

**TÜRK PIRELLI KABLO VE SİSTEMLERİ A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH  
OF INTERIM FINANCIAL STATEMENTS FOR THE  
SIX-MONTH PERIOD ENDED 30 JUNE 2005 AND  
INDEPENDENT AUDITOR'S REVIEW REPORT  
(ORIGINALLY ISSUED IN TURKISH)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REVIEW REPORT  
ORIGINALLY ISSUED IN TURKISH  
SEE NOTE 44**

**TÜRK PIRELLI KABLO VE SİSTEMLERİ A.Ş.**

**AUDITOR'S REVIEW REPORT**

1. We have reviewed the accompanying interim balance sheet of Türk Pirelli Kablo ve Sistemleri A.Ş. ("the Company") at 30 June 2005 and the related statement of income for the six month period then ended in accordance with generally accepted auditing standards applicable to review engagements issued by the Turkish Capital Market Board ("CMB"). Our work on the interim balance sheet and the statement of income is limited compared to an examination of the annual financial statements made in accordance with generally accepted auditing standards. Our review was intended to understand the methods used in the preparation of the interim balance sheet and statement of income and accordingly included analytical review, data gathering and other review procedures required by the standards applicable to review engagements. Therefore, our report should be evaluated differently compared to annual independent auditor's reports.
2. As disclosed in Note 2 to the accompanying interim financial statements, CMB's Communiqué XI/25 "Communiqué Regarding Accounting Standards in Capital Markets" ("Communiqué") came into effect for the first interim financial statements for periods after 1 January 2005. Communiqué Section 33 "First Time Application" paragraph 717 states that Companies are not required to prepare on a comparative basis the first statements of income, of cash flows and of changes in shareholders' equity prepared in accordance with this Communiqué. As the Company prepared its first interim financial statements as of 30 June 2005, statements of income, of cash flows and of changes in shareholders' equity for six month period ended 30 June 2005 and the statement of income together with the notes to the statement of income for the period between 1 April – 30 June 2005 have not been presented on a comparative basis with the comparable interim period ended 30 June 2004.
3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not presented fairly, in all material respects, in accordance with accounting and reporting principles issued by CMB.

4. Additional paragraph for convenience translation into English:

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

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Istanbul, 9 August 2005

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

**TÜRK PIRELLI KABLO VE SİSTEMLERİ A.Ş.  
INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005  
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

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TÜRK PIRELLI KABLO VE SİSTEMLERİ A.Ş.

BALANCE SHEET

AT 30 JUNE 2005 AND 31 DECEMBER 2004

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

	Notes	Limited review 30 June 2005	Audited 31 December 2004
<b>ASSETS</b>			
<b>Current Assets</b>		<b>107,416,320</b>	<b>108,602,183</b>
Cash and cash equivalents	4	27,610,513	28,003,663
Marketable securities	5	-	-
Trade receivables, net	7	39,808,232	40,305,717
Finance lease receivables	8	-	-
Due from related parties, net	9	4,994,462	8,277,346
Other receivables, net	10	6,590,359	4,205,070
Biological assets, net	11	-	-
Inventories, net	12	28,290,778	27,298,952
Receivables on construction contracts, net		-	250,868
Deferred tax assets		-	-
Other current assets		121,976	260,567
<b>Non-current Assets</b>		<b>53,196,930</b>	<b>55,200,974</b>
Trade receivables, net	7	47	47
Finance lease receivables, net	8	-	-
Due from related parties, net	9	-	-
Other receivables, net	10	11,958	18,479
Financial assets, net	16	2,920,351	2,920,351
Positive/negative goodwill, net	17	-	-
Investment properties, net	18	-	-
Property, plant and equipment, net	19	50,172,852	52,159,043
Intangible assets, net	20	91,722	103,054
Deferred tax assets	14	-	-
Other non-current assets	15	-	-
<b>TOTAL ASSETS</b>		<b>160,613,250</b>	<b>163,803,157</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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**TÜRK PIRELLI KABLO VE SİSTEMLERİ A.Ş.**

**BALANCE SHEET**

**AT 30 JUNE 2005 AND 31 DECEMBER 2004**

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

	Notes	Limited review 30 June 2005	Audited 31 December 2004
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>53,204,101</b>	<b>59,853,174</b>
Financial liabilities, net		-	-
Short-term portion of long-term financial liabilities, net		-	-
Financial lease liabilities, net		-	-
Other financial liabilities, net		-	-
Trade payables, net		32,318,866	42,070,699
Due to related parties, net		2,397,269	2,399,390
Advances received		1,558,397	2,774,677
Construction contracts acquisition value, net		222,188	
Provisions		2,167,139	1,490,124
Deferred tax liabilities		2,686,538	2,837,634
Other current liabilities, net		11,853,704	8,280,650
<b>Non-current Liabilities</b>		<b>5,076,314</b>	<b>4,541,695</b>
Financial liabilities, net	6	-	-
Financial lease liabilities, net	8	-	-
Other financial liabilities, net	10	-	-
Trade payables, net	7	-	-
Due to related parties, net	9	-	-
Advances received	21	-	-
Provisions	23	5,076,314	4,541,695
Deferred tax liabilities	14	-	-
Other non-current liabilities, net	10	-	-
<b>MINORITY INTERESTS</b>		<b>-</b>	<b>-</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>102,332,835</b>	<b>99,408,288</b>
<b>Share Capital</b>	25	<b>39,312,000</b>	<b>39,312,000</b>
<b>Share Capital Adjustments</b>		<b>-</b>	<b>-</b>
<b>Capital Reserves</b>	26	<b>72,937,515</b>	<b>72,937,515</b>
Share premium		-	-
Reserves from cancelled shares		-	-
Revaluation funds		-	-
Revaluation funds of financial assets		-	-
Shareholders' equity restatement differences		72,937,515	72,937,515
<b>Profit Reserves</b>	27	<b>343,426</b>	<b>114,614</b>
Legal reserves		204,679	114,614
Status reserves		-	-
Extraordinary reserves		138,747	-
Special reserves		-	-
Investment and property sales gains to be transferred to the share capital		-	-
Translation reserves		-	-
<b>Net income/(loss) for the period</b>		<b>4,497,027</b>	<b>-</b>
<b>Accumulated losses</b>	28	<b>(14,757,133)</b>	<b>(12,955,841)</b>
<b>Total shareholders' equity</b>		<b>160,613,250</b>	<b>163,803,157</b>
Commitment and Contingencies	31		

The financial statements at 30 June 2005 and for the period then ended were approved by the Board of Directors on 9 June 2005.

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ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

TÜRK PIRELLI KABLO VE SİSTEMLERİ A.Ş.

STATEMENT OF INCOME  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2005

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

	Notes	Limited review 1 January - 30 June 2005	Limited review 1 April- 30 June 2005
<b>Operating revenues</b>			
Revenues, net	36	125,214,420	63,019,600
Cost of revenues (-)	36	(105,376,718)	(53,186,231)
Revenues from services, net	36	-	-
Other operating income	36	-	-
<b>Gross operating profit</b>		<b>19,837,702</b>	<b>9,833,369</b>
Operating expenses (-)	37	(16,735,199)	(8,420,673)
<b>Net operating profit</b>		<b>3,102,503</b>	<b>1,412,696</b>
Other operating income	38	2,193,372	1,140,552
Other operating expenses (-)	38	(1,939,541)	(729,798)
Financial (expenses)/income, net	39	3,156,736	1,772,631
<b>Operating (loss)/income</b>		<b>6,513,070</b>	<b>3,596,081</b>
Gain on net monetary position	40	-	-
<b>(Loss)/income before minority interest and taxation on income</b>	24	-	-
<b>(Loss)/income before taxation on income</b>		<b>6,513,070</b>	<b>3,596,081</b>
Taxation on Income	41	(2,016,043)	(1,173,027)
<b>Net (loss)/income for the period</b>		<b>4,497,027</b>	<b>2,423,054</b>
<b>(Loss)/earnings per thousand shares (YTL)</b>	42	<b>0.11</b>	<b>0.06</b>

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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TÜRK PIRELLI KABLO VE SİSTEMLERİ A.Ş.

