

TÜRK PRYSMIAN KABLO VE SİSTEMLERİ A.Ş.
RELATED PARTY TRANSACTIONS REPORT
2016

1. GENERAL INFORMATION

This report has been prepared in accordance with article 5 of the Communiqué Serial: IV.41 and article 10 of the Communiqué Serial II.17.1 of the Capital Markets Board. According to this declaration; if there are frequent and continuous commercial relations/ transactions between group companies and these commercial relations are more than %10 of the gross sales or %10 of the assets of company, report of frequent and continuous commercial relations between group companies has to be prepared.

This report has to clarify that transactions between the related group companies are fair according to market conditions.

In 2016, Türk Prysmian Kablo ve Sistemleri A.Ş.' transactions with related parties have not exceeded the 10% limit; transactions will be performed in accordance with the principles described in this report.

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

Our Company started to carry out its operations under the title Türk Prysmian Kablo ve Sistemleri A.Ş. as a result of the international share transfer in 2005 after the ownership of the cable factory owned by Türk Siemens, which was found in 1964 in Mudanya , was transferred to Pirelli in 1999.

Our Company is a foreign capital company carrying out the "Manufacturing and Sale of Energy and Communication Cables". Its line of business includes the manufacturing, import, export and trading of all sorts of cables, conductors, machinery, apparatus, tools and equipment as well as their spare parts and accessories.

The Prysmian Group, which our company is a subsidiary of, is an industry leader with over 20.000 personnel in 91 manufacturing facilities in more than 50 countries and an annual revenue of more than EUR8 billion.

Our Company continues its operations as an incorporated company with Draka Holding B.V. (83,75%) being the majority shareholder. 16,25% of publicly-traded Türk Prysmian are traded at the Istanbul Stock Exchange Inc.

1.2 Information About Related Companies

1.2.1 Subsidiaries

Türk Prysmian - Prysmian Powerlink Adi Ortaklığı-1 (Partnership); one of the Company's affiliates, was incorporated in 2013, further to the opinion provided by the Revenue Administration Department pertaining to taxation procedures of the Contract DB.KAB.7 Lapseki - Sutluce 380kV Submarine Cable Project. Ordinary partnership was established for the sole purpose of taxation of the project and 99.99% is owned by Türk Prysmian Kablo ve Sistemleri A.S. and 0.01% by Prysmian Powerlink S.r.l.

Türk Prysmian - Prysmian Powerlink Adi Ortaklığı-2 (Partnership); one of the Company's affiliates, was incorporated in 2014, further to the opinion provided by the Revenue Administration Department pertaining to taxation procedures of the Contract DB.KAB.7 Lapseki - Sutluce-2 380kV Submarine Cable Project. Ordinary partnership was established for the sole purpose of taxation of the project and 99.99% is owned by Türk Prysmian Kablo ve Sistemleri A.S. and 0.01% by Prysmian Powerlink S.r.l.

1.3 Information about the Conditions of Transactions between the Related Parties and Their Alignment with Market Conditions

1.3.1 Purchases from Related Parties

Due to the competitive nature of the industry and in order to satisfy the technological qualification requirements, companies are bidding for the projects together with their group companies, the total amounts relating to the procurement of commercial goods and services from related companies in addition to our company's general production and commercial activities in the year 2016 are as follows due to the "DB.KAB.7 Lapseki – Sütluce 380kV Submarine Cable" project.

January 1 - December 31, 2016

Transactions with affiliates	Purchases of goods	Purchases of services
Prysmian Cables and Systems OY/FINLAND	3.436.224	-
Prysmian Cables et Systemes France	299.911	-
Prysmian Cables y Sistemas S.A.	16.602.311	-
Prysmian Cavi e Sistemi S.r.l.	225.049	22.902.996
Draka Comteq Berlin GmbH & Co. KG	103.766	-
Prysmian Cavi e Sistemi Italia S.r.l.	24.540.889	-
P.T. Prysmian Cables Indonesia	-	-
Prysmian S.p.A.	231.190	474.041
Prysmian Kabel und System GmbH	11.308.865	-
Prysmian Cables & Systems Ltd.	5.137	-
Fibre Ottiche Sud - F.O.S. S.r.l.	8.825.822	-
Draka Comteq UK Limited	2.147.382	-
Draka Comteq Fibre BV	350.794	-
Draka Cable Wuppertal GmbH	2.265.068	-
Draka Norsk Kabel AS Drammen	781.620	-
Prysmian Romania Cabluri si Sisteme	5.891.945	-
Prysmian Power Link Service Ltd.	15.504.565	-
Draka Comteq Germany GmbH	2.130.837	-
Prysmian Cables and Systems B.V.	1.665.154	-
Prysmian Power Link Srl Milan	-	-
Prysmian MKM Magyar Kabel	-	-
Prysmian Tianjin Cables Co. Ltd.	43.235	-
Prysmian Wuxi Cable Company Ltd	-	-
Prysmian Baosheng Cable Co., Ltd	-	-
Prysmian Australia Pty Ltd	131.588	-
Draka Cableteq	-	-
Prysmian Energia Cabos	-	-
Prysmian Optical Fiber Brasil S.A	-	-
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	-
Diğer İlişkili Şirketler	-	-
	96.794.494	23.377.037

Within our goods procurements of TL96.794.493 from our related companies within the year 2016;

- The total amount of (year 2016) of raw material, commercial goods and other procurements made from related companies totalling TL81.289.930 was lower than 10% of the cost of sales in the financial statements.

