



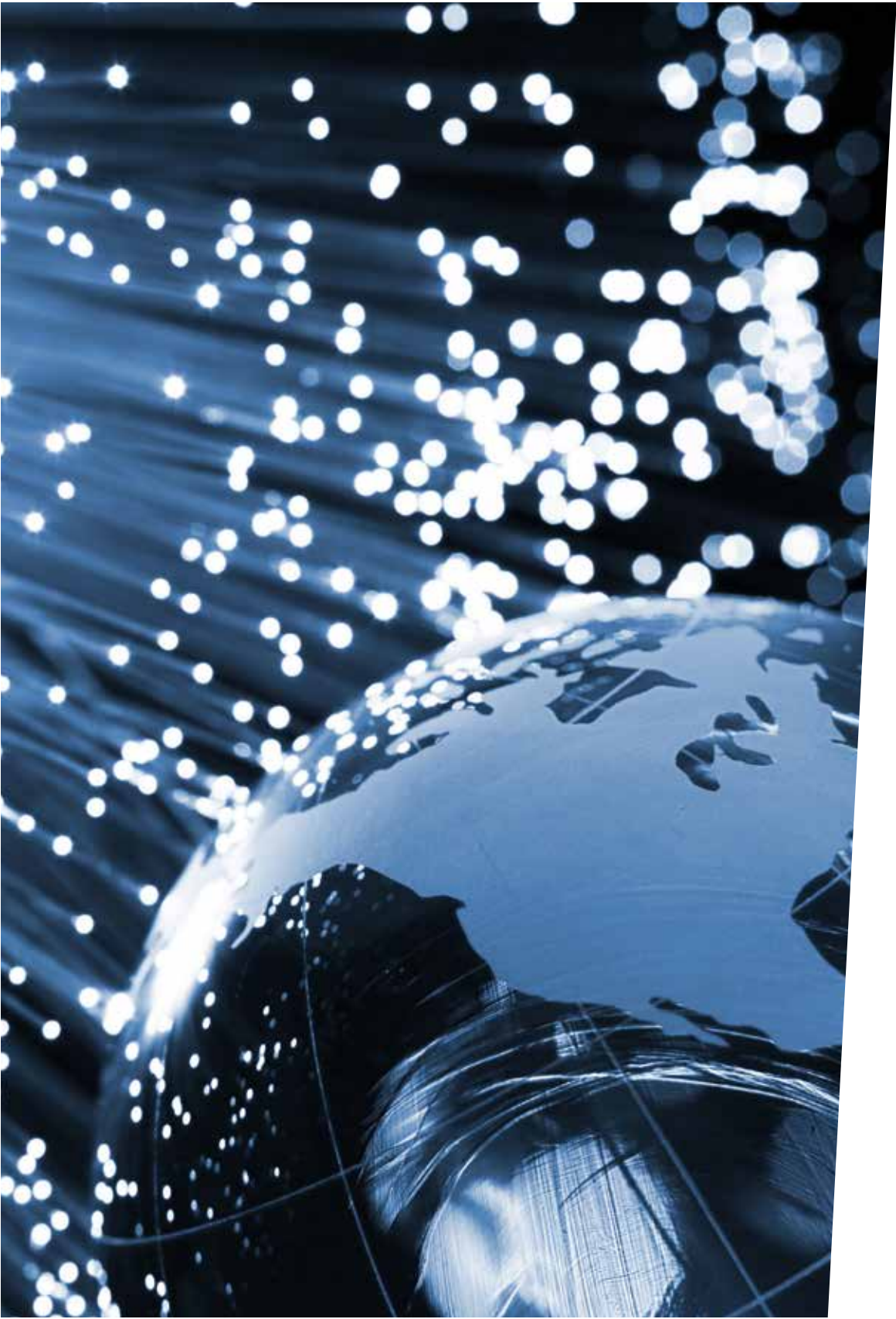
PRESTIGIOUS PROJECTS BRIDGES HIGH QUALITY STANDARDS  
TECHNOLOGY LINKING TURKEY TO THE FUTURE  
TECHNOLOGICAL ADVANCEMENTS WORLDWIDE LEADER STADIUMS  
TUNNELS SHOPPING CENTERS RESIDENCES  
PIONEER MINES HIGH QUALITY STANDARDS TECHNOLOGY WIDE RANGING

## Türk Prysmian Kablo ve Sistemleri A.Ş.

2017 ANNUAL REPORT

Türk Prysmian Kablo ve Sistemleri A.Ş.

2017 ANNUAL REPORT



# Türk Prysmian Kablo ve Sistemleri A.Ş.

## CONTENTS

### Preliminary Information

- 4-5 Message from the CEO
- 6-7 Türk Prysmian Kablo ve Sistemleri A.Ş. at a Glance
- 8 Organizational Structure
- 9 Company Boards
- 10-11 Board Members
- 12-13 Managers
- 14 Sales Structure
- 15 Prestigious Project References

### Directors' Report

- 16 2017 Economic Overview
- 17 2018 Economic Expectations
- 18 2017 Sector Evaluation
- 19 R&D Activities
- 20 Attention! All Cables Are Not The Same...
- 21 Corporate Social Responsibility
- 22-23 Financial Analysis
- 24 The Statement of Responsibility & Dividend Distribution Proposal
- 25 Ordinary General Assembly Agenda

### Auditors' Reports

- 26 Independent Auditor's Report Related to the Annual Report
- 27-69 Independent Auditor's Report on Consolidated Financial Statements

### Principles

- 70-81 Compliance Report
- 82-84 Türk Prysmian Ethical Code

## MESSAGE FROM THE CEO



### Dear Shareholders,

Since the founding of our company in 1964, we have been leading the Turkish cable industry, with important accomplishments in the business. Inspired by our motto **“Linking Turkey to the Future”** which we have announced in 2011, we are making significant contributions to Turkey’s industrialization with our innovative products and investments.

After a very tough year, both economically and politically, there were also positive developments both in Turkey and around the world in 2017. We all saw that the Turkish economy witnessed a very quick recovery period thanks to the economic measures taken. We, as Türk Prysmian Kablo, closed another successful year in 2017, as in previous years.

With a capital increase, 2017 was also a Remarkable year for both our shareholders and us. Thanks to this capital increase, there has been a flow of TL 70,5 million in cash into the company. The usage of privileged rights reached up to 99,45%. The remaining shares were sold in the secondary market and the process was finalized with 100% contribution. The company’s equity became stronger after this successful capital increase process. This 100% participation made us proud, demonstrating once again the trust and support of all of our investors, most notably our majority shareholder, for our Company.

### Key Achievements

As the Turkish operation of the Prysmian Group, worldwide leading company in energy and telecommunication cables industry, we had the chance to demonstrate once again that the motto “Linking Turkey to the Future” was not just a corporate motto, thanks to the projects we have carried out in 2017.

As the cable supplier of many projects including Istanbul’s 3rd Airport, Yavuz Sultan Selim Bridge, Osmangazi Bridge, Dardanelles Strait Submarine Cable Project, Marmaray, Gerde Tunnels, Ilgaz and Avrasya Tunnel, which are some of Turkey’s giant projects, Türk Prysmian Kablo is again well-positioned to lead the industry in 2017. Some of the major projects we were proudly involved in and where our cables were used during the preceding year include Skyland İstanbul, which will be the tallest skyscraper in Turkey; Star Refinery, Turkey’s first private sector refinery; Eskişehir City Hospital, which has been chosen as the best health project in Europe; Kazan Soda Electricity Generation Facility, the biggest manufacturer of natural heavy soda ash and sodium bicarbonate in Europe; Şanlıurfa Göbeklitepe Museum, a UNESCO World Heritage candidate with a history dating to at least 11.600 years back; and Gaziantep Iconova projects, which were awarded the “Best High-Rise Architectural Residential Project” both in Turkey and in Europe.



Furthermore, with the “**Attention! All Cables Are Not The Same...**” initiative we have been running since 2012, we led the way in the Construction Products Regulation (CPR), one of the most important milestones in our high quality and safe product journey which we are focusing on, once again demonstrating our expertise and leadership in the industry. We conducted many seminars in order to inform our industry about the Construction Products Regulation, which has become legally effective on July 1, 2017; we also prepared brochures and information cards detailing this regulation. CPR, as in the year 2017, will continue to be one of the most important topics of the Turkish cable industry in 2018. Being aware that we are the industry leaders, we will continue our efforts to inform the industry and create awareness in topics including quality and performance just we did in 2017.

### Human Resources

Our highly educated, qualified, and accomplished personnel who continuously invest in themselves have a significant share in our pioneer role in the industry and our achievements. In a period when technology is rapidly moving and Industry 4.0 is becoming the main item on the agenda, we aim improving our qualified workforce on a continuous basis and are permanently investing on our human resources in line with this goal.

Although the Prysmian Group has 82 factories in 50 countries, the Group asks us to train, improve and give similar skills to the members of staff, who have high potentials of becoming senior executives in global positions, at our Manufacturing Academy in Mudanya before their assignments, which is the biggest indicator of their trust in Turkey. In order to uphold this trust, we will continue to stand out within the Group in 2018 as well with our successful approaches.

### Future Outlook

As in 2017, the markets may face uncertainties due to macroeconomic dynamics and geopolitical risks also in 2018. Although we are aware of the risks we must manage, we have positive expectations for the year 2018.

Although we predict that 2018 will be not be an easy year, thanks to the strength we draw from the Prysmian Group, of which we are a part, and the support and positive energy of our self-sacrificing personnel, customers, suppliers and all of our shareholders who do not spare their support in our activities as well as our technological leadership, our openness to development, and our pioneering role, we believe that we will be able to maintain this momentum in 2018.

**Erkan Aydođdu**  
CEO



**Ercan Gökdağ**  
Board Member  
& CFO

**Erkan Aydođdu**  
Vice Chairman  
& CEO

**Halil İbrahim Kongur**  
Chairman  
& Factory Director

## TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.

## GENERAL INFORMATION

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

As being a member of Prysmian Group and as the oldest well-established and leading company in its sector, **our vision** is; to exhibit a creative and superior performance within the workforce with its distinguished and innovative role, to have an organizational structure which emphasizes openness and social responsibility, to keep customer satisfaction by providing long-term partnerships, to create a value for its stakeholders with permanence, to dedicate itself to improve the social conditions, to be always the leader of the sector in Turkey and international platform.

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

Our annual report includes the period of 01.01.2017 and 31.12.2017.

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

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

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

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

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

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

**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 01.01.2017 - 31.12.2017 of our Company, change of Articles of Association has been made on 28.04.2017 and 09.02.2018 and it was announced at The Public Disclosure Platform. The link is below.

<https://www.kap.org.tr/tr/Bildirim/603350>

<https://www.kap.org.tr/tr/Bildirim/662490>

<https://www.kap.org.tr/tr/Bildirim/659328>

In accordance with board of directors decision of the company which is held on 13.07.2017; total capital of the company was increased to TL141,733,652 (hundred and forty one thousand million seven hundred thousand thirty three thousand six hundred and fifty two) by paid TL29,500,000 (twenty-nine million five hundred thousand) in cash with the ratio 26.28%.

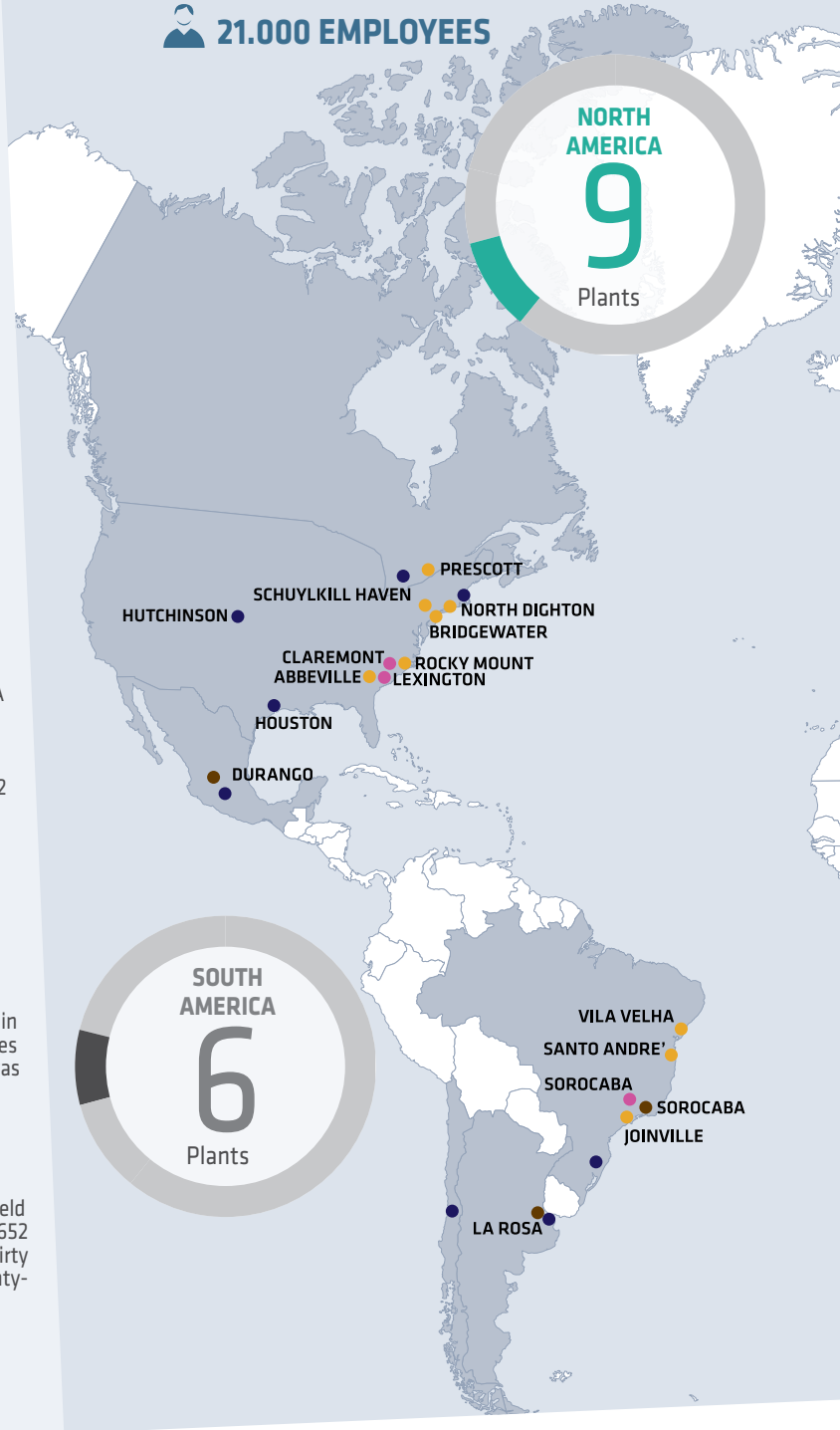
The revised edition of the articles of association is available on [www.prysmiangroup.com.tr](http://www.prysmiangroup.com.tr) and [www.kap.gov.tr](http://www.kap.gov.tr).

 50 COUNTRIES

 82 PLANTS

 17 R&D CENTERS

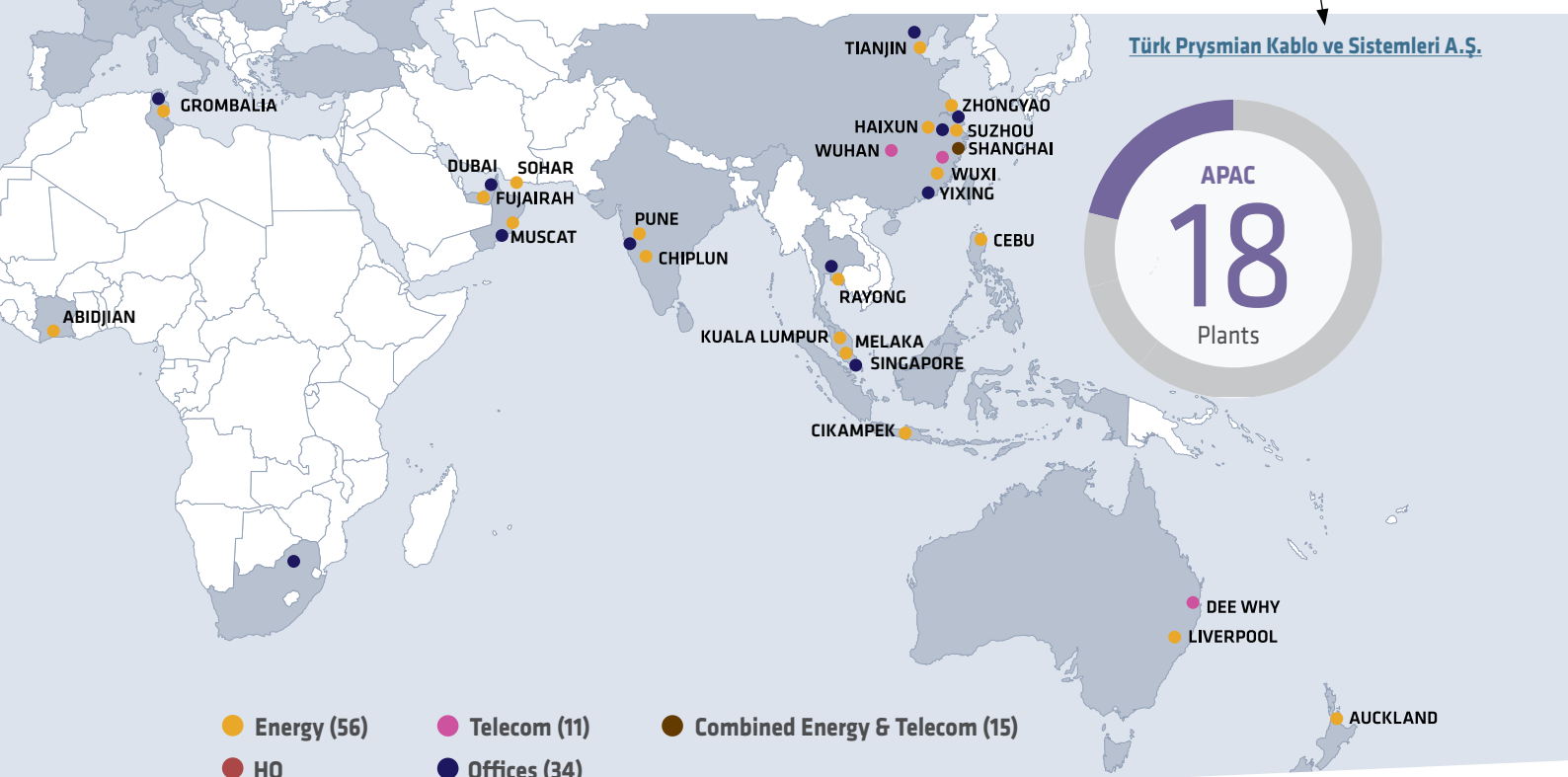
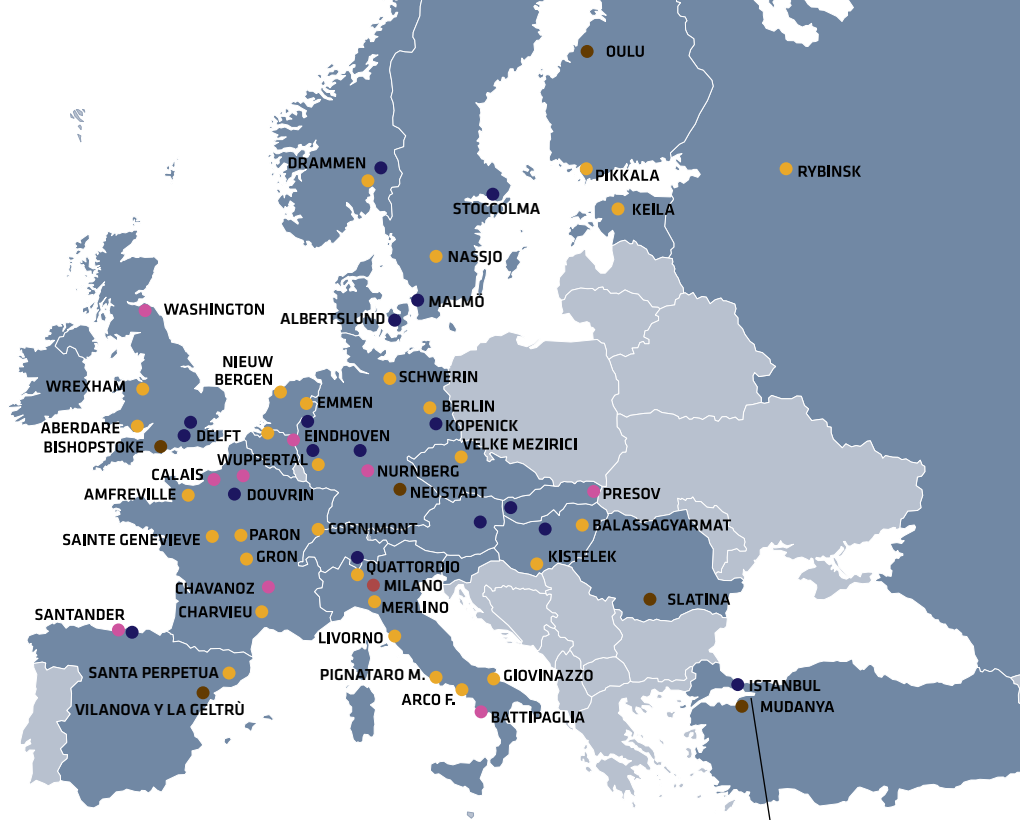
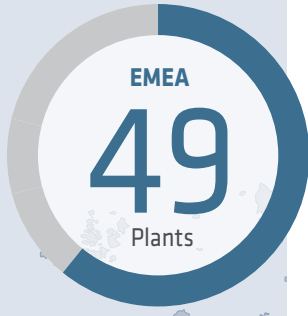
 21.000 EMPLOYEES