STATEMENT OF SHAREHOLDERS' EQUITY 30 JUNE 2005

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

	Share Capital	Inflation Adjustment to shareholders' equity	Share Premium	Revaluation Fund	Other adjustment to shareholders' equity	Translation reserves	Legal Reserves	Statue Reserves	Reserves and Unpaid Profit	Net profit for the period	Accumulated Losses	Total
31 December 2004	39,312,000	-	-	-	72,937,515	-	114,614	-	-	-	(12,955,841)	99,408,288
Net income for the period		-	-	-	-	-	-	-	-	4,497,027	-	4,497,027
Dividends Paid		-	-	-	-	-	90,065	-	138,747	-	(1,801,292)	(1,572,480)
30 June 2005	39,312,000	-	-	-	72,937,515	-	204,679	-	138,747	4,497,027	(14,757,133)	102,332,835

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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**TÜRK PIRELLI KABLO VE SİSTEMLERİ A.Ş.**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2005**

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

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**NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES**

The primary operations of Türk Pirelli Kablo ve Sistemleri A.Ş. (“the Company”), established and operating in Turkey are the production, import, export and trading of cables, conductors, machinery, apparatus, their spare parts and accessories. The Company was established in 1964. The shareholders of the Company are Pirelli Cable Holding N.V. (83.75%) and Siemens Sanayi ve Ticaret A.Ş. Emekli ve Yardım Sandığı Vakfı (5.54%). The Company is registered with the Capital Markets Board (“CMB”) and 15.55% of its shares have been quoted on the Istanbul Stock Exchange (“ISE”).

At 30 June 2005, the average number of employees of the Company is 349 (31 December 2004: 315).

The Company has a 3.81% investment in Entek Elektrik Üretim A.Ş. (Note 16).

The address of the registered office is Bursa Yolu No:116941 Mudanya Bursa.

The Company operates in one unique business (cable production and trading) and geographical segment.

**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Accounting policies:**

The Company prepares its financial statements in New Turkish lira in accordance with accounting and reporting principles issued by the Capital Markets Board (“CMB”), Turkish Commercial Code, and Turkish tax legislation.

The Communiqué No: XI-25 “Communiqué on Accounting Standards in Capital Markets” (“Communiqué”) issued by CMB on 15 November 2003 has been effective from the first interim financial period following 1 January 2005. In accordance with this Communiqué, companies may apply these accounting standards on 31 December 2003 or starting from the first annual or interim financial period subsequent to 31 December 2003. Accordingly, the Company prepared its financial statements in accordance with the Communiqué XI/20. “Communiqué concerning the rules and regulations for the preparation of the financial statements during the high inflationary periods” (Inflation Communiqué) until 31 December 2004, and started to prepare its financial statement in accordance with Communiqué No: XI/25 “Communiqué on Accounting Standards in Capital Markets” effective from the first interim financial period following 1 January 2005.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2005**

(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

These financial statements have been prepared by adjusting the statutory financial statements for the accounting standards set in Communiqué No: XI-25 “Communiqué on Accounting Standards in Capital Markets”. The financial statements and the related notes have been disclosed in accordance with the standards declared by the CMB on 20 December 2004.

The Company began to prepare interim financial statements from 1 January 2005. Accordingly, for the period ended 30 June 2005 the statement of income, the statement of change in shareholders’ equity and the statement of cash flow have not been presented on a comparative basis.

**2.2 Financial reporting in hyperinflationary periods:**

Adjustments made to financial statements for the restatement for changes in the general purchasing power of the Turkish lira at the period-end, are based on the 15<sup>th</sup> part of the Communiqué. These principles require that financial statements prepared in the currency of a hyperinflationary economy and financial statements prepared according to generally accepted accounting standards issued by the CMB, are stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One other characteristic that necessitates the application of this Communiqué is the beginning of the hyperinflationary period in circumstances where the yearly price index at the balance sheet date exceeds the price index at the beginning of the previous three-year period (including the related period) by 100%, and the price index at the balance sheet date of the related accounting period increases by 10% or more compared to the beginning of that period.

In addition, one of the characteristics that necessitates the application of this Communiqué (15<sup>th</sup> part) is in circumstances where people prefer to invest in foreign currency instead of Turkish lira.

Financial statements as of 31 December 2004, has been expressed in New Turkish lira (“YTL”) in terms of the purchasing power of Turkish lira at 31 December 2004.

On 17 March 2005 CMB declared to companies registered in Turkey that the inflation adjustment of financial statements for the year 2005 was to be cease, as the hyperinflationary period had ended and other indicators regarding the continuation of a hyperinflation period had disappeared.

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(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

The financial statements are expressed in New Turkish lira in terms of the purchasing power of Turkish Lira at 31 December 2004. Indices and conversion factors used to restate the comparative amounts in the financial statements are as follows:

<u>Dates</u>	<u>Index</u>	<u>Conversion factors</u>	<u>Cumulative three-year inflation rate (%)</u>
31 December 2004	8.403,8	1.000	69,7
30 June 2004	7.982,7	1.053	110,3
31 December 2003	7.382,1	1.138	181,1

The main procedures for the above-mentioned restatement are as follows:

- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant conversion factors. Additions to property, plant and equipment in the year of acquisition are restated by applying the relevant conversion factors.

**2.3 Consolidation:**

The Company does not have any financial assets for consolidation.

**2.4 Comparatives:**

Where necessary, comparative amounts have been reclassified to conform to changes in presentation in the current year so that the reclassification will result in a more appropriate presentation of events or transactions.

**2.5 Offsetting:**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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**NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.6 New Turkish lira:**

Through the enactment of the Law numbered 5083 concerning the “Currency of the Republic of Turkey” in the Official Gazette dated 30 January 2004, New Turkish lira (“YTL”) and the New Kuruş (“YKr”) have been introduced as the new currency of the Republic of Turkey, effective from 1 January 2005. The hundredth part of the YTL is the YKr (1 YTL=100YKr). When the prior currency, Turkish lira (“TL”), values are converted into the YTL, one million TL is equivalent to one YTL (1 YTL). Accordingly, the currency of the Republic of Turkey is simplified by removing 6 zeroes from the TL.

All references made to Turkish lira or lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to YTL at the conversion rate indicated as above. Consequently, effective from 1 January 2005, the YTL replaces the TL as a unit of account in keeping and presenting of the books, accounts and financial statements.

As stated in the announcement of CMB dated 30 November 2004, financial statements for the period ended 30 June 2005, including the prior period financial data which will be used for comparison purposes, are presented in YTL, and prior period financial statements are to be presented in YTL only for comparative purposes.

**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are summarised below:

**3.1 Revenue recognition:**

Net revenues represent the invoiced value of goods shipped. Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company, at the fair value of consideration received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as interest income on a time proportion basis that takes into account the effective yield on the asset (Note 36).

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(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.2 Inventories:**

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories are materials, labour and an appropriate amount for factory overheads. The cost of inventories is determined on a process costing basis, the first in first out (FIFO) method. Inventories comprise of all raw material, direct labour, and other direct and indirect production costs. Financial expenses are not capitalized and are expensed as incurred occurred. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 12). The Company performs monthly stock counts.

**3.3 Tangible Assets:**

Property, plant and equipment are carried at cost less accumulated depreciation (Note 19). Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets, except for land. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows

	<b><u>Economic life</u></b>	<b><u>Method</u></b>
Buildings	20-50 years	Straightline Method
Machinery and equipment	5-15 years	Straightline Method
Vehicles	5 years	Straightline Method
Furniture and fixture	2-5 years	Straightline Method
Special costs	5-10 years	Straightline Method
Rights	8-20 years	Straightline Method

Lands is not depreciated due to its infinite economic life.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposals of property, plant and equipment are included in the related income or expense accounts, as appropriate.

Expenses for repair and maintenance of property, plant and equipment are normally charged against income. They are, however, capitalised in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
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(Amounts expressed in thousands of New Turkish lira (YTL) unless otherwise indicated)

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued))**

**3.4 Intangible Assets**

Intangible assets comprise acquired computer software and development costs. They are recorded at their acquisition cost and amortised using the straight-line method over their estimated useful lives for a period not exceeding five years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount (Note 20).

**3.5 Impairment**

Tangible and intangible non-current assets are examined for any impairment resulting from an event or change, which leads the carrying amount to exceed its recoverable amount. An impairment loss is charged to income for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price or value in use.

**3.6 Trade receivables**

Trade receivables that are originated by the Company by providing goods or services directly to a debtor are carried at amortised cost using the effective yield method. Short-term trade receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued))**

**3.7 Financial liabilities:**

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

**3.8 Financial instruments and financial risk management:**

**a) Financial instruments and financial risk management**

***Credit risk***

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. Material trade receivable balances comprise of receivables from dealers and intercompanies.

The Company has established an effective control system, which is monitored by the management. Guarantees taken from dealers is another tool used in credit risk management.

***Funding risk***

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate, committed funding lines from high quality lenders.

***Interest-rate risk***

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

***Foreign currency risk***

The Company is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by the analysis of the foreign currency position.

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Fair value of the financial instruments**

Fair value is the amount at which a financial instrument can be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using the following assumptions:

*Monetary assets*

The fair values of balances denominated in foreign currencies, which are translated at year-end bid rates declared by Central Bank of Turkey are considered to approximate its carrying value.

Financial assets including cash and amounts due from banks are considered to approximate their respective carrying values since they are translated at bid rates declared by the Central Bank of Turkey.

The carrying value of trade receivables along with the related allowances for uncollectibility is estimated to be their fair values.

