
- I reside in Turkey as per the Income Tax Law,
- I have sound ethical standards, occupational dignity and experience to provide positive contribution to the activities of Türk Prysmian Kablo ve Sistemleri A.Ş., preserve my impartiality in the disputes that may arise among the partners and to freely make decisions duly considering the rights of the stakeholders.

Date: 30.03.2019

**INDEPENDENCE STATEMENT**

I hereby declare and present for the information of the related parties that I am ready and a candidate to serve as "Independent Member", in the scope of the Turkish Prysmian Cable and Systems Inc. Board of Directors regulations, prime contract and the Corporate Governance Compliance Report numbered 171, regulated by the Capital Market Board, and since I was nominated as a candidate, as required by the article 4.3.7 of the Capital Market Board Corporate Governance Compliance Report;

a) With the Turkish Prysmian Cable and Systems Inc, the Turkish Prysmian Cable and Systems Inc. board of directors or significantly influential partnerships and those who have executive control in their hands for the management of the Turkish Prysmian Cable and System Inc. and those legal entities that these partners own the management authority and themselves, their spouses, their blood relatives up to second degree, I have not had any deployment relationship in an executive position that would assume important tasks and responsibilities for the last five years, I have not owned capital or right to vote or more than 5% of privileged shares jointly or solely or I have not established an important commercial relationship.

b) For the last five years, the Turkish Prysmian Cable and Systems Inc. auditing (including tax auditing, legal auditing, internal auditing), scoring and counseling being in the first place, within the framework of the agreements done, I have not been a partner (above 5%) or have not worked in an executive position with important tasks and responsibilities or have not been a member of the board of directors in any company that the Turkish Prysmian Cable and Systems Inc. received service in a considerable amount or purchased or sold products, during the times when services or products were purchased or sold.

c) I have required technical training, information and experience to fulfill the duties I will assume as an independent member of board of directors.

d) I have not worked in any state institutions and organization full time or I have not been an academic member in any university and I will maintain this status after I'm elected as independent member.


e) I reside in Turkey in accordance with the Income Tax Law numbered 193 and dated 31/12/1960.

f) I will be able to contribute to the operations of the Turkish Prysmian Cable and Systems Inc in a favorable way, I will be able to maintain my neutrality in case of conflicts between the company and the share holders, I have strong ethic standards, occupational reputation and experience to make decisions freely while considering the rights of stakeholders.

g) I am able to and will make time for the company duties in a way that I will be able to follow up the operations of the Turkish Prysmian Cable and Systems Inc. and to fully fulfill the duties I will assume.

h) I have not worked as an independent member of board of directors in more than three companies where the Turkish Prysmian Cable and Systems Inc. or the partners with the executing power in the traded companies in total.

Respectfully,

  
AYŞE CANAN EDİBOĞLU

**Ayşe Canan Ediboğlu**  
Independent Board Member

Date: 30.03.2019

**INDEPENDENCE STATEMENT**

I hereby declare and present for the information of the related parties that I am ready and a candidate to serve as "Independent Member", in the scope of the Turkish Prysmian Cable and Systems Inc. Board of Directors regulations, prime contract and the Corporate Governance Compliance Report numbered 171, regulated by the Capital Market Board, and since I was nominated as a candidate, as required by the article 4.3.7 of the Capital Market Board Corporate Governance Compliance Report;

a) With the Turkish Prysmian Cable and Systems Inc, the Turkish Prysmian Cable and Systems Inc. board of directors or significantly influential partnerships and those who have executive control in their hands for the management of the Turkish Prysmian Cable and System Inc. or those partners who are significantly influential in the Turkish Prysmian Cable and System Inc. and those legal entities that these partners own the management authority and themselves, their spouses, their blood relatives up to second degree, I have not had any deployment relationship in an executive position that would assume important tasks and responsibilities for the last five years, I have not owned capital or right to vote or more than 5% of privileged shares jointly or solely or I have not established an important commercial relationship.