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

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

The company stands out in Prysmian Group as one of the 10 plants that can simultaneously produce energy and telecom cables. All the energy cables up to 220 kV, copper conductor communication cables up to 3.600 pairs, optical fiber cables, 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.



The installed capacity of Türk Prysmian is also at a level to compete in the international markets. Türk Prysmian, with its 91% capacity saturation in 2017 and which continues to be a privileged export center within the Prysmian Group exported approximately 27% of its TL1,176,349,873 turnover in 2017. 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 17 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>Fabio Ignazio ROMEO</b>
<i>Independent Board Member</i> .....	<b>Ayşe Canan EDİBOĞLU</b>
<i>Independent Board Member</i> .....	<b>Ali Aydın PANDIR</b>
<i>Independent Board Member</i> .....	<b>Mehmet Emin TUTAN</b>

**Audit Committee**

<i>Chairman</i> .....	<b>Ayşe Canan EDİBOĞLU</b>
<i>Committee Member</i> .....	<b>Ali Aydın PANDIR</b>

**Corporate Governance Committee**

<i>Chairman</i> .....	<b>Ali Aydın PANDIR</b>
<i>Committee Member</i> .....	<b>Fabio Ignazio ROMEO</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>Ali Aydın PANDIR</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 Aydoğdu**  
**Vice Chairman & CEO**

Erkan Aydoğdu started to work in the Production Planning department, in 1997 within Prysmian family. Aydoğdu, who went to Italy in 2000 as Process Kaizen Engineer, was the leader of continous improvement teams in Europe's diffent facilities between 2001-2002. Aydoğdu 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 Aydoğdu has been working as CEO and Vice Chairman of Türk Prysmian. Aydoğdu is graduated from Middle East Technical University department of Mechanical Engineering.



**Ercan Gökdağ**  
**Board Member & CFO**

Ercan Gökdağ 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.



## BOARD MEMBERS

**Fabio Ignazio Romeo****Board Member (Draka Holding B.V. natural person per procuration)**

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

**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 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.

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

Ali Aydın Pandır has been serving Erdemir's Chairman and Managing Director since November 2013. Employed as Tofaş's CEO and a member of Tofaş's Board of Directors between 2006 and 2012, Pandır has also served in positions such as supply chain director and general director/CEO in General Motors factories located in Indonesia, Singapore and Chinde between 1996 and 2006. Between 1993 and 1996, he worked as Aftersales services manager for Opel Germany, followed by his employment in the same position in General Motors. Starting his career in Tekersan Jant Sanayii, Pandır worked as Production Manager in Otokar A.Ş. from 1984 to 1989 and as Project Engineer in Koç Holding A.Ş. between 1982 and 1984. Pandır is a graduate of İstanbul Technical University, Department of Mechanical Engineering.

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

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



## MANAGERS



**İ. Etem Bakaç**  
**E&I / Domestic Sales Director**

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



**İlker Bertan Bilgin**  
**Logistics Manager**

İlker Bertan Bilgin started his career as an CAE Project and Application Engineer at FIGES in 2004. In 2005 he joined Prysmian family as Industrial Improvements Engineer. In the same year, he changed his position to Energy Production Planning Chief. He was appointed as Energy&Telecom Planning Chief in 2010 and as of January 2015, he continues his career as Logistics Manager of Türk Prysmian. İ. Bertan Bilgin is graduated from University of Uludağ, Mechanical Engineering department and also he completed his MBA at the same University.



**Ufuk Çolak**  
**Telecom Solutions Manager**

Ufuk Çolak has joined Prysmian family in 1994 and has worked in different roles in Sales and Marketing department. Çolak has worked as FP Product Manager at Prysmian Cables UK from 2007 to 2009. On his return to Turkey in 2010, he started to work as Key Account Manager. Before its appointment to his current position on 2014, he was working as Marketing and Business Intelligence Manager. Ufuk Çolak is graduated from Istanbul Technical University department of Electrical Engineering.



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

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



**Mert Erden**  
**Industrial Sales Manager**

Mert Erden has joined the Prysmian family in 2003 as Strategic Metals Purchasing Engineer at the Purchasing department. In 2006, he has moved to Sales department and worked as Regional Export Sales Chief between 2006-2012, as Istanbul Region Sales Manager between 2012-2016. Since 2017, he has been working as Industrial Sales Manager. Erden has graduated from Yıldız Technical University as a Mechanical Engineer and completed his MBA degree at Koc University.



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

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



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

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



**İlhan Öztürk**  
**Oil & Gas Menat & CIS Regional Sales Director**

İlhan Öztürk has worked in various positions in Sales and Logistics departments in Cable sector since 1994. Öztürk has joined Prysmian family as Industrial Sales Manager. Between 2010 - 2011, he worked as Export Sales Manager and has been working as Specialties & OEM Sales Director since 2011. Öztürk is graduated from Istanbul Technical University department of Electrical Engineering.



**Zekeriya Şirin**  
**Research & Development Manager**

Zekeriya Şirin started his professional career in Logistics department of Prysmian family as Planning Engineer in 1998. He worked in mainly TPM projects at design-development, process-production, quality control, energy cable production departments. He worked as Design Engineer after 2003; and was appointed as R&D Design Chief in 2010, R&D Design Manager in 2014. He is currently working as R&D Manager. Zekeriya Şirin is graduated from Yıldız Technical University, department of Chemical Engineering and completed the MBA programme in Uludağ University in 2011.



**Yiğit Türsoy**  
**Legal Affairs Director**

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



**Tamer Yavuztürk**  
**Marketing and Business Intelligence Manager**

Tamer Yavuztürk has joined Prysmian family in 2005 as Product Manager, he was appointed as Marketing Chief in 2007 and Regional Export Sales Manager in 2009. He has worked as Key Account Manager between 2011 and 2014; since 2014 he has been working as Marketing and Business Intelligence Manager. Tamer Yavuztürk has an Electrical Engineering degree from Istanbul Technical University. He lived and worked in London between 1999 and 2005; and during this period he has completed his MBA-International Marketing course in the University of Leicester. He also has a masters degree in Financial Economics from Istanbul Bilgi University.

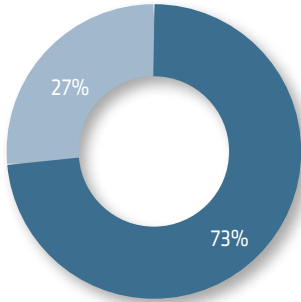




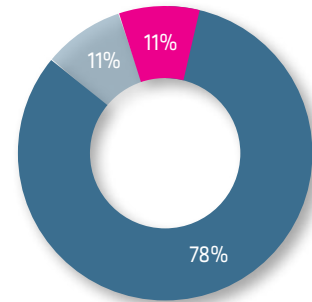
## SALES STRUCTURE

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

Our company's sales structure in 2017 is as below:



Domestic Market:	TL857,419,110 (73%)
Export:	TL318,930,763 (27%)
<b>Total:</b>	<b>TL1,176,349,873</b>



Energy-Cables:	TL917,552,901 (78%)
Energy-Projects:	TL129,398,486 (11%)
Telecom:	TL129,398,486 (11%)

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

Adnan Elektrik	Delta Tema Elektrik	Gerilim Elektrik	Öztek Enerji
Alfa Elektrik	Derya Elektrik	Güzel Ufuk Elektrik	Panosan Elektrik
Asal Elektrik	Des Elektrik	Karadeniz Elektromarket	Promeda Elektrik
Aymeda Elektrik	Egesim	Kıraç Elektrik	Santral Elektrik
Cihan Elektrik	Ekay Elektrik	Mefa Elektrik	Timur Elektrik
Çağın Elektromarket	Elpim	Oskar Elektrik	Tümpa Elektrik
Çetin Elektrik	Fındıkkaya Elektrik	Özcan Elektrik	Yılmaz Elektrik

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

ABB	Diler / Yazıcı Demir Çelik	Karadeniz Enerji	Taisei
Akdeniz İnşaat	Dodsai Engineering	Key Mühendislik	Technip
Alarko	Doğuş İnşaat	Makyol İnşaat	TEİAŞ
Alcatel-Lucent	Enerji-SA	Metro İstanbul	Tekfen
Alsim Alarko	Ereğli Demir Çelik	Net Mühendislik	Teleset
Alstom	Eti Bakır	Nuh Çimento	Torunlar
Amec FW	Fokabeks	Petrofac	Tutle & Hughes
Anel Grup	Gama Holding	Polimeks İnşaat	Tüpraş
Arçelik	Grid Solutions Enerji	Rönesans Holding	Türk Telekom
Areva	Habaş	Sasel Elektromekanik	Türkiye Taş Kömürü Kurumu
AE Arma Elektropanç	Havelsan	Savronik	Vestel
Astaldi	İçdaş	Schneider Elektrik	Vodafone
Beşiktaş Gemi İnşa	İlk İnşaat	Siemens	Yapı Merkezi
CAF Sinyalizasyon Sistemleri	İnşel	Siemens Rail Automation	Zorlu Enerji
Çalık Enerji	İskenderun Demir Çelik	Superonline	
Dia Holding	İstanbul Ulaşım	ŞA-RA Enerji	



## PRESTIGIOUS PROJECT REFERENCES

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

### SOME REFERENCE PROJECTS FROM 2017

<b>Skyland İstanbul</b>	The Tallest Building in Turkey After Completion
<b>Şanlıurfa Göbeklitepe Museum</b>	UNESCO World Heritage Candidate With Its At Least 11.600 Years History
<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>Eskişehir City Hospital</b>	Europe's Best Health Project
<b>Star Refinery (SOCAR)</b>	Turkey's First Private Sector Refinery
<b>Gaziantep Iconova</b>	"Best Architecture Multiple Residence" in Turkey and Europe - European Property Awards

### SOME REFERENCE PROJECTS FROM 2016

<b>Istanbul's New Airport:</b>	World's Biggest Airport After Completion
<b>Yavuz Sultan Selim Bridge:</b>	World's Tallest Suspension Bridge With a Railway System
<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>Ilgaz 15 July Independence Tunnel:</b>	Turkey's Tallest Tunnel Open To The Traffic

### SOME 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

### SOME 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

### SOME REFERENCE PROJECTS FROM 2013

<b>Avrasya Tunnel Project, 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)

### SOME 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

### SOME 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



## 2017 ECONOMIC OVERVIEW

Being one of the most important global monetary policymakers, FED, in line with the expectations, ended the year 2017 with three interest rate increases, delivering a 75 basis point increase in the policy rate. In its September meeting, FED demonstrated its resolve on policy normalization in parallel with the economic recovery which gained momentum in the US, however, concerns that FED could tighten its monetary policy more than expected in September and October 2017 led to a slightly weakened global risk appetite and the retrenchment, albeit limited, in portfolio flows to emerging market economies, with the USD/TL exchange rate increasing to 3.95. Reduced concerns about such concerns with respect to FED's monetary policy following its December meeting led to the recovery of global risk appetite, with the portfolio flows to emerging market economies regaining some ground in December and the USD/TL exchange rate falling and closing the year at 3.70.

Positive growth performance during the first half of 2017 in the global economy was maintained both in advanced economies and in emerging market economies in the third quarter. In its December meeting, the European Central Bank raised its growth and inflation forecasts and updated it as 2.4% for 2017 and 2.3% for 2018. In December, the EUR region saw the production and services PMI data hitting its highest level in the last seven years. The positive macroeconomic outlook of the Euro Zone where the economic confidence index is at its highest for the last 20 years increases German bond yields. In addition to the strong economic data in the region recently, and supported by the statements of the officers of the European Central Bank the EUR/USD exchange rate ended the year at 1.1972. In this period, while a positive growth performance was seen in the developed countries, mainly in the Euro Zone and in Japan, the slowdown particularly in the UK's growth rate continued. The Bank of England, in its November meeting, raised the interest rates for the first time in the last 10 years.

On the emerging market economies side, the growth rates increased in Latin America and Eastern European regions in 2017. While the tendency towards recovery has become much more visible in Brazil, a Latin American Region, the rapid growth in the Turkish economy has been the most important factor pushing the East European growth rate up. While China's growth rate was in 6.9% in the same period, annual growth was seen to be accelerating for the first time in the last seven years.

Consumer inflation increased by 0.72 points compared with the end of the previous quarter, ending the year 2017 at 11.92. Inflation increased led by the Turkish currency losing its value against a basket of currencies and increased import prices, mainly of oil. The overall demand conditions have also been in favor of the upward trend in inflation. The annual inflation of basic goods increased by 2.75 points to 15.45 percent in the last quarter of the year. Dropping in the third quarter, the annual food inflation increased by 1.28 points to 13.79 percent in the last quarter of the year.

Due to the depreciation of the Turkish currency and the increase in international commodity prices, mainly in oil and industrial metals, the Consumer Price Index, which continued to increase in October and November, slightly dropped because of base effect in December and ended the year at 15.47%. In the last quarter, the cost-push pressures on consumer prices maintained their solid trend. The overall commodity index in the fourth quarter of 2017 increased by 9 percent compared with the previous quarter based on the increase in energy and industrial metal prices. While energy prices increased by 14.1 percent, and industrial metal prices by 6.8 percent in the said period, precious metal and agriculture prices dropped by 0.4 and 2.7 percent, respectively. Fluctuating in 2017, gold prices ended the year at 1.303 USD/oz. Copper prices, on the other hand, stood at USD 7.100/ton.

The foreign trade deficit increased by 36.8% in 2017, with the imports increasing by 10.2%, and exports decreasing by 17.7% in the same period. The rapid rise in oil prices, revival of economic activities and increase in imports were the main drivers of the increase in foreign trade.

GDP demonstrated the best performance of the last six years in the third quarter of 2017, growing by 11.1 percent annually. With regards to production, all main industries positively contributed to the annual growth during the third quarter. The strong trend in the construction industry greatly contributing to growth in the third quarter as well as to annual growth is expected to continue in the last quarter too with the support of the continued tendency to grow in infrastructure investments, despite a slight slowdown. The main driver in the third quarter's growth, just as in the second quarter, has been domestic demand, and public spending slowed down while private spending strongly supported growth in the third quarter. The increase in domestic demand was due to private spending and machinery and equipment investments, and machinery and equipment investments showed a marked increase while construction investments slowed down compared with the previous period.