*Monetary liabilities*

The fair values of short-term bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings and trade payables, which are denominated in foreign currencies are translated at period-end ask rates declared by the Central Bank of Turkey and accordingly their carrying amounts approximate their fair values.

**3.9 Operation Combinations**

None.

**3.10 Foreign currency transactions:**

Foreign currency transactions during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the statements of income.

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued))**

**3.11 Earnings per share:**

Earnings per share disclosed in the statements of income are determined by dividing net income by the weighted average number of shares in existence during the year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus share issued without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

**3.12 Subsequent events:**

There are nosubsequent events resulting in an adjustment to financial statements.

**3.13 Provisions, contingent assets and liabilities:**

Provisions are recognised when the Company has a present legal or constructive obligation or a result of past events, it is probable that on outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Warranty expenses are recorded as a result of repair and maintenance expenses based on statistical information for possible future warranty services.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial tables and treated as contingent assets or liabilities (Note 31).

**3.14 Change in the accounting policies:**

None.

**3.15 Leasing:**

None.

**3.16 Related parties:**

For the purpose of these financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them, investments, associated companies and joint venture partners are considered and referred to as related parties (Note 9).

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.17 Segment reporting:**

None.

**3.18 Construction type contracts:**

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

**3.19 Discontinued operations:**

None.

**3.20 Government grants and incentives:**

Government grants, including non-monetary grants at fair value, are not recognised until there is reasonable assurance that the entity will comply with the conditions attached to them and that the grants will be received. A forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

**3.21 Investment property:**

None.

**3.22 Taxes on income:**

Corporation tax is payable at a rate of 30% for the year 2005 (31 December 2004: 33%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

**3.23 Deferred income taxes:**

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxes.

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

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**NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred tax assets and deferred tax liabilities, related to income taxes levied by the same taxation authority, are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities.

**3.24 Employment termination benefits:**

Provision for employment termination benefit represents the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 23).

**3.25 Cash and cash equivalents:**

Cash and cash equivalents are valued with their nominal values. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid assets, whose maturity at the time of purchase is less than six months (Note 4).

**3.26 Capital and Dividends:**

Dividends receivable are recognised as income in the period when the right to receive payment is established and dividends payable are recognised as an appropriation of profit in the period in which they are declared.

**3.27 Financial assets:**

All the financial investments are initially valued over their costs which are the fair value of the acquisition including acquisition costs related to the investment. With respect to the financial assets where the Company has an interest below 20% or subsidiaries which are not included in the consolidation, when the financial investments do not have any quoted fair value; other methods to identify the fair value are not applicable; or a reasonable estimate cannot be performed, the face value of the financial asset is calculated by deducting, if any, the impairment provision from the cost adjusted for the purchasing power at 31 December 2004. Gains and losses resulting from the changes in the fair values of held for sale financial assets are indicated in the end of period results (Note 16).

**3.28 Statement of cash flow:**

The cash and cash equivalents represented in cash flow statement comprise of cash in hand and, bank deposits, with a maturity of less than six months, and reverse repo agreements with banks.

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**NOTE 4 –CASH AND CASH EQUIVALENT**

	<b>30 June 2005</b>	<b>31 December 2004</b>
Cash-TL	841	311
Cash-Foreign currency	5,388	10,687
Bank-Demand deposit	12,109	157,982
Bank – YTL – Time deposit	9,274,881	5,635,550
Cheques and payment orders given	(304,783)	(281,250)
Bank-Foreign currency	15,635	27,188
Bank - USD – Time deposit	11,781,705	21,930,775
Bank – EUR – Time deposit	6,000,665	9,307
Cheques received	824,072	513,113
<b>TOTAL</b>	<b>27,610,513</b>	<b>28,003,663</b>

Maturities and interest rates for the time deposits are as follows:

	<b>30 June 2005</b>		<b>31 December 2004</b>	
	<b>Maturity</b>	<b>Interest rate (%)</b>	<b>Maturity</b>	<b>Interest rate (%)</b>
YTL Time Deposits	O/N – 3 months	16.5 – 19.5	O/N	24.5
Time Deposits USD	1 week – 5 months	4.75 – 4.5	4 - 6 months	4.75 – 5
Time Deposits EUR	O/N	2.5	O/N	2.5

**NOTE 5 - TRADING SECURITIES**

None (2004: None).

**NOTE 6 – FINANCIAL LIABILITIES**

The Company does not have any long and short term bank loans as of 30 June 2005 and 31 December 2004.

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**NOTE 7 - TRADE RECEIVABLES AND PAYABLES**

**Short term trade receivables:**

	<b>30 June 2005</b>	<b>31 December 2004</b>
Trade receivables	24,606,611	28,571,272
Notes receivables	15,507,305	12,340,696
Deposits and guarantees given	3,452	1,080
Doubtful receivables	11,687,589	11,575,433
Provision for doubtful receivables	(11,687,589)	(11,575,433)
Deffered financial income	(309,136)	(607,331)
<b>TOTAL</b>	<b>39,808,232</b>	<b>40,305,717</b>

The Company provided full provision for the receivables under legal follow-up. Foreign exchange differences accrued for foreign doubtful receivables are included in the provision and reflected to the foreign exchange income.

**Short term trade payables:**

	<b>30 June 2005</b>	<b>31 December 2004</b>
Trade payables	13,465,347	18,100,060
Notes payable	18,874,978	24,051,306
Deffered financial expense	(21,459)	(80,667)
<b>TOTAL</b>	<b>32,318,866</b>	<b>42,070,699</b>

**NOTE 8 - LEASING RECEIVABLES AND PAYABLES**

None (2004: None).

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**NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Amounts due from and due to related parties at period ends and a summary of transactions with related parties during the period are as follows:

	<b>30 June 2005</b>	<b>31 December 2004</b>
Due from group companies	4,937,495	8,230,707
Due from personnel	56,967	46,639
<b>Due from related parties</b>	<b>4,994,462</b>	<b>8,277,346</b>
Due to group companies	2,396,205	2,399,001
Due to the shareholders	1,064	389
<b>Due to group companies</b>	<b>2,397,269</b>	<b>2,399,390</b>

**a) Due from group companies:**

**30 June 2005:**

	<b>Currency</b>	<b>Principle</b>	<b>Foreign Exchange rate</b>	<b>Principle (YTL)</b>
<b>Group Companies</b>				
Pirelli Romania Cabluri Si Sisteme SA	EURO	373,377.37	1.6167	603,639
Pirelli Cavi E Sist. Telecom Italia S.p.a.	EURO	805,486.14	1.6167	1,302,229
Pirelli Telecom Telecomunicações Cabos	USD	20,000.00	1.3413	26,826
Pirelli Cables and Systems N.V	EURO	2,368.12	1.6167	3,829
Pirelli Kabel und Systeme GmbH	EURO	111,220.43	1.6167	179,810
Pirelli Cavi e Sistemi Energia Italia S.p.a	EURO	211,729.74	1.6167	342,303
Pirelli Cavi e Sistemi Energia Italia S.p.a	USD	21,192.65	1.3413	28,426
Pirelli Telekom Kabel und System Deutschland GmbH	EURO	219,299.65	1.6167	354,542
Pirelli Telecom Cables & Systems UK Ltd. Acc.Payable Dept.	EURO	173,260.51	1.6167	280,110
Pirelli Cables Limited Accounts Payable Department	EURO	153,955.77	1.6167	248,900
Pirelli Cables and Systems O.Y	EURO	82,660.49	1.6167	133,637
MKM Magyar Kabel Müvek Rt.	EURO	19,532.88	1.6167	31,579
Pirelli Telecom Cables Y Systemas	EURO	3,247.72	1.6167	5,251
Pirelli Cavi E Sistemi Enegia S.p.a	EURO	11,888.21	1.6167	19,220
Pirelli Telecom Cables Co.	EURO	914.07	1.6167	1,478
	USD	305.00	1.3413	409
Pirelli Cables Y Sistemas Energia S	EURO	285,978.55	1.6167	462,342
	USD	1,769.08	1.3413	2,373
Pirelli Telecom Cables & System France	EURO	563,241.43	1.6167	910,592
<b>TOTAL</b>				<b>4,937,495</b>

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**NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**31 December 2004:**