b) For the last five years, the Turkish Prysmian Cable and Systems Inc. auditing (including tax auditing, legal auditing, internal auditing), scoring and counseling being in the first place, within the framework of the agreements done, I have not been a partner (above 5%) or have not worked in an executive position with important tasks and responsibilities or have not been a member of the board of directors in any company that the Turkish Prysmian Cable and Systems Inc. received service in a considerable amount or purchased or sold products, during the times when services or products were purchased or sold.

c) I have required technical training, information and experience to fulfill the duties I will assume as an independent member of board of directors.

d) I have not worked in any state institutions and organization full time or I have not been an academic member in any university and I will maintain this status after I'm elected as independent member.


e) I reside in Turkey in accordance with the Income Tax Law numbered 193 and dated 31/12/1960.

f) I will be able to contribute to the operations of the Turkish Prysmian Cable and Systems Inc in a favorable way, I will be able to maintain my neutrality in case of conflicts between the company and the share holders, I have strong ethic standards, occupational reputation and experience to make decisions freely while considering the rights of stakeholders.

g) I am able to and will make time for the company duties in a way that I will be able to follow up the operations of the Turkish Prysmian Cable and Systems Inc. and to fully fulfill the duties I will assume.

h) I have not worked as an independent member of board of directors in more than three companies where the Turkish Prysmian Cable and Systems Inc. or the partners with the executing power in the Turkish Prysmian Cable and Systems Inc have an executing power, and in more than five public traded companies in total.

Respectfully,

  
İSMET SU

**İsmet Su**  
Independent Board Member

Date: 30.03.2019

**INDEPENDENCE STATEMENT**

I hereby declare and present for the information of the related parties that I am ready and a candidate to serve as "Independent Member", in the scope of the Turkish Prysmian Cable and Systems Inc. Board of Directors regulations, prime contract and the Corporate Governance Compliance Report numbered 171, regulated by the Capital Market Board, and since I was nominated as a candidate, as required by the article 4.3.7 of the Capital Market Board Corporate Governance Compliance Report;

a) With the Turkish Prysmian Cable and Systems Inc, the Turkish Prysmian Cable and Systems Inc. board of directors or significantly influential partnerships and those who have executive control in their hands for the management of the Turkish Prysmian Cable and System Inc. or those partners who are significantly influential in the Turkish Prysmian Cable and System Inc. and those legal entities that these partners own the management authority and themselves, their spouses, their blood relatives up to second degree, I have not had any deployment relationship in an executive position that would assume important tasks and responsibilities for the last five years, I have not owned capital or right to vote or more than 5% of privileged shares jointly or solely or I have not established an important commercial relationship.

b) For the last five years, the Turkish Prysmian Cable and Systems Inc. auditing (including tax auditing, legal auditing, internal auditing), scoring and counseling being in the first place, within the framework of the agreements done, I have not been a partner (above 5%) or have not worked in an executive position with important tasks and responsibilities or have not been a member of the board of directors in any company that the Turkish Prysmian Cable and Systems Inc. received service in a considerable amount or purchased or sold products, during the times when services or products were purchased or sold.

c) I have required technical training, information and experience to fulfill the duties I will assume as an independent member of board of directors.

d) I have not worked in any state institutions and organization full time or I have not been an academic member in any university and I will maintain this status after I'm elected as independent member.


e) I reside in Turkey in accordance with the Income Tax Law numbered 193 and dated 31/12/1960.

f) I will be able to contribute to the operations of the Turkish Prysmian Cable and Systems Inc in a favorable way, I will be able to maintain my neutrality in case of conflicts between the company and the share holders, I have strong ethic standards, occupational reputation and experience to make decisions freely while considering the rights of stakeholders.

g) I am able to and will make time for the company duties in a way that I will be able to follow up the operations of the Turkish Prysmian Cable and Systems Inc. and to fully fulfill the duties I will assume.

h) I have not worked as an independent member of board of directors in more than three companies where the Turkish Prysmian Cable and Systems Inc. or the partners with the executing power in the traded companies in total.