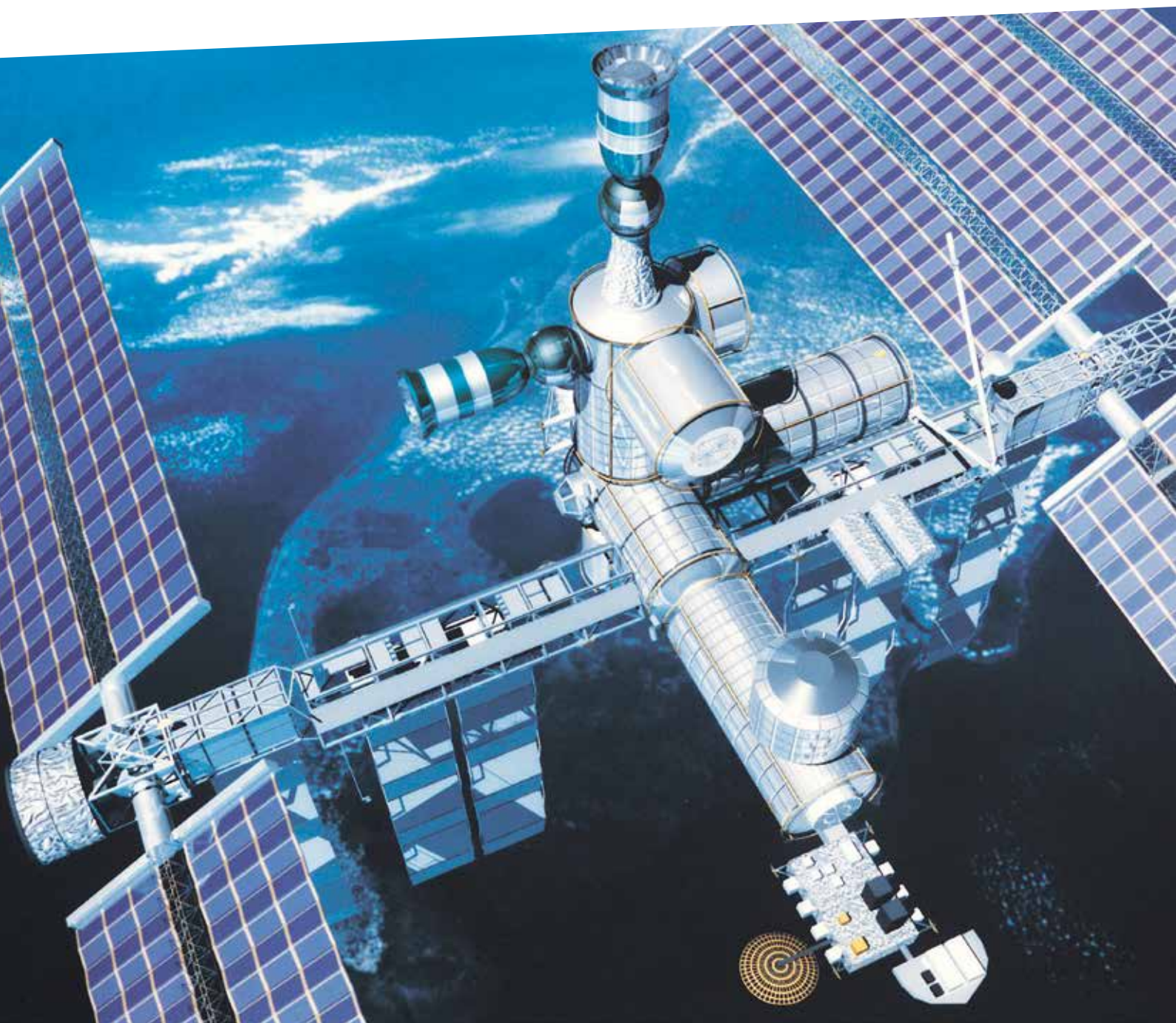
## 2018 ECONOMIC EXPECTATIONS

In Turkey, the Turkish Central Bank, in its December meeting, maintained the indicative interest rate, despite higher interest rate expectations, increasing the late liquidity window lending rate by 50 basis points to 12.75%. Current market interest rates saw an increase in the same period. Based on the statements, it was projected that inflation would stand at 7.9 percent at the end of 2018, slowing down to 6.5 percent at the end of 2019, stabilizing at 5 percent in the medium term under a strict policy stance aimed at decreasing the inflation.

No improvements in medium-term inflation projections keep the upward risks on inflation live both through price adjustments and general pricing behaviors. The increase in consumer prices may be expected to fall slightly in 2018.

In 2018, in addition to the fact that the effect of supportive policies in 2017 will decrease, the tight stance in monetary policies and the financial measures within the scope of Medium-Term Programme being the main elements of credit growth and normalization in economic activity, however, it may be considered that continued Credit Guarantee Fund support in 2018, although very limited, is a factor supporting domestic demand. It is expected that the recovery in tourism and the improvement in global growth outlook will continue to contribute to growth and current account balance through exports.

It is expected that the upward trend in oil prices will continue particularly due to the political development in Iran, production sanctions with the cooperation between OPEC and Russia, and decreased oil stocks in the USA. The ambiguity in the monetary policies of emerging market economies continues to play an important role with regards to the trend in capital flows and geopolitical developments. Foreign currency fluctuations resulting from these factors create risks on the timing of the support that the financial conditions can give to economic activity and power. The projection that Federal Reserve will raise the interest rates by 3 points in 2018 is well received by the market. The fact that the economic improvement in the EUR zone is at its highest in the last 10 years, stronger employment market and lower unemployment also support the Euro. The EUR/USD exchange rate estimates of financial authorities varies between 1.25 and 1.30.





## 2017 SECTOR 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 a cleaner 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. Based on all these developments, global cable consumption has reached to 17 million tons, and USD 135 billion.

As high technology product fiber optic cables 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. A bottleneck was observed in fiber raw material due to the demand and supply gap in the supply of fiber around the world and instances occurred where the demands could not have been satisfied briskly. The demand for energy cables continue to increase but at a very low rate. Also 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.

As Turkey's economy demonstrated a critical growth especially in the 3rd quarter of 2017 and as the construction industry that plays the principal role in the development of the cable sector continues to grow progressively, the positive dynamism seen in the recent years in the private sector building constructions and major superstructure projects was carried over to 2017; and thanks to projects realized particularly with the build operate transfer model, the transportation projects and prestigious housing projects, in 2017 the Turkish Construction sector continued to maintain the positive growth exhibited during the recent years. The increase in housing demands and cement sales support 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 85,000 MW as of the end of 2017. 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 hydroelectricity (HES) and geothermal (GES) plants constructed in recent years and the rise in wind (RES) and solar energy (GES) plants reveals the emphasis places on renewable energy. In the light of these developments, Turkey's becoming one of the most important players of the region in the energy field supports the development of the cable sector.

According to data from Information Technologies and Communication Technologies Authority, number of wide band internet subscribers around 68 million reflects the development of communication technologies 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 copper telecom cable production. As of the end of 3rd quarter 2017, number of fixed line subscribers in Turkey is 11,049,953 and the penetration rate has decreased by 0.3% compared to the same quarter of the previous year. However as of end of 2017 September, there are 77,882,845 mobile subscribers in Turkey. 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 higher quality awareness every day. According to studies and statistics made by institutions like TUIK and TIM during the recent years, total domestic and international sale 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. Importation volume of Turkish cable sector in 2017 has increased by 12% vs. the volume in 2016. However, this arises majorly from the increase in copper prices. When we eliminate the impact of copper and make the same comparison, it is seen that growth in exportation figures in 2017 and 2016 in real terms practically remains the same. The fact that our annual exportation 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 studies, opting for domestic products in local projects and more emphasis being placed on use of domestic products has positive impact on the domestic market.

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 higher fire-proof performance, and for the information and communication cables, the means to transfer more data in a faster way and by covering less space. Our cable sector is adapting itself to amended regulations and R&D studies are being carried out in respect of producing fire-proof cables and the sector benefits from advanced technologies and new generation cable technologies which will keep pace with this transformation.

Driven by growth of urbanization and overpopulation, there has been an increase in structures with higher fire risk which lead to development of safe fire-proof installation cables that will prevent loss of life and property in case of fire, which have features like low smoke density, halogen free, non-flame conductivity or conducting current under fire. LSOH and FE 180 type fire-proof cables are being used to allow evacuation of people in the building and operation of critical systems in the building in case of fire (emergency lighting, sound, announcement, automatic doors, emergency lifts, fire evacuation systems and jet-fans etc.)

Along with this, the major cable producers, producer 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 monitoring and audit 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 materials fire-proof, the new "**CPR-Construction Materials Regulation**" has entered into force in European Union and in our country on 10 July 2016 and following 1-year transition period, on 1 July 2018 has become legally binding for all the cable producers, 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 institutions and individuals in regard to using CPR compliant products and monitoring of these.

Coming into effect of EN 50575 standard within the scope of Construction Materials 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 Monitoring and Audit Teams operating under Ministry of Environment and Urbanization in order to inspect whether cables in the market comply with CPR 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 17 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.

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 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 and started debriefing seminars for CPR as it has become legally mandatory in Turkey as of 1st of July. Total of 120 people participated in these highly popular seminars held in Gaziantep on 10th of July and in Antalya on 20th of September.

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 2 completed and 3 ongoing Tubitak projects with a total of 5 Tubitak projects at the end of 2017, continuing its close cooperation with Tubitak and Universities.

Under the roof of R&D Center built in the Mudanya factory on a land of five thousand m2, 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.

In 2017 Türk Prysmian continued to develop innovative solutions that put high performance, productivity and safety at forefront in the R&D Center. Firetuff cables, which are fire resistant fiber optic cables, were developed with high number of fibers and with and without cable shield, approval of independent bodies were obtained and the cables were launched in Turkish and European markets. With the innovative solution developed, from now on it will be possible to ensure uninterrupted and secure intense data transfer at high data speed in case of fire in tunnels, subways and in indoor areas with high number of people. Also the company contributed to exportation in Turkey by developing innovative, competitive, high performance solutions for in power and communication cables depending on the requirements of the user and the industry, which can adapt to varying severe geographical, environmental conditions and conditions of use around the globe.

Türk Prysmian R&D Center will continue to develop innovative, cutting-edge 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...**” have been continued in 2016 and new actions and activities will take place also in 2017. 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.**

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.

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 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 did many tests on different brands and cables and continuously improved the performance of the Prysmian Group solutions.

To support the initiative a fully integrated communication and educational campaign was developed with a strong key visual and a simple but strong headline "Attention! All Cables Are Not The Same...". Additionally, a dedicated web site [www.prysmianperformanstesti.com](http://www.prysmianperformanstesti.com) is developed, advertisements are published in selected trade magazines, co-branded communication materials are prepared with key business partners, PR/ press campaign is realized, an a strong social media campaign on facebook, twitter, youtube, daily motion and vimeo are developed.

During "Attention! All Cables Are Not The Same..." initiative that is going on in 2017, including "Attention! All Solar (PV) Cables Are Not The Same" wave, 5 waves were completed. During the past years and 5 waves, from the first wave to today, 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, 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-İraq. 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 our company's 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, inovation 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 17 R&D Center 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.

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

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

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

## CORPORATE SOCIAL RESPONSIBILITY

From its establishment in 1964, Türk Prysmian Kablo ve Sistemleri A.Ş. has been implementing corporate social responsibility projects in diversified areas. Especially taking into consideration the last decade, it is true that Türk Prysmian Kablo has committed itself to meeting social requirements throughout special projects organized in different areas.

**In 2008**, Türk Prysmian Kablo supported “**Ulubat Lake Management Plan Stork-Friendly Villages Project**”. Within the scope of the project our company collaborated with county of Karacabey, village of Eskikaraağaç for the purpose of renewing the electrical system and converting the exposed wires into cables 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. As a contribution to the local community of the area where our factory is located, and to promote the region and its cultural heritage Türk Prysmian Kablo also published the book with the title of “**Trilye from Past to Present**” by the travelling writer Reyhan Tuvi with all photos taken by her.

Türk Prysmian Kablo 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 after the ceremony held on 7 October **2009**. Thanks to this project, as of 2009-2010 school year students at Balabancık Village were able to attend the school in their own village instead of having to travel all the way to another village. Türk Prysmian Kablo provided the cable infrastructure for the **ITU Solar Car** that has participated in the World Solar Challenge organized in Australia in October 2009, which is one of the most important global races in its field. Istanbul Technical University Solar Car Team formed by mechanical, electrical and organization sub-groups in 2004 received the prize for the “Best Newcomer” in the 4000 km race. During the same year Türk Prysmian Kablo also supplied some materials required for the gym of the **Yakacık Hatice Abbas Halim Nursery** in Istanbul during the restoration works of the school within 2009, enabling students to continue doing sports during their school years.

Agreements had been concluded towards end of 2009 for the second **Cable in My Life Art Workshop** organized for the first time in 2009 by Mimar Sinan University of Fine Arts. The art workshop was organized for the purpose of contributing to education and art and from 7th to 14th of April 2010, students from Mimar Sinan University of Fine Arts created unique pieces for industrial use using different cable materials. Works created by students were exhibited in the Mudanya factory of Türk Prysmian Kablo from April 15th to May 21st and at Mimar Sinan University of Fine Arts between May 27 and June 11 and at Rahmi M. Koç Museum between 13th and 27th of July.

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

**In 2012** our company, taking into consideration the requirements of Hatice İsmail Hakkı Kayan Primary School, İkbâl-Betül-İhsan Çilingir Primary School, Ahmet Rüştü High School and NOSAB Primary School, continued to give support to **educational institutions**. Also giving particular importance to the development of the Mudanya Region where the factory is located, Türk Prysmian Kablo carried out projects in cooperation with Mudanya Municipality, Mudanya Police Department, Mudanya Court House, Tirilye Youth and Sports Directorate, Mudanya Tuberculosis Foundation and 911 Search and Rescue Foundation to provide better services to the **local community**. Along with supporting the local community, the company also donated 38 computers to its **employees**.

**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 within the scope of “**Fire Protection Week**”. The visits made from 28th of September to 1st of October 2013 the children both had fun and the opportunity to learn more about Fire Services.

In education year 2013-2014, Türk Prysmian have scholarship to 23 **kinds of its employees** and in education year 2014-2015, 26 high school and university students of employees were awarded with scholarship. In addition to all these 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 was also part of the **Bursa Marathon in 2015** 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 will be involved in similar projects and works in the future periods.

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 Halep Aid Campaign and BİSO 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.

**In 2017**, with participation of all employees, Türk Prysmian Kablo organized the “Wish Tree Campaign” within the scope of “**Happiness Coin Bank**” project and clothes, stationaries and toys were donated to students in Erentepe Primary School in the city of Muş. Within the scope of the campaign 162 kids received their gifts on 26th of December. 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.



## FINANCIAL ANALYSIS



### 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 2017 fiscal year thanks to effective corporate policies and strategies.

**Remarkable Financial Highlights** are as follows:

- **Cash and Cash Equivalents** stood at TL165.32 Million (TL152,32 Million in the previous year).
- **Total Assets** stood at TL819.27 Million (TL669.53 Million in the previous year).
- **Equities** stood at TL234.97 Million (TL163.99 Million in the previous year).

- **Revenues** stood at TL1.176.35 Million (TL953.57 Million in the previous year).

2017 has been a risky year with very high currency fluctuations and increases especially in commodity prices. Our operating profit has also decreased from the previous year due to the increase in copper prices, which is our strategic raw material, relative decrease in the number of qualifying projects in 2017 and the increased hedging costs due to the increase in currency risks. All such risks and the detailed balance sheet and income statement are covered in the Independent Auditors' Report for FY 2017, with the disclosures about the balance sheet and income statement summarized below.

### ASSETS

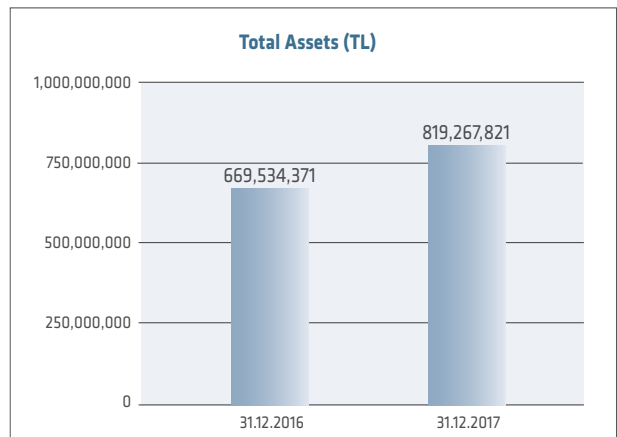
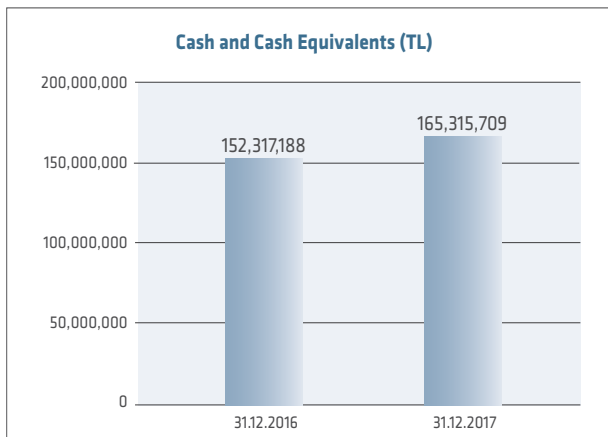
Total cash and cash equivalents are TL165,315,709, of which TL136,209,531 is in foreign currency.

Short term trade receivables reached TL336,714,762. The average collection period of our receivables was 83 days.

Our inventories is amounted TL148,976,251. The total of raw materials and supplies existing in the inventories amounted to TL38,735,845, semi-finished goods to TL41,800,408, commercial goods to TL10,525,036, and finished goods to TL68,757,083. Inventory provisions totaled TL10,842,121.

Other current assets totaled TL40,312,953, of which TL5,815.877 is our VAT receivables from the Tax Department, TL33,711,777 is VAT carried over, and the remainder is various current assets.

The total amount of tangible fixed assets is TL48,353,773, 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 TL233,619.





## LIABILITIES

The primary financial instruments used by the Company include operating capital and bank loans. As of December 31, 2017, financial liabilities include an export loan of EUR1,000,000 with 0% interest.

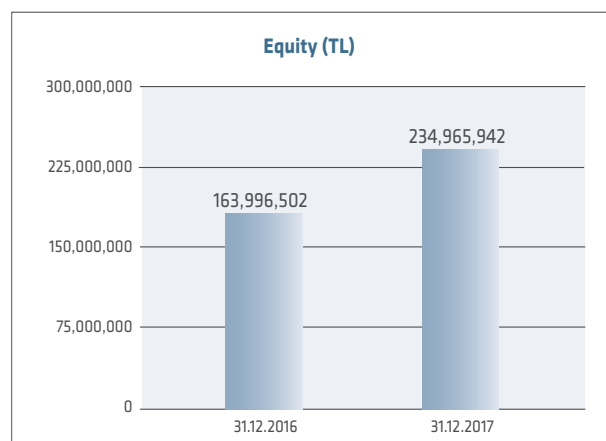
Trade payables stood at TL498,560,763. TL482,778,609 of this amount is payables to non-affiliated domestic vendors, and TL15,782,154 is the TL amount of payables to affiliated foreign vendors.

The provision for severance pay as required under the Labor Law has been calculated at TL5,850,167 and at the highest amount at TL4,732.48 as of end of 2017 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 TL7,718,010 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 TL234,965,942.

In 2017 fiscal year, our consolidated net profit for the period has been TL8,141,821.