- Price of commercial goods and technical services, TL15.504.564 of which is procured for the DB.KAB.7 Lapseki – Sütlüce 380kV Submarine Cable project. The total amount of (year 2016) of raw material, commercial goods and other procurements made within the scope of the project was lower than 10% of the cost of sales in the financial statements, as explained in the annex to the consolidated financial statements.

- The amount of TL23.377.037 comprises of procurement of intra-group services and royalty fees. The amount of commercial goods and services procurements that were publicly disclosed was lower than 10% of the cost of sales in the financial statements of the last year (year 2016).

1.3.2 Sales to Related Parties

The sales we have made to our related companies in 2016 are listed below on company basis. All of the sales are commercial goods.

	January 1 - December 31, 2016
Transactions with affiliates	Sales of goods
Prysmian Cavi e Sistemi Italia S.r.l	15.689.837
Prysmian Cables et Systemes France	8.082.227
Prysmian Cables & Systems Ltd.	15.221.116
Prysmian Cables y Sistemas S.A.	25.094
Draka Cable Wuppertal GmbH	348.848
Prysmian Tianjin Cables Co. Lt	3.596.242
Draka Kabel Sverige AB	58.196
Prysmian Fibras Oticas Brasil Ltda	117.958
Prysmian Energia Cabos y Siste	68.082
Prysmian Cables and Systems US	65.557
Prysmian Australia Pty Ltd	1.444.322
Draka Comteq Germany GmbH & Co	296.421
Prysmian Cabluri si Sisteme S.A.	2.080.682
Draka Istanbul Asansor Ihracaat Ihr.Ltd.Şti.	-
P.T.Prysmian Cables Indonesia	272.639
Prysmian Kabel und Systeme GmbH	-
Prysmian PowerLink Srl	350.196
Singapore Cables Manufacturers Pte Ltd	1.124.707
Draka Kabely S.R.O.	-
Prysmian Kablo S.R.O.	67.227
Draka Cableteq USA INC	3.495.569
Draka Comteq Berlin GmbH & Co. KG	336.156
Draka Comteq Slovakia S.R.O	11.111
Prysmian Cables and Systems OY/FINLAND	13.291
Draka Comteq France SAS	16.558
Draka Comteq UK Limited	285.824
AS Draka Keila Cables	2.305
Prysmian Telecom Cables & Systems Austuralia	-
Diğer İlişkili Şirketler	-
	53.070.165

Besides; the project progress billing invoiced to Türk Prysmian - Prysmian Powerlink Partnership, which has been found solely for taxation purposes, within the scope of the "DB.KAB.7 Lapseki – Sütlüce 380kV Submarine Cable" project are invoiced by the partnership to TEİAŞ without adding any mark-up.

Within this scope, the progress billing amount issued to Türk Prysmian - Prysmian Powerlink Partnership in 2016 by our company due to the project is as follows:

Type of Transaction	Amount (TL)
Türk Prysmian - Prysmian Powerlink Adi Ortaklığı-1 Progress Billing (Sale of Services+Goods)	15.557.526
Türk Prysmian - Prysmian Powerlink Adi Ortaklığı-2 Progress Billing (Sale of Services+Goods)	149.633.435

Our company realized TL165.190.961 progress billing (services and goods) to its subsidiary Türk Prysmian - Prysmian Powerlink Partnership in 2016, where the amount of sales that were publicly disclosed was higher than 10% of the revenues in the financial statements of the last year (year 2016), and the partnership was found, as explained hereinabove, solely for taxation purposes and is eliminated in our consolidated financial statements.

To this end, the amount of our commercial goods sales detailed in the annex to the consolidated financial statements was lower than 10% of the revenues in the financial statements (year 2016).

2. Information about the Conditions of Transactions between the Related Parties and Their Alignment with Market Conditions

2.1 Disclosures about Purchases

Our company manufactures some of the goods sold in its own facilities, and some of the goods are supplied by international group companies within the scope of specialty product orders. There is a division of labour in terms of specialization regarding cables and accessories among our group companies operating in more than 50 countries, and our company supplies both the commercial goods and products it sells and technical services from group companies which satisfy the group quality and supply requirements within the frame of the group transfer pricing directive.

The price charged to related companies within the scope of the Group Transfer Pricing Directive for the sale of goods and services is set based on adding a Mark-Up on top of the “variable costs”, which are specifically determined for the manufacturing company and under the competitive conditions of the country it is located, for the entire group by product group basis.

On the other hand, because in services procured from group companies, “the actual cost is determined and the price is reflected to include no mark-up” in services produced by distributing **the** management and IT expenses (SAG) born on behalf of the Group at our company’s group headquarters within the scope of the Group’s Transfer Pricing Directive among group companies, the optimum Transfer Pricing method to be used in relation to consistency with precedent is set by using Cost Plus zero Mark-Up.

2.2 Disclosures about Sales

The project progress billing invoiced to Türk Prysmian - Prysmian Powerlink Partnership, which has been found solely for taxation purposes within the scope of the “DB.KAB.7 Lapseki – Sütlüce 380kV Submarine Cable” project using the Cost plus Mark-Up method are invoiced by the Partnership to TEİAŞ without adding any mark-up. Therefore, it is understood that our sale to the related party is actually the contract price agreed with the non-related TEİAŞ and that it is exactly reflected using the Cost plus Zero Mark-Up method. Within the scope of this project, cost plus mark-up method was used in our intra-group procurements, and the transactions were carried out in line with the Group’s transfer pricing policy, according to market conditions and ordinary business practices.

3.CONCLUSION

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 taken or avoided.

As there were no losses, there was no need for loss offsetting.