	<b>Currency</b>	<b>Principle</b>	<b>Exchange rate</b>	<b>Principle(YTL)</b>
<b>Group Companies</b>				
Pirelli Cables and Systems SA	EURO	51,687	1.8268	94,422
Pirelli Kabel und Systeme GmbH.&CO.	EURO	1,156,065	1.8268	2,111,900
Pirelli Cavi E Sistemi Energia Italia S.P.A.	USD	23,503	1.3421	31,543
Pirelli Cables Ltd.	EURO	193,905	1.8268	354,226
	USD	19,690	1.3421	26,426
Kablo Bratislava Spool	EURO	13,758	1.8268	25,133
Pirelli Cavi E Sistemi Energia S.P.A.	EURO	25,898	1.8268	47,310
Pirelli Romania Cabluri SA	EURO	211,370	1.8268	386,131
	USD	1,000	1.3421	1,342
Pirelli OekW GmbH	EURO	77,905	1.8268	142,317
Pirelli Cavi E Sistemi Telecom S.P.A.	EURO	2,076,724	1.8268	3,793,759
Pirelli Telecomunicações Brasil	USD	80,000	1.3421	107,368
Pirelli Telecom Kabel und System GmbH	EURO	300,673	1.8268	549,269
Pirelli Telecom Cables&Systems Uk Ltd.	EURO	289,276	1.8268	528,449
Pirelli Telecom Cables Y Systemas	EURO	3,050	1.8268	5,572
	USD	17,481	1.3421	23,461
Pirelli Telecom Cables Co.	EURO	914	1.8268	1,670
	USD	305	1.3421	409
<b>TOTAL</b>				<b>8,230,707</b>

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**NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**b) Due to group companies:**

**30 June 2005:**

	<b>Currency</b>	<b>Principle</b>	<b>Exchange rate</b>	<b>Principle (YTL)</b>
<b>Group Companies</b>				
Pirelli Metals Ltd.	EURO	814,548.49	1.6245	1,323,234
Pirelli Cavi E Sistemi Energia S.P.A.	YTL	901,213.00	1.0000	901,213
Pirelli Cables Systems Pte Ltd.	EURO	14,813.27	1.6245	24,064
Pirelli Telekom Kabel Und System GmbH	EURO	2,940.01	1.6245	4,614
Pirelli Kabel und Systeme GmbH&Co.	EUR	19.41	1.6245	32
Pirelli Romania Cabluri SA	USD	5,504.05	1.3478	7,418
Pirelli Telecom Cables Uk Ltd.	EURO	12,722.15	1.6245	20,667
Pirelli Telecom Cables Uk Ltd.	USD	37,866.02	1.3478	51,036
Çelikord A.Ş.	YTL	9,202.00	1.0000	9,202
Türk Pirelli Lastikleri A.Ş.	YTL	54,723.44	1.0000	54,725
<b>TOTAL</b>				<b>2,396,205</b>

**31 December 2004:**

	<b>Currency</b>	<b>Principle</b>	<b>Exchange rate</b>	<b>Principle (YTL)</b>
<b>Group Companies</b>				
Pirelli Kabel Und Systeme GmbH & Co	EURO	46,481	1.8356	85,320
Pirelli Metals Ltd.	EURO	175,986	1.8356	323,040
Pirelli Cavi E Sistemi Energia S.P.A.	YTL	712,820	1.0000	712,820
	EURO	460,790	1.8356	845,826
Pirelli Cavi E Sistemi Energia Italia S.P.A.	EURO	55,499	1.8356	101,874
Pirelli Cables Systems Pte Ltd.	EURO	6,075	1.8356	11,151
	USD	4,750	1.3486	6,406
Pirelli Telekom Kabel Und System GmbH	EURO	78	1.8356	143
Pirelli Cavi E Sistemi Telecom Italia S.P.A.	EURO	12,071	1.8356	22,158
Pirelli Cavi E Sistemi Telecom S.P.A.	YTL	43,956	1.0000	43,956
Pirelli Romania Cabluri SA	EURO	28,730	1.8356	52,737
	USD	13,575	1.3486	18,307
Fibre Ottiche Fos S.P.A.	EURO	25,279	1.8356	46,402
Pirelli Telecom Cables Uk Ltd.	EURO	12,722	1.8356	23,353
	USD	37,866	1.3486	51,066
	GBP	1,214	2.5900	3,144
Türk Pirelli Lastikleri A.Ş.	YTL	51,298	1.0000	51,298
<b>TOTAL</b>				<b>2,399,001</b>

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**NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**c) Sales to group companies:**

<b>Company</b>	<b>1 January- 30 June 2005</b>	<b>1 April- 30 June 2005</b>
Pirelli Romania Cabluri Si Sisteme Sa	647,753	446,739
Pirelli Cavi e Sist. Telecom Italia S.p.a.	10,128,018	4,188,349
Pirelli Cables and Systems N.V	54,662	4,171
Pirelli Kabel und Systeme Berlin	265,055	-
Pirelli Telekom Kabel und System Deutschland GmbH	1,684,552	920,496
Pirelli Telecom Cables & Systems UK Ltd.	686,083	362,502
MKM Magyar Kabel Müvek Rt.	33,831	-
Pirelli Cables Limited (Hampshire-Eng.)	597,790	254,928
Pirelli Telecom Cables Y Systemas Espana	10,432	9,329
Pirelli Cavi e Sist. Energia Italia S.P.A. Milano	344,131	344,131
Pirelli Cables and Systeme OY	136,731	136,731
Pirelli Cables Y Systemas Energia S.A. Espana	1,756,830	1,756,830
Pirelli Telecom Cables & System France Cedex 2	925,841	925,841
<b>TOTAL</b>	<b>17,271,709</b>	<b>9,350,047</b>

**d) Good, service and fixed asset purchases from group companies:**

**Domestic Purchases:**

	<b>1 January- 30 June 2005</b>	<b>1 April- 30 June 2005</b>
Çelikord A.Ş.	48,860	38,040
Türk Pirelli Lastikleri A.Ş.	649,595	281,712
<b>TOTAL</b>	<b>698,455</b>	<b>319,752</b>

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**NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**Foreign Purchases: (1 January-30 June 2005)**

<b>Company</b>	<b>Equipment&amp;trade goods</b>	<b>Service</b>	<b>Fixed asset</b>	<b>Total</b>
Fibre Ottiche Sud Fos S.P.A.	240,284	-	-	240,284
Pirelli Cavi E Sistemi Telecom Italia S.P.A.	237,889	-	-	237,889
Pirelli Telecom France Co.	24,643	-	-	24,643
Pirelli Cavi E Sistemi Telecom Spa	-	52,238	-	52,238
Pirelli Societe Per Azioni	-	4,840	-	4,840
Pirelli Cables Ltd. Hampshire	20,758	-	-	20,758
Pirelli Kabel und System GmbH&Co.	50,602	-	-	50,602
Pirelli Cavi E Sistemi Energia Italia S.P.A.	576,898	-	-	576,898
Pirelli Metals Limited	1,684,292	-	-	1,684,292
Pirelli Cavi E Sistemi Energia Spa	-	2,870,193	-	2,870,193
Pirelli Romania Cabluri SA	112,148	-	-	112,148
Pirelli Energie Cables Et Systemes	2,589	-	-	2,589
Pirelli Energia Cabos E Sistemas	7,167	-	-	7,167
Pirelli Cable Systems Pte.Ltd.	-	7,250	-	7,250
Pirelli Telecom Kabel und System	-	6,007	-	6,007
<b>TOTAL</b>	<b>2,957,270</b>	<b>2,940,528</b>		<b>5,897,798</b>

**Foreign Purchases: (1 April-30 June 2005)**

<b>Company</b>	<b>Equipment&amp;trade goods</b>	<b>Service</b>	<b>Fixed asset</b>	<b>Total</b>
Fibre Ottiche Sud Fos S.P.A.	30,524	-	-	30,524
Pirelli Cavi E Sistemi Telecom Italia S.P.A.	206,810	-	-	206,810
Pirelli Telecom France Co.	1,298	-	-	1,298
Pirelli Cavi E Sistemi Telecom Spa	-	-	-	-
Pirelli Societe Per Azioni	-	1,985	-	-
Pirelli Cables Ltd. Hampshire	13	-	-	13
Pirelli Kabel und System GmbH&Co.	45,165	-	-	45,165
Pirelli Cavi E Sistemi Energia Italia S.P.A.	199,499	-	-	199,499
Pirelli Metals Limited	1,431,736	-	-	1,431,736
Pirelli Cavi E Sistemi Energia Spa	-	1,452,006	-	1,452,006
Pirelli Romania Cabluri SA	112,148	-	-	112,148
Pirelli Energie Cables Et Systemes	2,589	-	-	2,589
Pirelli Energia Cabos E Sistemas	7,167	-	-	7,167
Pirelli Cable Systems Pte.Ltd.	-	7,250	-	7,250
Pirelli Telecom Kabel und System	-	6,007	-	6,007
<b>TOTAL</b>	<b>2,036,949</b>	<b>1,467,248</b>		<b>3,504,197</b>

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NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

e) Licence fees paid to group companies:

	1 January- 30 June 2005	1 April- 30 June 2005
Pirelli Cavi E Sistemi Telecom Spa	47,014	-
Pirelli Cavi E Sistemi Energia Spa	1,708,052	901,213
<b>TOTAL</b>	<b>1,755,066</b>	<b>901,213</b>

f) Dividend income:

	1 January- 30 June 2005	1 April- 30 June 2005
Entek Elektrik Üretim A.Ş.	228,551	228,551
<b>TOTAL</b>	<b>228,551</b>	<b>228,551</b>

g) Benefits provided to the management:

	1 January- 30 June 2005	1 April- 30 June 2005
Benefits	159,338	76,619
<b>TOTAL</b>	<b>159,338</b>	<b>286,520</b>

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

a) Other receivables (Current assets):

	30 June 2005	31 December 2004
Doubtful receivables	3,469,278	3,471,311
Provision for doubtful receivables	(3,469,278)	(3,471,311)
VAT deductible	3,387,013	8,956
Prepaid taxes	2,008,311	1,330,916
VAT receivable from export sales	874,493	1,580,525
VAT receivable from direct export sales	1,229	927,571
Other receivables	168,357	284,806
Job advances	68,220	45,000
Personnel advances	82,736	27,296
<b>TOTAL</b>	<b>6,590,359</b>	<b>4,205,070</b>

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**NOTE 10 - OTHER RECEIVABLES AND PAYABLES (Continued)**

**b) Other receivables (Non-current assets):**

	<b>30 June 2005</b>	<b>31 December 2004</b>
Long term prepaid expenses	11,958	18,479
<b>TOTAL</b>	<b>11,958</b>	<b>18,479</b>

**c) Other liabilities:**

	<b>30 June 2005</b>	<b>31 December 2004</b>
Deferred revenue	184,693	2,157,678
Expense accruals	6,126,614	2,822,679
Taxes and funds payable	3,983,460	1,418,280
Payables to the personnel	1,199,432	1,544,479
Other short term liabilities	359,505	337,534
<b>TOTAL</b>	<b>11,853,704</b>	<b>8,280,650</b>

The amount of YTL1,927,197 as included in the expense accruals is related with the construction type contracts (31 December 2004: YTL1,764,010).

**NOTE 11 - BIOLOGICAL ASSETS**

None (31 December 2004: None).

**NOTE 12 - INVENTORIES**

	<b>30 June 2005</b>	<b>31 December 2004</b>
Raw materials and supplies	7,560,541	9,012,471
Semi-finished goods	10,042,431	8,705,760
Finished goods	9,991,254	8,221,385
Trade goods	163,814	271,796
Other inventories	293,843	84,507
Impairment on inventory	(666,125)	(667,435)
Order advances given	905,020	1,670,468
<b>TOTAL</b>	<b>28,290,778</b>	<b>27,298,952</b>

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**NOTE 13 - BALANCES RELATED TO CONSTRUCTION CONTRACTS**

The Company has an ongoing construction type 89/154 kV Hisar-Hasköy 1000 mm<sup>2</sup>xLPG contract with Türkiye Elektrik İletim Genel Müdürlüğü (TEİAŞ) which was signed on 17 June 2004. The Company's responsibility includes both equipment and the construction of the line. The expected completion date of the project is 31 December 2005.

The Company had issued 4 invoices to TEİAŞ regarding the contract as of 30 June 2005.

The Company applies a percentage of the completion method for the abovementioned construction type contract. According to this method, the Company had completed 84% of the project as of 31 December 2004 and 97% of the project as of 30 June 2005. Revenue recognised in the current period is YTL980,259 with YTL670,743 being added to the cost of goods sold.

Total amount of hold in pledge invoices related with the current period is 627,260 YTL and the amount will be collected when the projects is completed with 100%.

As of 30 June 2005, the Company has no uncollected amount related with the invoices issued to TEİAŞ in the current period.

The Company's net liability for the construction type of contracts as of 30 June 2005 is YTL222,188.

**NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES**

The Company calculates deferred tax assets and liabilities based on temporary differences between the financials prepared in accordance with the CMB Communiqué No: XI-25 and financial statements prepared according to the Turkish tax legislation.

Deferred income taxes are calculated using a principal tax rate of 30% on temporary differences that are expected to be realised or settled in the following periods.

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**NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)**

The temporary differences giving rise to deferred tax assets and deferred tax liabilities calculated over enacted tax rate at 30 June 2005 and 31 December 2004 are as follows:

	Temporary differences		Deferred tax assets/liabilities	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
<b>Deferred tax asset</b>				
Net difference between the tax base and the carrying value of inventories	1,000,702	645,837	300,211	193,751
Provision for doubtful receivables	1,237,742	1,421,527	371,323	426,458
Deferred financial expense-net	287,677	526,664	86,303	157,999
Expense accruals	4,671,514	4,070,753	1,401,454	1,221,226
	<b>7,197,635</b>	<b>6,664,781</b>	<b>2,159,291</b>	<b>1,999,434</b>
<b>Deferred tax liabilities</b>				
Net difference between the tax base and the carrying value of property, plant and equipment and intangible assets	11,624,888	12,484,212	3,487,466	3,745,264
Construction type contract income accruals	4,370,322	3,381,971	1,311,097	1,014,591
Other income accruals	157,553	257,378	47,266	77,213
	<b>16,152,763</b>	<b>16,123,561</b>	<b>4,845,829</b>	<b>4,837,068</b>
<b>Deferred tax liability (Net)</b>	<b>(8,955,128)</b>	<b>(9,458,780)</b>	<b>(2,686,538)</b>	<b>(2,837,634)</b>

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**NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)**

	1 January 2005	Charged to income statement	30 June 2005
<b>Deferred tax liability</b>	<b>1,999,434</b>	<b>159,857</b>	<b>2,159,291</b>
Net difference between the tax base and the carrying value of inventories	193,751	106,460	300,211
Provision for doubtful receivables	426,458	(55,135)	371,323
Deferred financial expense-net	157,999	(71,696)	86,303
Expense accruals	1,221,226	180,228	1,401,454
<b>Deferred tax assets</b>	<b>4,837,068</b>	<b>8,761</b>	<b>4,845,829</b>
Net difference between the tax base and the carrying value of property, plant and equipment	3,745,264	(257,798)	3,487,466
Construction type contract income accruals	1,014,591	296,506	1,311,097
Other income accruals	77,213	(29,947)	47,266
<b>Deferred tax liability</b>	<b>(2,837,634)</b>	<b>151,096</b>	<b>(2,686,538)</b>

**NOTE 15 - OTHER CURRENT/NON-CURRENT ASSETS AND LIABILITIES**

	30 June 2005	31 December 2004
Prepaid expenses	121,671	259,779
Other current liabilities	305	788
<b>TOTAL:</b>	<b>121,976</b>	<b>260,567</b>

**NOTE 16 – FINANCIAL ASSETS**

	30 June 2005	31 December 2004		
	%	Amount	%	Amount
Entek Elektrik Üretimi A.Ş.	3.81	2,920,351	3.81	2,920,351

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**NOTE 17 - POSITIVE/NEGATIVE GOODWILL**

None (2004: None).

**NOTE 18 - INVESTMENT PROPERTIES**

None (2004: None).

**NOTE 19 - PROPERTY, PLANT AND EQUIPMENT**

	<b>31 December 2004</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>30 June 2005</b>
<b>Cost</b>					
Land	3,750,040	-	-	-	3,750,040
Buildings	43,466,688	15,415	-	-	43,482,103
Machinery and equipment	199,926,255	495,401	-	-	200,421,656
Motor vehicles, furniture and fixtures	21,928,032	37,691	-	-	21,965,723
Special costs	77,543	-	-	-	77,543
<b>Total</b>	<b>269,148,558</b>	<b>548,507</b>	-	-	<b>269,697,065</b>
<b>Accumulated Depreciation</b>					
Buildings	(18,750,497)	(385,895)	-	-	(19,136,392)
Machinery and equipment	(178,028,271)	(1,822,431)	-	-	(179,850,702)
Motor vehicles, furniture and fixtures	(20,366,589)	(251,227)	-	-	(20,617,816)
Special costs	(77,527)	-	-	-	(77,527)
<b>Total</b>	<b>(217,222,884)</b>	<b>(2,459,553)</b>	-	-	<b>(219,682,437)</b>
Advances given	233,369	(75,145)	-	-	158,224
<b>Net Book Value</b>	<b>52,159,043</b>	<b>(1,986,191)</b>	-	-	<b>50,172,852</b>

The Company performed an impairment test as of 31 December 2004. As a result of the impairment test, impairment on fixed assets except land and buildings amounting to YTL16,897,330 was realised, this impairment is reflected upon the related fixed assets on the above table.

The total depreciation charge for the current period is YTL2,459,553. YTL2,037,169 of this amount is reflected to the production costs and YTL422,384 of the amount is reflected to the operating expenses.

There is no collateral on the fixed assets of the Company at 30 June 2005 (2004: None).