Respectfully,

  
BANU UZKUR

**Banu Uzkur**  
Independent Board Member



## 20. Company Mission, Vision and Strategic Goals

**Company Mission:** To provide added value to our shareholders and the sectors alike by supplying products and services, compliant to standards, having top quality, reliable, innovative and state-of-the-art features to our customers, business partners and the society as a whole.

**Company Vision:** Located within Prysmian Group and as the oldest, rooted and pioneering company of the sector in its region; the Company vision is to become a company:

- Accommodating a creative workforce open to development with its distinguished and innovative role, and that can present top performance,
- With an organizational structure valuing transparency and social responsibility,
- Undersigning long-term partnerships by ensuring continual satisfaction to its customers,
- Always creating value for its shareholders,
- Committed to improve the social conditions,
- Preserving sector leadership in Turkey and in the international platform alike.

**Please see.** Prysmian Group Values and Code of Ethics / Article 2 – Goals and Values

## 21. Risk Management and Internal Control Mechanism

To ensure an effective use of risk management, the Risk Management Department has been conducting activities since 2002. This department has developed and commenced the implementation of processes for effective risk management for the Company as well as the Prysmian Cables and Systems. In this scope, it is aimed for the risks to be monitored with daily reports and collect the receivables on time.

The internal control system of the Company has been organized to ensure an adequate control system and that can enable all the Company activities to be explained in a proper manner. The responsibility related to the internal control system belongs to the Board of Directors and in addition to determining the relevant outline, the Board of Directors also confirms the sufficiency of the control and whether it works in an effective manner or not.

The Auditing Committee is comprised of two members of the Board of Directors. Both of these persons are members of the Board of Directors that do not have a direct contribution to the activities and management of the Company. The Auditing Committee gathers regularly as indicated at the relevant communiqué of SPK and a representative of the external auditing company of the Company can also be invited to these meetings.

The aim of the Auditing Committee is to aid the Board of Directors in fulfilling its long term responsibilities regarding the quality and risk assessment of the accounting and financial reporting applications, policies and procedures and the internal control systems of the Company.

Internal auditing and periodic auditing activities also provide the necessary controls in terms of verifying compliance to the procedures, policies and strategies. Other than for the audits aimed at auditing the Internal Auditing Department, the Internal Auditing Department of Prysmian Cables and Systems Group also performs internal auditing inspections at Türk Prysmian Kablo ve Sistemleri A.Ş. in addition to the regular audits arranged by the external auditing company.

Furthermore, Planning and Control Department is also present and this department submits monthly detailed reports to the Delegate Member and Executive Management, and also provides useful and comprehensive information for the monitoring of specific activities.

Information related to the independent auditing company Ernst & Young Global Limited: <http://www.ey.com/tr/tr>

And information related to the tax auditing company MAZARS-DENGE: <http://www.mazarsdenge.com.tr>

## 22. Authorities and Responsibilities of the Members and Managers of the Board of Directors

**The Board of Directors performs the following activities:**

- Inspection and approval of the strategic, institutional/corporate, industrial and financial plans of the Company,
- Granting and withdrawing authority delegation to the Delegate Member, determination of the limits, method of use and duration of such authorities,
- Comparing the results with regular budgets and monitoring the general performance of the studies conducted by paying due regard to conflict of interests and by taking into consideration the information received from the Internal Control Committee and the Delegate Member,
- Taking decisions related to the same for Real Estate,
- Issuing share certificates and bonds,
- Becoming a partner to companies and enterprises to be newly founded or participating to the ones already present,
- Inspection and approval of transactions with a specific economic, equity or financial impact, by paying due care to the related partner processes,
- Verifying the competency of the overall organization and administrative structure of the Company as organized by the Delegate Member,
- Informing the shareholders regarding shareholders meetings.