## INCOME STATEMENT

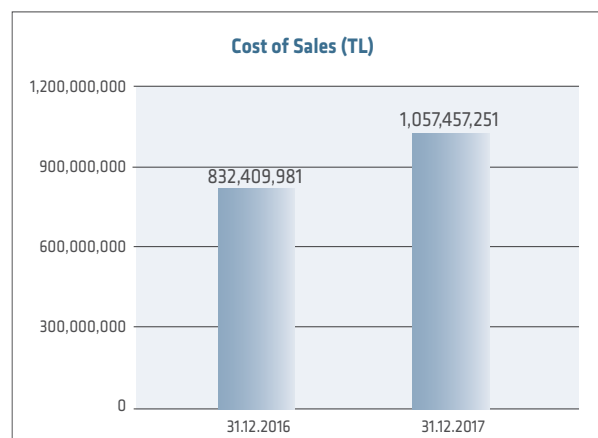
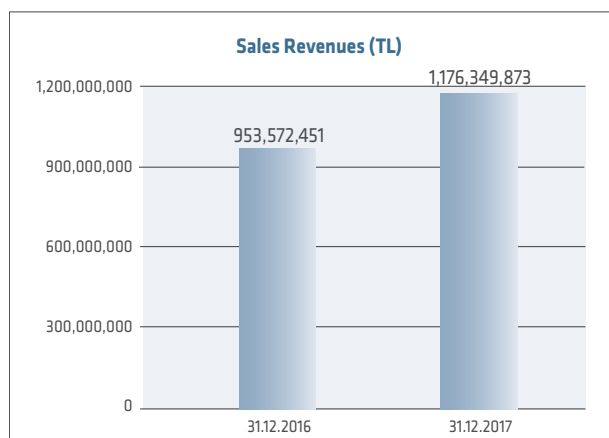
Gross sales totaled TL1,176,349,873 due to the increase in currency rates and commodity prices. Domestic sales totaled TL857,419,110, and foreign sales stood at TL318,930,763.

The cost of the goods sold totaled TL869,856,795 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.

For 2017, operational expenses amounted to 10% of our net sales.

General administrative expenses, marketing sales and distribution expenses, R&D expenses and other expenses, which constitute most of our operational expenses, generally remained at the previous year's level.

Other operating income and expenses consist of the transaction costs of forward contracts made against exchange rate fluctuations and exchange rate differences.



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

## TÜRK PRYSMİAN KABLO VE SİSTEMLERİ A.Ş.

THE STATEMENT OF RESPONSIBILITY  
AS PER CAPITAL MARKETS BOARD'S COMMUNIQUÉ SERIAL:II NUMBER 14.1 ARTICLE 9

## THE BOARD OF DIRECTORS RESOLUTION RESOLVED ON ACCEPTANCE OF FINANCIAL STATEMENTS AND FOOTNOTES:

MEETING MINUTES DATE : 06.03.2018  
MEETING MINUTES NUMBER : 2018/04-2018/06

## We hereby declare the following;

- a) January 1, 2017 to December 31, 2017 consolidated financial statements of our company, prepared in comparison with the previous year, footnotes and January 1, 2017 to December 31, 2017 annual report thereof were reviewed by us;
- b) To the best of our knowledge in the field and area of our responsibility within the Company, financial statement and annual report include no misinterpretation or false remarks or explanations in any of the important aspects as of the date of remark;
- c) To the best of our knowledge in the field and area of our responsibility within the Company, financial statements, which were prepared in line with financial reporting standards in place, reflect the truth pertaining to assets, obligations, financial standing, and profit and loss standing of the enterprise, and annual report reflects the truth, along with all important risks and uncertainties that surround the enterprise, pertaining to performance and progress of business and activity results.

TÜRK PRYSMİAN KABLO VE SİSTEMLERİ A.Ş.  
BOARD RESOLUTION

Resolution No. : 2018/05

Date: 06.03.2018

## DIVIDEND DISTRIBUTION PROPOSAL

In consideration of the provisions of Turkish Commercial Code, Capital Market Legislation, Capital Market Law, Capital Market Board Regulations/Decisions/Directorates, 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 8.141.821.-TL according to the financial statements for the fiscal year 01.01.2017 - 31.12.2017, 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 "Communique of the Principles of Financial Reporting in the Capital Market" (II-14.1) of the CMB and in compliance with the Turkish Accounting Standards and Turkish Financial Reporting Standards published by the "Public Oversight, Accounting and Auditing Standards Authority"
- The "Net Profit of The Fiscal Year" has been 18.906.060.-TL in the fiscal year 01.01.2017 - 31.12.2017 as per company statutory records kept within the scope of TCC and TPL.
- 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. Net distributable profit of the relevant fiscal period is derived from the excess of net profit for the fiscal year after the previous year's losses and general legal reserve (I. Primary Legal Reserve) are subtracted,
  - ii. The upper limit of the dividends to be distributed has been defined as the distributable amount of the relevant dividend sources included in the statutory records,
- Accordingly, Net Distributable Profit of The Fiscal Year, in other words, the Upper Limit of the Dividends to be Distributed, is 7.326.936.-TL, which results from subtracting from the Net Profit of the fiscal Year an amount equal to the general legal reserve (I. Primary Legal Reserve) calculated as 945.303.- TL and then adding up an amount equal to the donations granted within the year.

Therefore it has been unanimously resolved by the undersigned members to;

Distribute the dividend of 4.311.920.-TL from the value remaining after the deduction of the general legal reserve (II.Secondary Legal Reserve) 277.476.-TL as per item c) of the subclause two of article 519 of TCC from the net distributable profit of 7.326.936.-TL which is also equal to 3,04 % of the issued capital, to our shareholders in cash, as of 18 April 2017; thus distributing net 0,025859293.-TL per share with a nominal value of TL 1.-, following of deduction of 15% tax to be calculated over gross 0,030422697.-TL,

To retain the balance of 2.737.539.-TL after subtracting the distributable dividend and legal reserves from 8.141.821.-TL Net Profit of The Fiscal Year as the extra-ordinary reserve,

To submit above dividend distribution proposal to the approval of the General Assembly regarding the fiscal year 2017 and notify the shareholders.

<b>CHAIRMAN</b> Halil İbrahim Kongur	<b>VICE CHAIRMAN</b> Erkan Aydoğdu
<b>MEMBER</b> Ercan Gökdağ	<b>MEMBER</b> Andrea Pirondini
<b>MEMBER</b> Fabio Ignazio Romeo	<b>MEMBER</b> Ayşe Canan Ediboğlu
<b>MEMBER</b> Ali Aydın Pandır	<b>MEMBER</b> Mehmet Emin Tutan

## ORDINARY GENERAL ASSEMBLY AGENDA

1. Opening of the Meeting and formation of the Meeting Council,
2. Authorization of the Meeting Council to sign the Minutes of the General Assembly Meeting,
3. Review 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 01.01.2017 – 31.12.2017,
4. Discussion and approval of all the financial tables, reports and accounts of the Fiscal Period between 01.01.2017 – 31.12.2017 which are prepared by the Board of Directors and Independent Auditing Company pursuant to the CMB, TCC, TPL and all other related legislation, release of each member of the Board of Directors,
5. 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 01.01.2017 - 31.12.2017,
6. Discussion and voting on the decision to amend the Company Profit Distribution Policy as proposed by the Board of Directors,
7. 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,
8. Discussion and approval of the amendment of the Articles of Incorporation of the Company as indicated in the attached draft that has been approved by Capital Market Board and Ministry of Customs and Trade, to determine the ceiling registered Capital of the Company as TL300,000,000.00 and to give permit our Board of Directors when it deems necessary to increase the issued capital up to the ceiling of the authorised capital in accordance with Capital Market Law for the period between 2018 – 2022 (5 years) by way of issuing registered and bearer share certificate,
9. Furnishing information to the General Assembly on the donations given during the year 2017 and obtaining approval in this respect, determining the upper limit of the donations for 2018,
10. Discussion and voting on the decision to amend the Company Donation and Aids Policy as proposed by the Board of Directors,
11. Furnishing information to the General Assembly pursuant the CMB legislation, on the guarantees, liens and mortgages given to the third parties,
12. Approval of the Independent Auditing Company to audit the activities and accounts of 2017 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,
13. 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:17.1 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,
14. Approval of the activities mentioned under Article 14 of the Articles of Association of the company realized until the General Assembly and grant prior authorization for the same activities to be realized after the General Assembly,
15. 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 1/1/2017-31/12/2017.

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 March 6, 2018 on the full set consolidated financial statements of the Group for the period of 01.01.2017 - 31.12.2017.

#### 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 6, 2018**  
**İstanbul, Türkiye**

## INDEPENDENT AUDITORS' REPORT

### CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT JANUARY 1 - DECEMBER 31, 2017

To the General Assembly of Türk Prysmian Kablo ve Sistemleri Anonim Şirketi;

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

##### 1) Opinion

We have audited the accompanying consolidated financial statements of Türk Prysmian Kablo ve Sistemleri A.Ş. (the "Company") and its Subsidiaries (the "Group"), which comprise the statement of financial position as of December 31, 2017, 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, 2017, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Turkey.

##### 2) Basis for Opinion

We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by 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 ("POA's 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 POA's 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, 2017, there is a total of TL43,000,227 provision for impairment over trade receivables totaling TL336,714,762 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>We have carried out audit procedures on the existence of trade receivables on sales transactions including following back up to dispatch notes, making of trade reconciliation and auditing of trailing bank payments, including but not limited to those mentioned here. Evaluation of the recoverability of trade receivables requires judgment. We have carried out the detailed analysis of aging of receivables, examination of trade litigation risks relating to trade receivables received from Group's attorneys, evaluation of individual overdue trade receivables, comparing them with legal documentation where applicable and inquiring about the assumptions used in calculating the amount of impairment in trade receivables.</p> <p>Details relating to the trade receivables are given in Footnote 4.</p>

#### 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 Turkish Accounting Standards, 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 standards on auditing issued by the CMB 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 standards on auditing issued by the CMB 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 March 6, 2018.
- 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, 2017, 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**

**March 6, 2018**  
**Istanbul, Turkey**



## FINANCIAL STATEMENTS

Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Subsidiaries  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2017**

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

	Footnote Reference	Current Period	Previous Period
		Audited	Audited
		December 31 2017	December 31 2016
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	30	165,315,709	152,317,188
Trade receivables		336,714,762	279,825,329
<i>from affiliated parties</i>	3, 4	34,369,816	13,029,795
<i>from non-affiliated parties</i>	26	302,344,946	266,795,534
Other receivables		73,836	37,092
<i>from non-affiliated parties</i>	5	73,836	37,092
Derivative financial instruments	25, 27	-	22,943,990
Inventory	6	148,976,251	94,519,833
Prepaid expenses	7	14,441,680	13,646,449
Assets related to current period tax	23	24,858,030	19,573,127
Other current assets	13	40,312,953	42,531,118
		<b>730,693,221</b>	<b>625,394,126</b>
<b>Non-current assets</b>			
Tangible non-current assets	8	48,353,773	43,876,465
Intangible non-current assets	9	233,619	219,459
Prepaid expenses	7	-	44,321
Deferred tax asset	23	7,112,814	-
Other non-current assets	13	32,874,394	-
		<b>88,574,600</b>	<b>44,140,245</b>
<b>Total assets</b>		<b>819,267,821</b>	<b>669,534,371</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, 2017**

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

	Footnote Reference	Current Period	Previous Period
		Audited	Audited
		December 31 2017	December 31 2016
<b>Liabilities</b>			
<b>Short-term liabilities</b>		<b>576,858,394</b>	<b>492,165,708</b>
Short-term loans	22	4,523,700	-
Trade payables		498,560,763	429,018,482
<i>to affiliated parties</i>	3, 4	15,782,154	16,394,921
<i>to non-affiliated parties</i>		482,778,609	412,623,561
Payables from construction agreements	16	5,653,803	1,917,021
Payables under employee benefits	12	3,756,955	2,163,332
Other payables		-	4,009
<i>to non-affiliated parties</i>	5	-	4,009
Derivative financial instruments	25	240,338	3,648,380
Deferred income	7	32,830,770	40,075,636
Period profit tax liability	23	10,214,364	-
Short-term provisions		16,186,320	12,708,920
<i>Short-term provisions for employee benefits</i>	12	4,029,610	4,418,440
<i>Other short-term provisions</i>	10	12,156,710	8,290,480
Other short-term liabilities	13	4,891,381	2,629,928
<b>Long-term liabilities</b>		<b>7,443,485</b>	<b>13,372,161</b>
Long-term provisions		7,443,485	7,076,213
<i>Long-term provisions for employee benefits</i>	12	5,850,167	5,636,510
<i>Other long-term provisions</i>	10	1,593,318	1,439,703
Deferred income	7	-	2,897,499
Deferred tax liability	23	-	3,398,449
<b>Equities</b>		<b>234,965,942</b>	<b>163,996,502</b>
Paid-in Capital	14	141,733,652	112,233,652
Reacquired shares (-)	14	(2,496,301)	(2,496,301)
Premiums on shares		40,871,090	-
Not to be re-classified under profits or losses other comprehensive income or expenses		(1,914,000)	(1,341,600)
<i>Defined benefit plans revaluation and measurement gains/losses</i>		(1,914,000)	(1,341,600)
Reserves on retained earnings	14	7,718,010	7,006,270
Profits from previous years		40,911,670	28,358,531
Net period profit		8,141,821	20,235,950
<b>Total liabilities</b>		<b>819,267,821</b>	<b>669,534,371</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, 2017**

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

	Footnote Reference	Current Period	Previous Period
		Audited	Audited
		January 1 - December 31, 2017	January 1 - December 31, 2016
<b>Profit or loss</b>			
Revenue	15	1,176,349,873	953,572,451
Cost of sales (-)	15	(1,057,457,251)	(832,409,981)
<b>Gross profit</b>		<b>118,892,622</b>	<b>121,162,470</b>
General administrative expenses (-)	17	(42,139,202)	(33,800,019)
Marketing expenses (-)	17	(53,818,020)	(49,640,596)
Research and development expenses (-)	17	(2,481,376)	(2,242,497)
Other income from main activities	19	43,926,459	47,694,936
Other expense from main activities (-)	19	(58,325,230)	(58,919,850)
<b>Profit from main activity</b>		<b>6,055,253</b>	<b>24,254,444</b>
Income from investment activities	20	287,801	403,060
<b>Profit before financing income</b>		<b>6,343,054</b>	<b>24,657,504</b>
Financing income	21	2,625,446	1,910,954
Financing (expense)	21	(1,266,678)	(1,156,795)
<b>Tax before profit</b>		<b>7,701,822</b>	<b>25,411,663</b>
<b>Tax income / (expense)</b>	23	<b>439,999</b>	<b>(5,175,713)</b>
Period's tax expense (-)	23	(10,214,364)	-
Deferred tax income / (expense)	23	10,654,363	(5,175,713)
<b>Period's profit</b>		<b>8,141,821</b>	<b>20,235,950</b>
<b>Other comprehensive income/ (expense)</b>		<b>(572,400)</b>	<b>(184,000)</b>
<b>Not to be reclassified in profit or loss</b>			
Re-measurement (losses) of identified benefit plans	12	(715,500)	(230,000)
Re-measurement losses of identified benefit plans, tax effect	23	143,100	46,000
<b>Comprehensive income post total tax</b>		<b>7,569,421</b>	<b>20,051,950</b>
<b>Earning per share</b>	24	<b>0.0688</b>	<b>0.1803</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, 2017**  
 [(All amounts are expressed in Turkish Liras (TL))]

	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		Reserves on retained earnings	Profits from previous years	Net period profit	Total equities
					Reserves on retained earnings	Profits from previous years				
<b>Balances as of January 1, 2016</b>	<b>112,233,652</b>	-	-	(1,157,600)	4,421,732	23,924,110	13,833,012	<b>153,254,906</b>		
Transfers	-	-	-	-	120,237	13,712,775	(13,833,012)	-		
Dividends (Footnote 14)	-	-	-	-	-	(6,814,053)	-	(6,814,053)		
Reacquired shares (Footnote 14)	-	(2,496,301)	-	-	2,464,301	(2,464,301)	-	(2,496,301)		
-Net period profit	-	-	-	-	-	-	20,235,950	20,235,950		
-Other comprehensive income	-	-	-	(184,000)	-	-	-	(184,000)		
Total comprehensive income	-	-	-	(184,000)	-	-	20,235,950	20,051,950		
<b>Balance as of December 31, 2016</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)		
Capital increase (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>		

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, 2017**

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

	Footnote Reference	Current Period (audited)	Previous Period (audited)
		January 1 - December 31, 2017	January 1 - December 31, 2016
<b>A. OPERATING CASH FLOW</b>		<b>(58,984,449)</b>	<b>8,415,881</b>
Period's profit (loss)	24	8,141,821	25,411,663
<b>Corrections on period net profit (loss) reconciliation</b>		<b>37,815,843</b>	<b>(8,096,455)</b>
Corrections on depreciation and amortization expenses	8, 9	5,760,389	5,796,939
Corrections on impairment expenses/(cancellation)	4	4,358,065	4,787,107
Corrections on inventory impairment expenses/(cancellation)	6	2,411,848	1,904,109
Corrections on employee benefit provisions/(cancellation)		482,670	1,992,246
Corrections on claims and penalty provisions/(cancellation)	10	213,523	(551,630)
Corrections on guarantee provisions/(cancellation)	10	(43,638)	(16,270)
Corrections on other provisions/(cancellation)		3,849,960	(770,670)
Corrections on interest (income) and expenses		1,534,878	(200,743)
Corrections on fair value losses (gains) of derivative financial instruments	19	19,535,949	(20,634,483)
Corrections on losses (gains) from the disposal of non-current assets	20	(287,801)	(403,060)
<b>Change in rolling capital</b>		<b>(100,790,804)</b>	<b>1,344,201</b>
Corrections on decrease (increase) in trade receivables	4	(65,083,901)	(76,036,192)
Increase in the progress billing of ongoing construction agreements		3,736,782	40,000,792
Corrections on decrease (increase) in inventory	6	(56,868,266)	14,089,352
Corrections on decrease (increase) in other receivables related to activities		(46,769,159)	(3,954,135)
Decrease (increase) in trade payables	4	70,485,038	5,056,138
Decrease (increase) in other payables relating to the activities		(6,291,298)	22,188,246
<b>Cash flow earned from activities</b>		<b>(4,151,309)</b>	<b>(10,243,528)</b>
Tax returns (payments)		(5,438,702)	(10,356,891)
Payments under provisions relating to employee benefits	12	(1,373,343)	(1,765,135)
Interest received		2,660,736	1,878,498
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		<b>5,166,750</b>	<b>(8,455,884)</b>
Cash outflow due to purchase of tangible and intangible fixed assets	8, 9	(10,288,683)	(5,982,523)
Cash flow due to sale of tangible and intangible fixed assets		324,628	403,058
Cash flow from derivative financial instruments	19	35,892,688	15,951,267
Cash outflow from derivative financial instruments	19	(20,761,883)	(18,827,686)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>66,657,041</b>	<b>(10,467,149)</b>
Cash flow from share issue	14	70,371,090	-
Cash outflow due to acquisition of own shares	14	-	(2,496,301)
Cash flows from loans	22	4,523,700	-
Dividend paid	14	(6,971,071)	(6,814,053)
Interest paid	21	(1,266,678)	(1,156,795)
<b>Change in cash equivalents</b>		<b>12,839,342</b>	<b>(10,507,152)</b>
<b>Cash and cash equivalents at the beginning of term</b>		<b>152,281,897</b>	<b>162,789,049</b>
<b>Cash and cash equivalents at the end of term</b>		<b>165,121,239</b>	<b>152,281,897</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, 2017**

[[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 Kablo ve Sistemleri A.Ş. ("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 - Sütluçe 380kV Submarine Cable Project. The ordinary partnership serves the sole purpose of taxation of the project and Türk Prysmian Kablo ve Sistemleri A.Ş. 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 2016 in line with the opinion of Revenue Administration regarding the taxation of the work within the scope of DB.KAB.9 Lapseki - Sütluçe 380kV Submarine Cable Project. Türk Prysmian Kablo ve Sistemleri A.Ş. 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 kV, 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 470 personnel in a year as of December 31, 2013 (December 31, 2016: 453).

