



PRESTIGIOUS PROJECTS BRIDGES HIGH QUALITY STANDARDS  
TECHNOLOGY LINKING TURKEY TO THE FUTURE TECHNOLOGICAL  
ADVANCEMENTS WORLDWIDE LEADER STADIUMS  
TUNNELS SHOPPING CENTRES RESIDENCE  
PIONEER MINES HIGH QUALITY STANDARDS WIDE PRODUCT RANGE

**Prysmian**  
Group

**Türk Prysmian Kablo ve Sistemleri A.Ş.**  
2016 ANNUAL REPORT

Türk Prysmian Kablo ve Sistemleri A.Ş.

2016 ANNUAL REPORT



## 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 2016 Economic Overview
- 17 2017 Economic Expectations
- 18 2016 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 Activity 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 inception of our company in 1964, our main goal has been to continuously achieve significant accomplishments in the business we do and to always be one step ahead of the rest. In this respect we set a motto for our company, which we believe defines this perspective in the best way possible and shared this motto with Turkish Cable Sector in 2011: "Linking Turkey to the Future."

Carrying out the Turkish operations of Prysmian Group, worldwide leading company in energy and telecommunication cables industry, we consider this statement as more than just a company motto. This was a very successful year for us whereby we have carried out the most rewarding projects for our country with the innovative products we have provided. In 2016, sales of Prysmian Group reached close to 8 billion Euros and as a player in high technology product markets, our company stands out in the industry with its extensive knowledge, innovative products and production processes, and with the significant emphasis on customer satisfaction and customer services. From our employees to the worldwide projects where our company provides cables for, in every step we take, we are Linking Turkey to the Future and we always work for it.

## Our Major Activities

The most important quality of Prysmian Group Turkey, that make it the leader of Turkish cable sector is the investments made for the future of our industry.

We have brought something new to the sector once again by receiving in 2016, the CPR certificate that documents compliance with Construction Products Regulation. With this certificate, we confirmed compliance of our cables to "Construction Products Regulation" (EU) No: 305/2011 and "EN 50575" standard that regulates applications in energy, control and communication cables.

We have been making an effort for years to facilitate transition to the new Performance Declaration (DoP) and CE labeling process in the Turkish cable sector with our strong technical expertise and our laboratory in Mudanya, which has been accredited for CPR tests. With the investments made in 2016, we keep making a difference with our laboratories accredited by TURKAK, the first and only R&D Center approved by Ministry of Science and Technology and Mudanya Manufacturing Academy where Prysmian Group global engineers are trained.

We have trained 111 people in total from 29 countries at our "Manufacturing Academy", one of our pioneer works, launched in January 2016. The aim of this Academy is to improve performance of employees at Prysmian Group Turkey and in other countries that Prysmian Group operates in and to train manufacturing managers and factory directors of the future. And in the next period, we will continue our certificate programs in the Manufacturing Academy that are organized with participation of teams of experts from abroad.

The initiative "Attention! All Cables Are Not The Same...", being the most advanced education and awareness building project in the history of Turkish Cable Sector, aims to educate employees in Turkish cable sector. With the trainings we have been organizing since 2012, we managed to reach around 3,100 people in Turkey and abroad. Now, we can support these trainings with our Online Cable Training launched at the beginning of 2016. This allows us to reach through internet the people we cannot visit and to share with them the developments in the industry and informations about our products and new technologies.

## Linking Dreams of Turkey to the Future

We believe that we make a difference in our industry both with our products, services and these types of investment activities. In this respect, year 2016 has been a very important one for our Company and the Group. Boosting our sustainable success and power, we have carried out significant projects with the aim of "Linking Dreams of Turkey to the Future".

Using our high-technology cables, we have brought to life major projects like solar power and wind power projects, Istanbul New Airport, Yavuz Sultan Selim Bridge and Eurasia Tunnel.

Within the scope of 380 kV Dardanelles Strait Submarine Cable Connection Project executed together with TEİAŞ, we signed contracts for 2 projects. The objective of these two projects is to connect Asia and Europe from underwater. Upon successful completion of Dardanelle 1 Project, now we are planning to complete Dardanelle 2 Project in 2017. Thus we will complete the ring cycle of Turkey's electric power transmission line around Marmara Sea and provide secure and economic energy transfer from Asia side to the main power consumption centers at European side of the country.

On the other hand, in 2016 we have provided cables for Yavuz Sultan Selim Bridge and North Marmara Highway and connected the continents with the state of the art technology we use. In these projects we used LSOH and FE180 type low voltage, medium voltage, low current and fiber optic cables known for their properties of not conducting flames in case of fire, not creating extreme smoke and not causing an environment that is susceptible to corrosion and ensuring ultimate safety of life and property.

We also support one of the most important projects in Turkey, the new Airport in Istanbul with our cutting-edge technology power cables. We will be completing cabling works in large within this year.

In all major projects that we put into practice with our advanced technology and high quality products, we support the green energy infrastructure of Turkey and the geography that our country is located in.

## Note on Future

Since the first day of inception our company had a very clear vision. We are committed to make maximum contribution to the industry being "the leader and most secure address in cable field in every sense". We will struggle to always achieve the better with our dynamic team of experts. Carrying out the Turkey operations of a worldwide leading group, we plan to be a part of the most prestigious projects in their fields, that are consistent with the reputation of our company, and to take Turkish Cable Sector one step forward and we are Linking Turkey to the Future in every step we take.

Erkan Aydoğdu  
CEO



Halil İbrahim Kongur  
Chairman &  
Factory Director

Erkan Aydoğdu  
Vice Chairman &  
CEO

Ercan Gökdağ  
CFO

## 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 01.01.2016 and 31.12.2016.

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

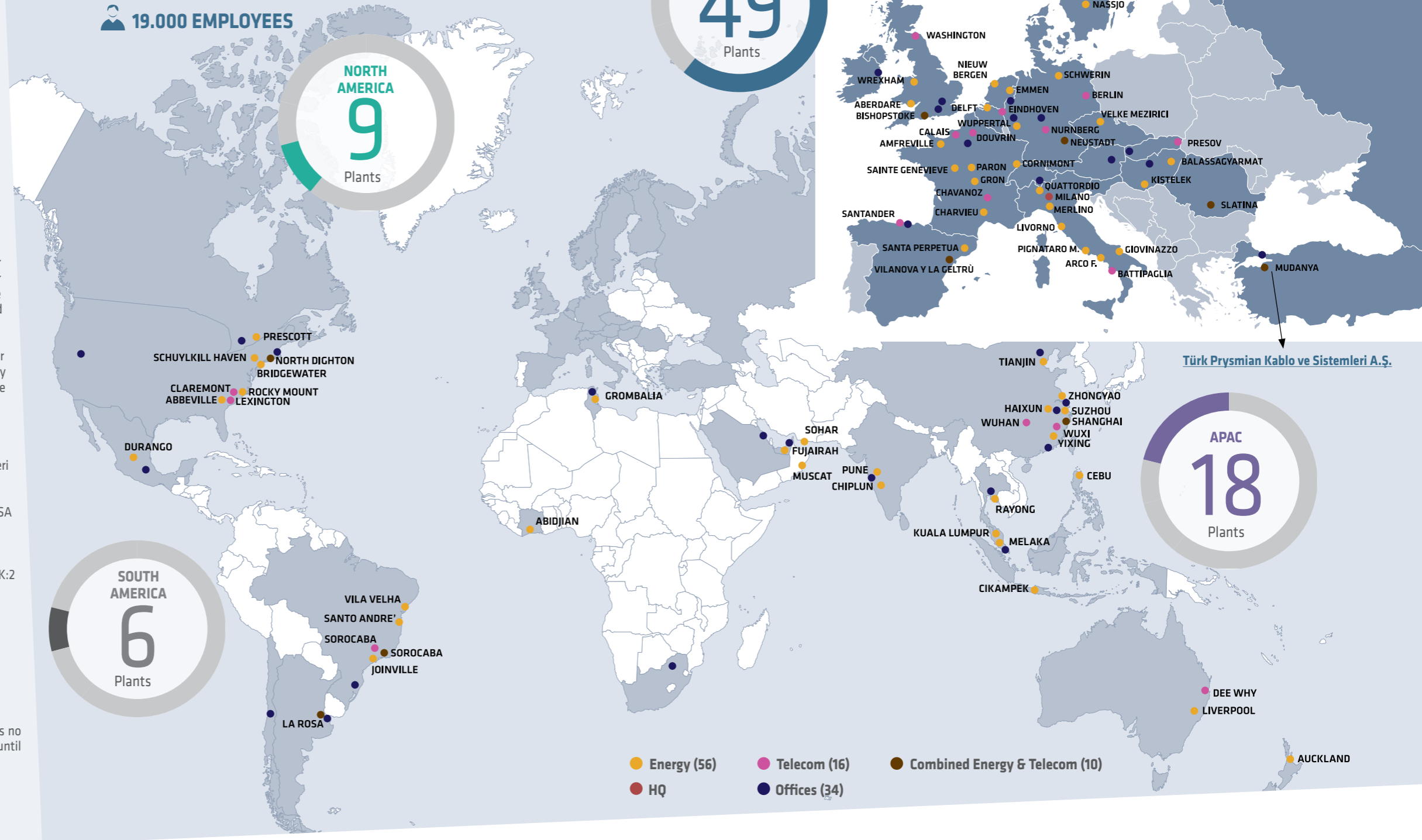
**Mersis No:** 6783845359492210

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

**Amendment of Articles of Association during business year:** There is no amendment at the articles made by our company from 01.01.2016 until 31.12.2016.

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**  
**19.000 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>).

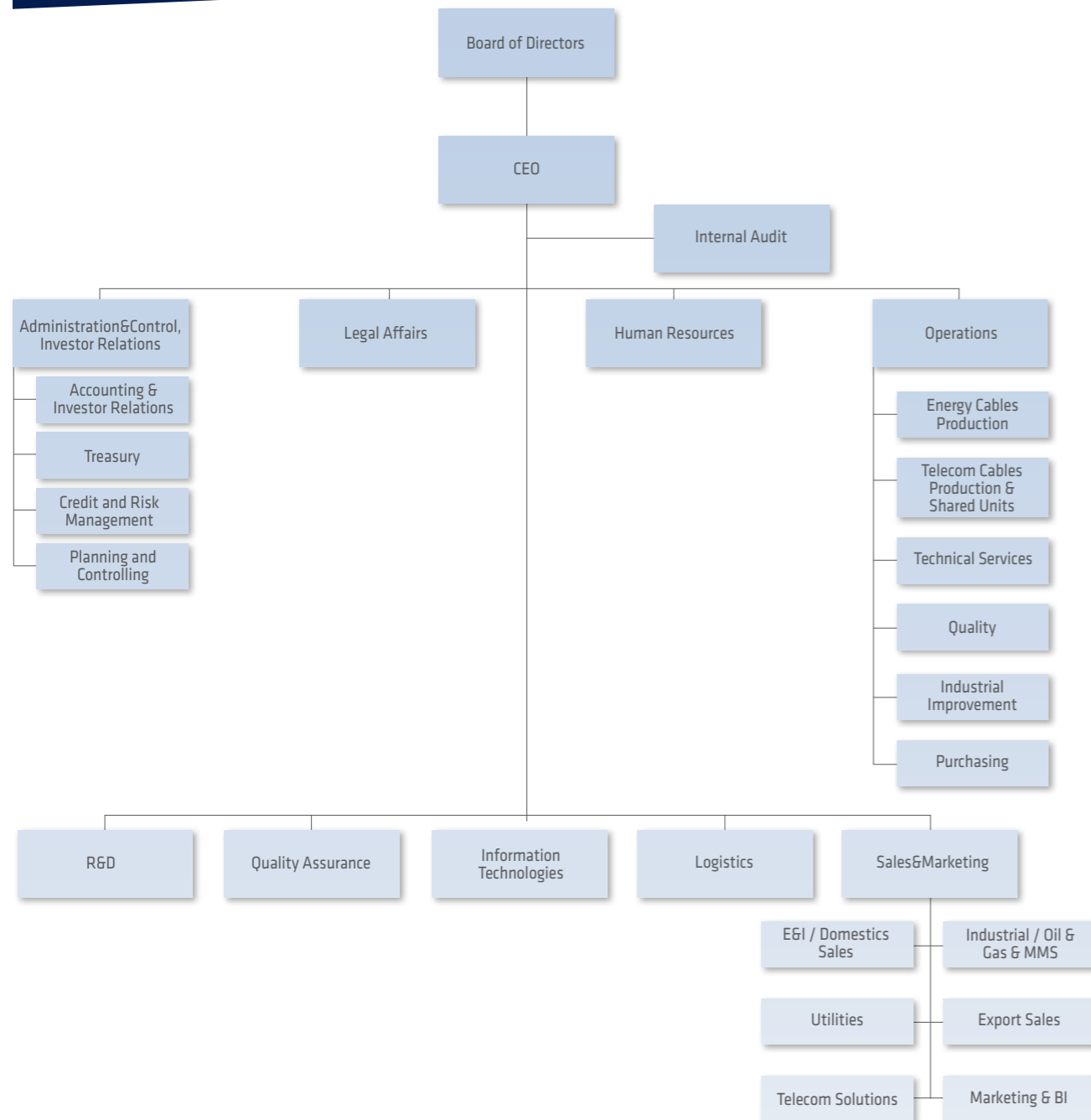
The company stands out in Prysmian Group as one of the 10 plants that can simultaneously produce energy and telecom cables. All the energy cables up to 220 kV, copper conductor communication cables up to 3.600 pairs, optical fiber cables, railway-signaling cables, studio broadcast cables and special 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 89% capacity saturation in 2016 and which continues to be a privileged export center within the Prysmian Group exported approximately 26% of its TL953,572,451 turnover in 2016. 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

Chairman	Halil İbrahim KONGUR
Vice Chairman	Erkan AYDOĞDU
Board Member	Alberto Maria TAGLIABUE
Board Member	Andrea PIRONDINI
Board Member	Fabio Ignazio ROMEO
Independent Board Member	Ayşe Canan EDİBOĞLU
Independent Board Member	Ali Aydın PANDIR
Independent Board Member	Mehmet Emin TUTAN

### Audit Committee

Chairman	Ayşe Canan EDİBOĞLU
Committee Member	Ali Aydın PANDIR

### Corporate Governance Committee

Chairman	Ali Aydın PANDIR
Committee Member	Fabio Ignazio ROMEO
Committee Member	Nevin KOCABAŞ

### Early Risk Assessment and Risk Management Committee

Chairman	Ayşe Canan EDİBOĞLU
Committee Member	Ali Aydın PANDIR
Committee Member	Alberto Maria TAGLIABUE



## 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 continuous 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.



**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.

## BOARD MEMBERS



**Alberto Maria Tagliabue**  
**Board Member**

Alberto Tagliabue, started his professional career in 1982, in Internal Audit department of Pirelli Group. In the following years, he covered a position in the Pirelli Group as the Consolidated Balance Sheet responsibility of Pirelli Tyres from 1989 - 1992, a company listed on the Stock Exchange in Amsterdam; from 1997 as CFO of BU Steel cord of Pirelli Tyres and from the end of 2002, as Director of Planning and Control Services Provider in Pirelli Real Estate, a company listed on the Milan Stock Exchange. Alberto Tagliabue has joined Prysmian family in 2006 as Chief Financial Officer (CFO) of Prysmian Cable and Systems in Italy and worked as Prysmian Group Danubian Region CFO between 2009-2014. He has been appointed to Türk Prysmian as CFO and Board Member from January 2015. He is graduated from Economy department of L. Bocconi University in Milan in 1982.



**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 also has a Certified Public Accounting office. Tutan is a graduate of Uludağ University, Department of Business Management.



## MANAGERS

**Ercan Gökdağ**  
**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. He started his professional career in 2004 in Ernst&Young at Audit Department after being graduated from Marmara University, department of Economics.

**İ. Etem Bakaç**  
**EGİ / 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 EGİ / 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.

**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.

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

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

**İlhan Öztürk**  
**Specialties & OEM 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.

**Sevdâ Yücel**  
**Purchasing Director**

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

## MANAGERS

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

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

**Gürkan Bayrak**  
**Telecom Cables & Shared Units Production Manager**

Gürkan Bayrak has joined Prysmian family in 1997 as Production Engineer. Bayrak worked in various positions in the factory. Before he has been assigned to his current job, he worked as Telecom Order Management Chief in Logistics department. Since 2014 he has been working as Telecom Cables and Shared Production Manager. He is graduated from Istanbul East Technical University department of Electronics&Communication Engineering.

**Mehmet Er**  
**Energy Cables Production Manager**

Mehmet Er has joined Prysmian Group family in 2003 as Production Engineer. He worked as Electrical Maintenance Engineer in Technical Service department between 2004-2006 and Production Chief in Energy Cables Production department between 2006-2013. Since 2014 he has been working as Energy Cables Production Manager. He is graduated from Istanbul University department of Electronics Engineering.

**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.

**Hande Özden**  
**Health, Environment & Quality Assurance Manager**

Hande Özden started to work as Quality Assurance Engineer in 2008 within Prysmian Group family and she was assigned to the position of Loss Prevention Manager in Italy-HQ in 2012. Özden came back to Turkey in July 2015 and since then, she has been working as Health, Environment & Quality Assurance Manager of Türk Prysmian. Hande Özden is graduated from University of Uludağ, department of Environmental Engineering.

**Alaettin Şenkaya**  
**Material Technologies Manager**

Alaettin Şenkaya, started to work for Prysmian Group at Material Technologies in Research&Development Department in 2005. He has been working as Material Technologies Manager since 2014. Şenkaya is graduated from Chemical Engineering Department of Istanbul Technical University.

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

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

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

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

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

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

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

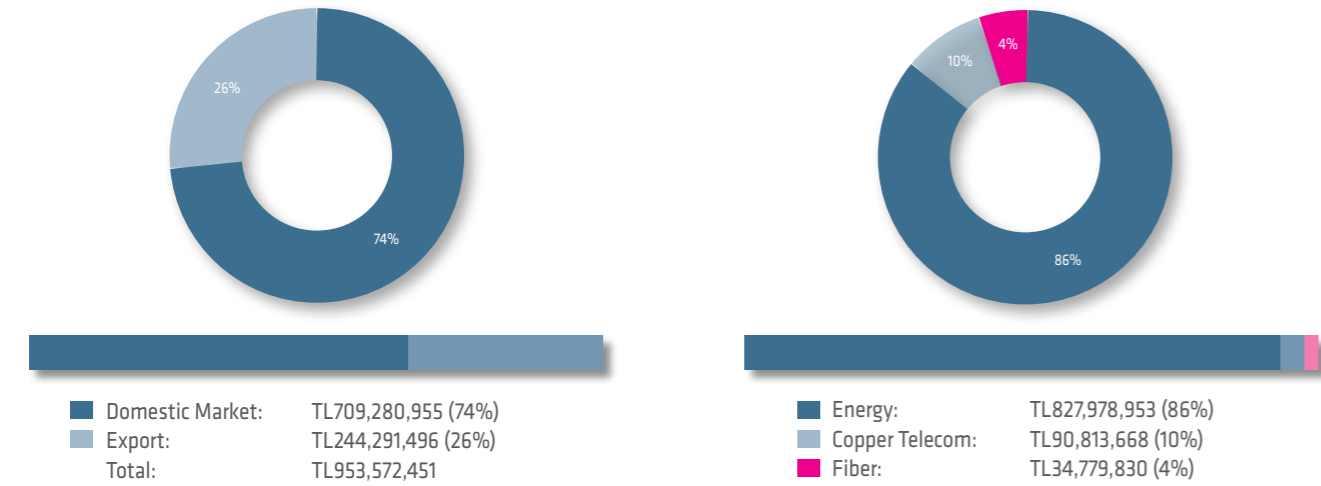
Gaye Yurdaşen Kantar has joined Prysmian family in 2012. Previously, Gaye Yurdaşen Kantar have had banking experience as Portfolio Manager at Yapı ve Kredi Bankası A.Ş. -where she has been started her professional career as Asst. Portfolio Manager- during her 9 years of working experience in both, Cooperate and Commercial banking. Mrs.Kantar with the role of Credit and Risk Management Manager, is graduated from Istanbul University of Economics department.