The authorities and responsibilities of the members of the Board of Directors have been clearly specified at article 10 of the articles of association. Since the authorities and responsibilities of the managers can change any time due to the dynamic structure of the Company and business life, the authorities and the relevant responsibilities are indicated in detail at the signatory circular.

### 23. The Activity Fundamentals of the Board of Directors

The Board of Directors meeting is held at least quarterly. Save for exceptional situations, the members of the Board of Directors are equipped with the necessary documents and information a reasonable time in advance to enable them to state an informed opinion regarding the inspected matters.

There is a Board of Directors secretariat formed to enable notification and communication of the members of the Board of Directors. If a differing opinion is expressed at the meeting and/or there is opposition to a decision taken by the Board of Directors, reasonable and detailed vote justifications in this regard need to be recorded at the decision minutes, forwarded to the company auditors in writing and notified to the public. Although our Company does not have any reservations in this regard, such an application has not been made up to this date since such a situation has not yet been encountered.

Due attention is paid to ensure active participation to the Board of Directors meetings related to the matters taking place at Part IV article 2.174 of SPK Institutional Management Principles. The questions asked by the members of the Board of Directors during the meeting are recorded on the minutes of the meeting. No member of the Board of Directors has been granted a weighted vote right and/or negative veto right to ensure equality among the members.

Within 2017 activity period, 4 times physical meetings have been convened by the Board of Directors. 75% of Board of Directors physical attended the meetings.

### 24. Prohibition of Transacting and Competing with the Company

Our members of the Board of Directors are set free by our shareholders in the framework of articles 334 and 335 of the Turkish Code of Commerce at the Ordinary General Assembly convened each year.

### 25. Code of Ethics

There is a pyramid system related to the principles and procedures. This system can be summarized as follows:

**Code of Ethics:** These rules cover the general principles – transparency, fairness and devotion – forming the business relations at each and every level within the Company. With the belief that business ethics should go hand in hand with success at work, the Company conducts its internal and external processes as per the principles stated in these rules.

**Internal Control System:** This system is a group of “instruments” aimed at assuring operation yield and effectiveness, reliability of financial and management data, obeying laws and legislation and even the protection of Company assets against a possible fraud within reasonable limits. Internal control systems based on and defined by these general applications are implemented at all corporate levels.

**Behavioral Pattern:** Behavioral pattern puts forth special rules in the relations with the representatives of Public Administration and identifies the main operational applications indicated at the Code of Ethics, by classifying a proper behavioral pattern as “to do” and improper behavioral patterns as “not to do”.

**Internal Executive Procedures and Policies of the Company:** These elements, as a natural extension of the internal control system, comprise the main fields of business. Thus, they specify the internal rulers related to the main fields of activity of the Company.

Türk Prysmian identifies the internal rules and structure related to the main fields for its officers and managers alike via regulations and policies such as Recruitment, Purchasing, Investment, Environmental Protection, Information Systems, Stock Assessment and Intellectual Property Rights Regulations.

All the regulations and policies are presented to the officers in an updated manner from the intranet page of the Company.

Furthermore, **Please see.** Prysmian Group Values and Code of Ethics

### 26. Number, Structure and Independence of the Committees Comprised at the Board of Directors

Name of Committee	Number of Annual Meetings (Minimum)	Number of Members	Number of Independent Members
Auditing Committee	4	2	2

**Members of the Auditing Committee:** Ayşe Canan Ediboğlu, Banu Uzgur

Name of Committee	Number of Annual Meetings (Minimum)	Number of Members	Number of Independent Members
Early Risk Assessment and Risk Management Committee	6	3	2

**Members of the Early Risk Assessment and Risk Management Committee:** Ayşe Canan Ediboğlu, Ercan Gökdağ, Banu Uzgur

Name of Committee	Number of Annual Meetings (Minimum)	Number of Members	Number of Independent Members
Corporate Governance Committee	4	3	1

**Members of the Corporate Governance Committee:** Banu Uzgur, İsmet Su, Nevin Kocabaş

**Investor Relations:** Department manager informed about the activity of investor relations and prepare a report related to the Corporate Governance Communique item 11 and presented this report to the Board of Directors .