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

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

### 2.1 Main Principles of Presentation

#### Statement of Compliance to TAS

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 Accounting Standards and relevant appendices and comments ("TAS") enacted by the Public Oversight Accounting and Auditing Standards Authority 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 CMB'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, 2017 comparatively with the financial statement of position prepared as of December 31, 2016, and the profit and loss statement of January 1 - December 31, 2017, 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, 2016, 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 statement:

The consolidated financial statements was ratified by the Board of Directors on March 6, 2018 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

Significant changes made to accounting policies are applied retroactively and previous term financial statements are re-adjusted. Within the current year, there has not been any substantial change in accounting policies of the Group.

### 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 standarts and interpretations

Accounting policies implemented while preparing consolidated financial statements for the year that ended as of December 31, 2017 were applied consistently with the new and amended TFRS standards valid as of January 1, 2017 and aside from TFRIA 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, 2017.

##### TAS 7 Cash Flow Statements (Amendments)

In December 2017, the Turkish Public Oversight Authority issued amendments to IAS 7 Cash Flow Tables. The amendments are intended to clarify TAS 7 to improve the information provided to users of the financial statements about the financing activities of the company. The amendments are intended to clarify TAS 7 to improve the information provided to users of the financial statements about the financing activities of the company. Improvements in footnote disclosures require companies to provide information about changes in their financial liabilities. The amendments will apply to annual periods beginning on or after January 1, 2017. Early application is allowed. For the first-time implementation of these amendments, the Group does not need to provide comparative information on previous periods. The Group is in the process of assessing the impact of the standard on its financial position or performance.

##### TAS 12 Income Taxes: Accounting of Deferred Tax Assets for Unrealized Losses (Amendments)

In December 2017, the Turkish Public Oversight Authority issued its amendments to the TAS 12 Income Tax Standard. The amendments clarify the deferred tax accounting for borrowing instruments measured at fair value. The amendments are intended to eliminate existing differences in the application of deferred tax assets for unrealized losses. The amendments will be applied retrospectively for annual periods beginning on or after January 1, 2017. Early application is allowed. However, the period in which the changes are applied for the first time may be recognized in the opening retained earnings (or, where appropriate, in another equity item), without distinction between the opening equity of the first period presented, the opening retained earnings / losses and other equity items. If the Group applies this exemption, the Group will make disclosures in the footnotes of the financial statements. The Group is in the process of assessing the impact of the standard on its financial position or performance.

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

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

- The amendments clarify that the disclosure requirements in TFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with TFRS 5. The amendment will apply to annual periods beginning on or after January 1, 2017.

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



## ii) Standards that were published however not implemented and not put to early application

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.

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

In September 2016, POA published the standard IFRS 15 Revenues Arising of Agreements with Customers. Said published standard also contains the changes made by IASB in April 2016 to clarify IFRS 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 IFRS 15 is annual accounting periods which started on 1 January 2018 and after. Early application is allowed. Two alternative applications were proposed for the transition to IFRS 15; full retroactive application or modified retroactive application. If a modified retroactive application was preferred, previous terms shall not be rearranged, however comparative numerical information shall be provided in fiscal table footnotes. Effects of said change on the consolidated financial status and performance of the Group are being evaluated.

### **IFRS 9 Financial Instruments**

POA published the final IFRS 9 Financial instruments on January 2017. IFRS 9 brings together three aspects of the financial instruments accounting project: classification and measurement, depreciation and hedge accounting. IFRS 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, IFRS 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 associate risk management economy with accounting applications. IFRS 9 is applicable for the annual accounting periods started on or after 1 January 2018 and early application of all requirements of the standard is permitted. Alternatively, businesses may, without implementing other conditions within the standard, choose to apply early, the provisions regarding presentation of earnings or losses of financial liabilities which were determined as "fair value change of which was reflected upon profit or losses".

The Group has performed an impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional supportable information being made available to the Group in the future. The impacts under the three headings of IFRS 9 are detailed below:

#### ***Classification and Measurement of Financial Assets:***

The Group expects no significant impact on its statement of financial position (balance sheet) or equities based on the classification and measurement requirements of IFRS 9. It is expected that the financial assets which are being measured over the fair value will continue to be measured over the fair value.

Loans and receivables are held in order to provide contract cash flows and result in a cash flow consisting of capital and interest. The Group analyzed the contract cash flow nature of these financial instruments and decided that they should be shown over their depreciated cost according to IFRS 9.

#### ***Impairment***

IFRS 9 includes all of Group's borrowing instruments, provisions for impairment related with loan and receivables as 12-month expected loan losses or lifetime-expected loan losses. The Group shall implement the facilitated method and recognize the lifetime expected losses on trade receivables. The Group is in the process of assessing the potential impairment impacts of loan and trade receivables.

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

In December 2017, the POA published amendments in its IFRS 4 'Insurance Agreements' standard. The amendment in IFRS 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.

### **IFRS 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 reinsurance policies) or reinsurance 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.

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

In December 2017, the POA issued amendments to IFRS 2 Share-based Payments standard. The amendments are intended to clarify IFRS 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.

#### **TAS 28 Amendments in "Investments in Associates 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 associate or joint venture that form part of the net investment in the associate 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 longterm 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 will be effective for annual periods beginning on or after January 1, 2019. Early application is allowed.

The standard will have no effect on the Group's financial position or performance.

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

In December, 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 10 and TAS 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 TAS 28, subject to change according to ongoing research project output on equity method. However, earlier application is still allowed.

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

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

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, TAS 19 transition provisions and TFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after January 1, 2018.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organization or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

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

#### **iii) New and improved standards and interpretations published by International Accounting Standards Board (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 IFRS 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.

#### **Annual Improvements - 2010-2012 Cycle**

##### *IFRS 13 Fair Value Measurement*

As clarified in the Basis for Conclusions short-term trade receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

#### **Annual Improvements - 2011-2013 Cycle**

##### **IFRS 16 Leases**

In January 2016, IASB has published the standard, IFRS 16 "Leases". The new standard removes the difference between activity leasing and financial leasing and requires for many types of leasing to be taken into the balance sheet under a single model for companies in lessee status. Recognition for companies in lessee status has mostly stayed the same and the difference between activity leasing and financial leasing shall continue to exist. IFRS 16 shall replace IAS 17 and Interpretations of IAS 17 and shall be effective for annual periods beginning on or after 1 January 2019. As long as IFRS 15 "Revenue From contracts with Customers" standard is also applied, early application of IFRS 16 is allowed. The Group is evaluating effects of the standard on consolidated financial status and performance.

##### **IFRIC 23 Uncertainty over Income Tax Treatments**

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 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

The entity shall apply this Interpretation for annual reporting periods beginning on or after January 1, 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 such amendments on its financial position or performance.

#### **IFRS 17 – The new standard for insurance agreements**

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after January 1, 2021; early application is permitted. The standard is not applicable for the Group and shall have no impact on the financial position or performance of the Company/Group.

#### **Prepayment Features with Negative Compensation (Amendments to IFRS 9)**

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 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 from annual periods beginning on or after January 1, 2019, with early application permitted.

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

#### **Annual Improvements - 2015-2017 Cycle**

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015-2017 Cycle, containing the following amendments to IFRSs:

- *IFRS 3 Business Combinations and IFRS 11 Joint Arrangements* – The amendments to IFRS 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 IFRS 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 Group is in the process of assessing the impact of the standard on its financial position or performance.

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

On February 7, 2018, the IASB published Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) to harmonise accounting practices and to provide more relevant information for decision-making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Early application is allowed. If the Group applies this exemption, the Group will make disclosures in the footnotes of the financial statements. The Group is in the process of assessing the impact of the standard on its financial position or performance.

## **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 associate or joint venture of the other entity (or an associate 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 associate 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.

#### **Revenue**

Income shall be measured based on fair value of receivable amount collected or to be collected. Possible customer returns, sales and reserves are deducted from said amount. The group produces and sells energy and communication cables. Additionally; energy and communication cable construction projects are being undertaken (Accounting Policy on Note 2.5 Construction Contracts are further explained).

#### Sale of Goods

Income obtained through sale of goods, shall be recognized at the time all of the following conditions are met:

- The Group transfers all major risks and acquisitions to the addressee,
- The Group has no continuous administrative engagement linked to ownership or effective control over the goods sold,
- Credible calculation of the income amount,
- Likelihood of flow of economical benefits regarding the transaction into the business, and
- For costs which have arisen or will arise to be measured in a credible manner..

#### Interest Income

Tax income obtained from financial assets shall be put on record as long as the Group achieves economical benefit and it is possible to reliably measure the income. Interest income shall be accrued in the relevant term, at the rate of effective interest which reduces the predicted cash flow to be obtained from said financial asset's expected life to the recorded value of said asset.

#### **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

Financial assets which fall outside of those classified as financial assets whose fair value difference is reflected upon profit or loss and are recorded based on fair value, shall be recognized based on the total amount of expenditure directly associated with fair market value and purchase transaction. Subsequent to the purchase or sale of financial assets which are bound to a contract that imposes the condition of investment tools to be delivered within the time period specified by the related market, the related assets shall be recorded or removed from record on the date of transaction.

Financial assets are classified as "financial assets whose difference of fair value is reflected upon profit or loss", "assets to be held unto until its term", "financial assets available-for-sale" and "loans and receivables". Classification is determined during initial recognition, depending on the purpose and manner of acquisition of the financial asset.

### Effective Interest Method

Effective interest method is the method where borrowing instruments are valued by depreciated costs and the relevant interest income is distributed within the related term. Effective interest rate is the rate which degrades the estimated total cash to be collected during the expected life of the financial asset, or if applicable, in a shorter period, into the financial asset's exact net current value.

Except for financial assets whose difference of fair value is reflected upon profit or loss, income regarding classified financial assets are calculated by using the effective interest method.

### Financial assets whose fair value difference is reflected upon profit or losses

Financial assets whose fair value is reflected upon profit or losses are financial assets which are retained for the purpose of purchase-sales. When a financial asset is obtained in order to be sold out in short term, it is classified under said category. Said financial assets which constitute derivative instruments that are not determined as an effective means of protection against financial risks are also classified as financial assets whose fair value difference is reflected onto profit or loss. Relevant financial assets are shown in fair value and earnings and losses generated following said valuation are recognized under profit or loss statement.

### Investments to be held onto until term

Fixed term borrowing instruments with a fixed or determinable payment plan, for which the Group has the means and intention to keep, are classified as investments to be held until term. Investments to be held until term are recorded by deducting impairment value from cost amount depreciated in accordance with effective interest method and relevant income is calculated by using effective interest method.

### Loans and receivables

Commercial and other receivables and loans with fixed and specifiable payments, which are not traded in the market are classified under this category. Loans and receivables (trade and other receivables, bank balances, strongboxes and others) are shown using effective interest method, by deducting the impairment from discounted costs. Interest income shall be recorded, calculated by the effective interest rate method, except for situations where the rediscount effect bears no significance.

### 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. Cash and cash equivalents of the Group are classified under "Loans and Receivables".

### Registering the financial assets and its exclusion from financial status table

The group takes financial assets and liabilities into record only if they are a party to the financial instruments agreement. In the event that the Group's rights arising of the agreement regarding cash flow of the financial assets expire or the Group transfers all risks and acquisitions arising of the ownership of said asset to another party, the Group shall leave said asset outside of the financial status table. In cases where all risks and acquisitions arising of the ownership of the ownership of the asset and the Group holds onto the control of the asset, the Group shall continue to recognize its remaining share on the asset and its liabilities arising of said asset, which need to be paid. Should the Group hold onto all risks and acquisitions arising of ownership of an asset, recognition of the financial asset shall be continued and an amount payable which was set up as collateral against the financial asset transferred for the obtained income shall also be recognized. The Group leaves financial liabilities out of financial status tables only if the liability defined under the contract no longer exists, becomes annulled or time barred.

### 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..

### 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.

### **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 TRY, 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 TRY) 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 TRY 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..

### **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.

### **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 20% 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). 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. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

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, 2017 and December 31, 2016, 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, 2017, 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, 2017 ve 2016, provosions 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.

### **Cas 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 relatin 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 deducing from the accumulated profits in the term the decision is made to distribute dividends.

### **Treasury 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 TAS. 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, Prysmain 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, 2017		December 31, 2016	
	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.	105,301	-	150,207	-
Prysmian Cavi e Sistemi S.r.l.	718,901	5,156,019	568,318	7,672,147
Prysmian Cables et Systemes France SAS	1,720,122	-	239,004	-
Singapore Cables Manufacturers Pte	33,882	-	37,140	-
Prysmian Kabel und Systeme GmbH	-	161,355	634	204,877
Prysmian Cavi e Sistemi Italia S.r.l.	1,273,025	5,729,842	5,814,111	3,773,682
Prysmian Cabluri si Sisteme s.a.	1,403,138	45,170	78,603	875,285
Fibre Ottiche Sud - F.O.S. S.r.l.	-	106,027	872	298,315
Prysmian Cables & Systems Limited	-	2	-	277,164
Prysmian S.P.A.	942,648	847,855	712,908	-
Prysmian Tianjin Cables Co. Ltd.	-	617,099	-	-
Prysmian Cables y Sistemas S.A.	26,936	2,350,150	290,301	1,140,746
Prysmian MKM Magyar Kabel	120,490	-	94,793	-
Prysmian Australia Pty Ltd	2,399,218	-	4,462,501	-
Draka Comteq Germany GmbH & Co KG	33,424	208,126	37,140	-
Draka Comteq Berlin GmbH & Co	142,879	-	-	-
Prysmian Cables and Systems OY/FINLAND	33,424	24,624	38,306	510,880
Prysmian Cables and Systems Canada	33,392	-	38,176	-
Prysmian Cables and Systems USA, LL	141,343	-	52,318	-
Pt. Prysmian Cables Indonesia	24,109,478	164,179	-	-
Prysmian Cables and Systems B.V.	693,535	97,023	-	1,257,590
Prysmian Kablo s.r.o.	-	-	32,321	-
AS Draka Keila Cables	-	-	1,818	-
Draka Kabel Sverige AB	-	-	5,671	41,864
Draka Fileca SAS	27,279	-	35,900	-
Prysmian Electronics S.r.l.	-	57,220	-	26,481
Draka Comteq UK Limited	376,441	185,796	-	2,235
Other affiliated companies	34,960	31,667	338,753	313,655
	<b>34,369,816</b>	<b>15,782,154</b>	<b>13,029,795</b>	<b>16,394,921</b>

(\*) Enterprises controlled by the principal holding.

Transactions with affiliated parties (*)	January 1 - December 31, 2017	January 1 - December 31, 2016
	Sales of goods	Sales of goods
PT. Prysmian Cables Indonesia	27,807,059	57,706
Prysmian Australia Pty Ltd	19,534,313	46,839,204
Prysmian Cavi e Sistemi Italia S.r.l.	12,056,071	18,450,023
Prysmian Cables et Systemes France SAS	10,382,972	3,538,534
Prysmian Cabluri si Sisteme S.A.	6,588,975	1,481,779
Prysmian Cables & Systems Ltd.	3,310,432	3,200,727
Draka Comteq UK Limited	1,047,417	719,620
Prysmian Cables y Sistemas S.A.	1,006,615	54,559
Prysmian Netherlands B.V.	756,392	35,150
Singapore Cables Manufacturers Pte Ltd	200,471	639,969
Prysmian Kabel und Systeme GmbH	165,320	-
Draka Comteq Berlin GmbH & Co. KG	145,194	-
Prysmian Cables and Systems US	125,070	151,586
Prysmian Cables and Systems OY/FINLAND	116,688	28,545
Prysmian Cables Y Sist. Mexico	95,785	-
Prysmian Denmark A/S	38,759	-
Draka Kabely S.R.O.	35,740	-
Draka Comteq Slovakia s.r.o	21,270	-
Draka Comteq Germany GmbH & Co	10,966	8,098
Draka Cable Wuppertal GmbH	-	24,150
Prysmian Tianjin Cables Co. Lt	-	429,673
Prysmian Fibras Oticas Brasil Ltda	-	106,585
Prysmian Wuxi Cable Company Ltd	-	16,859
Prysmian Kablo S.R.O.	-	45,202
Draka Kabel Sverige AB	-	5,045
Other affiliated companies	152	1,667
	<b>83,445,661</b>	<b>75,834,681</b>

(\*) Enterprises controlled by the principal holding.