## 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 2016 is as below:



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

Adnan Elektrik	Derya Elektrik	Güzel Ufuk Elektrik	Promeda Elektrik
Alfa Elektrik	DES Elektrik	Karadeniz Elektromarket	Ruhbaş Elektrik
Asal Elektrik	Egesim	Kıraç Elektrik	Santral Elektrik
Cihan Elektrik	Ekay Elektrik	Mefa Elektrik	Ünko Elektrik
Çağın Elektromarket	Elpim	Oskar Elektrik	Yılmaz Elektrik
Çetin Elektrik	Fındikkaya Elektrik	Öztekni Enerji	
Delta Tema Elektrik	Gerilim Elektrik	Panosan Elektrik	

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

ABB	Ege Yapı	Key Mühendislik	Taisei
Akdeniz İnşaat	Elco Contracting & Services	MacLean Electrical	Tara Entreprise
Alarko	Enerji-SA	MC Sistem	Technip
Alcatel-Lucent	Ereğli Demir Çelik	Net Mühendislik	TEİAŞ
Alstom	FGC Elektrik	Nokia NSN	Tekfen
Anel Grup	Fokabeks	Nuh Çimento	Teleset
Arçelik	Gama Holding	Park Teknik	Torunlar
Areva	Grid Solutions Enerji	Petrofac	Tuttle & Hughes
AE Arma Elektropanç	Habaş	Polimeks İnşaat	Tüpraş
Beşiktaş Gemi İnşa	HKS Has Asansör	R&M Electrical Group	Türk Telekom
Buta Enerji	İçdaş	Rönesans Holding	Türkiye Taş Kömürü Kurumu
CAF Sinyalizasyon Sistemleri	İdeco Enerji Endüstriyel	Sasel Elektromekanik	Vesco Contracting
Çalık Enerji	İlk İnşaat	Savronik	Vestel
Dia Holding	İnşel	Siemens	Vodafone
Diler / Yazıcı Demir Çelik	İskenderun Demir Çelik	Siemens Rail Automation	Yapı Merkezi
Dods Engineering	İstanbul Ulaşım	Superonline	Zorlu Enerji
Efektif Endüstriyel Enerji Müh.	Karadeniz Enerji	ŞA-RA Enerji	Zozik For General Contracting



## 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 2016

**Istanbul's New Airport:**

**Yavuz Sultan Selim Bridge:**

**Osmangazi Bridge:**

**Şenol Güneş Stadium:**

**Ilgaz 15 July Independence Tunnel:**

World's Biggest Airport After Completion

World's Tallest Suspension Bridge With a Railway System

World's Fourth-Longest Suspension Bridge By Length

Turkey's First Sport Facility Built On The Sea

Turkey's Tallest Tunnel Open To The Traffic

## SOME REFERENCE PROJECTS FROM 2015

**Antalya Arena:**

**Ayşegül Sultan, KPS10:**

**Bilkent Integrated Health Complex:**

**Çamlıca Mosque:**

Turkey's First Energy Producing Sport Complex

Turkey's Biggest Energy Ship

Europe's Biggest Health Complex

Biggest Mosque in the history of Turkish Republic

## SOME REFERENCE PROJECTS FROM 2014

**Beşiktaş Vodafone Arena, İstanbul:**

**Kayseri Organized Industrial Zone:**

**Tema İstanbul, İstanbul:**

Turkey's First Smart Stadium

Turkey's Biggest Solar Panel Farm

"Best Mixed Project" from Sign of the City Awards

## SOME REFERENCE PROJECTS FROM 2013

**Avrasya Tunnel Project, İstanbul:**

**İstanbul Tramvayı, İstanbul:**

**Mercury City Tower, Rusya:**

**Prime Mall, Gaziantep:**

The Most Modern Infrastructure Project Connecting The Continents

Turkey's First Local Tram

Europe's Tallest Building

World's Best Project Award (Shopping Mall)

## SOME REFERENCE PROJECTS FROM 2012

**Algida Ice Cream Factory, Konya:**

**Fuel to Electrical Car Transformation:**

**GE -19 Tower Project:**

**Mercedes Buses:**

**Shangri-La Bosphorus Hotel, İstanbul:**

**Sinan Erdem Sports Arena, İstanbul:**

**Spine Tower, İstanbul:**

World's First Leed Certificated Ice Cream Factory

First Fuel to Electrical Car Transformation Project

First Tower Project Where Türk Prysmian Cables Are Used

Turkey's Highest Technology Buses

World's First Hotel Which Has 7 Floors Undersea

Turkey's Biggest Sport Arena

2012 Europe Best Office Architect Award

## SOME REFERENCE PROJECTS FROM 2011

**Ankara-Konya High Speed Train:**

**Fenerbahçe Ülker Sports Arena, İstanbul:**

**İstanbul Sapphire Tower, İstanbul:**

**Marmaray, İstanbul:**

**Türk Telekom Arena, İstanbul:**

**Zorlu Center, İstanbul:**

Turkey's First High Speed Railway Line

The Most Modern Indoor Facility of Turkey

The Tallest Building of Turkey

The Largest Infrastructure Project Connecting Europe to Asia

The Newest and High Technology Football Stadium of Turkey

Master Planning - Cityscape Architectural Awards



## 2016 ECONOMIC OVERVIEW

2016 was a year where uncertainties regarding global economy has risen. In this period, while long-term interests of developed countries have risen, capital flow towards developing countries has weakened. Following the US elections in November, increased possibility of implementation of protective policies poses a downside risk against growth rate and employment of developing countries. The growth in the US, which was significantly weak since the last quarter of 2015, to gain momentum in the 3rd quarter of 2016 for the first time, and the upward movement in inflation, albeit slow, supports a period in which the Fed will increase interest rates and narrow the size of the balance sheet. Fed accelerating the increase in interest rate hikes may cause financial conditions for developing countries to become more stringent.

Within the year of 2016, there were indicators that the economy in the Euro Zone was recovering. European Central Bank did not change the interest rate on the December meeting and stated that while the monthly purchase amount will be lowered down to 60 billion EUR from 80 billion EUR the duration for the asset purchase programme will be extended until the end of 2017. In China, another global actor, an increase in producer prices was observed, an upsurge in housing prices and credit volume has occurred and officials have stated that economical activity shall be supported.

During the year, the CBRT raised interest rates for the first time since November 2014 at its November meeting, and the one-week repo auction interest rate, which is the benchmark interest rate, has been raised from 7.5% to 8%. Within the framework of the Late Liquidity Window application, the Central Bank borrowing rate applied at overnight rates between 16:00-17:00 in the Interbank Money Market is kept constant at zero percent, while the lending interest rate has been increased to 10% from 9.75%. In December, the base interest rate was pegged and no changes were made to interest rates. As a result of the developments in interest rates, the two-year benchmark bond interest rates which followed the fluctuations in the last two months of the year were 10.63% at the end of December.

In addition to domestic uncertainties, geopolitical developments have also caused the loss to be adversely affected in TL and the USD/TL exchange rate has declined 20.5% year-on-year with the impact of the US dollar strengthening in global markets, and closed at 3.50.

The inflation rate announced in the last month of 2016 was the highest December figure since 2003. Consumer prices increased by 1.64 percent in December and annual inflation reached 8.53 percent with an increase of 1.53 percentage points, which was significantly different from the 7.5% estimation of the Central Bank in its latest inflation report. While food prices were decisive in this development as they were in the whole of 2016, the high rate of contributions from other groups is remarkable. In the view of core inflation, the decline that has been taking place since 2016 has ended.

Foreign trade deficit narrowed by 11.7% in 2016 and reached 56 billion USD. Imports decreased by 4.2% year-on-year, while exports showed a bullish trend especially in the last two months of the year due to the depreciation of TL. In terms of exports, the increase in the demand of the European Union countries, which is the biggest export market, continues to have positive effects on total exports, especially in the automotive sector. Despite adverse effects stemming from geopolitical developments on external demand, the flexibility of market diversification in foreign markets continues to support exports.

In 2016, the central government budget balance was at a TL29.3 billion deficit and the primary budget balance was at a TL21.0 billion surplus. Keeping the budget deficit just below the targeted amount is important to show that fiscal discipline is preserved.

The increase in primary budget expenditures was 17.7 percent, well above budget revenues, leading to a slight decline in the primary surplus. The average duration of the domestic debt stock to maturity was at the level of 51.9 months. The amount of external debt borrowed through bond issuance was USD4.5 billion, and the average maturity of the borrowing was 16.5 years.

According to the GDP calculation method revised in line with the European accounting system, GDP contracted by 1.8% in the third quarter compared to the same quarter of the previous year and grew by 2.2% in the first nine months. In the first nine months of 2016, it was observed that public consumption expenditures accelerated.

Recently announced data indicate that economic activity has recovered momentum in the third quarter of the year followed by a partial recovery in the fourth quarter. According to the Automotive Council's statement, automotive industry production rose by 8% year-on-year in the first 11 months of the year, mainly due to the increase in automobile exports. In this period, automotive exports reached a record high level with 1.1 million units. Other financial policy instruments such as consumption and investment incentives have also been put into practice by the Central Bank.



## 2017 ECONOMIC EXPECTATIONS

Global growth, which has remained relatively limited over the past year, continued to be around 3 percent in the third quarter of the year. In the last quarter of the year, the uncertainty about the outlook of the global growth in the upcoming period has risen, especially originating from the developed countries. While the growing rate has increased in developed countries, it has decreased in developing countries. Within the developed countries group, economy growth rates of economies of USA, Euro Zone, England and Japan has increased. While England's process regarding Brexit and its possible effects on the global economy remain uncertain, the uncertainty about US economic policies continues.

At an ordinary OPEC meeting in November, the decision was made to lower production levels in order to bring the oil market to a more stable point and it was declared that this decision will be implemented after January 2017. With the support of non-OPEC oil exporter countries for the decision, it is observed that the Brent oil barrel price, which closed the year at USD 55.2 continued at a level around USD 55 at the beginning of 2017. In line with these developments in the CBRT budget, the crude oil price, which was previously USD 54, has recently been raised to USD 57. When evaluated in TRY, it is inevitable for the import prices to be updated upwards.

In 2016, the reflection of significant weakening of Turkish lira was first observed on energy prices. In addition to this effect, with the rising of raw oil prices, energy inflation has risen fast. The recent rise in base metal prices, the pressure of increasing adverse weather conditions on food prices, the increasing effect of tax regulations on prices, raise the risk that inflation will continue to increase and reach double digits in the coming months.

The decline in the consumer expectation index, which reflects expectations for the Turkish economy for 2017, signals that consumer spending will weaken in the upcoming period. On the other hand, the expectation in housing sales is that the upward trend will preserve its vitality thanks to the incentives for housing purchase continuing in the first quarter of the year.



## 2016 SECTOR EVALUATION

Similar to previous few years, world cable consumption showed a slight growth in 2016, reaching approximately 17 million tons and 160 billion USD. Regarding the product groups, while the decline in demand for outer copper telecom cable continues, the demand for fiberoptic cable has significantly increased, if not as much as the last few years, and demand for energy cables keeps on increasing, even if only slightly. On one hand, the increased need for global energy supports the growth of the market; on the other hand, extreme fluctuations in oil and metal prices suppress the growth. Along with the rising competition, a major part of the world cable production has started to shift towards developing countries.

Turkish construction sector, which showed a more static tendency compared to the significant growth in 2013, showed growth in 2014 and 2015, although little, and due to the rising performance at the first half of the year 2016, completed the year with positive growth. Positive activity within the last 3 years for private sector building construction and major superstructure project has continued throughout the first half of 2016, and especially, projects managed with the build operate transfer model, transportation projects and high prestige housing projects, Turkish construction sector has maintained the positive growth they have achieved throughout 2014 and 2015 also in 2016. According to the year 2015, the increase in housing and concrete sales supports this status.

According to TETC numbers, while Turkey's installed electrical energy power was 73.147 mW at the end of 2015, this number has increased by 8%, thus reaching the level of 79.000 mW by the end of 2016. For the same dates, number of power plants increased from 1.514 to 2.269. Even though regarding Turkey's energy production, until now, natural gas and anthracite coal power plants have constituted the majority, in previous few years, hydroelectric power plants took first place and use of Turkey's sustainable energy resources continues to increase. Hydroelectric (HPP) and geothermal (GPP) power plants especially built in recent years, and the increasing use of wind (WPP) and solar power (SPP) plants reveal the importance given to renewable energy sources. Meanwhile, investments on railway infrastructure and the automotive industry, as well as important ongoing projects such as Sinop and Akkuyu nuclear power plants, Istanbul New Airport, Yavuz Sultan Selim Bridge and Eurasia Tunnel, indicate that Turkey will be one of the most important actors in the energy sector.

According to the data obtained from Information Technologies and Communication Authority, in the year of 2015, the number of broadband internet subscribers, which was 48,6 millions, has increased by 26,5% within the third quarter of 2016 compared to the other quarter and almost reached the levels of 60 million. While the total number of broadband internet subscribers, which was 6 million in 2008, used fixed lines, as of the end of 2016, mobile users constitute 83% of the total number of broadband internet subscribers in Turkey.

As of the end of the third quarter of 2016, the penetration rate in Turkey, with 11.080.404 fixed telephone subscribers, decreased by 5.3% compared to the previous quarter. However, by the end of September 2016, there are 74.457.474 mobile subscribers in Turkey. This shows the importance of mobile services. While the increase in the internet and mobile market and developments in fiberoptic cable technology is ongoing, even though Turkey still possesses a significant capacity in copper telecom cable production, due to the transfer from copper cables to fiberoptic cables, there is a decline in the copper telecom cable sector.

### Forecasting about company progress

Türk Prysmian Kablo ve Sistemleri A.Ş., 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.

Fluctuations in exchange rates, copper and oil prices during the year of 2016, distressed and critical processes experienced by Turkey, economic/political uncertainties; political developments and geopolitical risks in other countries neighboring Turkey such as Iraq and Syria still continue and force the Turkish cable industry to act more cautiously. According to the data from TSI, importing numbers for Turkish cable sector, yearly importing for approx. 2 billion USD, has decreased by 12% in 2016 compared to the year 2015. Due to problems experienced in Middle East and European countries, despite Turkish constructors continuing their aggressive works in countries such as Turkmenistan and Azerbaijan, the decline in import has increased the trend towards the domestic market, causing for the competition to continue more aggressively. Positive developments in negotiations with Iran become a hope for a new export channel to open for Turkish producers, while the government's increased incentives for supporting R&D and the increase in localization and using local products in domestic projects have also positively affected the domestic market.

Among the main problems of the sector are, the quality perception and product standards are behind European countries such as England and Germany, the required levels of market surveillance and audit work have not been reached, and therefore, as a result of non-conformity with the standards of production, products that jeopardize both life and property safety, and damage the country's image can be introduced to the market. To live in a safer and more efficient world; it is becoming more and more important to increase the awareness of the sector about choosing high-performance and cost-effective solutions and the use of the correct cable, to be in the actions to ensure that the cables used in the market conform to the standards, and to raise awareness about the quality inconsistencies of some cables sold in Turkey.

Another problem that has recently gained importance in the industry is that due to sudden movements in copper prices and foreign exchange rates, resulting in increased financial risks, which in turn reduce selling appetite even though there is demand, and causing producers, contractors and end users to experience cash flow problems; they have to manage their collections and risk management much more carefully. Companies who provide loan insurance lowering their limits significantly has also made it harder to conduct business in this difficult and risky environment. However, when we compare the R&D investments made by the producers with the sales, we can say that the R&D perception is not high enough, international developments are followed by only a part of the sector, and some of the specially produced, high value added products are imported from abroad.

Along with the new **"CPR-Building Materials Regulation"**, which entered into force in the European Union on 10 June 2016 and will become mandatory for all cables on July 1, 2017 after a transition period of 1 year, which aims to make all construction materials and not only cables to be safe and reliable against fire; manufacturers that can keep up with these standards will focus on products with more added value by increasing their product diversity and by doing so, will increase their chances in export markets. In addition, quality and standards will rise at all stages from the manufacturer to the end user, and serious responsibilities will arise for the relevant institutions and persons to use and supervise CPR-compliant products.

## R&D ACTIVITIES

Türk Prysmian Kablo ve Sistemleri A.Ş. aims at improving its competitive strength through serving its leading innovation and development capabilities to the technology end-users in the power and telecommunication cables industry; and carries out research and development activities on efficient, effective, superior and environmentally sensitive products and system solutions. Research&Development (R&D) facility situated in Mudanya is one of the 17 centers within the Prysmian Group R&D family, a leader in the international platform for cable production and material technologies. Mudanya R&D Center is a pioneer in the Turkish Cable sector with its comprehensive infrastructure and activities done in the sector.

"Attention! All Cables Are Not The Same..." campaign, being the strongest and most sophisticated initiative in Turkish Cable Industry that is intended to raise awareness with and provide training to the users with regards to low-performance, non-conformant products, which is one of the most serious issues in Turkish Cable Industry, and the Prysmian Performance Test project, intended to ensure the testing of cables for conformance to applicable standards, performance, ease of use and cost effectiveness, were developed and launched in 2012 as a part of a major and expansive communication program. The activities through the course of the initiative were also maintained during 2013. Following positive feedback from the market and the users, the 3rd stage of "Attention! All Cables Are Not The Same..." initiative was implemented and our examinations on products on the market, solutions towards differentiating our products was presented to the sector. In the year 2015, the initiative focused on solar cables and awareness-raising activities in the industry in respect of the fact that "all cables are not the same" were continued, and the performance characters in relation to the selection of solar cables were shared with the users by way of seminars and the simulators developed.

Prysmian Group Turkey, which increased the volume of its investments in technology and innovation through Mudanya R&D Center, aims at enhancing the competitive strength of our country, delivering superior performance products with technological innovations to the users. One of the goals set toward such vision had been achieved in 2015 when the status of R&D Center approved by the Ministry of Science, Industry and Technology was obtained. In 2016, the "R&D Center Certificate" was obtained during the certificate aware ceremony as a part of the 5th Private Center R&D Centers Summit, held by the Ministry of Science, Industry and Technology at the the Presidential Complex in Ankara on September 27 and 28.

Prysmian Group's Mudanya R&D Center, covering some 5 thousand square-meter area, is comprised of six sections. The R&D Center harbors the Material Technologies Laboratory, Combustion Testing Laboratory, Power Cables Testing Laboratory and the Telecommunication and Fiber Cables Testing Laboratory as well as the Design and Innovation Office and the Process Design and Prototype Development Office. The R&D Center laboratories are certified for conformance to TS EN ISO/IEC 17025 "General requirements for the competence of testing and calibration laboratories".

For the first time in Turkey; the infrastructure and scope of "CPR - Construction Products Regulation" was developed for the Private Sector Combustion Testing Laboratory, which was accredited by Turkish Accreditation Agency (TURKAK). Eventually, the first CPR product certificate in Turkish Cable Industry was acquired as a result of the research and development activities. The certificate certifies conformance of the products of Türk Prysmian Kablo ve Sistemleri A.Ş. to "EN 50575" standard, which regulates the applications of power, control and communication cables through the "Construction Products Regulation (EU) No: 305/2011", which had been brought into force in Turkey as a consequence of long-running endeavors and had been promulgated by the Ministry of Environment and Urban Planning.

Prysmian's corporate officials attended to a series events held in various cities in Turkey in order to share the latest developments on the matter of CPR as well as their knowledge with the industry stakeholders and the users. The officials of Prysmian informed the industry's representatives about CPR - Construction Products Regulation during the panels held as well as exhibiting their novel technologies at the event organized as a part of WIN Eurasia Automation, which was held at Istanbul Tüyap Fair and Convention Center between March 17 and 20, 2016; during the Training Program for Construction Product Inspectors, held by the Ministry of Environment and Urban Planning in Antalya on April 25, 2016; and Ankara Electrical Technologies and Building Automation Fair (EBO) held between November 24 and 27, 2016.

In 2016, Türk Prysmian developed high-tech innovative solutions with focus on efficiency at the R&D Center. One of the projects successfully realized was the development of mini fiber optical cables for Yavuz Sultan Selim Bridge project and Northern Marmara Highway project. The mini fiber optical cables developed were delivered as a package along with the multi-tube duct system, which enables the laying work to be performed rapidly through blowing, and the related accessories. The solution delivered will enable the rapid laying of the mini cables, produced specially for the vacant micro tubes designed as a part of the multi-tube duct system, by way of blowing, if needed in the future, without the requirement of any further excavation or laying.

Türk Prysmian has contributed to the overall exportation volume of Turkey, developing innovative, competitive and high-performance solutions that fit the challenging geographical, environmental and operational conditions worldwide and address the needs of the users and the industry for power, communication and fiber optical cables.

Being Türk Prysmian R&D Center, we are committed to continue developing innovative, state-of-the-art, user-friendly, high-performance product and system solutions, and carrying Turkish Cable Industry forward constantly as a part of our mission, articulated as "Linking Turkey for the Future".



## 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 that heavily involved local and HQ R&D, marketing and sales.

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

The project started by an in-depth investigating the current market situation and to understand in detail the work of the electricians, project companies and installers. After this, R&D developed a comprehensive number of cable tests that do not only cover geometrical tests, electrical tests, mechanical tests and performance tests but also "usability" test that 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 iPhone App as well as a strong social media campaign on facebook, twitter, youtube, daily motion and vimeo are developed.