As per Article 4.5.1 of the Communiqué of the Capital Market Board Serial IV no. 56 regarding the Determination and Implementation of Institutional Management Principles, the duties of the Institutional Management Committee comprise the establishment of **Nomination and Charging Committees**; however it has been decided for the duties of such committees to be executed by the Institutional Management Committee again as per the same article, and thus the Working Principles of the Institutional Management Committee has been determined as to cover the fields of duty and working principles of that former committees as well.

All committees are properly working according to the working principles and according to the legislations.

Detailed information related to the working principles of all the committees have been disclosed to the public under the “*Investor Relations*” section at the Company web site.

#### Assessment of the Functioning of Internal Audit, Internal Control and Risk Management Systems during 2018 Activity Period

Working in the cable sector, Prysmian Group has established adequate Internal Control, Internal Audit and Risk Management systems (internal systems), suitable to its activity and business branches. In the formation of the internal systems, both the local legislation and the requirements of Prysmian Group have been taken as basis for monitoring and managing risks integrated with the activities. The internal systems are in compliance to independency, objectivity, effectiveness, adequacy and division of powers within the organization. All our activities and business processes target customer satisfaction, sustainable income generation and risk-sensitive capital management and elevating the economical values of the shareholders. Prysmian Group Board of Directors is responsible to ensure that the internal systems are established and administered in compliance with the legislation, and the activities of this responsibility related to financial control and audit is conducted by the hand of the Committee responsible from Audit. In performance of this function, the Auditing Committee reviews, evaluates in detail the reports received by the Audit Department founded to review, audit and report on the effectiveness of our processes on financial terms; give the necessary instructions to the Company management and submits to the information and approval to the Board of Directors as necessary. The Board of Directors conducts its activities under the structure and coordination of the Auditing Committee. The Auditing Directorate reviews the financial effectiveness of all the business processes of the Company, tests the suitability, efficiency and implementation level of the relevant audit mechanisms, identifies the measures to be taken to eliminate the deficiencies if any together with the operational departments and reports the results thereof to the Auditing Committee.

### 27. Financial Rights Granted to the Board of Directors

The rights granted to the members of the Board of Directors are decided at the General Assembly and there is no rewarding mechanism reflecting the Company performance of that is based on the performance of the members of the Board of Directors in determining the financial rights thereof.

During 2018, TL295,000 before-tax attendance fee was paid to the independent members of the Board of Directors. Other than this, there is no payment that has accrued for 2018 and paid to the members of the Board of Directors and to the other executive management. Furthermore, no loan was given to any member of the Board of Directors or Senior Manager of the Company within the period, no credit was made utilized, benefit was not obtained under the title of a credit through the mediation of a third party and securities were not given on their behalf such as bails.

### 28. Miscellaneous

#### The Report's conclusion covering the company's relationship with the parent company and subsidiaries as per the provisions of the Turkish Commercial Code no 6102 and the Capital Markets legislation;

- It was understood that our Company's long-term and continuous purchase of commercial good and services from its affiliates was not more than 10% of the cost of sales in the publicly disclosed 2018 financial statements, and that the selling transactions was not more than 10% of the total revenues in the publicly disclosed 2018 financial statements,
- That the transactions with our affiliates were carried out, by way of making counter promises measuring up with its peers, in line with the group transfer pricing directives and in conformity with Transfer Pricing rules with no distinction of countries or companies as per our company's board resolution of 09.05.2014 no 2014/16 and that they were reasonable within the frame of commercial standards;
- The audits and assessments found that, according to the known circumstances and conditions relating to Affiliated Party Transactions; in each legal transaction between our Company Türk Prysmian Kablo ve Sistemleri A.Ş. and the parent company and subsidiaries mention in article 199 of the Turkish Commercial Code, a suitable counter promise was ensured in each legal transaction in 2018, with no taken or avoided measures or the Company suffered no losses because a certain measure was aken or avoided.