Transactions with affiliated parties	January 1 - December 31, 2017		January 1 - December 31, 2016	
	Purchase of goods	Purchase of services	Purchase of goods	Purchase of services
Prysmian Cables and Systems OY/FINLAND	3,668,037	-	3,436,224	-
Prysmian Cables et Systemes France	2,852,319	-	299,911	-
Prysmian Cables y Sistemas S.A.	21,225,662	-	16,602,311	-
Prysmian Cavi e Sistemi S.r.l.	-	29,091,087	225,049	22,902,996
Draka Comteq Berlin GmbH & Co. KG	2,934,836	-	103,766	-
Prysmian Cavi e Sistemi Italia S.r.l.	26,986,906	-	24,540,889	-
PT. Prysmian Cables Indonesia	164,179	-	-	-
Prysmian S.p.A.	6,594,616	605,592	231,190	474,041
Prysmian Kabel und System GmbH	24,652,319	-	11,308,865	-
Prysmian Cables & Systems Ltd.	713,977	-	5,137	-
Fibre Ottiche Sud - F.O.S. S.r.l.	9,714,445	-	8,825,822	-
Draka Comteq UK Limited	5,364,544	-	2,147,382	-
Draka Comteq Fibre BV	399,762	-	350,794	-
Draka Cable Wuppertal GmbH	1,585,303	-	2,265,068	-
Draka Norsk Kabel AS Drammen	-	-	781,620	-
Prysmian Romania Cabluri si Sisteme	1,650,012	-	5,891,945	-
Prysmian Power Link Service Ltd.	-	-	15,504,565	-
Draka Comteq Germany GmbH	7,837,077	-	2,130,837	-
Prysmian Cables & Systems B.V.	2,581,235	-	1,665,154	-
Prysmian Power Link Srl Milan	5,781,192	-	-	-
Prysmian MKM Magyar Kabel	1,004,720	-	-	-
Prysmian Tianjin Cables Co. Ltd.	1,600,970	-	43,235	-
Prysmian Australia Pty Ltd	-	-	131,588	-
Draka Cableteq	4,956	-	-	-
Draka Kabely SRO	70,572	-	203,823	-
Draka Comteq Denmark	-	-	15,781	-
SG Singapore Cables Manufacturers Pte Ltd	3,220	-	2,370	-
Prysmian Electronics S.r.l.	153,396	-	43,437	-
Draka Kabel Sverige AB	-	-	37,731	-
	<b>127,544,255</b>	<b>29,696,679</b>	<b>96,794,494</b>	<b>23,377,037</b>

Total of license and contract expenses related to group companies:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Prysmian Cavi e Sistemi S.r.l.	29,091,087	22,902,996
Prysmian S.p.a.	605,592	474,041
	<b>29,696,679</b>	<b>23,377,037</b>

Service fees for group companies 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.

**Benefits to senior management:**

Benefits for senior management during term are as follows;

	January 1 - December 31, 2017	January 1 - December 31, 2016
Wages and other short term benefits	2,179,272	2,104,458
Other long term benefits	40,463	39,822
	<b>2,219,735</b>	<b>2,144,280</b>

**Chargeout incomes**

	December 31, 2017	December 31, 2016
Prysmian S.p.A	1,036,021	782,653
Prysmian Cavi e Sistemi S.r.l.	684,714	1,689,012
Prysmian Mkm Magyar Kábel Művek	230,476	183,026
Draka Comteq Germany GmbH	99,017	55,150
Prysmian Romania Cabluri Si Sisteme	94,936	-
Prysmian Finland OY	84,785	59,295
Prysmian Cables and Systems US	79,741	84,918
Prysmian Cables and Systems Cable	68,978	56,540
Singapore Cables Manufacturers Pte Ltd.	68,908	55,150
Prysmian Cavi e Sistemi Italia S.r.l	67,592	66,546
Prysmian Kabel und System GmbH	58,180	-
Prysmian Cables Spain, S.A	57,408	-
Prysmian Australia Pty. Ltd.	31,720	150,539
Prysmian Cables Y Sistemaz, SL	-	229,813
Prysmian PowerLink Services Ltd.	-	95,948
Prysmian Fibras Oticas Brasil	-	68,101
Other affiliated companies	44,321	62,812
	<b>2,706,797</b>	<b>3,639,503</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, 2017	December 31, 2016
Trade receivables	232,323,464	192,790,664
Trade receivables from affiliated parties	34,369,816	13,029,795
Notes receivable	116,858,112	115,008,376
Provision for doubtful trade receivables (-)	(43,000,227)	(38,642,162)
Trade receivables rediscount (-)	(3,836,403)	(2,361,344)
	<b>336,714,762</b>	<b>279,825,329</b>

Standard deferral period applied by the Group to trade receivables is between 30 to 60 days (December 31, 2016: 30 to 60 days) The effective annual interest rate applied to the Group's trade receivables in TRY, Euro and US Dollars are, respectively, 18%, 12% and 12% (December 31, 2016: 18%, 9% and 9% annually).

Doubtful receivable reserves allocated for trade receivables were established on past non-collection experience. Exchange rate differences accrued for doubtful receivables in foreign currency were included within reserves and same amount was also reflected onto exchange rate income and expenses.

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

	2017	2016
Opening statement, January 1	(38,642,162)	(33,855,055)
Term income / (expense), net	(4,358,065)	(4,787,107)
Closing statement, December 31	<b>(43,000,227)</b>	<b>(38,642,162)</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, 2017	December 31, 2016
Trade payables	481,052,115	403,273,757
Trade payables to affiliated parties	15,782,154	16,394,921
Trade payables rediscount	(1,349,017)	(406,260)
Expense accruals	3,075,511	9,756,064
	<b>498,560,763</b>	<b>429,018,482</b>

Average payment term for the Group's trade payables are 158 days (December 31, 2016: 203 days). The effective annual interest rate applied to the Group's trade payables in TRY, Euro and US Dollars are, respectively, 0%, 4.8% and 4.8%. (December 31, 2016: 0%, 4.8% and 4.8%).

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, 2017	December 31, 2016
Deposits and guarantees given	73,836	37,092
Other doubtful receivables	28,195	28,195
Provision for other doubtful receivables (-)	(28,195)	(28,195)
	<b>73,836</b>	<b>37,092</b>

##### b) Other payables

Other short-term payables	December 31, 2017	December 31, 2016
Other payables to non-affiliated parties	-	4,009
	<b>-</b>	<b>4,009</b>

## 6. INVENTORY

	December 31, 2017	December 31, 2016
Raw materials and supplies	38,735,845	25,585,532
Semi-finished goods	41,800,408	24,006,420
Finished goods	68,757,083	48,837,156
Commercial goods	10,525,036	4,520,998
Provisions for inventory impairment (-)	(10,842,121)	(8,430,273)
	<b>148,976,251</b>	<b>94,519,833</b>

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

	2017	2016
Opening statement, January 1	(8,430,273)	(6,526,164)
Provisions reserved within the term	(2,411,848)	(1,904,109)
<b>Closing statement, December 31</b>	<b>(10,842,121)</b>	<b>(8,430,273)</b>

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

## 7. PRE-PAID EXPENSES AND DEFERRED INCOME

	December 31, 2017	December 31, 2016
Order advances given for projects	13,508,903	12,990,253
Expenses for future months (*)	932,777	656,196
	<b>14,441,680</b>	<b>13,646,449</b>

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

	December 31, 2017	December 31, 2016
Expenses for future years	-	44,321
	-	<b>44,321</b>

	December 31, 2017	December 31, 2016
Short-term deferred income		
Order advances received (*)	32,830,770	40,075,636
	<b>32,830,770</b>	<b>40,075,636</b>

	December 31, 2017	December 31, 2016
Long-term deferred income		
Order advances received (*)	-	2,897,499
	-	<b>2,897,499</b>

(\*) Advances received for orders are regarding the Lapseki – Sütlüce 2 380 kV Undersea Cable Project 2, signed in the year 2014. (Footnote 16).

## 8. TANGIBLE NON-CURRENT ASSETS

	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>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>(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 TRY5,760,389, consisting of TRY5,663,420 for tangible non-current assets and TRY96,969 for intangible non-current assets. Out of said current term amortization expenses, a portion of TRY4,888,295 was reflected on production costs, TRY 410,662 on general administrative expenses, TRY405,505 on marketing expenses and TRY55,927 on research and development.

	January 1, 2016				December 31, 2016
	Opening	Additions	Outgoing	Transfers	Closing
<b>Cost</b>					
Land and plots	3,164,360	-	-	-	3,164,360
Buildings	46,013,216	-	-	-	46,013,216
Facilities, machinery and equipment	212,104,018	4,152,774	(4,533)	-	216,252,259
Vehicles, furnishings and fixtures	25,467,011	795,057	(263,988)	-	25,998,080
Special costs	77,543	-	-	-	77,543
On-going investments	-	998,397	-	-	998,397
	<b>286,826,148</b>	<b>5,946,228</b>	<b>(268,521)</b>	-	<b>292,503,855</b>
<b>Accumulated depreciation</b>					
Buildings	(27,209,938)	(797,832)	-	-	(28,007,770)
Facilities, machinery and equipment	(192,717,258)	(4,102,025)	4,533	-	(196,814,750)
Vehicles, furnishings and fixtures	(23,183,146)	(808,197)	263,988	-	(23,727,355)
Special costs	(77,515)	-	-	-	(77,515)
	<b>(243,187,857)</b>	<b>(5,708,054)</b>	<b>268,521</b>	-	<b>(248,627,390)</b>
	<b>43,638,291</b>				<b>43,876,465</b>

As of December 31, 2017, the Group has amortization expenses in the amount of total TRY5,796,939, consisting of TRY5,708,054 for tangible non-current assets and TRY88,885 for intangible non-current assets. Out of said current term amortization expenses, a portion of TRY5,003,630 was reflected on production costs, TRY395,220 on general administrative expenses, TRY363,371 on marketing expenses and TRY34,718 on research and development.

## 9. INTANGIBLE NON-CURRENT ASSETS

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

	January 1, 2016			December 31, 2016	
	Opening	Additions	Outgoing	Transfers	Closing
<b>Cost</b>					
Rights	1,316,544	36,295	-	-	1,352,839
	<b>1,316,544</b>	<b>36,295</b>	<b>-</b>	<b>-</b>	<b>1,352,839</b>
<b>Accumulated depreciation</b>					
Rights	(1,044,495)	(88,885)	-	-	(1,133,380)
	<b>(1,044,495)</b>	<b>(88,885)</b>	<b>-</b>	<b>-</b>	<b>(1,133,380)</b>
	<b>272,049</b>				<b>219,459</b>

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

## 10. RESERVES, CONTINGENT ASSETS AND PAYABLES

### Other short-term provisions

	December 31, 2017	December 31, 2016
Misc. provisions for projects (*)	3,837,031	2,412,550
Provisions for personnel	2,971,598	396,684
Expense provisions regarding overseas service agreements	2,066,024	1,766,736
Provisions arising from purchase contracts (**)	1,222,085	2,303,323
Provisions for subcontractor expenses	582,518	326,516
Provisions for repair and maintenance expenses	325,021	723,200
Other	1,152,433	361,471
	<b>12,156,710</b>	<b>8,290,480</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, 2017 and 2016 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, 2017	2,412,550	1,766,736	396,684	2,303,323	1,411,187	11,744,232
Change, net	1,424,481	299,288	2,574,914	(1,081,238)	648,785	3,067,947
<b>December 31, 2017</b>	<b>3,837,031</b>	<b>2,066,024</b>	<b>2,971,598</b>	<b>1,222,085</b>	<b>2,059,972</b>	<b>14,812,179</b>
January 1, 2016	2,986,474	1,970,547	-	2,856,428	1,263,971	11,098,888
Change, net	(573,924)	(203,811)	396,684	(553,105)	147,216	645,344
<b>December 31, 2016</b>	<b>2,412,550</b>	<b>1,766,736</b>	<b>396,684</b>	<b>2,303,323</b>	<b>1,411,187</b>	<b>11,744,232</b>

### Long-term provisions

	December 31, 2017	December 31, 2016
Provisions for claims (*)	1,208,011	994,488
Provisions for guarantees	385,307	428,945
Other provisions	-	16,270
	<b>1,593,318</b>	<b>1,439,703</b>

(\*) Said 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, 2017 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, 2017.



Statements regarding security and claims' reserves as of December 31, 2017 and 2016 are as follows::

<b>Provisionsf or guarantee</b>	<b>2017</b>	<b>2016</b>
Opening statement, January 1	428,945	445,215
Additions	(43,638)	(16,270)
<b>Closing statement, December 31</b>	<b>385,307</b>	<b>428,945</b>

<b>Provisions for claims</b>	<b>2017</b>	<b>2016</b>
Opening statement, January 1	994,488	1,546,118
Additions	213,523	(551,630)
<b>Closing statement, December 31</b>	<b>1,208,011</b>	<b>994,488</b>

## 11. UNDERTAKINGS

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

As of December 31, 2017 and December 31, 2016, 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 D are in the amount of TRY15,202,668 (Euro 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, 2017, the Group has no outstanding export loan commitment debts. (31 Aralık 2015: US Dollars 5,918,259). (December 31, 2016: Yoktur).

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>A. Total amount of security put up in the name of its own legal entity:</b>	116,822,127	75,914,196
<b>B. Total amount of security, mortgage and liens provided in favour of partnerships included within full consolidation:</b>	15,202,668	53,233,348
<b>-Euros</b>	3,360,671	14,348,998
<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 activites:</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>132,024,795</b>	<b>129,147,544</b>

Ratio of other GMLs given by the Company to the Company's equities is 0% as of the date of December 31, 2017.

## 12. EMPLOYEE BENEFITS

### Payables within the scope of employee benefits

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Payables to the personnel	2,225,721	689,799
Social security premiums payable	863,084	802,645
Taxes and funds payable	668,150	670,888
	<b>3,756,955</b>	<b>2,163,332</b>

### Short-term provisions regarding employee benefits

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Provision for personnel premiums	2,655,469	3,453,752
Provision for unused leaves	1,374,141	964,688
	<b>4,029,610</b>	<b>4,418,440</b>

Statements regarding personnel premium and leave reserves as of December 31, 2017 and 2016 are as follows::

Provision for personnel bonuses;

	<b>2017</b>	<b>2016</b>
Opening statement, January 1	3,453,752	2,594,575
Paid / cancelled provision, net	(798,283)	859,177
<b>Closing statement, December 31</b>	<b>2,655,469</b>	<b>3,453,752</b>

Provision for unused leaves;

	2017	2016
Opening statement, January 1	964,688	886,903
Paid / cancelled provision , net	409,453	77,785
<b>Closing statement, December 31</b>	<b>1,374,141</b>	<b>964,688</b>

Long term provisions regarding employee benefits

	December 31, 2017	December 31, 2016
Provision for severance pay	5,850,167	5,636,510
	<b>5,850,167</b>	<b>5,636,510</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. TAS 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, 2017, 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 5.00% inflation and 11% interest rates, reaching the real discount rate approximately as 5.71% (December 31, 2016: 4.29%) 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, 2016: 98%) Severance pay upper limit is revised every six months and while calculating the Group's severance pay reserves, the upper limit of TRY4,732.48, valid after date of January 1, 2017 was taken into account. (January 1, 2016: 4,297.21 TL)

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

<b>Provision for severance pay</b>	<b>2017</b>	<b>2016</b>
Provision as of January 1	5,636,510	6,116,361
Service cost	364,500	512,284
Interest cost	507,000	543,000
Severance pays paid up	(1,373,343)	(1,765,135)
Actuarial (earnings)/losses	715,500	230,000
<b>Closing statement, December 31</b>	<b>5,850,167</b>	<b>5,636,510</b>

### 13. OTHER ASSETS AND LIABILITIES

<b>Other current assets</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
VAT carried over (*)	33,711,777	34,387,690
Receivables from the Tax Office (**)	5,815,877	7,729,816
Other miscellaneous current assets	785,299	413,612
	<b>40,312,953</b>	<b>42,531,118</b>
<b>Other non-current assets</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
VAT carried over(*)	32,874,394	-
	<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.

<b>Other short-term liabilities</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Tax, fees and other deductions to be paid	4,575,846	2,590,408
Other various payables and liabilities	315,535	39,520
	<b>4,891,381</b>	<b>2,629,928</b>

**14. CAPITAL, RESERVES AND OTHER EQUITY ITEMS****a) Capital**

Paid capital structure of the Group as of December 31, 2017 and 2016 is as follows:

Shareholders	% December 31, 2017		% December 31, 2016	
Draka Holding B.V.	83.75	118,696,851	83.75	93,991,660
Public	16.25	23,036,801	16.25	18,241,992
<b>Capital</b>	<b>100</b>	<b>141,733,652</b>	<b>100</b>	<b>112,233,652</b>

As of December 31, 2017, the Group's capital comprises of 141,733,652 shares (December 31, 2016: 112,233,652 shares) Nominal value of shares are TRY 1 per share (December 31, 2016: TRY 1 per share): All shares issued were paid in cash.

**b) Reserves on retained earnings**

	December 31, 2017	December 31, 2016
Legal reserves	7,718,010	7,006,270
	<b>7,718,010</b>	<b>7,006,270</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.

The Group's limited reserves set aside from the profit as of December 31, 2017 is in the amount of TRY7.718.010 (December 31, 2016: 7.006.270).

Profit Distribution:

Publicly traded companies distribute their dividends in accordance with CMB's Dividends Communique numbered II-19.1, entered into effect on February 1, 2016.

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 communique, 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 16, 2017 for the current year. The amount of the dividend of TL 6,971,071 (2016: TL 6,814,053) paid out in 2017 per share is TL 0.0492 (2016: TL 0.06267) gross and TL 0.0418 (2016: TL 0.05327) 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 Kablo ve Sistemleri A.Ş., pursuant to the "Repurchase Programme", decided on 03 August 2016 to buy 1,000,000 Türk Prysmian Kablo ve Sistemleri A.Ş. shares at a value of TRY2,496,301

This amount was recognized under equities, under the item of "Reacquired shares". With regards to this transaction, reserves were allocated for the unit "Reserves on Retained Earnings" and due to said dividends, a transfer of TRY2,496,301 was made to previous year losses unit.

Capital increase

It has been resolved that, being within the registered capital base of TL 170,000,000 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**

	January 1 - December 31, 2017	January 1 - December 31, 2016
Domestic sales	1,392,710,826	1,160,542,787
Export sales	318,930,763	244,291,496
Returns on sales (-)	(3,260,561)	(4,986,035)
Sales discounts (-)	(532,031,155)	(446,275,797)
	<b>1,176,349,873</b>	<b>953,572,451</b>

	January 1 - December 31, 2017	January 1 - December 31, 2016
Raw material and supply expenses	(862,484,251)	(617,366,870)
Direct labor expenses	(23,941,310)	(20,970,248)
General production expenses	(42,056,038)	(38,300,585)
Amortization expenses (Footnote 8)	(4,888,293)	(5,003,630)
Cost of commercial goods sold	(79,199,663)	(61,001,188)
Cost of services sold	(44,887,696)	(89,767,460)
	<b>(1,057,457,251)</b>	<b>(832,409,981)</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, 2017	December 31, 2016
Cost on ongoing Works	486,278,393	424,572,664
Profits minus losses on record (net)	101,054,113	82,466,818
	587,332,506	507,039,482
Minus: Realized progresses (-)	(592,986,309)	(508,956,503)
Payables on construction agreements	(5,653,803)	(1,917,021)

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

The Company signed said construction related contract on the date of 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) Habaş / Aliğa - İzmir 154 Kv Cable and Accessories Project:

The Company signed said construction related contract on the date of October 7, 2013. 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) 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.

### e) 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 99% completion rate as of the current term.

### f) 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.

### g) TKABY. 25 TEİAŞ Bozyaka TM- Karabağlar TM 154 kV Project:

The Company signed said construction related contract on the date of December 29, 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.