During "Attention! All Cables Are Not The Same..." initiative, including "Attention! All Solar (PV) Cables Are Not The Same" wave, 5 waves were completed. In this period, from the first wave to today, many seminars were organized with Türk Prysmian's main target groups such as electrical engineers, project companies and contractors. As part of the process, the initiative is shared directly with approximately 3,100 people in Adana, Ankara, Antalya, Bursa, Çankırı, Eskişehir, İstanbul, İzmir, Kayseri, Konya, Mudanya, Sakarya, Trabzon and Erbil-Iraq. Moreover, 124 different point-of-sales across 14 different cities of Turkey are decorated with promotional materials, A-Team distributors' windows are branded with the initiative's posters and 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. Additional to all these activities, a software programme named as KABLOMATİK™ that allow the user to make cable calculations in a very practical way and to save on time is developed. KABLOMATİK™ application is available free of charge on Android, Windows and Blackberry with the name "Kablomatik" and is ready under "Prysmian Performans Testi" application on iPhone.

As a following step of this initiative, Türk Prysmian 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 with this certificate once again putted its sign to a "first" in its sector. It's proved that the results of the fire tests done in Türk Prysmian's laboratories, R&D center which is one of 17 R&D Center within Prysmian Group are appropriate and reliable.

Prysmian Group Mudanya R&D center has registered as the most comprehensive design, innovation and product development infrastructure by Ministry of Science, Industry and Technology. Türk Prysmian 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's laboratories, R&D center which is one of 17 R&D Center within Prysmian Group are appropriate and reliable.

Türk Prysmian, is proud of realizing a "first project" in Turkish cable sector with its project developed in the context of this initiative "Prysmian Performance Test" (PPT) 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

Since 1964, the first day of its establishment, Türk Prysmian Kablo ve Sistemleri A.Ş. works on multiple themes in corporate social responsibility. When the last 10 years of the company are examined, it's very obvious that Türk Prysmian focuses particularly on educational and art projects and at the same time takes as its responsibility to meet the public needs.

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

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

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

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

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

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

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

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

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

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

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

In 2013, Türk Prysmian, in **"Fire Prevention Week"** organized a visit with its employees' children and students from Hatice İsmail Hakkı Kayan Elementary School. During the visits organized between 28th of September and 1st of October, the children while having fun, found the opportunity to learn useful information about the fire department.

Türk Prysmian giving 23 **scholarships to its employees' children** in 2013-2014 educational year, gave additional 26 scholarships to its employees' high school and university students' children in 2014-2015 educational year.

Additional to that, the company **donated in kind** Çamlıca Anadolu High School, Mudanya 12 Eylül Primary School, NOSAB Primary School and supported the residents of the region where its factory is located by giving TL7,366 **cash donation** to various institutions including Mudanya Safety Department.

Prysmian Group Turkey has joined **Bursa Marathon** which is organized to provide training support to the children in TEGV Bursa in 2015. A corporate track team was formed to serve this good purpose. Türk Prysmian will definitely to be a part of similar projects and activities.

Prysmian Group Turkey working in the same way in 2016, supported some institutions like Mudanya Municipality Dinç Spor, Bursa Six Dots Foundation for the Blinds, and Halep Support Campaign and BTSO 15 July Donation Campaign by giving TL77,131 **cash donation** and Mudanya Safety Department, Mudanya Dörtçelik Industry Vocational High School, Bursa Automotive Vocational High School, Gemlik Vocational and Technical High School, Atatürk Industry Vocational High School and Public Research Foundation by **donating in kind worth TL75,165**.

FINANCIAL ANALYSIS



GENERAL OVERVIEW

It has a very successful year where we realized important projects for our country thanks to our innovative products. Despite currency fluctuations, company policies and strategies let us finish 2016 successfully.

Main financial results important to underline are as follows:

- **Total assets:** Increase of 11.4 MTRY (from 658.12 MTRY to 669.53 MTRY) arisen from the increase of profit and working capital.
- **Revenue:** 953MTRY (989 MTRY last year).

- **Real operating profit:** 24.6 MTRY with an increase of 3.6 MTRY compare to previous year.
- **Net profit:** 20.2 MTRY with an increase of 6.4 MTRY compare to previous year.

These concrete improvements ensure consistency and determination in company politics regarding its strategic objectives. The balance sheet and income statement regarding the activity year of 2016 are presented in the Independent Audit Report. Detailed information regarding the balance sheet and income statement are summarized below.

ASSETS

The amount of cash in hand is 12,549 TRY (5,537 in TRY and 7,012 TL equivalent in foreign currency). The amount of our bank deposit is 144,987,812 TRY. Received checks are amounting to 7,316,827 TRY.

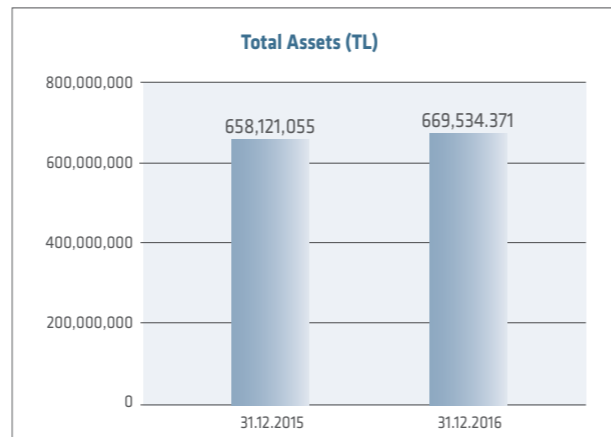
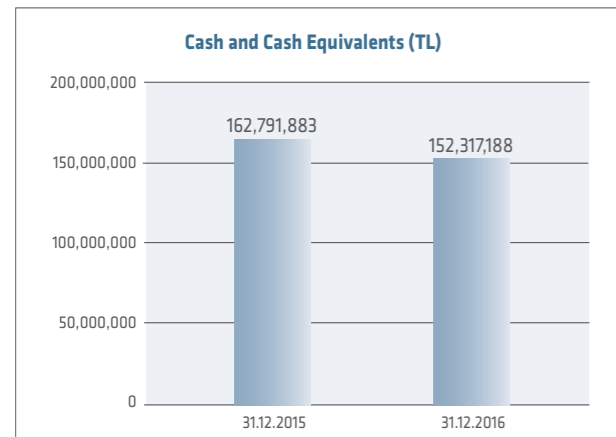
The short-term trade receivables are 279,825,329 TRY. The collection time of the receivables is between 30-60 days.

The amount of 2,361,344 TRY is the rediscounted note receivables calculated for the total amount of notes receivables which is 115,008,376 TRY, and is booked for the entire year as a provision for collection risk. A provision of 38,642,162 TRY had been booked for the collection risk of our domestic and overseas receivables. As for the receivables from affiliates, they are amounting to 13,029,795 TRY.

Our stocks are 94,519,833 TRY: 25,585,532 TRY of raw materials, 24,006,420 TRY of semi-finished products, 4,520,998 of commodities and products are 48,837,156 TRY. The provision reserved for the stocks is 8,430,273 TRY.

The amount of current assets is 42,531,118 TRY. 7,729,816 TRY of this amount represents the receivables from tax office, 34,387,690 TRY from deferred VAT and the rest is from other current assets.

After deducting increase of net value, sales and amortisation of the tangible assets at the beginning of the year, the net amount of tangible assets is 43,876,465 TRY. The amount of net intangible assets is 219,459 TRY.



LIABILITIES

Main financial instruments used by the company are working capital and bank credits. As of 31 December 2016, there is no liability arisen from bank credits.

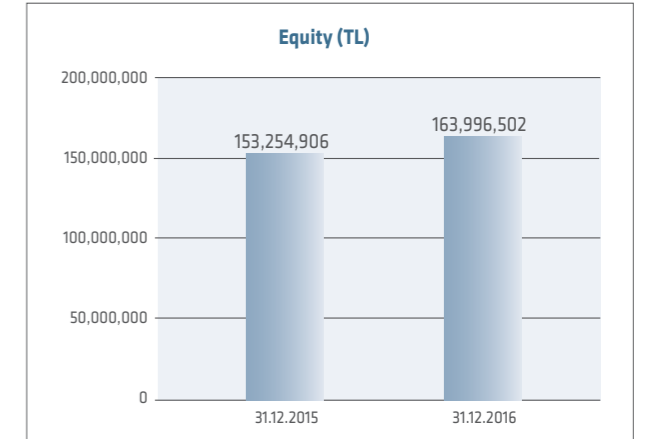
Our commercial debt is 429,018,482 TRY. 412,623,561 TRY of this debt is coming from non-affiliated sellers and 16,394,921 TRY from overseas affiliated sellers in TL.

Seniority indemnity reserves to be paid to our employees within the scope of Employment Law are 5,636,510 TRY as of statement period calculated from the cap which is 4,297.21 TRY as of 2016.

Among the legal reserves, primary legal reserves are booked each year as 5% of the net profit until it reaches 20% of the paid-in capital. Thus, as of statement period the current legal reserves are 7,006,270 TRY.

Paid-in capital is 112,233,652 TRY as of December, 31st 2016.

In financial year of 2016, net consolidated income is 20,235,950 TRY.



INCOME STATEMENT

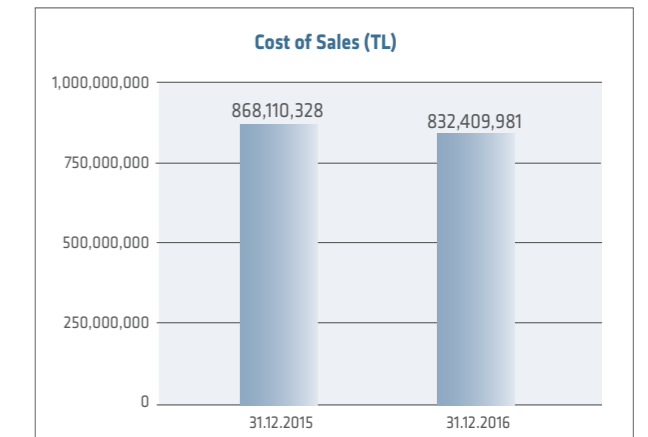
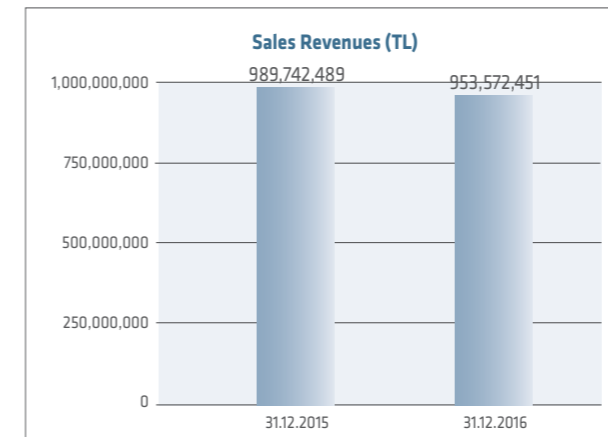
In conformity with the last year, our gross sales reached 953,572,451 TRY. Our domestic sales are 709,280,955 TRY and overseas sales 244,291,496 TRY.

The sales cost represents 87% of the total sales amounting to 832,409,981 and is comprised of cost of goods, raw material and auxiliary materials, direct labour, general production expenses, amortisation reserves and changes in semi-finished products and product stocks.

Operating expenses of this year represent 10% of the net sales.

Marketing, sales and distribution channel expenses are 49,640,596 TRY, representing 5.2% of net sales. As for 33,800,019 TRY of management costs, they represent 3.5% of net sales.

Other operating income and expenses are arisen from operating expenses and currency exchange difference related with forward contract concluded in order to minimise the impact of currency fluctuations.



## THE STATEMENT OF RESPONSIBILITY & DIVIDEND DISTRIBUTION PROPOSAL

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

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

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

MEETING MINUTES DATE : 28/02/2017 - 09/03/2017  
MEETING MINUTES NUMBER : 2017/02 - 2017/07

#### We hereby declare the following:

a) January 1, 2016 to December 31, 2016 consolidated financial statements of our company, prepared in comparison with the previous year, footnotes and January 1, 2016 to December 31, 2016 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. : 2017/04

Date: 07/03/2017

#### DIVIDEND DISTRIBUTION PROPOSAL

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

- The generated "Net Profit of the Fiscal Year" has been 20,235,950.-TL according to the financial statements for the fiscal year 01.01.2016 - 31.12.2016, 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 11,390,676.-TL in the fiscal year 01.01.2016 - 31.12.2016 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 10,973,438.-TL after subtracting the granted donations within the year and general legal reserve (I. Primary Legal Reserve) calculated as 569,534.-TL.

Therefore it has been unanimously resolved to;

Distribute the dividend of 7,033,742.-TL from the value remaining after the deduction of the II. Statutory Reverse 142,206.-TL from the net distributable profit of 10,973,438.-TL which is also equals to 6,27% of the issued capital, to our shareholders in cash, as of 18 April 2016; thus distributing net 0.053269946.-TL per share with a nominal value of TL 1.-, following of deduction of 15% tax to be calculated over gross 0.062670525.-TL,

To retain the balance of 12,490,468.-TL after subtracting the distributable dividend and legal reserves from 20,235,950.-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 2016 and notify the shareholders.

<b>CHAIRMAN</b> Halil İbrahim Kongur	<b>VICE CHAIRMAN</b> Erkan Aydoğdu
<b>MEMBER</b> Fabio Ignazio Romeo	<b>MEMBER</b> Andrea Pirondini
<b>MEMBER</b> Alberto Maria Tagliabue	<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 01.01.2016 - 31.12.2016.
4. Discussion and approval of all the financial tables, reports and accounts of the Fiscal Period between 01.01.2016 - 31.12.2016 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 01.01.2016 - 31.12.2016,
6. 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,
7. Discussion and approval of the amendment of the article 6 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 170.000.000,00-TL 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 2017 - 2021 (5 years) by way of issuing registered and bearer share certificate
8. Furnishing information to the General Assembly on the donations given during the year 2016 and obtaining approval in this respect, determining the upper limit of the donations for 2017.
9. Furnishing information to the General Assembly pursuant the CMB legislation, on the guarantees, liens and mortgages given to the third parties.
10. Approval of the Independent Auditing Company to audit the activities and accounts of 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.
11. Authorization of the shareholders who have the control of management, the members of the Board, the senior officers, and their spouses, consanguinities and affinities up to second degree, to perform the transactions mentioned with the Corporate Governance Principle 1.3.6 and 1.3.7 under the CMB communique Serial No:171 and authorization of relevant persons for the such transactions and their allowance to compete; furnishing information to shareholders if such transactions have already been performed during this period
12. 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.
13. Recommendation and Adjournment.



## INDEPENDENT AUDITOR'S REPORT

**INDEPENDENT AUDITOR REPORT  
RELATED WITH THE ANNUAL ACTIVITY REPORT OF THE BOARD OF DIRECTORS**

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

**Report related with the Audit of the Annual Activity Report of the Board of Directors in accordance with the Independent Audit Standards**

We have audited the annual activity report of the company Türk Prysmian Kablo ve Sistemleri A.Ş. and its affiliates ("Group") related with the fiscal term that ended on December 31, 2015.

***The Responsibility of the Board of Directors related with the Annual Activity Report***

The Group management is responsible for the issuance of the annual activity report in compliance with the consolidated financial statements and reflecting the truth in accordance with Article 514 of the Turkish Commercial Code ("TTK") No. 6102 and the Communiqué of the Capital Markets Board ("SPK") in relation with the "Principles related with Financial Reporting in the Capital Market" No. 14.1; the company management is also responsible for the internal audit that is deemed to be necessary for the securing of such an activity report.

***Responsibility of the Independent Auditor***

Our responsibility is the issuance of an opinion related with the activity report of the Group based on the independent audit we have carried out in accordance with Article 397 of TTK and the Communiqué, if the financial information in the activity report is in compliance with the consolidated financial statements of the Company or not and if it reflects the truth or not.

The independent audit we have carried out has been effected in accordance with the Independent Audit Standards ("BDS") that is an integral part of the Turkish Audit Standards published by the Public Oversight Accounting and Auditing Standards Authority. These standards require that the independent audit will be planned and carried out in such a way that the compliance with ethical provisions is secured and a reasonable guarantee will be established in relation with the fact that the financial information in the consolidated financial statements is in compliance and that they reflect the truth.

The independent audit includes the application of the audit procedures in order to obtain the audit evidence about the historical financial information. These procedures will be selected in accordance with the professional judgment of the independent auditor.

We believe that the independent audit evidences which we have achieved during the independent audit form a sufficient and proper basis so that we can form our opinion.

***Opinion***

From our point of view, the financial information in the annual activity report of the Board of Directors are in compliance with the audited consolidated financial statements in all significant aspects and reflect the truth.

***Other Obligations arising from the Legislation***

No issues have been determined that have to be reported in relation with the non-continuance of the activities of the Company in the foreseeable future in accordance with Article 402, Paragraph 3 of TTK and BDS 570 "Continuity of the Company."

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

Ferzan Ülgen, IAFA  
Cap Auditor

9 March 2017  
Istanbul, Turkey

## INDEPENDENT AUDITOR'S REPORT

**CONSOLIDATED FINANCIAL TABLES AND INDEPENDENT AUDIT REPORT  
AS OF 1st JANUARY - 31st DECEMBER 2016**

**To the Board of Directors of  
Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Affiliates**

***Report on Consolidated Financial Tables***

We have audited, the hereby attached consolidated financial tables, which consist of consolidated financial status tables of Türk Prysmian Kablo ve Sistemleri Anonim Şirketi ("the Company") and its affiliates (altogether to be referred to as "the Group") dated 31 December 2016 and consolidated profit or loss and other comprehensive income table, consolidated equity change table, consolidated cash flow table along with footnotes which summarize significant accounting policies and other explanatory notes for the accounting term ended on said date.

***Management's Responsibility Regarding Consolidated Financial Tables***

Group management is responsible for the preparation of consolidated financial tables in accordance with Turkish Accounting Standards ("TAS"), its truthful presentation and the internal control to enable the preparation of consolidated financial tables without any substantial errors by mistake or fraud.

***Responsibility of the Independent Auditor***

Our responsibility is to provide our opinion on these consolidated financial tables based on the independent audit we have conducted. The independent audit we have conducted was carried out in accordance with the Independent Audit Standards published by the Capital Markets Board and the Independent Audit Standards, which are a part of the Turkish Audit Standards, published by Public Oversight, Accounting and Auditing Standards Authority (POA). These standards require compliance with ethical provisions and for the independent audit to be carried out in a planned way in order to obtain reasonable guarantee on whether the consolidated financial tables contain any substantial errors.

Independent audit comprises of application of audit procedures in order to obtain audit evidence on the amounts and disclosures in the consolidated financial tables. Selection of said procedures, including the evaluation of "significant error" risks on consolidated financial tables, by mistake or fraud is based on the professional judgment of the independent auditor. Independent auditor, during its risk evaluation, shall, in order to design the appropriate auditing procedures, review the inner control of the entity regarding the preparation of consolidated financial tables and its truthful presentation, however said review shall not bear the purpose of stating an opinion on the entity's inner control activity. Independent audit, as a whole, contains the evaluation of, both the presentation of consolidated financial tables and compliance of the accounting policies implemented by the entity management and reasonableness of accounting predictions.

We believe that the independent audit evidence provides the sufficient and appropriate basis to form our opinion.

***Other Issues***

The Company's consolidated financial tables set out in accordance with the Turkish Accounting Standards as of 31 December 2015 were audited by a different audit firm. Said audit firm stated, within their independent audit report dated 26 February 2016 presented positive views regarding the presentation of Company's status as of 31 December 2015 and financial performance for the accounting period that ended on said date and truthful presentation of its cash flow, with its major aspects and in accordance with Turkish Accounting Standards.

***Report on Other Liabilities Arising of the Legislation***

- 1) Audit Report Regarding System and Committee of Early Detection of Risk, issued in accordance with Art. 398, paragraph four of Turkish Commercial Code numbered 6102 ("TCC") was submitted to the Company's Board of Directors on 28 February 2017.
- 2) As per Art. 402, paragraph four of TCC, no significant issues were found which show that, within the accounting period between 1 January - 31 December 2016, book keeping systems, financial tables, do not comply with the laws and the Company's Articles of Association's relevant provisions on financial reporting.
- 3) The Board of Directors made the necessary disclosures required for auditing to ourselves and provided the requested documents in accordance with TCC art. 402, paragraph four.