As there were no losses, there was no need for loss offsetting.

#### Legal Basis of the Annual Report:

The Annual Report for the Group's Fiscal Year 01.01.2018 - 31.12.2018 was drafted as per paragraph three of article 516 of the Turkish Commercial Code, and article 518 based on the provisions of the “Regulations Covering the Determination of the Minimal Contents of Annual Corporate Reports” of the Ministry of Customs and Trade and “Directives on Financial Reports in the Capital Markets” of the Capital Markets Board.

#### Principles for the Drafting of Annual Report:

The annual report correctly, completely, honestly and accurately reflects the flow of businesses and transactions of the company for the related fiscal year, its financial situation in all aspects, in a manner also protecting the company's rights and interests. The annual report contains no misleading, exaggerated and misunderstandable, and incorrect statements. Pains were taken to make sure the annual report would completely and accurately detail all information about the company's activities accessible to corporate shareholders.

#### Endorsement of the Annual Report:

The Group's annual report for the 01.01.2018 - 31.12.2018 fiscal year was signed and endorsed by the Board Members on March 11, 2019.

#### Chairman of the Board of Directors

**Halil İbrahim KONGUR**

## 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 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 way 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: INTRODUCTION

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 ethical standards, complying with all applicable legislation and regulations, so as to prevent all unethical or illegal conduct.

The Prysmian Group, in the conduct of its business, stands up for the respect and protection of human rights, safeguarding the dignity, freedom and equality of human beings. The Prysmian Group repudiates all forms of discrimination and illegal conduct and activities, such as corruption, forced or child labor.

In this respect, the Prysmian Group operates within the general reference framework of the United Nations Universal Declaration of Human Rights and of the Fundamental Conventions of the International Labor Organization (ILO)

#### 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 an 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 must take on the commitment of 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 actual implementation;
- we impose sanctions for any violations of these policies and principles;
- we maintain accurate books and records, and assure the investors and the community as a whole total transparency about our activities;
- we promote integrity and fair competition between parties in the pursuit of challenging goals and new objectives;
- we openly oppose any corrupt practices aimed at obtaining improper advantages both in our relations with the Public Administration and Public Stakeholders in general, as well as with Private Stakeholders;
- we strive after customer satisfaction both in terms of product quality and excellence of our services;
- we protect and reinforce the intrinsic value of all our employees;
- we respect the environment and use natural resources responsibly, with the goal of advancing sustainable development and protecting the rights of future generations.

### ARTICLE 3: SHAREHOLDERS

The Prysmian Group is committed to guaranteeing transparency and equal treatment to all classes of shareholders, and to avoiding preferential treatment of any class or company. We pursue the reciprocal benefits that derive from belonging to a group of companies, while respecting all applicable legislation 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 in terms of quality, safety and performance is based 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 feel we have a responsibility to support the community. It is our goal to take part in and promote 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 full and active cooperation and 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: SUPPLIERS

The Prysmian Group recognizes the key role of suppliers in improving its ability to satisfy customers' needs.

The Prysmian Group promotes the development of durable relations with suppliers, in a reciprocal approach of lawfulness, transparency, honesty and collaboration, as commonly accepted principles of business ethics.

In order to ensure that purchasing processes comply with the ethical principles adopted, Prysmian Group can introduce, for certain supplies, social, health and safety or environmental prerequisites, whose violation can trigger disciplinary actions, including possible termination of business relations.

In particular, agreements with suppliers whose operations are located in certain countries - categorized as being "at risk" by recognized organizations - can include clauses with reference to specific requirements or the possibility for Prysmian Group to hold inspections at the offices or plants of the supplier in order to verify that such requirements are being met.