### h) 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.

### i) EMTA - TEİAŞ Alibeyköy-Küçükköy ve Alibeyköy-İkitelli 154 kV Project Project:

The Company signed said construction related contract on the date of September 1, 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) 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.



**k) TKABY.32, (Ambarlı-Hadımköy) Brş N -Esenyurt GIS TM 154 kVProject:**

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.

**l) 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.

**m) 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.

**n) 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 aa).)

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

The Company signed said construction related contract on the date of July 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.

**p) Oskar - ITM.180 Dudullu Metro GIS TM Yapım İşi**

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 96% completion rate as of the current term.

**r) İsdemir Payaş Project**

The Company signed said construction related contract on the date of June 14, 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

**s) 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 95% completion rate as of the current term

**t) Kipaş Kağıt Maraş Project**

The Company signed said construction related contract on the date of October 18, 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.

**u) 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 88% completion rate as of the current term.

**v) 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 59% completion rate as of the current term.

**y) Simora - 380 kV Yenibosna Project**

The Company signed said construction related contract on the date of August 4, 2016. 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.

**z) 110 kV Azerbaycan BP Project**

The Company signed said construction related contract on the date of August 1, 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.

**aa) 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.

**ab) Halkalı OHL Project**

The Company signed said construction related contract on the date of September 17, 2015. No completion rate was yet formed regarding said construction job.

**ac) 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 31% completion rate as of the current term.

**ad) 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 49% completion rate as of the current term.

**ae) TEİAŞ - TKABY.47 Referanslı, Ambarlı TM – Sultanmurat GIS TM 154 kV Project**

The Company signed said construction related contract on the date of August 16, 2017. No completion rate was yet formed regarding said construction job.

**af) 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 63% completion rate as of the current term.

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

The Company signed said construction related contract on the date of October 25, 2017. No completion rate was yet formed regarding said construction job.

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

The Company 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 1% completion rate as of the current term.

**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, 2017 and 2016 are as follows:

**a) General administrative expenses**

	January 1 - December 31, 2017	January 1 - December 31, 2016
Licensing and service expenses (Footnote 3)	(29,696,679)	(23,377,037)
Personnel expenses	(6,393,911)	(5,652,896)
External service expenses	(1,521,615)	(1,447,612)
Amortization expenses (Footnote 8,9)	(410,662)	(395,220)
Other general administrative expenses	(4,116,335)	(2,927,254)
	<b>(42,139,202)</b>	<b>(33,800,019)</b>

**b) Marketing expenses**

	January 1 - December 31, 2017	January 1 - December 31, 2016
Logistics expenses commissions of letters of sale and undertaking	(39,703,682)	(37,778,502)
Personnel expenses	(7,314,900)	(6,398,948)
External service expenses	(1,824,528)	(1,485,698)
Amortization expenses (Footnote:8,9)	(405,505)	(363,371)
Other sales and distribution expenses	(4,569,405)	(3,614,077)
	<b>(53,818,020)</b>	<b>(49,640,596)</b>

**c) Research and development expenses**

	January 1 - December 31, 2017	January 1 - December 31, 2016
Personnel expenses	(1,132,483)	(979,253)
External service expenses	(341,306)	(282,573)
Amortization expenses (Footnote 8,9)	(55,927)	(60,662)
Testing, measurement and certification expenses	(514,291)	(447,027)
Other expenses	(437,369)	(472,982)
	<b>(2,481,376)</b>	<b>(2,242,497)</b>

**18. EXPENSES BY NATURE**

	January 1 - December 31, 2017	January 1 - December 31, 2016
Raw material and supply expenses	(862,484,251)	(617,366,870)
Cost of commercial goods sold	(79,199,663)	(61,001,188)
Logistics expenses commissions of letters of sale and undertaking	(39,703,682)	(37,778,502)
Production costs	(42,056,038)	(38,300,585)
Licensing and service expenses (Footnote 3)	(29,696,679)	(23,377,037)
Direct labor expenses	(23,941,310)	(20,970,248)
Personnel expenses	(14,841,294)	(13,069,596)
Amortization expenses (Footnote 8,9)	(5,760,389)	(5,796,939)
External service expenses	(3,687,449)	(1,485,699)
Other expenses	(54,525,094)	(98,946,429)
	<b>(1,155,895,849)</b>	<b>(918,093,093)</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, 2017 and 2016 are as follows:

	January 1 - December 31, 2017	January 1 - December 31, 2016
Income from main activities		
Income realized from marketable derivative instruments	35,892,688	15,951,267
Marketable derivative instruments valuation income	-	23,989,510
Chargeout income (Footnote 3)	2,706,797	3,797,771
Delay interest income of trade receivables	1,775,633	1,089,280
Other income	3,551,341	2,867,108
	<b>43,926,459</b>	<b>47,694,936</b>

	January 1 - December 31, 2017	January 1 - December 31, 2016
Expense from main activities		
Expense realized from marketable derivative instruments	(20,761,883)	(18,827,686)
Marketable derivative instruments valuation expenses	(19,535,949)	(3,355,027)
Exchange rate expenses from trade activities, net	(12,145,954)	(29,129,639)
Rediscount expense of trade receivables	(532,302)	(449,094)
Doubtful receivables provision expenses	(4,358,065)	(4,787,107)
Other expenses	(991,077)	(2,371,297)
	<b>(58,325,230)</b>	<b>(58,919,850)</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, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Fixed asset sales profit	287,801	403,060
	<b>287,801</b>	<b>403,060</b>

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

Details of financing income / (expense) for the years that have ended on the dates of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Interest income	2,625,446	1,910,954
	<b>2,625,446</b>	<b>1,910,954</b>
Financing expense	(1,266,678)	(1,156,795)
	<b>(1,266,678)</b>	<b>(1,156,795)</b>

**22. SHORT-TERM LOANS**

	December 31, 2017	December 31, 2016
<b>Short-term</b>		
Short-term bank loans	4,523,700	-
<b>Total short-term loans</b>	<b>4,523,700</b>	<b>-</b>

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

	December 31, 2017	
	Interest rate	Original currency
		TL equivalent
<b>Short-term</b>		
Euro loans	-	1,000,000
<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, 2017	December 31, 2016
Withholding paid for construction repair works extending to years	20,408,508	17,931,802
Temporary tax receivables	4,047,530	1,518,030
Bank withholding	401,992	123,295
	<b>24,858,030</b>	<b>19,573,127</b>

#### Current tax liabilities

	December 31, 2017	December 31, 2016
Provision for current corporate tax	10,214,364	-
Minus: Prepaid Taxes and Funds	(4,047,530)	(1,518,030)
	<b>6,166,834</b>	<b>(1,518,030)</b>

	January 1 - December 31, 2017	January 1 - December 31, 2016
<b>Tax expense</b>		
Current tax expense	(10,214,364)	-
Deferred tax expense	10,654,363	(5,175,713)
<b>Total tax (expense)/income</b>	<b>439,999</b>	<b>(5,175,713)</b>

	Total provisional differences December 31, 2017	Deferred tax (asset) / liability December 31, 2017	Total provisional differences December 31, 2016	Deferred tax (asset) / liability December 31, 2016
Tangible and intangible non-current assets	(3,115,570)	623,114	(2,357,649)	414,750
Severance pay provisions	5,850,165	(1,170,033)	5,636,405	(1,127,281)
Construction projects over the years	(12,965,586)	2,852,429	(36,939,225)	7,387,845
Inventory	5,791,083	(1,104,631)	(4,788,660)	957,732
Trade receivables	9,529,158	(1,982,560)	6,786,785	(1,357,357)
Trade payables	8,065,164	(1,584,557)	(406,260)	81,252
Claim provisions	1,208,011	(265,762)	994,515	(198,903)
Leave provisions	1,374,141	(302,311)	964,688	(192,938)
Derivative financial instruments	240,338	(52,874)	(19,295,610)	3,859,122
Provisions	14,812,179	(3,258,679)	22,715,000	(4,543,000)
Previous year's losses	-	-	3,961,664	(792,333)
Other	4,334,750	(866,950)	5,452,202	(1,090,440)
	<b>35,123,833</b>	<b>(7,112,814)</b>	<b>(17,276,145)</b>	<b>3,398,449</b>

There are no losses that the Group can use in future periods as of the date of the balance sheet (2016: TRY3,961,664).

Years when the rights of use for transferred previous year losses whose deferred tax active are separated are as shown below::

	December 31, 2017	December 31, 2016
2021	-	3,961,664
	-	<b>3,961,664</b>



Activity of deferred tax (active)/passive as of the year which ended on December 31, 2017 is show below::

<b>Deferred Tax (asset) / liability movements</b>	<b>January 1 - December 31, 2017</b>	<b>January 1 - December 31, 2016</b>
<b>Opening balance as of January 1</b>	3,398,449	(1,731,264)
Recognized under profit and expense statement	(10,654,363)	5,175,713
Recognized under shareholders' equity	143,100	(46,000)
<b>Closing balance as of December 31</b>	<b>(7,112,814)</b>	<b>3,398,449</b>

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

<b>Tax provision reconciliation</b>	<b>January 1 - December 31, 2017</b>	<b>January 1 - December 31, 2016</b>
Pre-tax operational profits	7,701,822	25,411,663
Income tax rate 20%	(1,540,364)	(5,082,333)
<b>Tax effect:</b>		
Non-deductible expenses	(328,453)	(266,683)
R&D rebate	1,918,548	811,336
Rebates and other	390,268	(638,033)
<b>Tax provision income / (expense) on profit or loss statement</b>	<b>439,999</b>	<b>(5,175,713)</b>

#### 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, 2017</b>	<b>December 31, 2016</b>
Average number of current shares throughout the term (full value)	<b>118,376,118</b>	112,233,652
Net period profit of parent company shareholders	<b>8,141,821</b>	20,235,950
<b>Earnings per share</b>	<b>0.0688</b>	<b>0.1803</b>

#### 25. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>December 31, 2017</b>		<b>December 31, 2016</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Short-term foreign currency transactions	-	(240,338)	22,943,990	(3,648,380)
		<b>(240,338)</b>	<b>22,943,990</b>	<b>(3,648,380)</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, 2017</b>	<b>December 31, 2016</b>
Forward foreign currency agreements	221,754,855	182,952,152
	<b>221,754,855</b>	<b>182,952,152</b>

Said agreements are related to foreign currency risks in 2017 and are renewed when necessary.

Changes to fair value of foreign currency derivative transactions with no hedging purposes in the amount of TRY221,754,855 was indicated into the income table within term (2016: TRY182,952,152).

All the Forward Foreign Currency transactions stated hereabove in full detail consist of forward contracts. As of the date of December 31, 2017, the Group has a forward purchase contract in the amounts of USD 61,762,780 and EUR 2,750,000 (2016: USD: 42,710,000 and EUR: 8,800,000).

## 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, 2017 and 2016, the ratio of equity to debts is as follows:

	December 31, 2017	December 31, 2016
Total payables (*)	504,214,566	430,939,512
Minus: cash and cash equivalents	165,315,709	152,317,188
Net payable	338,898,857	278,622,324
Total shareholders' equity	234,965,942	163,996,502
<b>Shareholders' equity / payables ratio</b>	<b>69%</b>	<b>59%</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

	Trade receivables		Other receivables			Derivative financial instruments
	Affiliated party	Other party	Affiliated party	Other party	Bank deposits	
<b>December 31, 2017</b>						
<b>Maximum credit risk exposed to as of reporting date (*)</b>	<b>34,369,816</b>	<b>302,344,946</b>	-	-	<b>156,704,772</b>	-
- Part of maximum risk secured by guarantee, etc. (**)		125,991,135				
A. Net book value of financial assets undue or not impaired	14,778,103	268,504,590	-	-	-	-
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	-	-	-	-	-	-
- Overdue (gross book value)	-	68,274,239	-	-	-	-
- 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.

Credit risks exposed to based on types of financial instruments

December 31, 2016	Trade receivables		Other receivables		Bank deposits	Derivative financial instruments
	Affiliated party	Other party	Affiliated party	Other party		
<b>Maximum credit risk exposed to as of reporting date (*)</b>	<b>13,029,795</b>	<b>266,795,534</b>	-	-	<b>144,987,812</b>	<b>22,943,990</b>
- Part of maximum risk secured by guarantee, etc. (**)		83,127,251				
A. Net book value of financial assets undue or not impaired	10,047,607	249,618,892	-	-	144,987,812	22,943,990
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	2,982,188	17,176,642	-	-	-	-
- Part secured by guarantee, etc.		5,024,153				
D. Net book value of assets impaired	-	-	-	-	-	-
- Overdue (gross book value)	-	49,060,584	-	-	-	-
- Impairment (-)	-	(38,642,162)	-	-	-	-
- Part of net value secured by guarantee, etc.	-	10,418,422	-	-	-	-
- 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, 2017	December 31, 2016
1-30 days overdue	28,242,863	14,279,789
1-3 months overdue	17,455,688	10,600,283
3-12 months overdue	2,506,565	6,729,541
1-5 years overdue	12,597,574	10,797,712
Over 5 years overdue	28,862,115	26,812,089
<b>Total receivables overdue</b>	<b>89,664,805</b>	<b>69,219,414</b>
<b>Part secured by securities, etc.</b>	<b>45,167,658</b>	<b>15,442,575</b>

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

	December 31, 2017	December 31, 2016
Letter of guarantees received	15,467,669	10,418,422
Mortgages	9,806,343	-
	<b>25,274,012</b>	<b>10,418,422</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, 2017

Terms in accordance with the agreement	Book value	Total cash outflow as per the agreement (I+II+III+IV)	Less than 3 months (I)	between 3 -12 months (II)	between 1 -5 years (III)	Longer than 5 years (IV)
<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>				-	-

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

Terms in accordance with the agreement	Book value	Total cash outflow as per the agreement (I+II+III+IV)	Less than 3 months (I)	between 3 -12 months (II)	between 1 -5 years (III)	Longer than 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Derivative cash flows, net	240,338	220,093,855	154,142,483	65,951,372	-	-

December 31, 2016

Terms in accordance with the agreement	Book value	Total cash outflow as per the agreement (I+II+III+IV)	Less than 3 months (I)	between 3 -12 months (II)	between 1 -5 years (III)	Longer than 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Trade payables	429,018,482	429,424,742	331,763,645	97,254,837	-	-
Other payables (Footnote 5)	4,009	4,009	4,009	-	-	-
<b>Total liabilities</b>	<b>429,022,491</b>	<b>429,428,751</b>	<b>331,767,654</b>	<b>97,254,837</b>	-	-

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

Terms in accordance with the agreement	Book value	Total cash outflow as per the agreement (I+II+III+IV)	Less than 3 months (I)	between 3 -12 months (II)	between 1 -5 years (III)	Longer than 5 years (IV)
<b>Derivative financial liabilities</b>						
Derivative cash flows, net	19,295,610	182,952,152	113,599,776	69,352,376	-	-

## 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, 2017	TRY 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 (IFRS 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>

## December 31, 2016

	TRY Equiv.	US Dollars	Euro	GBP	CHF
1. Trade receivables	126,918,504	17,042,349	18,044,440	-	-
2a. Monetary financial assets (including safe deposit, bank accounts)	118,077,747	9,161,593	23,136,914	146	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	7,767,649	221,508	1,883,640	-	-
<b>4. Current assets (1+2+3)</b>	<b>252,763,900</b>	<b>26,425,450</b>	<b>43,064,994</b>	<b>146</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>252,763,900</b>	<b>26,425,450</b>	<b>43,064,994</b>	<b>146</b>	<b>-</b>
10. Trade payables	(396,472,718)	(67,348,670)	(42,788,839)	(1,378)	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-
<b>13. Short-term liabilities (10+11+12)</b>	<b>(396,472,718)</b>	<b>(67,348,670)</b>	<b>(42,788,839)</b>	<b>(1,378)</b>	<b>-</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16 a. Other monetary liabilities	(46,827,896)	(2,946,929)	(9,804,256)	-	-
16 b. Other non-monetary liabilities	-	-	-	-	-
<b>17. Long-term liabilities (14+15+16)</b>	<b>(46,827,896)</b>	<b>(2,946,929)</b>	<b>(9,804,256)</b>	<b>-</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>(443,300,614)</b>	<b>(70,295,599)</b>	<b>(52,593,095)</b>	<b>(1,378)</b>	<b>-</b>
<b>19. Net asset / (liability) position of out-of-balance derivative instruments in foreign currency (19a-19b)</b>	<b>182,952,152</b>	<b>42,710,000</b>	<b>8,800,000</b>	<b>-</b>	<b>-</b>
19a. Amount of out-of balance derivative instruments with assets characteristics	182,952,152	42,710,000	8,800,000	-	-
19b. Amount of out-of balance derivative instruments with liabilities characteristics	-	-	-	-	-
<b>20. Net foreign currency asset / (liability) position (9-18+19)</b>	<b>(7,584,562)</b>	<b>(1,160,149)</b>	<b>(728,101)</b>	<b>(1,232)</b>	<b>-</b>
<b>21. Monetary items net foreign currency asset / (liability) position (IFRS 7.B23) (=1+2a+5+6a+10+11+12a+14+15+16a)*</b>	<b>(198,304,363)</b>	<b>(44,091,657)</b>	<b>(11,411,741)</b>	<b>(1,232)</b>	<b>-</b>
<b>22. Total fair value of financial tools used for the foreign currency hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Amount of hedged portion of foreign currency assets**</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24. Amount of hedged portion of foreign currency obligations***</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>25. Total amount of exports</b>	<b>244,291,496</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>26. Total amount of imports</b>	<b>406,104,683</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, 2017 and December 31, 2016, 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, 2017			
	Profit/Loss		Equities	
	Appreciation of foreign currency	Depreciation of foreign currency	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	(2,238,591)	-	-
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>	-	-

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

	December 31, 2016			
	Profit/Loss		Equities	
	Appreciation of foreign currency	Depreciation of foreign currency	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	(15,483,069)	15,483,069	-	-
2- The portion hedged from US dollars' risk (-)	15,030,503	(15,030,503)	-	-
<b>3- US Dollars net effect (1+2)</b>	<b>(452,566)</b>	<b>452,566</b>	-	-
<b>Should the Euro exchange rate changes by 10%:</b>				
4- Net asset /liabilities in Euros	(3,570,068)	3,570,068	-	-
5- The portion hedged from Euro's risk (-)	3,264,712	(3,264,712)	-	-
<b>6- Euro net effect (4+5)</b>	<b>(305,356)</b>	<b>305,356</b>	-	-
<b>Should the other foreign currency exchange rates change by 10%:</b>				
7- Other net foreign currency in possession/liabilities	(535)	535	-	-
8- The portion protected from other foreign currency exchange rate (-)	-	-	-	-
<b>9- Other foreign currency assets net effect (7+8)</b>	<b>(535)</b>	<b>535</b>	-	-
<b>TOTAL (3+6+9)</b>	<b>(758,457)</b>	<b>758,457</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:

Non-executed	Average exchange rate		Foreign money		Agreement value		Fair value	
	2017	2016	2017	2016	2017	2016	2017	2016
Sale/purchase agreements:	TL	TL	TL	TL	TL	TL	TL	TL
<b>Purchase of US Dollars</b>								
Less than 3 months	3.4322	3.0814	179,429,283	113,599,776	163,271,564	99,467,196	738,347	15,088,229
Between 3-6 months	3.8515	3.2942	53,533,747	36,705,256	54,663,697	34,358,634	(58,828)	3,152,881
<b>Purchase of EURO</b>								
Less than 3 months	4.5155		(25,286,800)	-	(25,286,800)	-	(77,997)	-
<b>Purchase of EURO</b>								
Between 3-6 months	4.6702	3.2172	12,417,625	32,647,120	12,843,100	31,647,975	(318,502)	1,054,500
			<b>220,093,855</b>	<b>182,952,152</b>	<b>205,491,561</b>	<b>165,473,805</b>	<b>283,020</b>	<b>19,295,610</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, 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
Derivative financial instruments	-	-	-	-	25
<b>Financial liabilities</b>					
Trade payables	-	-	498,560,763	498,560,763	4
Derivative financial instruments	-	240,338	-	240,338	25
Financial Payables	4,523,700	-	-	4,523,700	22
<b>December 31, 2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	152,317,188	-	-	152,317,188	30
Trade receivables	279,825,329	-	-	279,825,329	4
Derivative financial instruments	-	22,943,990	-	22,943,990	25
<b>Financial liabilities</b>					
Trade payables	-	-	429,018,482	429,018,482	4
Derivative financial instruments	-	3,648,380	-	3,648,380	25

(\*) 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, 2017	December 31, 2016				
Foreign currency forward agreements	(240.338)	19.295.610	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. SUBSEQUENT EVENTS AFTER REPORTING PERIOD**

None.