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**NOTE 20 - INTANGIBLE ASSETS**

	<b>31 December 2004</b>	<b>Additions</b>	<b>Disposals</b>	<b>Current year amortisation expense</b>	<b>30 June 2005</b>
Cost	902,472	-	-	-	902,472
Accumulated amortisation	(799,418)	-	-	(11,332)	(810,750)
<b>Net Book Value</b>	<b>103,054</b>	<b>-</b>	<b>-</b>	<b>(11,332)</b>	<b>91,722</b>

The Company does not have any acquisition resulting in a goodwill as of 30 June 2005.

**NOTE 21 - ADVANCES RECEIVED**

	<b>30 June 2005</b>	<b>31 December 2004</b>
Order advances received (domestic)	1,205,756	1,796,912
Order advances received (foreign)	352,641	977,765
<b>TOTAL</b>	<b>1,558,397</b>	<b>2,774,677</b>

**NOTE 22 - RETIREMENT PLANS**

The Company does not have any retirement plans, except the employment termination benefits as disclosed in Note 22.

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**NOTE 23 - PROVISIONS**

	<b>30 June 2005</b>	<b>31 December 2004</b>
Provision for employment termination benefits	3,857,969	3,473,193
Warranty expense provisions	413,824	263,981
Provision expense for disabled workers	433,521	433,521
Aanadolu Bakır share transfer provision (Note31)	371,000	371,000
<b>TOTAL</b>	<b>5,076,314</b>	<b>4,541,695</b>

**Provision for employment termination benefits**

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and who achieves the retirement age (58 for women and 60 for men) and whose employment is terminated without due cause, is called up for military service, or dies. Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement.

At 30 June 2005 the amount payable consists of one month's salary limited to a maximum of YTL1,648.90 (31 December 2004: YTL1,574.74) for each year of service.

The liability is not funded, as there is no funding requirement.

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. CMB Accounting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total provision:

	<b>30 June 2005</b>	<b>31 December 2004</b>
Discount rate (%)	5.45	5.45
Turnover rate to estimate the probability of retirement (%)	97.10	97.10

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL1,648.90 (1 January 2004: YTL1,485.43), which is effective from 1 January 2005, has been taken into consideration in calculating the reserve for employment termination benefit of the Company.

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**NOTE 23 – PROVISIONS (Continued)**

Movements in the provision for employment termination benefits during the period are as follows:

	<b>30 June 2005</b>
<b>Opening</b>	<b>3,473,193</b>
Paid during the year	(109,551)
Increase during the year	494,327
<b>Closing</b>	<b>3,857,969</b>

**Average number of employees is as follows:**

**30 June 2005**

<b>Personnel</b>	<b>Member of labour union</b>	<b>Name of the union</b>	<b>Not member of labour union</b>
Blue Collar	263	Birleşik Metal İş Sendikası	20
White Collar	-	-	76
<b>TOTAL</b>	<b>263</b>		<b>86</b>

**31 December 2004**

<b>Personnel</b>	<b>Member of a labour union</b>	<b>Name of the union</b>	<b>Not member of a labour union</b>
Blue Collar	224	Birleşik Metal İş Sendikası	16
White Collar	-	-	75
<b>TOTAL</b>	<b>224</b>		<b>91</b>

**NOTE 24 - MINORITY INTERESTS**

None (2004: None).

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NOTE 25 - SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL

The Company's historical authorised and paid-in share capital at 30 June 2005 and 31 December 2004 are as follows:

30 June 2005

<u>Description</u>	<u>Percentage (%)</u>	<u>Amount (YTL)</u>
Pirelli Cable Holding N.V	83.75	32,922,392
Siemens San, ve Tic. A.Ş. Emekli ve Yard. Sand. Vakfı	5.54	2,179,067
Other	10.71	4,210,541
	<b>100.00</b>	<b>39,312,000</b>
Inflation adjustment difference		8,462,823
<b>TOTAL</b>		<b>47,774,823</b>

31 December 2004

<u>Description</u>	<u>Percentage (%)</u>	<u>Amount (YTL)</u>
Pirelli Cable Holding N.V.	83.75	32,922,392
Siemens San, ve Tic. A.Ş. Emekli ve Yard. Sand. Vakfı	5.54	2,179,067
Other	10.71	4,210,541
	<b>100.00</b>	<b>39,312,000</b>
Inflation adjustment difference		8,462,823
<b>TOTAL</b>		<b>47,774,823</b>

Adjustment to share capital represents the restatement effect of cash contributions to share capital at 31 December 2004 purchasing power.

There are 39.312.000.000 (31 December 2004: 39.312.000.000) shares with nominal value TL 1.000 each (31 December 2004: TL1.000).

<u>Capital increase date</u>	<u>Capital increase amount(YTL)</u>	<u>Cash</u>	<u>Share premium</u>	<u>Revaluation surplus</u>	<u>Cost increase fund</u>	<u>Other</u>
17 June 2004	29,484,000	-	-	26,058,354	2,224,719	1,200,927

The Company has increased its capital by 300% from YTL9,828,000 to YTL39,312,000. Since the increase has been sourced from revaluation surplus and cost increase fund, it has been excluded in the shareholder capital during the inflation accounting.

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**NOTE 26-CAPITAL RESERVES**

	<b>30 June 2005</b>	<b>31 December 2004</b>
Shareholders' equity restatement differences	72,937,515	72,937,515
<b>TOTAL</b>	<b>72,937,515</b>	<b>72,937,515</b>

Inflation adjusted amounts for the above mentioned balances and the inflation differences as of 30 June 2005 are as follows:

	<b>Historical amounts</b>	<b>Restated amounts</b>	<b>Restatement difference</b>
Capital	39,312,000	47,774,823	8,462,823
Legal reserves	204,679	220,542	15,863
Extraordinary reserves	138,747	138,747	-
Shareholders' equity restatement differences	-	64,458,829	(*) 64,458,829
<b>TOTAL</b>	<b>39,655,426</b>	<b>112,592,941</b>	<b>72,937,515</b>

(\*) The Company has offset the Previous Year Losses against other equity accounts in its inflation adjusted financial statements in accordance with the decision taken in the General Assembly on 25 October 2004. After the offset of the historic values of the other equity accounts, remaining inflation adjustment balances amounting to YTL64,458,829 have been represented as shareholders' equity restatement differences.

**NOTE 27 – PROFIT RESERVES**

Retained earnings as per the statutory financial statements, other than legal reserve requirements, are available for distribution subject to the legal reserve requirement referred to below.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Public companies distribute dividends according to CMB regulations as follows:

In accordance with Communiqué XI/25 section 15/399, the accumulated deficit that may arise as the balancing figure in the financial statements as a result of the first-time application of inflation accounting should be netted-off in the calculation of the distributable profit. In addition, the net-off of such accumulated deficit against current year income and retained earnings, if any, legal and extraordinary reserves and adjustment to share capital can be made according to the related Communiqué.

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**NOTE 27 – PROFIT RESERVES (Continued)**

In accordance with Communiqué XI/25, effective from 1 January 2004, companies are obliged to distribute at least 30% of their distributable profit arising from 2004 activity, which is calculated based on the financial statements prepared in accordance with IFRS. Based on the decision of the General Assembly, the distribution of a minimum of 30% of the distributable profit can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares.

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory shareholders' equity such as share capital, share premium, legal reserves, other reserves, special reserves and extraordinary reserves, are presented at their historical amounts. The difference between the inflated and historical amounts of these items is presented in shareholders' equity in total as a restatement difference.

The restatement difference of shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' losses, used in distribution of bonus shares and distribution of dividends to shareholders.

As of 30 June 2005 and 31 December 2004 details of the restatement differences of shareholders' equity are as follows:

	<b>30 June 2005</b>	<b>31 December 2004</b>
Capitals	39,312,000	39,312,000
Legal reserves	204,679	114,614
Extraordinary reserve	138,747	-
Shareholders' equity restatement differences	72,937,515	72,937,515
Net profit	4,497,027	-
Accumulated (deficit)/retained earnings	(14,757,133)	(12,955,841)
<b>Total shareholders' equity</b>	<b>102,332,835</b>	<b>99,408,288</b>

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**NOTE 28- RETAINED EARNING**

Net profit for the period of the Company in the balance sheet as at 31 December 2004 prepared in accordance with the CMB Communiqué Serial:XI No.20, amounts to YTL1,724,072; this profit was presented within the previous year's losses in the balance sheet together with the other differences arising in the first time adjustment process of the financial statements as of 1 January 2005 in accordance with the CMB Communiqué Serial:XI No.25.

The Company began to pay a dividend in the amount of YTL1,572,480 from the 2004 profit according to the statutory financial statements, starting on 25 April 2005 via the branches of Türk Ekonomi Bankası A.Ş. The dividends distributed from the net period profit are offset against previous years losses in the statement of changes in shareholder's equity as of 30 June 2005.

Previous years' losses that the Company accounted for in the balance sheet as at 30 June 2005 in accordance with the CMB Communiqué Serial:XI No. 25 amounts to YTL14,757,133.