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

Ferzan Ülgen, IAFA  
Cap Auditor

28 February 2017  
Istanbul, Turkey

## FINANCIAL STATEMENTS

Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Affiliates  
**CONSOLIDATED FINANCIAL STATUS TABLES OF 31 DECEMBER 2016**  
 [(All amounts were shown in Turkish Lira (TL))]

	Footnote references	Current period (Independently audited) 31st December 2016	Past period (Independently audited) 31st December 2015
<b>Assets</b>			
<b>Working assets</b>			
Cash and cash equivalents	30	625,394,126	612,113,646
Trade accounts receivable		152,317,188	162,791,883
From affiliates	3,4	279,825,329	209,025,338
From Non-affiliates	4	13,029,795	8,431,089
Receivables from construction agreements	16	266,795,534	200,594,249
Other receivables		-	38,083,771
From Non-affiliates	5	37,092	88,771
Derivative financial instruments	25	37,092	88,771
Inventory	6	22,943,990	4,228,269
Prepaid expenses	7	94,519,833	110,513,294
Assets related to current period tax	23	13,646,449	22,050,154
Other current assets	13	19,573,127	17,406,000
		42,531,118	47,926,166
<b>Non-current assets</b>			
Tangible non-current assets	8	44,140,245	46,007,409
Intangible non-current assets	9	43,876,465	43,638,291
Prepaid expenses	7	219,459	272,049
Deferred tax asset	23	44,321	365,805
		-	1,731,264
<b>Total assets</b>		<b>669,534,371</b>	<b>658,121,055</b>
<b>Resources</b>			
<b>Short term liabilities</b>			
Commercial debts		492,165,708	475,818,807
To Affiliates	3,4	429,018,482	423,858,022
To Non-Affiliates	4	16,394,921	23,365,943
Debts from construction agreements	16	412,623,561	400,492,079
Debts within the scope of employee benefits	12	1,917,021	-
Other debts		2,163,332	1,984,218
To Non-Affiliates	5	4,009	61,532
Derivative financial instruments	25	4,009	61,532
Period profit tax liability	23	3,648,380	5,567,141
Deferred income	7	-	8,956,808
Short term reserves		40,075,636	17,023,964
Short term reserves	12	12,708,920	12,558,898
Other short term reserves	10	4,418,440	3,481,478
Other short term liabilities	13	8,290,480	9,077,420
		2,629,928	5,808,224
<b>Long term liabilities</b>			
Long term reserves		13,372,161	29,047,342
Long term reserves	12	7,076,213	8,107,694
Other long term reserves	10	5,636,510	6,116,361
Deferred income	7	1,439,703	1,991,333
Deferred tax liabilities	23	2,897,499	20,939,648
		3,398,449	-
<b>Shareholder's equity</b>			
Paid-in Capital	14	163,996,502	153,254,906
Reacquired shares (-)	14	112,233,652	112,233,652
Not to be re-classified under profits or losses		(2,496,301)	-
Re-measurement losses		(1,341,600)	(1,157,600)
Reserves on retained earnings		(1,341,600)	(1,157,600)
Legal Reserves	14	7,006,270	4,421,732
Profits from Previous Years		7,006,270	4,421,732
Net period profit		28,358,531	23,924,110
		20,235,950	13,833,012
<b>Total resources</b>		<b>669,534,371</b>	<b>658,121,055</b>

Attached footnotes constitute an inseparable part of the consolidated financial tables.

Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Affiliates  
**CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME TABLE FOR THE TERM WHICH ENDED ON 31 DECEMBER 2016**  
 [(All amounts were shown in Turkish Lira (TL))]

	Footnote references	Current period (Independently audited) 1 January - 31 December 2016	Past period (Independently audited) 1 January - 31 December 2015
Revenue	15	953,572,451	989,742,489
Cost of sales (-)	15	(832,409,981)	(868,110,328)
<b>Gross profit</b>		<b>121,162,470</b>	<b>121,632,161</b>
General administrative expenses (-)	17	(33,800,019)	(33,586,919)
Marketing expenses (-)	17	(49,640,596)	(47,542,000)
Research and development expenses (-)	17	(2,242,497)	(1,967,910)
Other revenue from main activities	19	47,694,936	62,398,802
Other expenses from main activities (-)	19	(58,919,850)	(80,257,416)
<b>Main activity profit</b>		<b>24,254,444</b>	<b>20,676,718</b>
Revenue from investing activities	20	403,060	286,855
<b>Profits before financing income / (expenses)</b>		<b>24,657,504</b>	<b>20,963,573</b>
Financing income / (expense)	21	754,159	(928,467)
<b>Pre-tax profit</b>		<b>25,411,663</b>	<b>20,035,106</b>
<b>Tax expense</b>	<b>23</b>	<b>(5,175,713)</b>	<b>(6,202,094)</b>
Tax expense for the term (-)	23	-	(8,956,808)
Deferred tax (expense) / income	23	(5,175,713)	2,754,714
<b>Current period profit</b>		<b>20,235,950</b>	<b>13,833,012</b>
<b>Other comprehensive (expenses) / income</b>	<b>22, 23</b>	<b>(184,000)</b>	<b>607,200</b>
Re-measurement earnings /(losses) of identified benefit plans	23	(230,000)	759,000
Deferred tax (expense)/income regarding other comprehensive income	23	46,000	(151,800)
<b>Comprehensive income / (expense) post total taxes</b>		<b>20,051,950</b>	<b>14,440,212</b>
<b>Lost earnings per share</b>	<b>24</b>	<b>0.1803</b>	<b>0.1233</b>

Attached footnotes constitute an inseparable part of the consolidated financial tables.



Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Affiliates  
**CONSOLIDATED TABLE OF CHANGES IN EQUITY FOR THE PERIOD WHICH ENDED ON 31 DECEMBER 2016**

[(All amounts were shown in Turkish Lira (TL))]

	Other comprehensive income or expenses not to be re-classified under profits or losses		Reserves on retained earnings		Accumulated profits		Total Shareholder's Equity	
	Paid-in Capital	Reacquired shares	Accumulated re-measurement losses of identified benefit plans	Legal Reserves	Other reserves	Profits from Previous Years		Net period profit
<b>Balances as of 1 January 2015</b>	112,233,652	-	(1,764,800)	4,421,732	2,978,592	9,135,044	11,810,474	138,814,694
Transfers	-	-	-	-	(2,978,592)	14,789,066	(11,810,474)	-
Dividends	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	607,200	-	-	-	13,833,012	14,440,212
<b>Balances as of 31 December 2015</b>	112,233,652	-	(1,157,600)	4,421,732	-	23,924,110	13,833,012	153,254,906
Transfers	-	-	-	120,237	-	13,712,775	(13,833,012)	-
Dividends (Footnote 14)	-	-	-	-	-	(6,814,053)	-	(6,814,053)
Shares withdrawn (Footnote 14)	-	(2,496,301)	-	2,464,301	-	(2,464,301)	-	(2,496,301)
Total comprehensive income	-	-	(184,000)	-	-	-	20,235,950	20,051,950
<b>Balances as of 31 December 2016</b>	112,233,652	(2,496,301)	(1,341,600)	7,006,270	-	28,358,531	20,235,950	163,996,502

Attached footnotes constitute an inseparable part of the consolidated financial tables.

Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Affiliates  
**CONSOLIDATED CASH FLOW TABLE FOR THE PERIOD WHICH ENDED ON 31 DECEMBER 2016**

[(All amounts were shown in Turkish Lira (TL))]

	Footnote references	Current period (Independently audited) 1 January 31 December 2016	Past period (Independently audited) 1 January 31 December 2015
<b>A. Operating cash flow</b>			
<b>Pre-tax profit</b>		<b>25,411,663</b>	<b>20,035,106</b>
Corrections on depreciation and amortization expenses	8, 9	5,796,939	5,537,929
Corrections on bad debt expenses	4	4,787,107	12,330,615
Corrections on impairment expenses/(cancellation)	6	1,904,109	4,735,949
Corrections on interest income and expenses	21	(754,159)	928,467
Corrections on (cancellation) / expenses of long time reserves	10	(551,630)	(145,147)
Corrections on repayments	10	(786,940)	8,133,349
Corrections on Severance Pay Provisions	12	1,055,284	1,152,749
Corrections regarding Premium and Accumulated Leave Provisions	12	936,962	2,193,127
Corrections related to earnings through selling out of non-current assets	20	(403,060)	(286,855)
Corrections on rediscount (earning) / expenses, net	4	553,416	(49,485)
Corrections on derivative instruments' valuation, net	19	(20,634,483)	9,028,884
<b>Change in rolling capital</b>			
Change in inventory		14,089,352	(24,636,652)
Change in trade receivables		(76,036,192)	7,016,171
Change in other receivables related to activities		(3,954,135)	(100,643,513)
Change in ongoing construction agreement progress payments		40,000,792	21,036,376
Change in commercial debts		5,056,138	(2,861,837)
Change in other debts related to activities		22,188,246	13,194,637
<b>Net cash flow used in activities</b>		<b>18,659,409</b>	<b>(23,300,130)</b>
Cash flow from derivative financial instruments	19	15,951,267	57,760,183
Cash outflow from derivative financial instruments	19	(18,827,686)	(20,376,406)
Tax payments	23	(10,356,891)	(117,947)
Paid severance pays	12	(1,765,135)	(1,940,000)
Carried interest	19, 30	1,878,498	1,911,931
<b>Net cash flow earned from/ (used in) activities:</b>		<b>5,539,462</b>	<b>13,937,631</b>
<b>B. Cash flow from investment activities</b>			
Cash outflow due to purchase of tangible and intangible fixed assets	8, 9	(5,982,523)	(7,566,905)
Cash flow due to sale of tangible assets		403,058	294,321
<b>Net cash flow used in investment activities</b>		<b>(5,579,465)</b>	<b>(7,272,584)</b>
<b>C. Cash flow from financing activities</b>			
Dividends paid	14	(6,814,053)	-
Interest paid		(1,156,795)	(2,827,684)
Shares withdrawn		(2,496,301)	-
<b>Net cash flow used in financing activities</b>		<b>(10,467,149)</b>	<b>(2,827,684)</b>
<b>Changes in cash equivalents</b>		<b>(10,507,152)</b>	<b>3,837,363</b>
<b>Cash and cash equivalents at the beginning of term</b>		<b>162,789,049</b>	<b>158,951,686</b>
<b>End of term cash and cash equivalents</b>	<b>30</b>	<b>152,281,897</b>	<b>162,789,049</b>

Attached footnotes constitute an inseparable part of the consolidated financial tables.

## FOOTNOTES

Türk Prysmian Kablo ve Sistemleri Anonim Şirketi and Its Affiliates  
**FOOTNOTES REGARDING CONSOLIDATED FINANCIAL TABLES AS OF THE DATE OF 31 DECEMBER 2016**

[[All amounts were shown in Turkish Lira (TL)]]

### 1. THE GROUP'S ORGANIZATION AND AREA OF ACTIVITY

The area of activity of Türk Prysmian Kablo ve Sistemleri A.Ş. ("the Company"), founded and operating in Turkey is the production, import, export and trade of all types of cable, conductors, machines, apparatus, tools and instruments and their spare parts and fixtures. The Company was founded in 1964 and currently continues to operate as an incorporated company under parent company, Draka Holding B.V. (83,75%)

The Unincorporated Company of Türk Prysmian - Prysmian Powerlink -1; DB.KAB.7 Lapseki - Sütluçe, one of the affiliates of the Group, was founded in 2013 based on the opinion of Revenue Administration regarding taxation of the work, 380kV Underwater Cable Project. Share distribution of the founded unincorporated company is as 99,99% by Türk Prysmian Kablo ve Sistemleri A.Ş. and 0.01% by Prysmian Powerlink S.R.L.

The Unincorporated Company of Türk Prysmian - Prysmian Powerlink -2; DB.KAB.9 Lapseki - Sütluçe-2, one of the affiliates of the Group, was founded in 2013 based on the opinion of Revenue Administration regarding taxation of the work, 380kV Underwater Cable Project. Share distribution of the founded unincorporated company is as 99.99% by Türk Prysmian Kablo ve Sistemleri A.Ş. and 0,01% by Prysmian Powerlink S.R.L.

The Group which is publicly-held, operated in one line of work (cable production and sale) in one geographical area. The Group's range of products include all energy cables up to 220 kVolt, copper conductive communication cables up to 3.600 pairs and fiberoptic cables. The Group's factory is located in Bursa, Mudanya, which contains technical, mechanical, chemical and electrical scientific research and test laboratory on a high technological level in cable sector and has TSI compliance.

The Group's address recorded on the commercial registry is Ömerbey Mahallesi, Bursa Asfaltı Caddesi, No:51, 16941, Mudanya, Bursa and there is an Istanbul branch registered on the date of 20 December 2012 at the address of İnebolu Sok. Haktan İş Merkezi No:39 K:2 Setüstü Kabataş Beyoğlu / Istanbul. As of 31 December 2016, number of employees working for the Group is in average 453. (31 December 2015: 440).

Group shares have been traded at Borsa Istanbul A.S. since 1986.

Details of the Group's affiliated companies are given below:

Affiliated companies	Stocks traded at	Manners of activity	Main areas of activity
Türk Prysmian-Prysmian Powerlink Unincorporated Partnership-1	-	Sale	Sale of energy cables
Türk Prysmian-Prysmian Powerlink Unincorporated Partnership-2	-	Sale	Sale of energy cables

#### Approval of consolidated financial tables:

Consolidated financial tables were approved by Board of Directors and it was authorized for those to be published on the date of 28 February 2017. The General Assembly has the right to change financial tables.

### 2. GUIDELINES ON THE PRESENTATION OF CONSOLIDATED FINANCIAL TABLES

#### 2.1 Basic guidelines on the presentation

##### Declaration of compliance to TAS

The Group and their affiliated companies that are situated in Turkey, keep their books and prepare their legal financial tables in accordance with Turkish Commercial Code ("TCC") and the accounting principles determined by the tax legislation.

The hereby attached consolidated financial tables were prepared in accordance with the provisions of Capital Markets Board's ("CMB") "Communique on Principals Regarding Financial Reporting in Capital Markets" ("the Communique") numbered Serial II, 14.1, published on the Official Gazette dated 13 June 2013, numbered 28676, and was based on Turkish Accounting Standards and attachments and comments thereto ("TAS"), promulgated by Public Oversight, Accounting and Auditing Standards Authority ("POA") pursuant to Art.5 of the Communique.

Moreover, consolidated financial tables and footnotes were presented in accordance with the format disclosed through the announcement of CMB dated 7 June 2013.

Consolidated financial tables are prepared according to principals of historical cost, except for the revaluation of derivative financial instruments. Determination of the historical cost is based upon the fair value paid for assets.

##### Currency used

Each of the Group's businesses' own financial tables 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 monetary presentation unit for consolidated financial tables.

##### Correction of financial tables during periods of high inflation

As per CMB's decision dated 17 March 2005 and numbered 11/367, for companies which operate in Turkey and prepare financial tables in accordance with Turkish Accounting Standards, the practice of inflation accounting was ended as of 1 January 2005. Pursuant thereto, since 1 January 2005, the Standard on "Financial Reporting in Hyperinflationary Economies" ("TAS 29") numbered 29 was not applied.

##### Comparative information and correction of financial tables dated previous term

In order to enable determination of financial status and performance trends, the Group's consolidated financial tables are being prepared comparatively with the previous term. In order to have coherence with the presentation of financial tables, if necessary, comparative information shall be re-classified and significant differences shall be disclosed. These classifications have no effect on the profit or losses table. Manner, reason and amount for classifications are explained below:

- On the financial status table dated 31 December 2015, "advances given", in the amount of TRY7,594,268, represented under "Other liquid assets" were shown in "pre-paid expenses".
- In the income table dated 31 December 2015, the "Provision for Inventory" in the amount of TRY4,735,949, presented under "Real operation Costs" was shown in "Cost of Sales".
- In the income table dated 31 December 2015, the "Late Interest Income of Trade Receivables" in the amount of TRY 6.482.416, presented under "Real operation Income" was shown in "Cost of Sales".
- In the income table dated 31 December 2015, "Interest Earned" in the amount of TRY1,899,217, presented under "Other real operation Income" was shown in "Financing (income)/expense".
- In the income table dated 31 December 2015, "short term borrowing costs" in the amount of TRY2,827,684, represented under "Other real operation expenses" was shown in "Financing (income)/expenses". In the cash flow table dated 31 December 2015, same balance was transferred to "Cash flow from financing activities" from "Net cash flow earned from activities".

##### Guidelines on consolidation

As of 31 December 2016 and 2015, details of the Group's affiliated companies are as follows:

The consolidated financial tables comprise of the financial tables 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 table 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 to accounting policies

Significant changes made to accounting policies are applied retroactively and previous term financial tables 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 Turkish financial reporting standards

Accounting policies implemented while preparing consolidated financial tables for the year that ended as of 31 December 2016 were applied consistently with the new and amended TFRS standards valid as of 1 January 2016 and aside from TFRS interpretations, those applied in the previous year. Effects of these standards and interpretations on the Group's financial status and performance are explained in the relevant paragraphs.

**New standards, amendments and interpretations valid from the date of 1 January 2016.****TFRS 11- Obtaining Shares in Joint Activities (Amendments)**

TFRS 11 was amended to provide guidance regarding accounting of partnership interest on joint ventures, activities of which constitute a business. Said amendment requires for an entity which acquires shares in a joint activity whose activity constitutes an entity according to TFRS 3 Entity Combinations to apply all principles found in TFRS 3 and other TFRS regarding entity combinations accounting, save for those principles conflicting with the guidance specified within this TFRS. Additionally, the acquiring entity shall disclose information required by TFRS 3 and other TFRS regarding entity combination. Said amendment has had no effect on the Group's consolidated financial status and performance.

**TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and amortization (Amendments to TAS 16 and TAS 38)**

Amendments to TAS 16 and TAS 38 have prohibited the use of revenue based depreciation for intangible non-current assets and have significantly limited the use of revenue based depreciation for intangible non-current assets. Said change has had no effect on the Group's consolidated financial status and performance.

**TAS 1: Initiative to Disclose (Amendment to TAS 1)**

Amended TAS 1. These amendments include narrow focus improvements in the fields of; Materiality, Sorting and Sub-totals, Footnote structure, Accounting Policy Disclosures, presentation of other comprehensive income items arising of investments recognized under Equity. The amendments have had no significant effect on the Group's consolidated financial table footnotes.

**TFRS Yearly Improvements - Term of 2012-2014**

POA published TFRS Yearly Improvements - Term of 2012-2014. The document, aside from standards and relevant Reasonings altered according to the changes, makes five changes to four standards. Subjects of the affected standards and changes are as follows:

*TFRS 5 Non-current Assets Held for Sale and Discontinued Operations:*

It was clarified that changes to divestiture methods (through sale or distribution to partners) shall not be regarded as a new plan, but a followup of the old plan.

*TFRS 7 Financial Tools: Disclosures*

It was clarified that TFRS 7 disclosures on evaluation and clarification of service contracts on transfer of a financial asset, shall not compulsorily apply on interim condensed financial tables.

*TAS 19 Employee Benefits*

It was clarified that the market depth of high quality corporate bonds shall be evaluated not in the money currency of the country of the debt but in the currency the debt is carried in.

*TAS 34 Interim Financial Reporting*

It was clarified that the necessary interim disclosures may be represented either in interim financial tables or through referencing from interim financial tables.

Said changes have had no effect on the Group's financial status and performance.

**i) Standards that were published however not implemented and not put to early application**

Accounting policies implemented while preparing consolidated financial tables for the accounting period that ended as of 31 December 2016 were applied consistently with the new and amended TFRS standards valid as of 1 January 2016 and aside from TFRS 11 interpretations, those applied in the previous year. 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 tables and footnotes.

**TFRS 9 Financial Tools - Classification and Description**

POA published the final TFRS 9 Financial Tools on January 2017. TFRS 9 brings together three aspects of the financial tools accounting project: classification and measurement, depreciation and hedge accounting. TFRS 9 is based on a single, rational classification and measurement approach reflecting the work model where the financial assets are managed in along with cash flow attributes. Subsequently, a single model applicable to all financial instruments which are subject to impairment accounting was established with the prospective "expected credit loss" model, which shall enable timely recognition of credit losses. Additionally, TFRS 9, handles the issue of "own credit link" which, in situations where banks and other businesses choose the option to pay their financial payables in fair value, due to the decrease of financial receivables' fair value in connection to the decrease of their own creditworthiness, record it as income under profit or loss table. Also, the standard includes a hedging model developed to better associate risk management economy with accounting applications. TFRS 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". Effects of said change on the consolidated financial status and performance of the Group are being evaluated.