**29. OTHER POINTS**

None. (December 31, 2016: None).

**30. CASH AND CASH EQUIVALENTS**

	December 31, 2017	December 31, 2016
Cash - TL	1,208	5,537
Cash - Foreign currency	9,088	7,012
Bank - Checking account	1,834,606	402,536
Bank - TL - Savings account	5,297,000	14,424,000
Bank - Foreign currency exchange accounts	4,680,090	1,107,319
Bank - US Dollar - Checking account	68,110,040	32,034,422
Bank - Avro - Savings account	63,410,313	84,929,988
Checks received	6,770,897	7,316,827
Credit card receivables	15,202,467	12,089,547
	<b>165,315,709</b>	<b>152,317,188</b>

Credit card receivables have less than 3 month terms.



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

	December 31, 2017		December 31, 2016	
	Term	Interest Rate (%)	Term	Interest Rate (%)
Savings accounts in TRY	Overnight	13.50	Overnight	10.30
FC savings account US Dollars	Overnight	3.60	Overnight	2.65
FC savings account US Dollars	Monthly	3.65	Monthly	3.70
FC savings account Euro	Overnight	1.70	Overnight	1.20
FC savings account Euro	Monthly	2.4	Monthly	1.65

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, 2017 and 2016 are shown below:

	December 31, 2017	December 31, 2016
Cash and cash equivalents	165,315,709	152,317,188
Interest accrued (-)	(194,470)	(35,291)
	<b>165,121,239</b>	<b>152,281,897</b>

## COMPLIANCE REPORT

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

**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.

<b>Istanbul Stock Exchange Institutional Management Score</b>		
<b>Main Sections</b>	<b>Weight</b>	<b>Score (%)</b>
Shareholders:	25%	91.94%
Public Disclosure and Transparency:	25%	92.88%
Stakeholders:	15%	92.26%
Board of Directors:	35%	88.81%
<b>Total:</b>	<b>100%</b>	<b>91.13%</b>

In 2017 Türk Prysmian Kablo has documented that the company corresponds to and is adequate with related values, by getting 9,11 points out of 10 (91.13%) by achieving 0,21 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 "Allotments, 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 91,13 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 2017, 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 2017 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 2017, one ordinary general assembly meeting (March 31, 2017) and one extraordinary general assembly meeting (May 5, 2017) 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. Profit Distribution Policy and Profit Distribution Time

There is no privilege in contributing to the Company profit and the **Dividend Policy**, as described at the decision of the Board of Directors on 27<sup>th</sup> of March 2007, is as follows;

*"The Board of Directors takes its decision related to the distribution of profit based on the financial position of the Company, term profit and the strategic goals. There is no real person that receives a privileged share from the distributable profit of our Company. The profit distribution policy of our Company aims for the distribution of 20% of the distributable profit in cash or an amount higher than % as decided by the General Assembly. Should the distributable term profit of the Company falls below 20% of the paid-up capital of the Company – provided that it is subject to the legislation in force – it can be decided not to distribute profit shares.*

*It is aimed to pay the profit shares in cash within 60 days following the General Assembly meeting via authorized banks and intermediary institutions. The shareholders can apply to the Company headquarters to collect their profit shares after such date. The Company is not planning to distribute profit share advance. The Company aims to donate up to 1% of the taxable profit to any kind of social agency, provided that the ones present in the vicinity area are given priority, and subject to the approval of the General Assembly."*

## 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 2017: **59**

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:

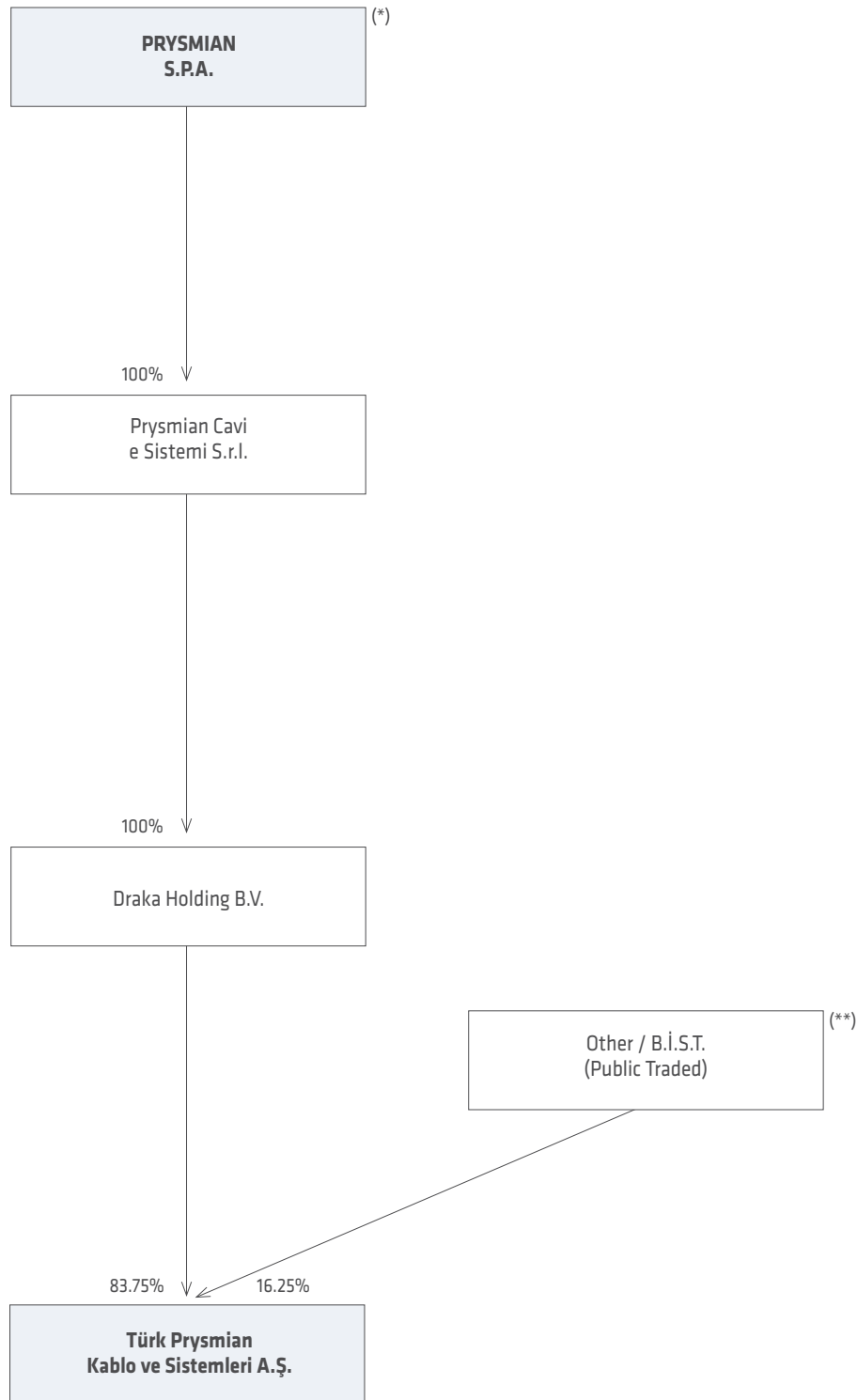
- Trade registry information, current final partnership structure,
- The most recent members of the Board of Directors and top level managers,
- The date and numbers of the trade registry gazettes where the amendments have been published and the final form of the Company Articles of Association,
- Decisions 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 2017**



(\*) 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.

The names of the members of the Board of Directors, auditors and other employees in the top management of the Company are indicated at the Activity Reports and under the Investor Relations section in the Company web page.

As of the date of this report, the persons in the position to obtain insider information are given below;

<b>COMPANY MANAGEMENT:</b>	
Halil İbrahim KONGUR	Chairman & Factory Director
Erkan AYDOĞDU	Vice Chairman & CEO
Ercan GÖKDAĞ	Board Member & CFO & Early Risk Assessment and Risk Management Committee Member
Fabio Ignazio ROMEO	Board Member & Corporate Governance Committee Member
Andrea PIRONDINI	Board Member
Ali Aydın PANDIR	Independent Board Member & Chairman of Corporate Governance Committee & Audit Committee Member & Early Risk Assessment and Risk Management Committee Member
Mehmet Emin TUTAN	Independent Board Member
Ayşe Canan EDİBOĞLU	Independent Board Member & Chairman of Early Risk Assessment and Risk Management Committee & Chairman of Audit Committee
Nevin KOCABAŞ	Accounting & Investor Relations Manager & Corporate Governance Committee Member
Faik KÜRKÇÜ	Utilities & Contractors Sales Director
İbrahim Etem BAKAÇ	Domestic Sales Director
Murat TEZCAN	Export Sales Director
İlhan ÖZTÜRK	Oil & Gas Menat & CIS Regional Sales Director
Ufuk ÇOLAK	Telecom Sales Manager
İdris ÇOLAKGİL	Information Technologies Manager
İlker Bertan BİLGİN	Logistic Manager
Zekeriya ŞİRİN	R&D Manager
Tamer YAVUZTÜRK	Marketing & Business Intelligence Manager
Mert ERDEN	Industrial Improvement Manager
Yiğit TÜRSOY	Legal Affairs Director
<b>TAX AUDITING BODY: (Mazars-Denge Yeminli Mali Müşavirlik A.Ş.)</b>	
Şevki BORAN	Sworn Financial Advisor
Nazan YÜCETAŞ BORAN	Sworn Financial Advisor
<b>INDEPENDENT AUDITING BODY: (Güney Bağımsız Denetim ve SMMM A.Ş.)</b>	
Ferzan ÜLGEN	Responsible Auditor
Ayşegül ÖZKAN	Auditor
<b>OTHER PERSONS:</b>	
Süalp ÇEKMECİ	Designer (Net Agency Advertisement Promotion and Publishing Services)
Hafize Nazan ÇEKMECİ	Publisher (Net Agency Advertisement Promotion and Publishing Services)
Cansu YİTMEN	Lawyer

## 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.** Pysmian 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.** Pysmian Group Values and Code of Ethics / Article 6 – Human Resources

### 16. Information on Customer and Supplier Relations

**Please see.** Pysmian Group Values and Code of Ethics / Article 4 - Customers

### 17. Social Responsibility

Türk Pysmian 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 Pysmian 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 Pysmian 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 Pysmian 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	Fabio Ignazio Romeo		X	
Member	Andrea Pirondini		X	
Member	Ali Aydın Pandır			X
Member	Ayşe Canan Ediboğlu			X
Member	Mehmet Emin Tutan			X

POSITION	MEMBERS	FIRST ASSIGNMENT	LAST ASSIGNMENT
Chairman	Halil İbrahim Kongur	30 March, 2012	31 March, 2017
Vice Chairman	Erkan Aydoğdu	22 October, 2014	31 March, 2017
Member	Ercan Gökdağ	31 March, 2017	31 March, 2017
Member	Fabio Ignazio Romeo	22 August 2005	31 March, 2017
Member	Andrea Pirondini	3 March, 2016	31 March, 2017
Member	Ali Aydın Pandır	30 March, 2012	31 March, 2017
Member	Ayşe Canan Ediboğlu	28 March, 2014	31 March, 2017
Member	Mehmet Emin Tutan	30 March, 2012	31 March, 2017

### 19. Properties of the Members of the Board of Directors

Age Profile of the Members of the Board of Directors;

AGE GROUP	18 - 30	31 - 40	41 - 50	51 - 60	61 - 65	66 - 70	71 and above
Number of Persons	-	1	1	2	4	-	-

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.

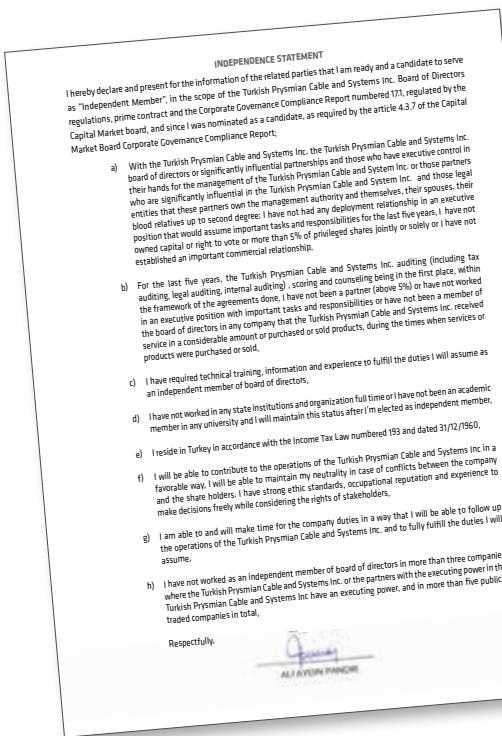
The number and properties of the independent members to take charge in the Board of Directors have been determined as per the regulations of the Capital Market Board related to institutional management. The members of the Board of Directors are elected by the company General Assembly as per the provisions 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:

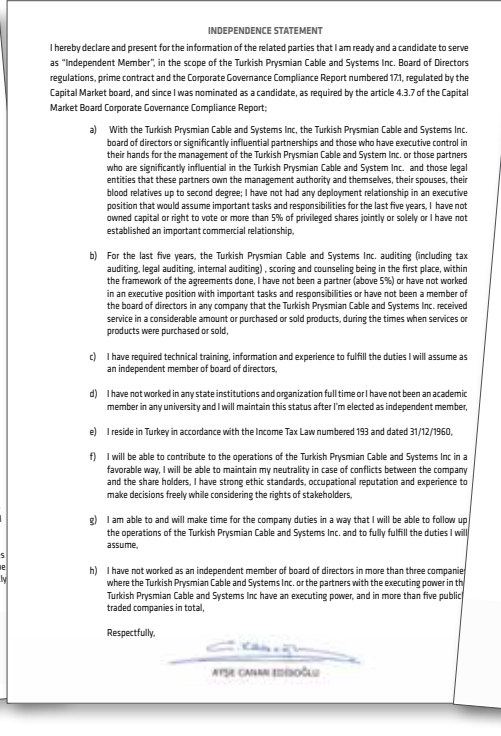
**Declaration of Independence**

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:

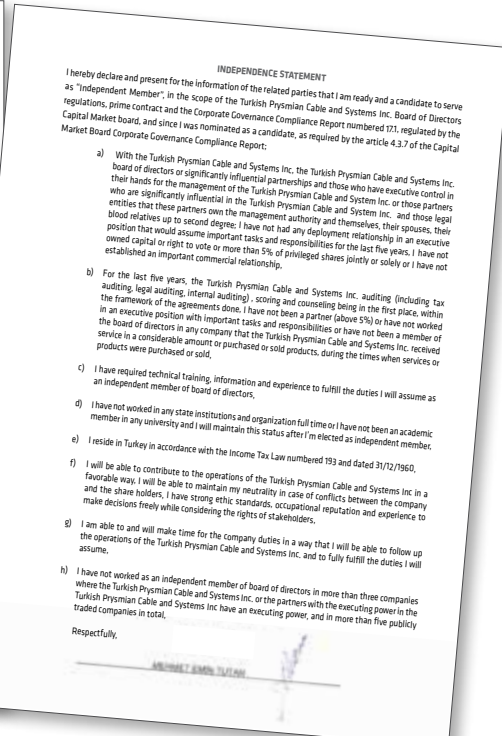
- There has not been any direct or indirect, employment-related, capital-related or material commercial relationship established within the last five years between me, my wife and my blood and marriage relatives up to third degree AND Türk Prysmian Kablo ve Sistemleri A.Ş., any affiliate of Türk Prysmian 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.



**Ali Aydın Pandır**  
Independent Board Member



**Ayşe Canan Ediboğlu**  
Independent Board Member



**Mehmet Emin Tutan**  
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 communiquéé 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 rules 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:** Ali Aydın Pandır, Ayşe Canan Ediboğlu

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:** Ali Aydın Pandır, Ayşe Canan Ediboğlu, Ercan Gökdağ

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:** Fabio Ignazio Romeo, Ali Aydın Pandır, 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 2017 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 2017, TL180,000 net attendance fee was paid to the independent members of the Board of Directors. Other than this, there is no payment that has accrued for 2017 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 2017 financial statements, and that the selling transactions was not more than 10% of the total revenues in the publicly disclosed 2017 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 2017, 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 2017 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 2017 fiscal year was signed and endorsed by the Board Members on March 6, 2018.

##### **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 favoritism, 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.**

**Headquarters:** Ömerbey Mah. Bursa Asfaltı Cad. No: 51  
16941 Mudanya - BURSA  
Tel: +90 224 270 30 00 Fax: +90 224 270 30 24

**Branch:** Haktan İş Merkezi No: 39 K.2 Setüstü  
34427 Kabataş - İSTANBUL  
Tel: +90 212 393 77 00 Fax: +90 212 393 77 62

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

**Prysmian**  
Group