### ARTICLE 7: HUMAN RESOURCES

The Prysmian Group recognizes the central role of human resources as an essential factor for success in its business activities. The professional contribution of employees, in a framework of mutual loyalty and trust, is therefore considered as a crucial element for the development of Group's activities.

Group Companies safeguard safety and health in working environments and consider the respect of worker rights fundamental to the carrying out of business activities. The Prysmian Group promotes equal opportunities and enhances the professional development of individuals, forbidding any sort of violence or harassment, either sexual or based on personal, political and cultural diversity.

### ARTICLE 8: ENVIRONMENT

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

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

**ARTICLE 9: 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 any employee of a government owned or controlled entity or a public international organization, any political party and 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 conduct 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 illegitimately awarding business, providing confidential information, or an improper business advantage.

The Anti-Bribery regulations require adherence to other Group policies and procedures promulgated from time to time concerning:

- Offering, paying, or accepting gifts or courtesies; offers of entertainment or free trips 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 10: INFORMATION - BOOKS AND RECORDS**

The Prysmian Group is aware of the importance of correct information on its own activities for the investors and the community at large.

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 all other similar compulsory corporate documents.

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 11: 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 dispose of any product, technical data or service contrary to applicable export control laws.

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

**ARTICLE 12: PREVENTION OF MONEY-LAUNDERING, HANDLING OF STOLEN GOODS AND USE OF ILLEGAL PROCEEDS AS WELL AS OF SELF-LAUNDERING**

All Group Companies are aware of the key role that they play in the fight against money-laundering, handling of stolen goods and self-laundering.

Therefore, Group companies are committed to implementing measures to combat money-laundering. In addition to other duties and responsibilities, it is strictly forbidden to:

- buy, replace or transfer money, goods or other assets if there is knowledge of their criminal origin, or perform any other operations that might lead to concealing their illegal origin;
- replace or transfer money, goods or other assets having criminal origin, or perform any other operations that might lead to concealing their criminal origin;
- use money, goods or other assets for economic or financial activities if there is knowledge of their criminal origin.

**ARTICLE 13: CONFLICT OF INTEREST**

With a view to safeguarding the interests of the Group Companies, the Covered Parties must avoid (and, in any case, must report) any situations and/or activities that might lead to a conflict of interest or interfere with their ability to make impartial decisions.

More generally, in their relations with third parties, the Covered Parties must act ethically and transparently and they are strictly forbidden from engaging in any improper favouritism, collusive practices and solicitation of personal advantages for themselves or anyone else.

**ARTICLE 14: OBSERVANCE OF CODE AND CODE REVIEW; MANAGING REPORTS OF ALLEGED VIOLATIONS**

All Group Companies, Corporate bodies, and Covered Parties must strictly adhere to this Code, to all applicable legislation and regulations, and to all regulations and procedures that the Prysmian Group may adopt 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 alleged violations of law, of this Code or of ethical standards, so that they can be investigated and dealt with appropriately. This obligation extends to any instance where there is reasonable suspicion, without certitude, that a violation is taking place. For information on how to report any violations, please refer to the "Whistleblowing Policy".

Failure to comply with the duty to report any wrongdoing is itself a violation of this Code and could 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. Failure to cooperate or deliberately giving false or misleading information during investigations is punishable with sanctions that could even include dismissal in the case of an employee or termination of business relations for customers, suppliers or other third parties.

The Code of Ethics lives and evolves with the development of the business in the competitive world in which we operate.

The review of the Code must be approved by the Board of Directors of Prysmian S.p.A., further to the positive opinion of the Control and Risk Committee and having heard the opinion of the Director in charge of the internal control and risk management system.

All Covered Parties must promote the values of the Code of Ethics. Consequently, anyone who becomes aware of a possible violation of the principles outlined in the Code of Ethics is bound to report it, as envisaged under the Whistleblowing Policy.

Regardless of the way the episode is reported, Prysmian will protect the anonymity of the whistleblower and make sure that he/she will not be subjected to any form of retaliation.

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

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**Prysmian**  
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