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

In September 2016, POA published the standard TFRS 15 Revenues Arising of Agreements with Customers. Said published standard also contains the changes made by IASB in April 2016 to clarify 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 TFRS 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 TFRS 15; full retroactive application or modified retroactive application. If a modified retroactive application was preferred, previous terms shall not be rearranged, however comparative numeral 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.

**ii) New and improved standards and interpretations published by International Accounting Standards Institution (IASI) but not published by POA**

The new standards, interpretations and changes to current IFRS standards listed below were published by IASB however not yet implemented for the current reporting period. However these standards, interpretations and changes were not yet adapted to IFRS/published by POA and therefore do not constitute a part of IFRS. The group shall make the necessary changes to consolidated financial tables and footnotes after these standard and interpretations enter into force in TFRS.

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

IASB has, in December 2015, 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.

**Yearly Improvements - Term of 2010-2012***TFRS 13 Fair Value Measurement*

As explained under Decision Reasoning, short term commercial receivables in debts, on which, interest rates were not specified, may be shown as invoice amount where discount effect is insignificant. The changes shall be implemented immediately.

**Annual Improvements - Term of 2011-2013****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.

**IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses (Changes)**

IASB published in January 2016 the changes to IAS 12 Income Taxes standard. The changes made provide clarification regarding the matter of recognition of deferred taxes with regards to debt instruments measured at fair value. The amendments are intended to remove existing divergence in practice in recognizing deferred tax assets for unrealized losses. The changes shall be effective retroactively for annual periods beginning on or after 1 January 2017. Early application is allowed. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Should the group apply said exemptions, explanations shall be made for financial table footnotes. The change shall not apply to the Group and shall not have any effect on the Group's consolidated financial status or performance.

**IAS 7 Cash Flow Tables (Changes)**

IASB published in January 2016 the changes to IAS 7 Income Taxes Tables standard. The changes aim to provide clarification to IAS 7 in order to improve the information provided for financial table users regarding company financing activities. Improvements in footnote disclosures require the companies to provide information on changes to their financial debts. Changes shall be effective for annual periods beginning on or after 1 January 2017. Early application is allowed. During the Group's first application of said changes there is no necessity to provide comparative information on previous terms. Effects of said changes on the consolidated financial status and performance of the Group are being evaluated.

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

In June 2016, IASB published amendments to IFRS 2 Share Based Payments' standard. The changes aim to bring clarification to IFRS 2 on how to recognize certain share based payment transactions. Changes include the recognition of the following issues;

- a. effects of remuneration conditions on measurement of share based payments made in cash,
- b. share based payments with net exemption options with regards to withholding tax liabilities
- c. amendments to terms and conditions which turn the manner of transaction from share based transaction paid in cash into share based transaction based on equity.

Date of application for changes is annual accounting periods which started on 1 January 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.

**IFRS 4 Insurance Contracts (Changes);**

In September 2016, IASB published changes to IFRS 4 "Insurance Contracts" standard. Change to IFRS 4 presents two different approaches: "overlay approach" and "deferral approach". Newly changed standard:

- a. All companies which issue insurance contracts shall, prior to publishing of new insurance contract standards, have the right to recognize the fluctuation which may occur following the application of IFRS 9 Financial Instruments standard as other comprehensive income instead of profit and losses. For companies whose activities are predominantly insurance related, an optional temporary application exemption shall be granted until the year 2021 regarding the implementation of IFRS 9 Financial Instruments. Entities which choose to defer application of IFRS 9 Financial Instruments shall continue to apply the pre-existing IAS 39 "Financial Tools" standard.

Date of application for changes is annual accounting periods which started on 1 January 2018 and after. Early application is allowed. Effects of said changes on the consolidated financial status and performance of the Group are being evaluated.

**IAS 40 Investment Property: Transfer of Investment Properties (Changes)**

IASB 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 1 January 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.

**IFRS Comment 22 Transactions Made in Foreign Currency and Advance Rates**

This interpretation 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 1 January 2018 and after. Early application is allowed. Effects of said changes on the financial status and performance of the Group are being evaluated.

**IFRS Annual Improvements - Term of 2014-2016**

IASB has changed the following standards and published its Annual Improvements for IFRS Standards, 2014-2016 period:

- IFRS 1 "First Application of International Financial Reporting Standards": This change has removed short term exceptions to certain IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Enterprises. Date of application for the change is annual accounting periods which started on 1 January 2018 and after.
- IFRS 12 "Disclosure of Interests in Other Entities": Said amendment clarifies that the entity is not required to divulge summary financial information regarding shares in affiliated companies, subsidiaries or joint ventures, which, according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are classified as held for sale or is in the disposable asset group. Date of application for change is annual accounting periods which started on 1 January 2017 and after.
- IAS 28 "Investments in Associates and Joint Ventures": This amendment clarifies that, if the investment in an associate or joint venture is being held indirectly through a venture capital firm or similar entity or directly by those entities, the entity being able to choose to measure its investments in associates and joint ventures in accordance with IFRS 9 Financial Tools as its fair value difference being reflected to profit or loss, such choice shall be valid during the initial recognition of each associate or joint venture. Date of application for the change is annual accounting periods which started on 1 January 2018 and after. Early application is allowed. Effects of said changes on the consolidated financial status and performance of the Group are being evaluated.

**2.5 Summary of significant accounting policies****Affiliates**

Related parties are persons or entities in relation to the entity preparing the financial tables (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.

(b) 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.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) 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 table 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 table as such.

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

	<b>Economical 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.

Derecognition of non tangible assets

When a non 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 (balance sheet). Profit or loss arising of a non tangible fixed asset being left out of the financial status table (balance sheet), if any, is calculated as the difference between net collections through disposal of assets and book values. This difference is recognized under profit or loss when said asset is taken out of the financial status table (balance sheet).

Period of redemption applied to intangible assets are as below:

	<b>Economical 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. If it was not possible to do so, Group assets shall be distributed among smallest cash generating units in order to determine a reasonable and consistent allocation principal.

Intangible non-current assets with unlimited economical life and are not ready to use shall be subject to an impairment test, at least once a year or when there are signs of impairment. 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.

**Borrowing costs**

With regards to assets which require time in order to be prepared for use and sale, (qualifying assets) borrowing costs which are directly associated with the purchase, building or production shall be included within the costs of the asset until said asset is prepared to be used or sold. Financial investment income, obtained by valuation of investment related loan's unspent portion in financial investment shall be offset from borrowing costs suitable to capitalization. Costs of all other debts are recorded under the income table in the period they were incurred.

**Financial tools**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 table.

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.

Financial assets available-for-sale

Financial assets available-for-sale, are classified as financial assets ready to be sold or not classified as (a) loans and receivables, (b) "assets to be held unto until its term" or (c) financial assets which are non-derivative and not classified as financial assets whose fair value difference is reflected upon profit or losses.

Equity instruments held by the Group and quoted in and stock exchange along with certain debt instruments are classified as financial assets available-for-sale and show in fair value. Except for impairments recorded under income table, exchange rate difference profit/loss amount regarding monetary assets, earnings and losses from fair value changes are recognized under other comprehensive income and financial assets are accumulated in value growth fund. Should the investment be sold off or become impaired, total profit/loss accumulated in the financial assets funds shall be classified into the income table.

In an active market, equity instruments available-for-sale which do not have current market value and whose fair value cannot be reliably ascertained, along with derivative instruments in connection to such equity instruments and payment of which is effected through the sale of such assets, shall be valued, based on cost value with the amounts where impairment losses determined at the end of every reporting period were deducted.

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 "Credits 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 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 tools and hedge accounting

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 tools for speculative purposes.

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

Changes to the fair value of derivative financial instruments (if any) which are determined as hedging of future cash flows and are effective in this manner, are recorded directly under equity and its inactive part directly under the income table.

Should the process of protecting a binding undertaking or future predicted transaction from cash flow risk result in record of an asset or liability, when said asset and liabilities are initially recorded, earnings or losses on derivative financial instruments previously recorded under equity shall be included within the measurement of the initial amount of the asset or liability. In the hedging transaction which does not result in record of an asset or liability, amounts within equity are recorded under the income table within the period where the hedge unit affects the income table. Changes in fair value of derivative financial instruments which do not meet the necessary requirements for hedge accounting are recorded into income tables in the period they were incurred.

Hedge accounting shall be terminated in situations such the hedging instrument having expired, being sold or used, or becoming unable to meet the necessary conditions for hedge accounting. On the relevant date, it is continued to include the cumulative earning or loss arising of the hedging instrument recorded within equity, until the date when it is expected for the transaction to occur. If the hedged transaction does not happen, cumulative net earnings or loss within equity shall be recorded under profit loss in term.

**Effects of changes in foreign currency rates**Foreign currency transactions and balance

Each of the Group's businesses' own financial tables 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 tables.

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.

Exchange rate differences shall be recognized under the profit or losses of the term they have occurred in, except for the following situation:

- Exchange rate differences handled as a readjustment item on interest rates of payables related to assets being built for the purpose of future use which are shown in foreign currency and included within the costs of such assets,
- Exchange rate differences arising of transactions made in order to provide hedging against risks (accounting policies regarding hedging against risks are explained below ) connected to foreign currency,

**Earnings per share**

Earnings per share specified under consolidated income table, 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 promotion and aid**

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

Government promotions shall be reflected onto profits or losses, systematically throughout periods where the costs which shall be met by such promotions are recognized as expenses. Government promotions, 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.

Benefit of the loan obtained from the state with a lower interest rate than the market shall be deemed as a state promotion. Benefit of a low interest rate shall be measured as the difference between the book value of the loan at the beginning and obtained acquisitions.

**Taxes calculated upon company profits**

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.

Current tax

Current year tax liabilities are calculated upon taxable part of the period profit. Taxable profit differs from profit submitted under income tables due to being taxed in other years along with taxable or due to excluding units which are not possible to be deducted from taxes. The Group's current tax liability was calculated by using tax rates legalized or significantly legalized as of the date of balance sheet.

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).

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 period and deferred tax

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.

**Employee benefits***Severance pays:*

In Turkey, according to current laws and provisions of collective labour agreements, severance pays are paid in the events of retirement or termination of employment. According to the updated TAS 19 Standard on *Employee Benefits* ("TAS 19") said manner of payments are to be classified as defined benefit pension plans.

Severance pay liability recognized under the financial status table was calculated based on the net current value of liability amounts predicted to arise in the future due to all employees' retirements and reflected upon the consolidated financial tables. All calculated actuarial earnings and losses were recognized under other comprehensive income.

**Cash Flow table**

Under the cash flow table, cash flow for the term is classified and reported based on main, investment and financing activities.

**Capital and dividends**

Ordinary shares are classified as equity capital. Dividends handed out through ordinary shares shall be recorded within the period when the dividend decision was met by being deducted from accumulated profits.

Critical decisions made by the Group while implementing accounting policies

During the process of application of accounting policies specified under Note 2.5, the administration made the following comments which have significant effect on recognized amounts (predictions stated below excepted) in consolidated financial tables;

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 "Percent complete" method. Percent complete method requires the prediction of the service rendered by comparing it to the total services to be provided.

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.

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) Doubtful receivable reserves reflect 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. DISCLOSURES ON RELATED PARTIES**

83,75% of shares of Türk Prysmian Cable and Systems Inc. belong to Draka Holding B.V. 100% of Draka Holding B.V.'s shares belong to Prysmian Cavi S.R.L. and said company completely belongs to main holding center, Prysmian S.P.A.

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 related parties, balances payable to related parties and transactions made with the related parties, as of the end of term, are shown below:

	31 December 2016		31 December 2015	
	Receivables	Debts	Receivables	Debts
	Short term	Short term	Short term	Short term
Balances with related parties (*)	Commercial	Commercial	Commercial	Commercial
Prysmian Cables & Systems Ltd.	150,207	-	2,567,743	-
Prysmian Cavi e Sistemi S.r.l.	568,318	7,672,147	172,114	3,391,307
Prysmian Cables et Systemes France SAS	239,004	-	85,084	1,320,007
Singapore Cables Manufacturers Pte	37,140	-	14,429	-
Prysmian Kabel und Systeme GmbH	634	204,877	13,794	593,184
Prysmian Cavi e Sistemi Italia S.r.l.	5,814,111	3,773,682	2,698,980	10,900,653
Prysmian Cabluri si Sisteme s.a.	78,603	875,285	-	-
Fibre Ottiche Sud - F.O.S. S.r.l.	872	298,315	-	521,070
Prysmian Cables & Systems Limited	-	277,164	-	702,513
Prysmian S.P.A.	712,908	-	135,924	33,564
Prysmian Tianjin Cables Co. Ltd.	-	-	729,533	-
Prysmian Cables y Sistemas S.A.	290,301	1,140,746	13,794	722,422
Prysmian MKM Magyar Kabel	94,793	-	59,510	-
Prysmian Fibras Oticas Brasil Ltda	-	-	119,123	-
Prysmian Australia Pty Ltd	4,462,501	-	1,387,337	-
Prysmian Powerlink Services Ltd	-	-	-	4,015,329
Draka Comteq Germany GmbH & Co KG	37,140	-	33,152	-
Prysmian Cables and Systems OY/FINLAND	38,306	510,880	14,429	428,914
Prysmian Cables and Systems Canada	38,176	-	-	-
Draka Cable Wuppertal GmbH	-	-	332,532	-
Prysmian Cables and Systems USA, LL	52,318	-	-	-
Prysmian Cables and Systems B.V.	-	1,257,590	-	734,004
Prysmian Kablo s.r.o.	32,321	-	-	-
AS Draka Keila Cables	1,818	-	-	-
Draka Kabel Sverige AB	5,671	41,864	-	-
Draka Fileca SAS	35,900	-	-	-
Prysmian Electronics S.r.l.	-	26,481	-	-
Draka Comteq UK Limited	-	2,235	-	-
Other affiliated companies	338,753	313,655	53,611	2,976
	<b>13,029,795</b>	<b>16,394,921</b>	<b>8,431,089</b>	<b>23,365,943</b>

(\*) Other companies which belong to the Principal Holding, Prysmian S.P.A.

Transactions with related parties	1 January - 31 December 2016	1 January - 31 December 2015
	Sales of goods	Sales of goods
Prysmian Cavi e Sistemi Italia S.r.l.	18,450,023	15,689,837
Prysmian Cables et Systemes France SAS	3,538,534	8,082,227
Prysmian Cables & Systems Ltd.	3,200,727	15,221,116
Prysmian Cables y Sistemas S.A.	54,559	25,094
Draka Cable Wuppertal GmbH	24,150	348,848
Prysmian Tianjin Cables Co. Lt	429,673	3,596,242
Prysmian Cabluri si Sisteme S.A.	1,481,779	2,080,682
Prysmian Australia Pty Ltd	46,839,204	1,444,322
P.T. Prysmian Cables Indonesia	57,706	272,639
Prysmian Fibras Oticas Brasil Ltda	106,585	117,958
Prysmian Wuxi Cable Company Ltd	16,859	-
Prysmian Powerlink Srl	-	350,196
Singapore Cables Manufacturers Pte Ltd	639,969	1,124,707
Prysmian Cables and Systems OY/FINLAND	28,545	13,291
Prysmian Netherlands B.V.	35,150	-
Prysmian Kablo S.R.O.	45,202	67,227
Draka Cableteq USA INC	-	3,495,569
Prysmian Cables and Systems US	151,586	65,557
Draka Comteq Berlin GmbH & Co. KG	-	336,156
Draka Comteq Germany GmbH & Co	8,098	296,421
Draka Comteq UK Limited	719,620	285,824
Prysmian Energia Cabos y Siste	-	68,082
Draka Kabel Sverige AB	5,045	58,196
Other affiliated companies	1,667	29,974
	<b>75,834,681</b>	<b>53,070,165</b>

Transactions with related parties	1 January - 31 December 2016		1 January - 31 December 2015	
	Purchase of goods	Procurement of services	Purchase of goods	Procurement of services
Prysmian Cables and Systems OY/FINLAND	3,436,224	-	50,160,966	-
Prysmian Cables et Systemes France	299,911	-	864,138	-
Prysmian Cables y Sistemas S.A.	16,602,311	-	16,399,658	-
Prysmian Cavi e Sistemi S.r.l.	225,049	22,902,996	94,164	22,553,155
Draka Comteq Berlin GmbH & Co. KG	103,766	-	1,351,549	-
Prysmian Cavi e Sistemi Italia S.r.l.	24,540,889	-	25,149,075	-
P.T. Prysmian Cables Indonesia	-	-	329,326	-
Prysmian S.p.A.	231,190	474,041	19,784,989	644,047
Prysmian Kabel und System GmbH	11,308,865	-	7,849,513	-
Prysmian Cables & Systems Ltd.	5,137	-	2,369,891	-
Fibre Ottiche Sud - F.O.S. S.r.l.	8,825,822	-	6,651,210	-
Draka Comteq UK Limited	2,147,382	-	4,079,268	-
Draka Comteq Fibre BV	350,794	-	195,309	-
Draka Cable Wuppertal GmbH	2,265,068	-	2,037,981	-
Draka Norsk Kabel AS Drammen	781,620	-	750,243	-
Prysmian Romania Cabluri si Sisteme	5,891,945	-	212,923	-
Prysmian Power Link Service Ltd.	15,504,565	-	3,810,447	-
Draka Comteq Germany GmbH	2,130,837	-	2,743,348	-
Prysmian Cables & Systems B.V.	1,665,154	-	3,059,296	-
Prysmian Power Link Srl Milan	-	-	43,816	-
Prysmian MKM Magyar Kabel	-	-	10,387	-
Prysmian Tianjin Cables Co. Ltd.	43,235	-	114,203	-
Prysmian Wuxi Cable Company Ltd	-	-	146,474	-
Prysmian Baosheng Cable Co., Ltd	-	-	104,366	-
Prysmian Australia Pty Ltd	131,588	-	68,720	-
Draka Cableteq	-	-	134,594	-
Prysmian Energia Cabos	-	-	578,569	-
Prysmian Optical Fiber Brasil S.A	-	-	117,834	-
Draka Kabely SRO	203,823	-	-	-
Draka Comteq Denmark	15,781	-	-	-
SG Singapore Cables Manufacturers Pte Ltd	2,370	-	-	-
Prysmian Electronics S.r.l.	43,437	-	-	-
Draka Kabel Sverige AB	37,731	-	-	-
Other affiliated companies	-	-	144,842	-
	<b>96,794,494</b>	<b>23,377,037</b>	<b>149,357,099</b>	<b>23,197,202</b>

Total of license and contract expenses related to group companies:

	1 January - 31 December 2016	1 January - 31 December 2015
Prysmian Cavi e Sistemi S.r.l.	22,902,996	22,553,155
Prysmian S.p.a.	474,041	644,047
	<b>23,377,037</b>	<b>23,197,202</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.

Licensing payments made to group companies are calculated as 2% on sales of products subject to licensing agreements. Licensing agreements entered into between group companies were revised most recently in 2006 and remain in effect with same conditions.



**Benefits for senior management:**

Benefits for senior management during term are as follows;

	1 January - 31 December 2016	1 January - 31 December 2015
Fees and other short term benefits	2,104,458	1,760,417
Other long term benefits	39,822	25,822
	<b>2,144,280</b>	<b>1,786,239</b>

**Chargeout expenses**

	31 December 2016	31 December 2015
Prysmian Cavi e Sistemi S.r.l.	1,689,012	366,904
Prysmian S.p.A	782,653	566,896
Prysmian Cables Y Sistemaz, SL	229,813	-
Prysmian Mkm Magyar Kábel Művek	183,026	196,458
Prysmian Australia Pty. Ltd.	150,539	-
Prysmian Cavi e Sistemi Italia S.r.l	66,546	99,720
Prysmian Cables and Systems US	84,918	92,842
Prysmian PowerLink Services Ltd.	95,948	-
Prysmian Fibras Oticas Brasil	68,101	-
Prysmian Finland OY	59,295	42,882
Prysmian Cables and Systems Cable	56,540	-
Draka Comteq Germany GmbH	55,150	33,684
Singapore Cables Manufacturers Pte Ltd.	55,150	43,638
Prysmian Kabel und System GmbH	-	40,981
Other affiliated companies	62,812	43,323
	<b>3,639,503</b>	<b>1,527,328</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 table.