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**NOTE 29 - FOREIGN CURRENCY POSITION**

The table below summarises the foreign currency position risk of the Company as at 30 June 2005 and 31 December 2004. YTL equivalents of foreign currency denominated assets and liabilities held by Company at 30 June 2005 and 31 December 2004 are as follows

**30 June 2005**

	<b>EURO</b>		<b>USD</b>		<b>GBP</b>		<b>CHF</b>		<b>TOTAL</b>
	<b>Original</b>	<b>YTL</b>	<b>Original</b>	<b>YTL</b>	<b>Original</b>	<b>YTL</b>	<b>Original</b>	<b>YTL</b>	<b>YTL</b>
	<b>Currency</b>		<b>Currency</b>		<b>Currency</b>		<b>Currenc</b>		
							<b>y</b>		
<b>Assets:</b>									
Cash and cash equivalents	3,715,475.82	6,006,809.76	8,794,888.54	11,796,584.00	-	-	-	-	17,803,393.76
Trade receivables (Net)	889,607.53	1,438,228.49	6,558,624.25	8,797,082.71	-	-	-	-	10,235,311.20
Due from related parties (Net)	3,018,161.08	4,879,461.02	43,266.73	58,033.66	-	-	-	-	4,937,494.68
Other receivables (Net)	2,514.80	4,065.68	-	-	-	-	-	-	4,065.68
Inventories (Net)	234,218.42	378,660.92	89,608.78	120,192.26	-	-	2,211.95	2,309.50	501,162.68
	<b>7,859,977.65</b>	<b>12,707,225.87</b>	<b>15,486,388.30</b>	<b>20,771,892.63</b>	-	-	<b>2,221.95</b>	<b>2,309.50</b>	<b>33,481,428.00</b>
<b>Liabilities:</b>									
Trade payables (Net)	5,909,417.17	9,599,848.19	14,245,918.55	19,200,649.02	283.71	692.73	1,336.00	1,403.87	28,802,593.81
Due to related parties (Net)	844,943.33	1,372,610.44	43,370.07	58,454.18	-	-	-	-	1,431,064.62
Advances received	5,034.02	8,177.77	479,494.03	646,262.05	-	-	-	-	654,439.82
Expense accruals	-	-	195,744.20	263,824.03	-	-	-	-	263,824.03
Other liabilities (Net)	1,280,077.26	2,079,485.51	619,763.67	835,317.07	-	-	-	-	2,914,802.58
	<b>8,039,471.78</b>	<b>13,060,121.91</b>	<b>15,584,290.52</b>	<b>21,004,506.35</b>	<b>283.71</b>	<b>692.73</b>	<b>1,336.00</b>	<b>1,403.87</b>	<b>34,066,724.86</b>
<b>Net foreign currency position</b>	<b>(179,494.13)</b>	<b>(352,896.04)</b>	<b>(97,902.22)</b>	<b>(232,613.72)</b>	<b>(283.71)</b>	<b>(692.73)</b>	<b>875.95</b>	<b>905.63</b>	<b>(585,296.86)</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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**NOTE 29 - FOREIGN CURRENCY POSITION (CONTINUED)**

**31 December 2004**

	<b>EURO</b>		<b>USD</b>		<b>GBP</b>		<b>CHF</b>		<b>TOTAL</b>
	<b>Original</b>	<b>YTL</b>	<b>Original</b>	<b>YTL</b>	<b>Original</b>	<b>YTL</b>	<b>Original</b>	<b>YTL</b>	<b>YTL</b>
	<b>Currency</b>		<b>Currency</b>		<b>Currency</b>		<b>Currency</b>		
<b>Assets:</b>									
Cash and cash equivalents	10,352.07	18,911.16	16,361,706.45	21,959,046.23	-	-	-	-	21,977,957.39
Trade receivables (Net)	1,796,603.48	3,282,035.24	4,024,921.19	5,401,846.72	-	-	-	-	8,683,881.96
Due from related parties (Net)	4,401,224.51	8,040,156.93	142,018.60	190,603.17	-	-	-	-	8,230,760.10
Other receivables (Net)	4,060.00	7,416.81	6.00	8.05	-	-	321.10	379.09	7,803.95
Inventories (Net)	576,116.72	1,052,450.02	379,287.20	509,041.35	1,214.33	3,128.72	-	-	1,564,620.09
	<b>6,788,356.78</b>	<b>12,400,970.16</b>	<b>20,907,939.44</b>	<b>28,060,545.52</b>	<b>1,214.33</b>	<b>3,128.72</b>	<b>321,10</b>	<b>379,09</b>	<b>40,465,023.49</b>
<b>Liabilities:</b>									
Trade payables (Net)	5,684,909.93	10,435,220.67	19,384,086.87	26,141,379.55	283,71	734.81	449.50	534.09	36,577,869.12
Due to related parties (Net)	823,710.52	1,512,003.03	56,190.13	75,778.01	1,214.33	3,145.11	-	-	1,590,926.15
Advances received	17,629.52	32,360.75	1,631,484.83	2,200,220.44	-	-	-	-	2,232,581.19
Expense accruals	0.00	0.00	195,744.20	263,980.63	-	-	-	-	263,980.63
Other liabilities (Net)	264,961.80	486,363.88	733,057.03	988,600.71	3,250.00	8,417.50	-	-	1,483,382.09
	<b>6,791,211.77</b>	<b>12,465,948.33</b>	<b>22,000,563.06</b>	<b>29,669,959.34</b>	<b>4,748.04</b>	<b>12,297.42</b>	<b>449,50</b>	<b>534,09</b>	<b>42,148,739.18</b>
<b>Net foreign currency position</b>	<b>(2,854.99)</b>	<b>(64,978.17)</b>	<b>(1,092,623.62)</b>	<b>(1,609,413.82)</b>	<b>(3,533.71)</b>	<b>(9,168.70)</b>	<b>(128.40)</b>	<b>(155.00)</b>	<b>(1,683,715.69)</b>

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**NOTE 30 - GOVERNMENT GRANTS**

**a) Investment incentive:**

Investment allowances utilised within the scope of investment incentive certificates granted prior to 24 April 2003 are eligible for investment incentive allowance of 40%, in accordance with the income tax law No. 4842 and 5024.

As of 30 June 2005, the Company has an investment incentive certificate dated 25.03.2002 numbered 3922.

In the scope of the investment incentive, the Company has an exception for VAT and custom taxes for imports from the countries except European Union members.

Total investments subject to investment allowances amount to YTL188,094.13 in 2005 (31 December 2004: YTL 544,873)

<b>Construction in progress</b>					
<b>Type of investment</b>	<b>Date of start</b>	<b>Date of ending</b>	<b>Total amount (YTL)</b>	<b>Total expenditure in the current period (YTL)</b>	<b>Percentage of completion (%)</b>
Tevsii (3922)	15.02.2002	15.02.2005	3,508,003	1,569,614	45

The Company applied to the Undersecretariat of the Treasury for the cancellation of the Incentive Certificate No. 3922 on 20 June 2005.

**b) Research and development incentive:**

In accordance with the Income Tax Law 89/9 and Corporate Tax Law 14/6 40% of the research and development expenditures on technology and knowledge research made by the Company itself are exempt from corporate tax.

In order for an expense to be considered subject to R&D tax write-off, it has to be an expense realised in the structure of the enterprise for the exclusive use of new technology and information research. In other words, the expense has to be made within the scope of an R&D activity. An R&D write-off is not calculated over payments from the depreciation amounts calculated for the economical assets subject to depreciation, and expenses not directly linked with R&D activities.

Total investments subject to research and development allowances amount to YTL 125.862,81 YTL in 2005 (31 December 2004: 163.680 YTL).

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**NOTE 31 -PROVISIONS COMMITMENTS AND CONTINGENT LIABILITIES**

**a) Provisions:**

	<b>30 June 2005</b>	<b>31 December 2004</b>
Provision for employment termination benefit	3,857,969	3,473,193
Impairment on inventory	666,125	667,435
Provision for doubtful receivables	11,687,589	11,575,433
Provision for warranty expenses	413,824	263,981
Provision for disabled workers	433,521	433,521
Anadolu Bakır share transfer provision (*)	371,000	371,000
<b>TOTAL</b>	<b>17,430,028</b>	<b>16,784,563</b>

(\*) The Company sued Anadolu Bakır Metal San. Ve Tic. Tic. A.Ş., in which the Company owned a %20 share, for violation of the share transfer contract. As a result of the decision of the Istanbul Sixth Commercial Court of the First Instance, shares of Anadolu Bakır Metal San. ve Tic. A.Ş. have been transferred to the defendant. The transfer price of USD200,000 (equivalent to YTL371,000) was collected from the defendant and was reflected to the income statement. As the defendant went to appeal, the Company provided a provision of YTL371,000 since the case is currently in the appeal court.