**4. TRADE RECEIVABLES AND DEBTS****a) Trade receivables:**

Details of the Group's trade receivables and debts are as follows:

Short term trade receivables	31 December 2016	31 December 2015
Trade accounts receivable	154,148,502	88,921,834
Trade receivables from related parties	13,029,795	8,431,089
Notes receivable	115,008,376	113,584,665
Doubtful Trade Receivables	38,642,162	33,855,055
Reserves for doubtful trade receivables (-)	(38,642,162)	(33,855,055)
Trade receivable rediscount (-)	(2,361,344)	(1,912,250)
	<b>279,825,329</b>	<b>209,025,338</b>

Standard deferral period applied by the Group to trade receivables is between 30 to 60 days (31 December 2015: 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% (31 December 2015: annual 18% 9% and 9%)

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 activity table regarding doubtful trade receivable provisions are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Opening statement	(33,855,055)	(21,524,440)
Term income / (expense), net	(4,787,107)	(12,330,615)
Closing statement	<b>(38,642,162)</b>	<b>(33,855,055)</b>

Disclosures on manner and level of risks on trade receivables are provided in Footnote 26.

As of the date of 31 December 2016, the Group has no receivables transferred to a factoring company. (31 December 2015: TL16,438,835).

**b) Commercial debts:**

Details of the Group's trade receivables and debts as of date of balance are as follows:

Short term commercial debts	31 December 2016	31 December 2015
Commercial debts	403,273,757	388,113,136
Trade payables from related parties	16,394,921	23,365,943
Trade payables rediscount	(406,260)	(510,582)
Expense Accruals	9,756,064	12,889,525
	<b>429,018,482</b>	<b>423,858,022</b>

Average payment term for the Group's trade payables are 203 days (31 December 2015: 194 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%. (31 December 2015: 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.

Disclosures on manner and level of risks on trade receivables are provided in Footnote 26.

**5. OTHER RECEIVABLES AND PAYABLES****a) Other receivables**

Other short term receivables	31 December 2016	31 December 2015
Deposits and Guarantees Given	68,598	59,142
Other Doubtful Receivables	28,195	28,195
Reserves for other receivables (-)	(28,195)	(28,195)
Other Miscellaneous Receivables	(31,506)	29,629
	<b>37,092</b>	<b>88,771</b>

**b. Other Payables**

Other short term debts	31 December 2016	31 December 2015
Other debts to non-related parties	4,009	61,532
	<b>4,009</b>	<b>61,532</b>

**6. INVENTORY**

	31 December 2016	31 December 2015
Raw Materials and Supplies	25,585,532	24,988,453
Semi-Finished Goods	24,006,420	27,417,521
Finished Goods	48,837,156	58,805,175
Merchandise	4,520,998	5,828,309
Reserves for inventory impairment (-)	(8,430,273)	(6,526,164)
	<b>94,519,833</b>	<b>110,513,294</b>

In the accounting period of 1 January - 31 December 2016, out of the Group's calculation on costs of goods sold, the portion of TRY617,366,870 (1 January - 31 December 2015: TRY620,029,496) is related to raw materials and supplies.

The Group's activity table for doubtful inventory impairment reserves are as follows:

	1 January 31 December 2016	1 January 31 December 2015
1 January 2016	(6,526,164)	(1,790,215)
Reserves allotted in term	(1,904,109)	(4,735,949)
<b>31 December 2016</b>	<b>(8,430,273)</b>	<b>(6,526,164)</b>

In term impairment reserve expenses were recognized as an expense within sale costs.

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

	31 December 2016	31 December 2015
Order Advances Given For Projects	12,990,253	19,192,202
Expenses for Future Months (*)	656,196	2,857,952
	<b>13,646,449</b>	<b>22,050,154</b>

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



Activity tables regarding short term reserves as of 31 December 2016 and 2015 are as follows:

	Various reserves regarding projects (**)	Expense accruals regarding overseas service agreements	Agreements arising of purchase contracts (***)	Other	Total
Opening	2,986,474	1,970,547	2,856,428	1,263,971	9,077,420
Additional	(573,924)	(203,811)	(553,105)	543,900	(786,940)
<b>31 December 2016</b>	<b>2,412,550</b>	<b>1,766,736</b>	<b>2,303,323</b>	<b>1,807,871</b>	<b>8,290,480</b>

	Various reserves regarding projects (**)	Expense accruals regarding overseas service agreements	Agreements arising of purchase contracts (***)	Other	Total
Opening	-	676,746	-	267,325	944,071
Additional	2,986,474	1,293,801	2,856,428	996,646	8,133,349
<b>31 December 2015</b>	<b>2,986,474</b>	<b>1,970,547</b>	<b>2,856,428</b>	<b>1,263,971</b>	<b>9,077,420</b>

#### Long term reserves

	31 December 2016	31 December 2015
Guarantee reserves	428,945	445,215
Claim reserves (*)	994,488	1,546,118
Other reserves	16,270	-
	<b>1,439,703</b>	<b>1,991,333</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 31 December 2016 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 31 December 2016.

Activity tables regarding security and claims' reserves as of 31 December 2016 and 2015 are as follows:

Security reserves	1 January - 31 December 2016	1 January - 31 December 2015
Opening	445,215	380,178
Additions	(16,270)	65,037
	<b>428,945</b>	<b>445,215</b>

Claims reserves	1 January - 31 December 2016	1 January - 31 December 2015
Opening	1,546,118	1,691,265
Additions	(551,630)	(145,147)
	<b>994,488</b>	<b>1,546,118</b>

#### 11. UNDERTAKINGS

##### Guarantee-Mortgage-Liens ("GML")

As of the dates of 31 December 2016 and 31 December 2015, 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 TRY53,233,348 (Euro 14,348,998), which were given in accordance with the consortium partnership of the Group with Prysmian Power link Srl.

As of the date of 31 December 2016, the Group has no outstanding export loan commitment debts. (31 Aralık 2015: US Dollars 5,918,259).

	31 December 2016	31 December 2015
<b>A. Total amount of security put up in the name of its own legal entity:</b>	75,914,196	99,728,441
<b>B. Total amount of security, mortgage and liens provided in favour of partnerships included within full consolidation:</b>	53,233,348	62,356,037
	-Euro 14,348,998	19,623,627
<b>C. Total amount of security, mortgage and liens provided for the purpose of procuring 3rd parties debts in order to undertake day-to-day commercial activities:</b>	-	-
<b>D. Total amount of other securities, mortgages and liens provided</b>	-	-
<b>i. Total amount of securities, mortgages and liens provided in favour of the main partner</b>	-	-
<b>ii. Total amount of securities, mortgages and liens provided in favour of other group companies out of the scope of Articles B and C</b>	-	-
	<b>129,147,544</b>	<b>162,084,478</b>

Ratio of other GMLs given by the Company to the Company's equities is 0% as of the date of 31 December 2016.

#### 12. EMPLOYEE BENEFITS

##### Debts within the scope of employee benefits

	31 December 2016	31 December 2015
Debts to be paid to personnel	689,799	644,533
Social Security Premiums Payable	802,645	681,104
Taxes And Funds Payables	670,888	658,581
	<b>2,163,332</b>	<b>1,984,218</b>

##### Short term reserves regarding employee benefits

	31 December 2016	31 December 2015
Reserve for personnel premiums	3,453,752	2,594,575
Reserve for unused leave	964,688	886,903
	<b>4,418,440</b>	<b>3,481,478</b>

Activity tables regarding personnel premium and leave reserves as of 31 December 2016 and 2015 are as follows:

Reserve for personnel premiums;

	1 January - 31 December 2016	1 January - 31 December 2015
Opening	2,594,575	598,253
Paid / Canceled reserve	859,177	1,996,322
<b>Closing</b>	<b>3,453,752</b>	<b>2,594,575</b>

Reerve for unused leave;

	1 January - 31 December 2016	1 January - 31 December 2015
Opening	886,903	690,098
Paid / Canceled reserve	77,785	196,805
<b>Closing</b>	<b>964,688</b>	<b>886,903</b>

##### Long term reserves regarding employee benefits

	31 December 2016	31 December 2015
Severance Pay Reserves	5,636,510	6,116,361
	<b>5,636,510</b>	<b>6,116,361</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 to be paid as of the date of 31 December 2016 is subject to the cap of monthly TRY4,297.21 (2015: TRY3,828.37)

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:

Main hypothesis 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 31 December 2016, reserves 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 9.50% interest rates, reaching the real discount rate approximately as 4.29% (31 December 2015: 4.76%) 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% (31 December 2015: 98%) Severance pay upper limit is revised every six months and while calculating the Group's severance pay reserves, the upper limit of TRY4,426.16, valid after date of 1 January 2017 was taken into account

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

	1 January - 31 December 2016	1 January - 31 December 2015
<b>Severance Pay Reserves</b>		
Reserve as of 1 January	6,116,361	7,662,612
Service costs	512,284	896,949
Interest costs	543,000	255,800
Paid severance pays	(1,765,135)	(1,940,000)
Actuarial (earnings)/losses	230,000	(759,000)
<b>Closing</b>	<b>5,636,510</b>	<b>6,116,361</b>

### 13. OTHER ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
<b>Other current assets</b>		
VAT transferred (*)	34,387,690	35,795,051
Receivables from the Tax office (**)	7,729,816	10,991,291
Other Miscellaneous Current Assets	413,612	1,139,824
	<b>42,531,118</b>	<b>47,926,166</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.

	31 December 2016	31 December 2015
<b>Other liabilities</b>		
Tax, fees and other deductions to be paid	2,590,408	5,492,689
Other various payables and liabilities	39,520	315,535
	<b>2,629,928</b>	<b>5,808,224</b>

### 14. CAPITAL, AUXILIARIES AND OTHER EQUITY ITEMS

#### a) Capital / capital adjustments due to cross-ownership

Paid capital structure of the Group as of 31 December 2016 and 2015 is as follows:

Partners	%	31 December 2016	%	31 December 2015
Draka Holding B.V.	83.75	93,991,660	83.75	93,991,660
Publicly traded	16.25	18,241,992	16.25	18,241,992
<b>Capital</b>	<b>100</b>	<b>112,233,652</b>	<b>100</b>	<b>112,233,652</b>

As of 31 December 2016, the Group's capital comprises of 112.233.652 shares (31 December 2015: 112.233.652 shares) Nominal value of shares are TRY 1 per share (31 December 2015: TRY 1 per share): All shares issued were paid in cash.

#### b) Reserves on retained earnings

	31 December 2016	31 December 2015
Legal Reserves	7,006,270	4,421,732
	<b>7,006,270</b>	<b>4,421,732</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 31 December 2016 is in the amount of TRY7,006,270 (31 December 2015: 4,421,732).

Profit Allocation:

Publicly traded companies distribute their dividends in accordance with CMB's Dividends Communique numbered II-19.1, entered into effect on 1 February 2015.

Associations 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.

Within the year of 2016, the dividend distributed was in the amount of TRY6,814,053, gross amount of dividend per share is TRY0.0607 and net amount in TRY0.0516.

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 of equities.

Türk Prysmian Kablo ve Sistemleri A.Ş. Pursuant to the "Repurchase Programme", decided upon by the Board of Directors on 03 August 2016, the Company bought 1,000,000 Türk Prysmian Kablo ve Sistemleri A.Ş. shares in the 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.

### 15. SALES AND COSTS OF SALES

	1 January - 31 December 2016	1 January - 31 December 2015
Domestic Sales	1,160,542,787	1,194,734,351
Overseas Sales	244,291,496	286,796,414
Returns of sales (-)	(4,986,035)	(1,935,802)
Sales reductions (-)	(446,275,797)	(489,852,474)
	<b>953,572,451</b>	<b>989,742,489</b>

In accordance with developments on raw material prices and foreign currency exchange rates, sales price list on a product base is prepared a few time in a year or as often as necessary by the sales department as reference.

Discount or reduction policies applied to sales made are determined completely on market conditions and conditions of full competition, regardless of differences on domestic, overseas, in-group, out-of-group.

	1 January - 31 December 2016	1 January - 31 December 2015
Raw Material and Supply Expenses	(617,366,870)	(620,029,496)
Employee expenses	(20,970,248)	(17,756,063)
General production expenses	(38,300,585)	(30,580,807)
Amortization expenses (Footnote 8)	(5,003,630)	(4,815,493)
Cost of Merchandise Sold	(61,001,188)	(108,483,282)
Costs Of Services Sold	(89,767,460)	(86,445,187)
	<b>(832,409,981)</b>	<b>(868,110,328)</b>

Moreover, total personnel expenses within production expenses is in the amount of TRY20,970,248 for the year 2016.

### 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;

	31 December 2016	31 December 2015
Costs on ongoing works	424,572,664	305,400,824
Profits minus losses on record (net)	82,466,818	50,683,621
	<b>507,039,482</b>	<b>356,084,445</b>
Minus: realized progresses (-)	(508,956,503)	(318,000,674)
	<b>(1,917,021)</b>	<b>38,083,771</b>

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

The Company signed said construction related contract on the date of 19 September 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 29 April 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 7 October 2013. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 77% 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 20 August 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 - Sütluce\_2 380 kV Submarine Project:**

The Company signed said construction related contract on the date of 4 December 2014. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 89% 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 11 February 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 29 December 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 11 August 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 1 September 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 26 March 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 28 August 2015. 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.

**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 15 September 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 21 October 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. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 34% completion rate as of the current term.

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

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

**p) Oskar - ITM.180 Dudullu Metro GIS TM Construction Job**

The Company signed said construction related contract on the date of 27 July 2016. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 14% completion rate as of the current term.

**r) İsdemir Payaş Project**

The Company signed said construction related contract on the date of 14 June 2016. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 57% 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 28 August 2015. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 47% completion rate as of the current term.

**t) Kipaş Kağıt Maraş Project**

The Company signed said construction related contract on the date of 18 October 2016. 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.

**u) TKAB.37 Yeditepe Sağa Project**

The Company signed said construction related contract on the date of 26 October 2016. No completion rate was yet formed regarding said construction job.

**v) TKABÇ4 Ataşehir Project**

The Company signed said construction related contract on the date of 2 August 2016. No completion rate was yet formed regarding said construction job.

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

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

**z) 110 kV Azerbaycan BP Project**

The Company signed said construction related contract on the date of 1 August 2016. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 55% 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 26 February 2015. Income and expenses calculated based on completion rate regarding said construction works were reflected onto financial tables with a 54% completion rate as of the current term.

**ab) Halkalı OHL Project**

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

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

General management expenses, marketing expenses and development expenses for the years ended on 31 December 2016 and 2015 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
General administrative expenses (-)	(33,800,019)	(33,586,919)
Marketing expenses (-)	(49,640,596)	(47,542,000)
Research and development expenses (-)	(2,242,497)	(1,967,910)
	<b>(85,683,112)</b>	<b>(83,096,829)</b>

**a) General administrative expenses**

	1 January - 31 December 2016	1 January - 31 December 2015
Licensing and service expenses (Footnote 3)	(23,377,037)	(23,197,203)
Employee expenses	(5,652,896)	(5,805,806)
External service expenses	(1,447,612)	(1,334,335)
Amortization expenses (Footnote 8,9)	(395,220)	(408,058)
Other general administrative expenses	(2,927,254)	(2,841,517)
	<b>(33,800,019)</b>	<b>(33,586,919)</b>

**b) Marketing expenses**

	1 January - 31 December 2016	1 January - 31 December 2015
Logistics expenses commissions of letters of sale and undertaking	(37,778,502)	(36,338,980)
Employee expenses	(6,398,948)	(6,211,020)
External service expenses	(1,485,698)	(1,528,233)
Amortization expenses (Footnote:8,9)	(363,371)	(266,377)
Other sales and distribution expenses	(3,614,077)	(3,197,390)
	<b>(49,640,596)</b>	<b>(47,542,000)</b>

**c) Research and development expenses**

	1 January - 31 December 2016	1 January - 31 December 2015
Employee expenses	(979,253)	(1,069,869)
External service expenses	(729,598)	(507,884)
Amortization expenses (Footnote 8,9)	(34,718)	(48,001)
Other expenses	(498,928)	(342,156)
	<b>(2,242,497)</b>	<b>(1,967,910)</b>

**18. EXPENSES BASED ON QUALIFICATIONS**

	1 January - 31 December 2016	1 January - 31 December 2015
Raw Material and Supply Expenses	(617,366,870)	(620,029,496)
Cost of Merchandise Sold	(61,001,188)	(108,483,282)
Logistics expenses commissions of letters of sale and undertaking	(37,778,502)	(36,338,980)
Production costs	(38,300,585)	(30,580,807)
Licensing and service expenses (Footnote 3)	(23,377,037)	(23,197,203)
Direct workmanship expenses	(20,970,248)	(17,756,063)
Employee expenses	(13,069,596)	(13,086,695)
Amortization expenses (Footnote 8,9)	(5,796,939)	(5,537,929)
External service expenses	(1,485,699)	(1,842,219)
Other expenses	(98,946,429)	(94,354,483)
	<b>(918,093,093)</b>	<b>(951,207,157)</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 31 December 2016 and 2015 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Income from main activities		
Income realized from marketable derivative instruments	15,951,267	57,760,183
Marketable derivative instruments valuation income	23,989,510	127,799
Chargeout income	3,797,771	2,773,517
Delay interest income of trade receivables	1,089,280	459,203
Other Income	2,867,108	1,278,100
	<b>47,694,936</b>	<b>62,398,802</b>

	1 January - 31 December 2016	1 January - 31 December 2015
Expenses from main activities		
Expenses realized from marketable derivative instruments	(18,827,686)	(20,376,406)
Marketable derivative financial instrument valuation expenses	(3,355,027)	(9,156,683)
Exchange rate expenses from trade activities, net	(29,129,639)	(38,149,165)
Doubtful receivables provision expenses	(4,787,107)	(12,330,615)
Rediscount expense of trade receivables	(449,094)	-
Other expenses	(2,371,297)	(244,547)
	<b>(58,919,850)</b>	<b>(80,257,416)</b>

**20. OTHER REVENUE FROM INVESTING ACTIVITIES**

Details of other income from investment activities for the years that have ended on the dates of 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Fixed asset sales income	403,060	286,855
	<b>403,060</b>	<b>286,855</b>

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

Details of financing income / (expense) for the years that have ended on the dates of 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Interest Income	1,910,954	1,899,217
Short-Term Borrowing Expenses (-)	(1,156,795)	(2,827,684)
	<b>754,159</b>	<b>(928,467)</b>

**22. ANALYSIS OF OTHER COMPREHENSIVE ITEMS OF INCOME**

	31 December 2016	31 December 2015
Re-measurement (losses) / earnings of identified benefit plans	(184,000)	607,200
	<b>(184,000)</b>	<b>607,200</b>

Activity tables regarding other comprehensive income units are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Balance at the beginning of term	607,200	(1,344,800)
Period earnings/ (losses)	(791,200)	1,952,000
<b>End of term balance</b>	<b>(184,000)</b>	<b>607,200</b>

**23. TAX ASSET AND LIABILITIES (INCLUDING DEFERRED ASSETS AND LIABILITIES)****Assets related to current period tax**

	31 December 2016	31 December 2015
Withholding paid for construction repair works extending to years	17,931,802	16,951,337
Temporary tax receivables	1,518,030	117,947
Bank withholding	123,295	336,716
	<b>19,573,127</b>	<b>17,406,000</b>

**Current tax liabilities**

	31 December 2016	31 December 2015
Current reserves for corporate tax	-	8,956,808
Minus: Prepaid Taxes and Funds	(1,518,030)	(117,947)
	<b>(1,518,030)</b>	<b>8,838,861</b>

<b>Tax expense</b>	1 January - 31 December 2016	1 January - 31 December 2015
Current tax expense	-	(8,956,808)
Deferred tax expense	(5,175,713)	2,754,714
<b>Total tax (expense) / income</b>	<b>(5,175,713)</b>	<b>(6,202,094)</b>

**Actuarial valuation and measurement (loss) and earnings from retirement plans**

	1 January - 31 December 2016	1 January - 31 December 2015
Pre-tax amount	(230,000)	759,000
Tax expense/income	46,000	(151,800)
<b>Amount post-taxes</b>	<b>(184,000)</b>	<b>607,200</b>

**Corporate Tax**

The Group is subject to corporate tax applicable in Turkey. Necessary reserves were allocated in the attached consolidated financial tables for the Group's predicted tax liabilities regarding current term activity results. Turkish tax legislation does not allow the option for the parent company to submit tax returns through financial tables where it consolidates affiliates. Therefore, tax liabilities reflected onto consolidated financial tables were calculated separately for all companies within the scope of consolidation.

Corporate tax rate to be accrued on earnings of the company is calculated by adding expenses which cannot be deducted from tax base declared as expense, while determining trading profits and based on the remaining basis after deducting tax-free earnings, tax-exempt earnings and other discounts (if any, losses of previous years and investment discounts used if preferred).

Effective tax rate applied in the year 2016 20% (2015:20%)

**Deferred Tax**

The Group recognizes deferred tax asset and liabilities for temporary timing differences arising of differences between taxable legal consolidated financial tables and consolidated financial tables prepared in accordance with TAS. While such differences usually arise of certain income and expense items appearing in different periods in taxable financial tables and financial tables prepared in accordance with TAS, those differences were specified below.