**b) Commitments and contingent liabilities:**

	<b>30 June 2005</b>	<b>31 December 2004</b>
Guarantee letters received	8,164,835	6,953,473
Mortgages received	2,000	2,000
<b>TOTAL</b>	<b>8,166,835</b>	<b>6,955,473</b>

	<b>30 June 2005</b>	<b>31 December 2004</b>
Bank guarantee letters given	17,892,994	15,007,725
Export commitments	5,929,019	-
<b>TOTAL</b>	<b>23,822,013</b>	<b>15,007,725</b>

It was contracted that the Company would realise exports worth USD4,693,000 during the credit period it received from Eximbank, and in 30 days it will submit to Eximbank originals of the contract fulfilling documents to be used in the fulfilment of the credit's export contract.

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**NOTE 32 - BUSINESS COMBINATIONS**

None (2004: None).

**NOTE 33 - SEGMENT REPORTING**

The Company operates in one unique business (cable production and sale) and geographical segment. Therefore, segment reporting is not required (2004: None).

**NOTE 34 - SUBSEQUENT EVENTS**

The share transfer agreement with Goldman Sachs Capital Partners (GSCP S.r.l.) for the sale of worldwide Energy and Telecom Cables and Systems' operations (including Türk Pirelli Kablo ve Sistemleri A.Ş.) has been completed.

**NOTE 35 - DISCONTINUING OPERATIONS**

None (2004: None).

**NOTE 36 - OPERATING REVENUE**

	<b>1 January - 30 June 2005</b>	<b>1 April - 30 June 2005</b>
Domestic sales	217,897,058	120,729,094
Export sales	158,982,995	27,118,121
Other income	102,247	81,191
Sales discounts	(251,767,880)	(84,908,806)
Cost of sales	(105,376,718)	(53,186,231)
<b>TOTAL</b>	<b>19,837,702</b>	<b>9,833,369</b>

Changes in quantity of groups of goods sold and services to be provided during the period are as follows:

<b>Group of sales</b>	<b>Terms of quantity</b>	<b>Sales amount (1 January - 30 June 2005 )</b>	<b>Sales amount (1 April - 30 June 2005 )</b>
Telecom cables	Km.	1,583,106	756,834
Energy cables	Ton	21,490	11,226
Fiber optic cables	Km	13,366	64

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**NOTE 37 - OPERATING EXPENSES**

**a) Research and development expenses:**

	<b>1 January - 30 June 2005</b>	<b>1 April - 30 June 2005</b>
Personnel expenses	248,095	133,226
Project costs	35,728	24,758
Amortisation expenses	17,141	8,398
Other expenses	85,045	52,730
<b>TOTAL</b>	<b>386,009</b>	<b>219,112</b>

**b) General administrative expenses:**

	<b>1 January - 30 June 2005</b>	<b>1 April - 30 June 2005</b>
Licence expenses	2,922,432	1,452,007
Personnel expenses	926,494	498,477
Other administrative expenses	790,282	415,438
Outsourced service expenses	281,003	127,813
Amortisation expenses	366,101	183,021
<b>TOTAL</b>	<b>5,286,312</b>	<b>2,676,756</b>

**c) Sales and marketing expenses:**

	<b>1 January - 30 June 2005</b>	<b>1 April - 30 June 2005</b>
Packaging expenses	3,423,795	1,607,868
Sales and guarantee letters commissions	3,267,575	1,721,858
Transportation expenses	2,389,459	1,094,826
Personnel expenses	1,149,119	579,596
Other sales and distribution expenses	782,457	495,473
Amortisation expenses	50,473	25,184
<b>TOTAL</b>	<b>11,062,878</b>	<b>5,524,805</b>

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**NOTE 38 – OTHER INCOME/(EXPENSE) AND OTHER PROFIT/(LOSSES)**

	<b>1 January - 30 June 2005</b>	<b>1 April - 30 June 2005</b>
<b>Other operating income:</b>		
Rediscount income	504,418	(69,601)
Raw material etc, sales income	1,289,078	955,725
Income from reversed provisions	28,096	15,556
Other income	371,780	238,872
<b>Total other operating income</b>	<b>2,193,372</b>	<b>1,140,552</b>
<b>Other operating expense (-)</b>		
Provision expenses	(411,100)	(4,918)
Rediscount expenses	(265,431)	148,728
Raw material etc. sales expense	(676,730)	(483,953)
Cost of scrap sales	(408,532)	(210,229)
Other expenses	(177,748)	(179,426)
<b>Total other operating expenses (-)</b>	<b>(1,939,541)</b>	<b>(729,798)</b>
<b>Other income – Net</b>	<b>253,831</b>	<b>410,754</b>

**NOTE 39 - FINANCIAL (EXPENSES)/INCOME**

	<b>1 January - 30 June 2005</b>	<b>1 April - 30 June 2005</b>
Foreign exchange income	474,826	309,512
Interest income	2,836,997	1,531,644
Guarantee letter expense	(1,458)	(570)
Bank commissions and other financial expenses	(72,847)	(53,840)
Eximbank interest expense	(309,333)	(242,666)
Dividend income	228,551	228,551
<b>TOTAL</b>	<b>3,156,736</b>	<b>1,772,631</b>

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**NOTE 40 – GAIN/(LOSSES) ON NET MONETARY POSITION**

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is not necessary for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. In accordance with the decision there is no monetary gain/loss for the six-month period ended 30 June 2005.

**NOTE 41 - TAXATION**

Corporation tax is payable at a rate of 30% (2004: 33%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

Taxes on income for the six month period ended 30 June 2005 are summarised as follows:

	<b>1 January - 30 June 2005</b>	<b>1 April - 30 June 2005</b>
- Current year corporate tax	(2,167,139)	(973,986)
- Deffered tax	151,096	(199,041)
<b>Total tax expense</b>	<b>(2,016,043)</b>	<b>(1,173,027)</b>

**NOTE 42 - EARNINGS PER SHARE**

	<b>1 January - 30 June 2005</b>	<b>1 April - 30 June 2005</b>
Net profit for the year (YTL)	4,497,027	2,423,054
Number of shares with a nominal value TL1,000 each	39,312,000,000	39,312,000,000
<b>Earnings per share (YTL)</b>	<b>0.11</b>	<b>0.06</b>

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**NOTE 43 - CASH FLOW STATEMENT**

	<b>30 June 2005</b>	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>216,344</b>
Net profit before taxation (+)	6,513,070	
<b>Adjustments:</b>		
Amortisation (+)	2,546,030	
Employment termination benefit	494,327	
Interest income (-)	(1,592,275)	
Interest expense (+)	309,333	
Income from marketable securities or long term investments (-)	(228,551)	
Fixed asset sales loss-net	-	
Change in the provision for doubtful receivables	112,156	
Change in the deferred financial income	(298,195)	
Change in the deferred financial expense	59,208	
<b>Change in asset and liabilities:</b>		
Change in trade receivables	683,524	
Change in from related companies	3,282,884	
Change in inventories	(991,826)	
Change in other receivables	(802,677)	
Change in other non current assets	-	
Change in other long term receivables	6,521	
Change in trade payables	(9,811,041)	
Change in due to related parties	(2,121)	
Change in liabilities for short term financial leasing activities	-	
Change in short term expense accruals	-	
Change in other short term liabilities	2,578,962	
Change in liabilities for long term financial leasing	149,843	
Taxes payable	(2,683,277)	
Employment termination benefits paid	(109,551)	
<b>Net cash generated from the operating activities</b>	<b>216,344</b>	
<b>B. CASH FLOW FROM INVESTMENT ACTIVITIES</b>		<b>(319,956)</b>
Fixed asset additions (-)	(548,507)	
Cash provided from the fixed asset sales (+)	-	
Dividend income (+)	228,551	
<b>Cash generated from investment activities</b>	<b>(319,956)</b>	
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES</b>		<b>(289,538)</b>
Interest paid (-)	(309,333)	
Interest received (+)	1,592,275	
Net change in the bank borrowings	-	
Increase in the special reserves	-	
Dividends paid (-)	(1,572,480)	
<b>Net cash generated from financial activities</b>	<b>(289,538)</b>	
<b>Net increase in cash and cash equivalents</b>	<b>(393,150)</b>	<b>(393,150)</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>28,003,663</b>
<b>Cash and cash equivalents at the end of period</b>		<b>27,610,513</b>

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**NOTE 44 - DISCLOSURE OF OTHER MATTERS, WITH MATERIAL EFFECT ON  
FINANCIAL STATEMENTS, REQUIRED FOR THE PURPOSE OF  
UNDERSTANDING AND INTERPRETING THE FINANCIAL STATEMENTS**

As indicated in Note 2, the accompanying financial statements are prepared and presented in accordance with the accounting and reporting principles issued by the Turkish Capital Market Board, which differ from the accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). The effects of such differences have not been quantified. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in the financial position and cash flows in accordance with the accounting principles generally accepted in such countries and the IFRS.

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