Tax rate used when calculating deferred tax assets and debit is 20% (2015: 20%)

Due to businesses being unable to declare consolidated tax returns, affiliated companies with deferred tax assets shall not be finalized with affiliated companies with deferred tax liabilities and shall be shown separately.

	Total temporary differences 31 December 2016	Deferred tax (asset) /liability 31 December 2016	Total temporary differences 31 December 2015	Deferred tax (asset) /liability 31 December 2015
Tangible and intangible non-current assets	(2,357,649)	414,750	(2,870,487)	517,318
Severance Pay Provisions	5,636,405	(1,127,281)	6,116,360	(1,223,272)
Construction projects over the years	(36,939,225)	7,387,845	(20,827,225)	4,165,445
Inventory	(4,788,660)	957,732	2,111,455	(422,291)
Trade accounts receivable	6,786,785	(1,357,357)	10,127,285	(2,025,457)
Commercial debts	(406,260)	81,252	(510,580)	102,116
Claim reserves	994,515	(198,903)	1,546,120	(309,224)
Leave reserves	964,688	(192,938)	886,905	(177,381)
Derivative instruments	(19,295,610)	3,859,122	1,338,870	(267,774)
Reserves	22,715,000	(4,543,000)	5,968,420	(1,193,684)
Previous year's losses	3,961,664	(792,333)	-	-
Other	5,452,203	(1,090,440)	4,485,300	(897,060)
	<b>(17,276,144)</b>	<b>3,398,449</b>	<b>8,372,423</b>	<b>(1,731,264)</b>

Losses in balance history, which the Group can use in future is in the amount of TRY3,961,664. (2015: None)

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

	31 December 2016	31 December 2015
2021	3,961,664	-
	<b>3,961,664</b>	<b>-</b>

Activity of deferred tax (active)/passive as of the year which ended on 31 December 2016 is show below:

<b>Deferred tax (assets) /liabilities activity</b>	1 January - 31 December 2016	1 January - 31 December 2015
<b>Opening balance as of 1 January</b>	(1,731,264)	871,650
Recognized under profit and expense table	5,175,713	(2,754,714)
Recognized under shareholders equity	(46,000)	151,800
<b>Closing balance as of 31 December</b>	<b>3,398,449</b>	<b>(1,731,264)</b>

*Conformity of term tax expense with term profit is as follows.*

<b>Tax reserve conformity</b>	1 January - 31 December 2016	1 January - 31 December 2015
Pre-tax profits obtained through activities	25,411,663	20,035,106
Income tax rate 20%	(5,082,333)	(4,007,021)
<b>Tax effect:</b>		
Non-deductible Expenses	(266,683)	(386,750)
Rebates and other	173,303	(1,808,323)
<b>Tax provision expense on profit or loss table</b>	<b>(5,175,713)</b>	<b>(6,202,094)</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.

	31 December 2016	31 December 2015
Average number of current shares throughout the term (full value)	112,233,652	112,233,652
Net period profit / (loss) of parent company shareholders	20,235,950	13,833,012
<b>Earnings per share</b>	<b>0.1803</b>	<b>0.1233</b>

## 25. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Short term foreign currency transactions	22,943,990	(3,648,380)	4,228,269	(5,567,141)
Long term foreign currency transactions	-	-	-	-
	<b>22,943,990</b>	<b>(3,648,380)</b>	<b>4,228,269</b>	<b>(5,567,141)</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:

	31 December 2016	31 December 2015
Forward foreign currency contracts	182,952,152	216,521,396
	<b>182,952,152</b>	<b>216,521,396</b>

Said agreements are related to foreign currency risks in 2016 and are renewed when necessary.

Changes to fair value of foreign currency derivative transactions with no hedging purposes in the amount of TRY182,952,152 was indicated into the income table within term. (2015: TL216,521,396).

All the Forward Foreign Currency transactions stated hereabove in full detail consist of forward contracts. As of the date of 31 December 2016, the Group has a forward purchase contract in the amounts of USD42,710,000 AND EUR8,800,000 (2015: USD71,298,100 and EUR2,900,000).

## 26. TYPE AND LEVEL OF RISKS ARISING OF 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 non-current 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 31 December 2016 and 2015, the ratio of equity to debts is as follows:

	31 December 2016	31 December 2015
Total debts (*)	430,939,512	423,919,554
Minus: Cash and cash equivalents	152,317,188	162,791,883
Net debt	278,622,324	261,127,671
Total Shareholder's Equity	163,996,502	153,254,906
<b>Shareholder's equity/debt rate</b>	<b>59%</b>	<b>59%</b>

(\*) Consists of the total of commercial debts, debts arising of construction agreements and other debts.

## 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 tools and how to evaluate excess liquidity.

## Credit risk management

Credit risks exposed to based on types of financial tools

31 December 2016	Trade accounts receivable		Other receivables		Deposits at banks	Derivative financial instruments
	Relevant party	Other party	Relevant 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>144,987,808</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	-	-	144,987,808	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.

Credit risks exposed to based on types of financial tools

31 December 2015	Trade accounts receivable		Other receivables		Deposits at banks	Derivative financial instruments
	Relevant party	Other party	Relevant party	Other party		
<b>Maximum credit risk exposed to as of reporting date (*)</b>	<b>8,431,089</b>	<b>200,594,249</b>	-	-	<b>159,689,215</b>	<b>4,228,269</b>
- Part of maximum risk secured by guarantee, etc. (**)	-	54,806,621	-	-	-	-
A. Net book value of financial assets undue or not impaired	7,518,282	198,963,111	-	-	159,689,215	4,228,269
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	912,807	1,631,138	-	-	-	-
- Part secured by guarantee, etc.	-	1,957,294	-	-	-	-
D. Net book value of assets impaired	-	-	-	-	-	-
- Overdue (gross book value)	-	36,453,636	-	-	-	-
- Impairment (-)	-	(33,855,055)	-	-	-	-
- Part of net value secured by guarantee, etc. (**)	-	2,598,581	-	-	-	-
- 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:

	31 December 2016	31 December 2015
1-30 days Overdue	14,279,789	4,521,369
1-3 months Overdue	10,600,283	4,292,263
3-12 months Overdue	6,729,541	372,600
1-5 years Overdue	10,797,712	7,854,455
Over 5 years Overdue	26,812,089	21,956,894
<b>Total receivables overdue</b>	<b>69,219,414</b>	<b>38,997,581</b>
<b>Part secured by guarantee, etc.</b>	<b>15,442,575</b>	<b>4,555,875</b>

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

	31 December 2016	31 December 2015
Securities received	10,418,422	2,598,581
	<b>10,418,422</b>	<b>2,598,581</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 table:

31 December 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 to 12 months (II)	Between 1 to 5 years (III)	Longer than 5 years (IV)
<b>Non derivative financial liabilities</b>						
Commercial debts	429,018,482	429,018,482	331,763,645	97,254,837	-	-
Other debts (Footnote 5)	4,009	4,009	4,009	-	-	-
<b>Total liability</b>	<b>429,022,491</b>	<b>429,022,491</b>	<b>331,767,654</b>	<b>97,254,837</b>	-	-

Since expected terms are similar to terms according to contract, a separate table 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 to 12 months (II)	Between 1 to 5 years (III)	Longer than 5 years (IV)
<b>Derivative financial liabilities</b>						
Derivative cash flow, net	19,295,610	182,952,152	113,599,776	69,352,376	-	-

31 December 2015

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 to 12 months (II)	Between 1 to 5 years (III)	Longer than 5 years (IV)
<b>Non derivative financial liabilities</b>						
Commercial debts	423,858,022	423,858,022	286,988,495	136,869,527	-	-
Other debts (Footnote 5)	61,532	61,532	61,532	-	-	-
<b>Total liability</b>	<b>423,919,554</b>	<b>423,919,554</b>	<b>287,050,027</b>	<b>136,869,527</b>	-	-

Since expected terms are similar to terms according to contract, a separate table 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 to 12 months (II)	Between 1 to 5 years (III)	Longer than 5 years (IV)
<b>Derivative financial liabilities</b>						
Derivative cash flow, net	(1,338,872)	216,521,396	143,060,404	73,460,992	-	-

#### 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:

31 December 2016	TRY Equivalent	US Dollars	EURO	GBP	CHF
1. Trade accounts receivable	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. Working assets (1+2+3)</b>	<b>252,763,900</b>	<b>26,425,450</b>	<b>43,064,994</b>	<b>146</b>	-
5. Trade accounts receivable	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-Monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	-	-	-	-	-
<b>9. Total assets (4+8)</b>	<b>252,763,900</b>	<b>26,425,450</b>	<b>43,064,994</b>	<b>146</b>	-
10. Commercial debts	(396,472,718)	(67,348,670)	(42,788,839)	(1,378)	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-
12b. Other monetary obligations	-	-	-	-	-
<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>	-
14. Commercial debts	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16 a. Other monetary liabilities	46,827,896	(2,946,929)	(9,804,256)	-	-
16 b. Other monetary obligations	-	-	-	-	-
<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>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>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>	-	-
19a. Amount of out-of balance derivative instruments with asset traits	182,952,152	42,710,000	8,800,000	-	-
19b. Amount of out-of balance derivative instruments with passive traits	-	-	-	-	-
<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>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>22. Total fair value of financial tools used for the foreign currency hedge</b>	-	-	-	-	-
<b>23. Amount of hedged portion of foreign currency assets**</b>	-	-	-	-	-
<b>24. Amount of hedged portion of foreign currency obligations***</b>	-	-	-	-	-
<b>25. Total amount of export</b>	<b>244,291,496</b>	-	-	-	-
<b>26. Total export amount</b>	<b>406,104,683</b>	-	-	-	-

31 December 2015	TRY Equivalent	US Dollars	EURO	GBP	CHF
1. Trade accounts receivable	101,231,643	22,833,031	10,964,980	-	-
2a. Monetary financial assets (including safe deposit, bank accounts)	113,698,299	8,978,289	27,565,781	250	-
2b. Non-Monetary financial assets	-	-	-	-	-
3. Other	14,302,273	283,219	4,241,813	15,072	-
<b>4. Working assets (1+2+3)</b>	<b>229,232,213</b>	<b>32,094,539</b>	<b>42,772,574</b>	<b>15,322</b>	-
5. Trade accounts receivable	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-
6b. Non-Monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	-	-	-	-	-
<b>9. Total assets (4+8)</b>	<b>229,232,213</b>	<b>32,094,539</b>	<b>42,751,837</b>	<b>15,322</b>	-
10. Commercial debts	(386,832,685)	(90,686,661)	(38,514,636)	(17,797)	-
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-
12b. Other monetary obligations	-	-	-	-	-
<b>13. Short term liabilities (10+11+12)</b>	<b>(386,832,685)</b>	<b>(90,686,661)</b>	<b>(38,514,636)</b>	<b>(17,797)</b>	-
14. Commercial debts	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16 a. Other monetary liabilities	(39,192,639)	(1,627,475)	(10,822,772)	-	-
16 b. Other monetary obligations	-	-	-	-	-
<b>17. Long term liabilities (14+15+16)</b>	<b>(39,192,639)</b>	<b>(1,627,475)</b>	<b>(10,822,772)</b>	-	-
<b>18. Total liabilities (13+17)</b>	<b>(426,025,324)</b>	<b>(92,314,136)</b>	<b>(49,337,408)</b>	<b>(17,797)</b>	-
<b>19. Net asset / (liability) position of out-of-balance derivative instruments in foreign currency (19a-19b)</b>	<b>216,521,396</b>	<b>71,298,100</b>	<b>2,900,000</b>	-	-
19a. Amount of out-of balance derivative instruments with asset traits	216,521,396	71,298,100	2,900,000	-	-
19b. Amount of out-of balance derivative instruments with passive traits	-	-	-	-	-
<b>20. Net foreign currency asset / (liability) position (9-18+19)</b>	<b>19,728,284</b>	<b>11,078,503</b>	<b>(3,664,834)</b>	<b>(2,475)</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>(211,095,384)</b>	<b>(60,502,816)</b>	<b>(10,806,647)</b>	<b>(17,547)</b>	-
<b>22. Total fair value of financial tools used for the foreign currency hedge</b>	-	-	-	-	-
<b>23. Amount of hedged portion of foreign currency assets**</b>	-	-	-	-	-
<b>24. Amount of hedged portion of foreign currency obligations***</b>	-	-	-	-	-
<b>25. Total amount of export</b>	<b>286,796,414</b>	-	-	-	-
<b>26. Total export amount</b>	<b>337,151,342</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 31 December 2016 and 31 December 2015, 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.

31 December 2016				
	Interest/Loss Shareholder's equity			
	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- US Dollars net asset /liabilities	(15,483,069)	15,483,069	-	-
2- The portion protected 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>In the event that the Euro exchange rate changes by 10%</b>				
4- Net Euro in possession/liabilities	(3,570,068)	3,570,068	-	-
5- The portion protected from Euro risk (-)	3,264,712	(3,264,712)	-	-
<b>6- Euro net influence (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>	-	-

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

31 December 2015				
	Interest/Loss Shareholder's equity			
	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- US Dollars net asset /liabilities	(17,557,453)	17,557,453	-	-
2- The portion protected from US dollars' risk (-)	20,730,635	(20,730,635)	-	-
<b>3- US Dollars net effect (1+2)</b>	<b>3,173,182</b>	<b>(3,173,182)</b>	-	-
<b>In the event that the Euro exchange rate changes by 10%</b>				
4- Net Euro in possession/liabilities	(2,114,164)	2,114,164	-	-
5- The portion protected from Euro risk (-)	914,914	(914,914)	-	-
<b>6- Euro net influence (4+5)</b>	<b>(1,199,250)</b>	<b>1,199,250</b>	-	-
<b>Should the other foreign currency exchange rates change by 10%:</b>				
7- Other net foreign currency in possession/liabilities	(1,104)	1,104	-	-
8- The portion protected from other foreign currency exchange rate (-)	-	-	-	-
<b>9- Other foreign currency assets net effect (7+8)</b>	<b>(1,104)</b>	<b>1,104</b>	-	-
<b>TOTAL (3+6+9)</b>	<b>1,972,828</b>	<b>(1,972,828)</b>	-	-

## Fixed term foreign currency purchase/sale agreements

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 purchase/sale agreements	Average exchange rate		Foreign money		Agreement value		Fair value	
	2016	2015	2016	2015	2016	2015	2016	2015
	TRY	TRY	TRY	TRY	TRY	TRY	TRY	TRY
<b>Purchase of US Dollars</b>								
Less than 3 months	3.0814	2.9661	113,599,776	137,698,376	99,467,196	140,880,000	15,088,229	1,275,364
Between 3-6 months	3.2942	3.0468	36,705,256	56,262,060	34,358,634	56,262,060	3,152,881	(97,089)
<b>EURO purchase</b>								
Between 3-6 months	3.2172	2.949	32,647,120	22,560,960	31,647,975	22,842,200	1,054,500	33,581
			<b>182,952,152</b>	<b>216,521,396</b>	<b>165,473,805</b>	<b>219,984,260</b>	<b>19,295,610</b>	<b>(1,338,872)</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 TOOLS (FAIR VALUE EXPLANATIONS AND EXPLANATIONS WITHIN THE SCOPE OF HEDGE ACCOUNTING)

## Classification of financial tools and their fair value (\*)

31 December 2016	Loans and receivables (including cash and cash equivalents)	Financial tools indicated by their fair value	Financial liabilities shown as their amortised values	Book value	Footnote
<b>Financial assets</b>					
Cash and cash equivalents	152,317,188	-	-	152,317,188	30
Trade accounts receivable	279,825,329	-	-	279,825,329	4
Derivative instruments	-	22,943,990	-	22,943,990	25
<b>Financial liabilities</b>					
Commercial debts	-	-	429,018,482	429,018,482	4
Derivative instruments	-	3,648,380	-	3,648,380	25
31 December 2015	Loans and receivables (including cash and cash equivalents)	Financial tools indicated by their fair value	Financial liabilities shown as their amortised values	Book value	Footnote
<b>Financial assets</b>					
Cash and cash equivalents	162,791,883	-	-	162,791,883	30
Trade accounts receivable	209,025,338	-	-	209,025,338	4
Derivative instruments	-	4,228,269	-	4,228,269	25
<b>Financial liabilities</b>					
Commercial debts	-	-	423,858,022	423,858,022	4
Derivative instruments	-	5,567,141	-	5,567,141	25

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

## Fair value of financial tools:

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
	31 December 2016	31 December 2015				
Foreign money forward agreements (*)	19,295,610	(1,338,872)	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.	-	-

(\*) Footnote 25

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

None.

**29. OTHER POINTS WHICH AFFECT THE FINANCIAL TABLES SIGNIFICANTLY OR ARE REQUIRED TO BE DECLARED IN ORDER FOR THE FINANCIAL TABLES TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE**

None. (31 December 2015: None).

**30. CASH AND CASH EQUIVALENTS**

	31 December 2016	31 December 2015
Cash - TRY	5,537	2,378
Cash - Foreign currency	7,012	12,962
Bank - Checking account	12,492,083	18,408,344
Bank - TRY - Savings account	14,424,000	27,570,000
Bank - Foreign currency exchange accounts	1,107,319	726,021
Bank - US Dollars - savings account	32,034,422	26,033,718
Bank - Euro - Savings account	84,929,988	86,951,132
Checks received	7,316,827	3,087,328
	<b>152,317,188</b>	<b>162,791,883</b>

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

	31 December 2016		31 December 2015	
	Term	Interest rate (%)	Term	Interest rate (%)
Savings account in TRY	Weekly	-	Weekly	-
Savings account in TRY	Nightly	10.30	Nightly	11.10
FC savings account US Dollars	Nightly	2.65	Nightly	1.90
FC savings account US Dollars	Monthly	3.70	Monthly	-
FC savings account EURO	Nightly	1.20	Nightly	1.40
FC savings account EURO	Monthly	1.65	Monthly	-

Clarifications on manner and level of risks on cash and cash equivalents were explained under 25. footnote.

Cash and cash equivalent values shown in the consolidated cash flow tables as of the dates of 31 December 2016 and 2015 are shown below:

	31 December 2016	31 December 2015
Cash and cash equivalents	152,317,188	162,791,883
Interest accrued (-)	(35,291)	(2,834)
	<b>152,281,897</b>	<b>162,789,049</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. ("İstanbul 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%	92.32%
Stakeholders:	15%	92.26%
Board of Directors:	35%	88.60%
<b>TOTAL:</b>	<b>100%</b>	<b>90.92%</b>

In 2016 Türk Prysmian Kablo has documented that the company corresponds to and is adequate with related values, by getting 9,09 points out of 10 (90.92%) by achieving 0,28 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 90,92 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 2016, 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	CFO	(224) 270 3000	<a href="mailto:tpks@prysmiangroup.com">tpks@prysmiangroup.com</a>
Nevin Kocabaş	Accounting and Investor Relations Manager	(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:

- a) Ensuring that the records on the shareholders are kept in a sound, safe and current manner.
- b) 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.
- c) Ensuring that the General Assembly meeting is held as per the effective legislation, Articles of Association and other inter-corporate regulations.
- d) Preparing documentation that the shareholders can benefit at the General Assembly meeting.
- e) Ensuring that the voting results are recorded and reports related to the results are forwarded to the shareholders.
- f) Observing and monitoring any kind of matter related to public disclosure including legislation and the information policy of the company.
- g) Ensuring the execution of capital market compliance activities.
- h) 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 2015, 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 2015 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 2016, one ordinary general assembly meeting was convened at the company headquarters (31<sup>st</sup> of March, 2016). 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 Burse 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 2016: **88**

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.

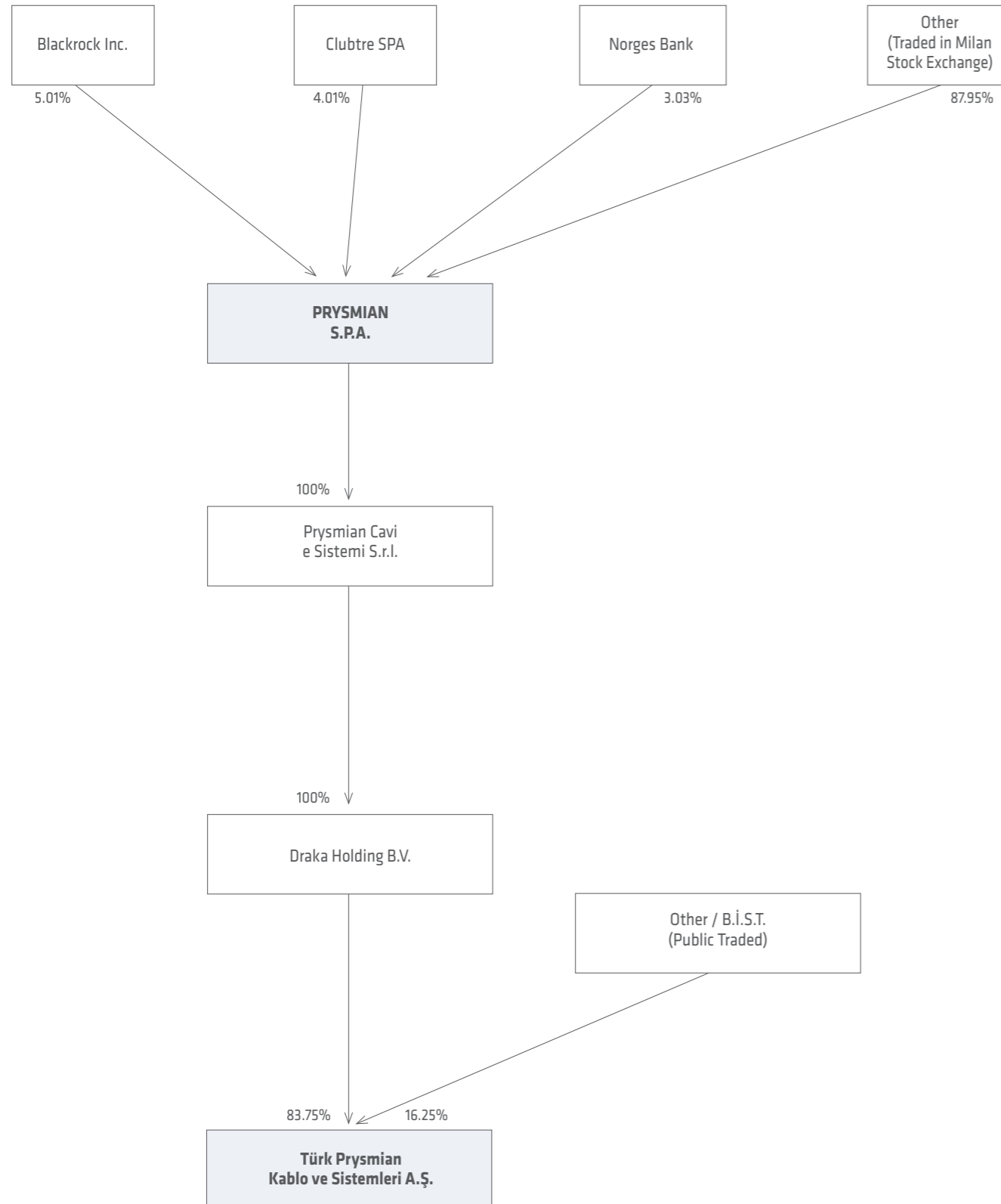
At the Corporate Web Page of the Company, in addition to the obligatory information that needs to be disclosed as per the legislation, the following information minimally for the last five years are also submitted to the attention of the investors:

- 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 2016



(\*) 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;

COMPANY MANAGEMENT:	
<b>Halil İbrahim KONGUR</b>	Chairman & Factory Director
<b>Erkan AYDOĞDU</b>	Vice Chairman & CEO
<b>Alberto Maria TAGLIABUE</b>	Board Member
<b>Andrea PIRONDINI</b>	Board Member
<b>Fabio Ignazio ROMEO</b>	Board Member
<b>Ayşe Canan EDİBOĞLU</b>	Independent Board Member
<b>Ali Aydın PANDIR</b>	Independent Board Member
<b>Mehmet Emin TUTAN</b>	Independent Board Member
<b>Ercan GÖKDAĞ</b>	CFO
<b>İbrahim Etem BAKAÇ</b>	Domestic Sales Director
<b>İlker Bertan BİLGİN</b>	Logistic Manager
<b>Ufuk ÇOLAK</b>	Telecom Sales Manager
<b>İdris ÇOLAKGİL</b>	Information Technologies Manager
<b>Faik KÜRKÇÜ</b>	Utilities & Contractors Sales Director
<b>Sabri Levent ÖZÇENGEL</b>	Human Resources Director
<b>İlhan ÖZTÜRK</b>	Special Cables Sales Director
<b>Yiğit TÜRSOY</b>	Legal Affairs Director
<b>Tamer YAVUZTÜRK</b>	Marketing & Business Intelligence Manager
<b>Sevda YÜCEL</b>	Purchasing Director
<b>Esat BAYKAL</b>	Quality Manager
<b>Gürkan BAYRAK</b>	Telecom & Shared Production Manager
<b>Mehmet ER</b>	Energy Cables Production Manager
<b>Nevin KOCABAŞ</b>	Accounting & Investor Relations Manager
<b>Hande ÖZDEN</b>	Health, Environment & Quality Assurance Manager
<b>Alaettin ŞENKAYA</b>	Material Technologies Manager
<b>Zekeriya ŞİRİN</b>	R&D Manager
<b>Figen TAMUROĞLU</b>	Treasury Manager
<b>Celal URUÇAY</b>	Industrial Improvement Manager
<b>Okay YILDIZ</b>	Tecnical Services Manager
<b>Gaye YURDAŞEN KANTAR</b>	Credit & Risk Manager

#### INDEPENDENT AUDITING BODY: (Güney Bağımsız Denetim ve SMMM A.Ş.)

<b>Ferzan ÜLGEN</b>	Responsible Auditor
<b>Ali ERSOY</b>	Auditor

#### TAX AUDITING BODY: (Mazars-Denge Yeminli Mali Müşavirlik A.Ş.)

<b>Şevki BORAN</b>	Sworn Financial Advisor / Responsible Partner
<b>Nazan YÜCETAŞ BORAN</b>	Sworn Financial Advisor / Responsible Partner

#### OTHER PERSONS:

<b>Hafize Nazan ÇEKMECİ</b>	Publisher (Net Agency Advertisement Promotion and Publishing Services)
<b>Süalp ÇEKMECİ</b>	Designer (Net Agency Advertisement Promotion and Publishing Services)
<b>Adv. Cansu YİTMEN</b>	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.** Prysman 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.** Prysman Group Values and Code of Ethics / Article 6 – Human Resources

### 16. Information on Customer and Supplier Relations

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

### 17. Social Responsibility

Türk Prysman 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 Prysman 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 Prysman 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 Prysman 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 “0” 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 Prysman 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.** Prysman 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	EXECUTORY	NON-EXECUTORY	INDEPENDENT
Chairman	Halil İbrahim Kongur	X		
Vice Chairman	Erkan Aydoğdu	X		
Member	Fabio Ignazio Romeo		X	
Member	Andrea Pirondini		X	
Member	Alberto Maria Tagliabue		X	
Member	Ali Aydın Pandir			X
Member	Ayşe Canan Ediboğlu			X
Member	Mehmet Emin Tutan			X

POSITION	MEMBERS	INITIAL ASSIGNMENT	MOST RECENT ASSIGNMENT
Chairman	Halil İbrahim Kongur	30 March, 2012	31 March, 2016
Vice Chairman	Erkan Aydoğdu	22 October, 2014	31 March, 2016
Member	Fabio Ignazio Romeo	22 August 2005	31 March, 2016
Member	Andrea Pirondini	3 March, 2016	31 March, 2016
Member	Alberto Maria Tagliabue	1 January, 2015	31 March, 2016
Member	Ali Aydın Pandir	30 March, 2012	31 March, 2016
Member	Ayşe Canan Ediboğlu	28 March, 2014	31 March, 2016
Member	Mehmet Emin Tutan	30 March, 2012	31 March, 2016

### 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	2	5	-	-

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.

**20. Company Mission, Vision and Strategic Goals**

**Company Mission:** To provide added value to our shareholders and the sectors alike by supplying products and services, compliant to standards, having top quality, reliable, innovative and state-of-the-art features to our customers, business partners and the society as a whole.

**Company Vision:** Located within Prysmian Group and as the oldest, rooted and pioneering company of the sector in its region; the Company vision is to become a company:

- Accommodating a creative workforce open to development with its distinguished and innovative role, and that can present top performance,
- With an organizational structure valuing transparency and social responsibility,
- Undersigning long-term partnerships by ensuring continual satisfaction to its customers,
- Always creating value for its shareholders,
- Committed to improve the social conditions,
- Preserving sector leadership in Turkey and in the international platform alike.

**Please see.** Prysmian Group Values and Code of Ethics / Article 2 – Goals and Values

**21. Risk Management and Internal Control Mechanism**

To ensure an effective use of risk management, the Risk Management Department has been conducting activities since 2002. This department has developed and commenced the implementation of processes for effective risk management for the Company as well as the Prysmian Cables and Systems. In this scope, it is aimed for the risks to be monitored with daily reports and collect the receivables on time.

The internal control system of the Company has been organized to ensure an adequate control system and that can enable all the Company activities to be explained in a proper manner. The responsibility related to the internal control system belongs to the Board of Directors and in addition to determining the relevant outline, the Board of Directors also confirms the sufficiency of the control and whether it works in an effective manner or not.

The Auditing Committee is comprised of two members of the Board of Directors. Both of these persons are members of the Board of Directors that do not have a direct contribution to the activities and management of the Company. The Auditing Committee gathers regularly as indicated at the relevant communiqué of SPK and a representative of the external auditing company of the Company can also be invited to these meetings.

The aim of the Auditing Committee is to aid the Board of Directors in fulfilling its long term responsibilities regarding the quality and risk assessment of the accounting and financial reporting applications, policies and procedures and the internal control systems of the Company.

Internal auditing and periodic auditing activities also provide the necessary controls in terms of verifying compliance to the procedures, policies and strategies. Other than for the audits aimed at auditing the Internal Auditing Department, the Internal Auditing Department of Prysmian Cables and Systems Group also performs internal auditing inspections at Türk Prysmian Kablo ve Sistemleri A.Ş. in addition to the regular audits arranged by the external auditing company.

Furthermore, Planning and Control Department is also present and this department submits monthly detailed reports to the Delegate Member and Executive Management, and also provides useful and comprehensive information for the monitoring of specific activities.

Information related to the independent auditing company Ernst & Young Global Limited: <http://www.ey.com/tr/tr>

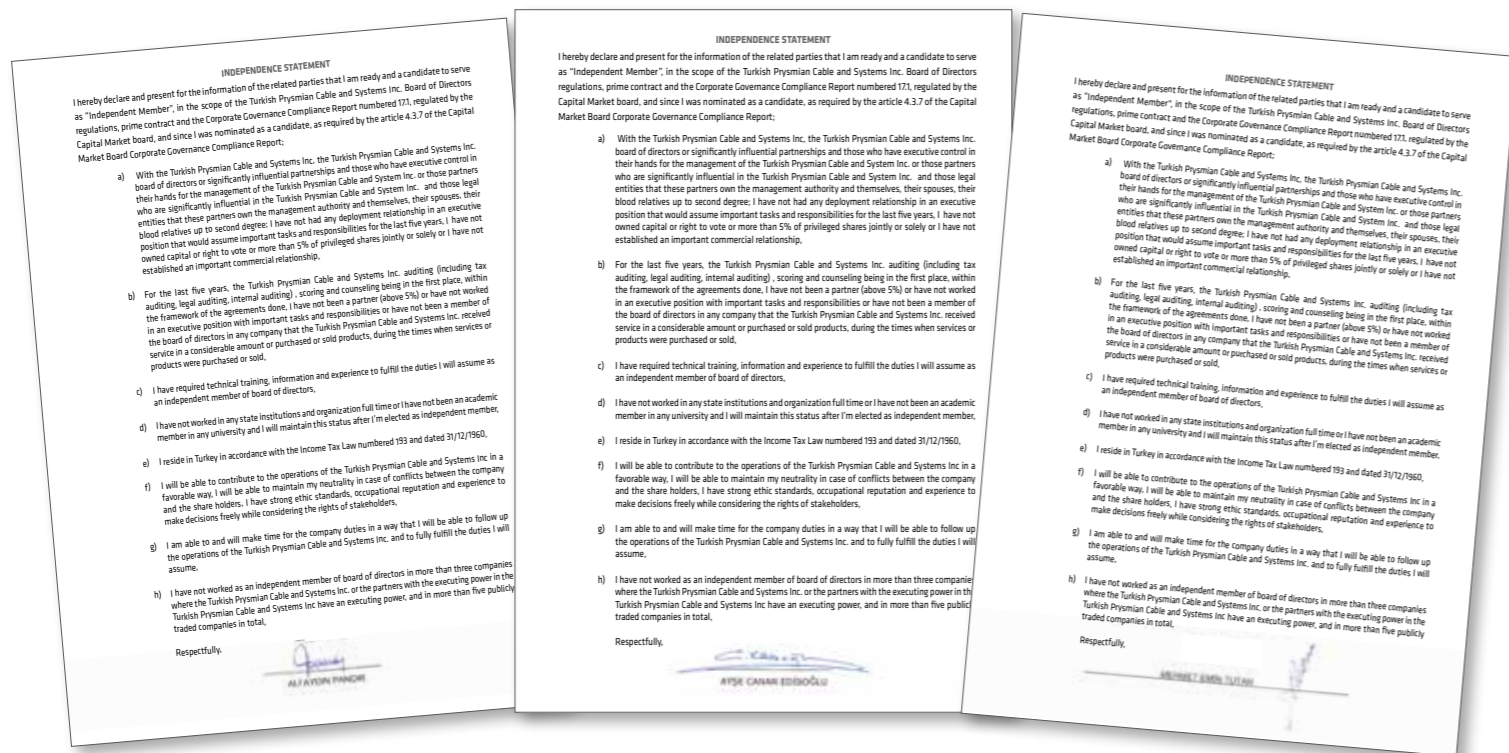
And information related to the tax auditing company MAZARS-DENGE: <http://www.mazarsdenge.com.tr>

**22. Authorities and Responsibilities of the Members and Managers of the Board of Directors**

**The Board of Directors performs the following activities:**

- Inspection and approval of the strategic, institutional/corporate, industrial and financial plans of the Company,
- Granting and withdrawing authority delegation to the Delegate Member, determination of the limits, method of use and duration of such authorities,
- Comparing the results with regular budgets and monitoring the general performance of the studies conducted by paying due regard to conflict of interests and by taking into consideration the information received from the Internal Control Committee and the Delegate Member,
- Taking decisions related to the same for Real Estate,
- Issuing share certificates and bonds,
- Becoming a partner to companies and enterprises to be newly founded or participating to the ones already present,
- Inspection and approval of transactions with a specific economic, equity or financial impact, by paying due care to the related partner processes,
- Verifying the competency of the overall organization and administrative structure of the Company as organized by the Delegate Member,
- Informing the shareholders regarding shareholders meetings.

The authorities and responsibilities of the members of the Board of Directors have been clearly specified at article 10 of the articles of association. Since the authorities and responsibilities of the managers can change any time due to the dynamic structure of the Company and business life, the authorities and the relevant responsibilities are indicated in detail at the signatory circular.



**Ali Aydın Pandir**  
Independent Board Member

**Ayşe Canan Ediboğlu**  
Independent Board Member

**Mehmet Emin Tutan**  
Independent Board Member

### 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 2016 activity period, **23 meetings** have been convened by the Board of Directors. All Board of Directors attended the 9 meetings of 23 meetings.

### 24. Prohibition of Transacting and Competing with the Company

Our members of the Board of Directors are set free by our shareholders in the framework of articles 334 and 335 of the Turkish Code of Commerce at the Ordinary General Assembly convened each year.

### 25. Code of Ethics

There is a pyramid system related to the principles and procedures. This system can be summarized as follows:

**Code of Ethics:** These rules cover the general principles – transparency, fairness and devotion – forming the business relations at each and every level within the Company. With the belief that business ethics should go hand in hand with success at work, the Company conducts its internal and external processes as per the principles stated in these rules.

**Internal Control System:** This system is a group of “instruments” aimed at assuring operation yield and effectiveness, reliability of financial and management data, obeying laws and legislation and even the protection of Company assets against a possible fraud within reasonable limits. Internal control systems based on and defined by these general applications are implemented at all corporate levels.

**Behavioral Pattern:** Behavioral pattern puts forth special rules in the relations with the representatives of Public Administration and identifies the main operational applications indicated at the Code of Ethics, by classifying a proper behavioral pattern as “to do” and improper behavioral patterns as “not to do”.

**Internal Executive Procedures and Policies of the Company:** These elements, as a natural extension of the internal control system, comprise the main fields of business. Thus, they specify the internal rulers related to the main fields of activity of the Company.

Türk Prysmian identifies the internal rules and structure related to the main fields for its officers and managers alike via regulations and policies such as Recruitment, Purchasing, Investment, Environmental Protection, Information Systems, Stock Assessment and Intellectual Property Rights Regulations.

All the regulations and policies are presented to the officers in an updated manner from the intranet page of the Company.

Furthermore, **Please see.** Prysmian Group Values and Code of Ethics

### 26. Number, Structure and Independence of the Committees Comprised at the Board of Directors

Name of Committee	Number of Annual Meetings (Minimum)	Number of Members	Number of Independent Members
Auditing Committee	4	2	2

**Members of the Auditing Committee:** Ali Aydın Pandır, Ayşe Canan Ediboğlu

Name of Committee	Number of Annual Meetings (Minimum)	Number of Members	Number of Independent Members
Early Risk Detection and Risk Management Committee	6	3	2

**Members of the Early Risk Detection and Risk Management Committee:** Ali Aydın Pandır, Ayşe Canan Ediboğlu, Alberto Maria Tagliabue

Name of Committee	Number of Annual Meetings (Minimum)	Number of Members	Number of Independent Members
Institutional Management Committee	4	4	1

**Members of the Institutional Management Committee:** Fabio Ignazio Romeo, Ali Aydın Pandır, Nevin Kocabaş, Alper Gün

**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 2015 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 2016, €70,000 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 2016 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 baills.

### 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 2016 financial statements, and that the selling transactions was not more than 10% of the total revenues in the publicly disclosed 2016 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 2016, 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 2016 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 2016 fiscal year was signed and endorsed by the Board Members on March 9, 2017.

#### Chairman of the Board of Directors

**Hali 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 but not limited to all managers, officers, employees, agents, representatives, lobbyists, interns, contractors, suppliers, and consultants ("Covered Parties"), and seeks to guide our legal and ethical responsibilities, to deter wrongdoing, and to promote:

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

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

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

#### ARTICLE 1 - PREMISE

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

#### ARTICLE 2 - OBJECTIVES AND VALUES

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

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

- As active and responsible members of the communities in which we operate, we are committed to respecting all applicable laws wherever we do business, and to following all commonly accepted principles of business ethics, such as transparency, honesty and loyalty.
- We refuse to engage in any illegitimate, unfair, or in any way questionable behavior (*vis-à-vis* the community, public authorities, customers, employees, investors and competitors) to achieve economic targets, which we pursue only through excellent performance, quality, competitive products and services, based on experience, customer care and innovation.
- We establish organizational controls designed to prevent Covered Parties from violating these requirements of lawfulness, transparency, honesty and loyalty, and supervise their observance and implementation.
- We impose consequences for any violations of these policies and principles.
- We maintain accurate books and records, and assure the investors and the community in general total transparency about our activities.
- We are committed to fair competition, which benefits us as well as all market operators, customers and stakeholders.
- We pursue excellence and competitiveness in the market place, offering quality services and products.
- We safeguard and enhance the value of all our employees.
- We respect the environment and use natural resources responsibly, with the goal of advancing sustainable development and protecting the rights of future generations.

#### ARTICLE 3 - SHAREHOLDERS

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

#### ARTICLE 4 - CUSTOMERS

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

#### ARTICLE 5 - COMMUNITIES

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

Group Companies adhere to all applicable laws and regulations and maintain good relations with local, national and super-national Authorities, based on by full and active cooperation and on transparency.

Consistent with these objectives and with the responsibilities they have assumed toward different stakeholders, Group Companies recognize research and innovation as priority conditions for growth and success.

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

Group Companies do not disburse contributions, advantages or other conveniences or things of value to government officials (including employees of state-owned or controlled entities or enterprises), political parties or trade union organizations, nor to their representatives or candidates, except as permitted by applicable laws and by the provisions of this Code and other applicable Prysmian Group policies.

#### ARTICLE 6 - HUMAN RESOURCES

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

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

#### ARTICLE 7 - ENVIRONMENT

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

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

#### ARTICLE 8 - ANTI-BRIBERY POLICY

Bribery of public officials is prohibited.

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

Commercial bribery is prohibited.

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

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

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

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

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

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

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

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

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

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

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

**ARTICLE 11 - OBSERVANCE OF CODE**

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

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

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

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

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

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

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

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